



hoosier lottery™

Request for Information

Solicitation for:

Hoosier Lottery
Integrated Services

Probity Submission due
by **August 1, 2012**

Responses due
by **August 31, 2012**

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SECTION ONE

GENERAL INFORMATION AND REQUESTED SERVICES

1.1 INTRODUCTION

The State Lottery Commission of Indiana (the “Commission”) is charged with establishing and operating lottery games (the “Hoosier Lottery” as defined below) that benefit the people of Indiana by generating significant funds for capital improvements and other purposes. While the Hoosier Lottery generated \$188 million in net income in its state fiscal year 2011 (“SFY”) which ended June 30, 2011, the Commission believes that there is a great deal of untapped potential and opportunity to grow the Hoosier Lottery.

In accordance with its duty to function as an entrepreneurial business enterprise, the Commission is issuing this Request for Information (“RFI” as defined below) in an effort to select an experienced, responsible private entity (“Provider” as defined below) that will materially accelerate the realization of a significant increase in net revenues generated by the Hoosier Lottery through innovation, agility and market responsiveness. The Provider selected by the Commission will enter into an Integrated Services Agreement to furnish a broad range of services, including equipment and products (“Services” as defined below) for a term of ten (10) years with an opportunity to extend this term based on performance. The Provider’s compensation will be correlated to its success in increasing the net income of the Hoosier Lottery in a responsible manner.

While this RFI primarily seeks net income proposals for assistance in operating the Hoosier Lottery as it currently exists (“Base Bid Option” as defined below), there is an opportunity to propose new ideas for the improvement, modernization and overall enhancement of the gaming entertainment experience – including new games, platforms and delivery mechanisms that are not presently in use by the Commission (“Enhanced Bid Options” as defined below). While the Commission will consider this input carefully in terms of future policy, and will use it to understand the potential of new concepts to increase Hoosier Lottery net income, the Commission has no present intention to materially change its current operations or to take action that will expand gaming in Indiana.

1.2 DEFINITIONS

Following are explanations of terms and abbreviations appearing throughout this RFI. Other special terms may be used in the RFI, but they are more localized and defined where they appear, rather than in the following list. Terms set forth below may include abbreviated meanings. Should terms used in this RFI correspond to the same or substantially similar terms defined in the Integrated Services Agreement, the meaning given to the terms in the Integrated Services Agreement shall take precedence and control. Capitalized terms used in this RFI but not defined in it shall

have the meaning ascribed to such terms in the Integrated Services Agreement and/or Operating Standards.

Base Bid Option The services, equipment and products to improve the Hoosier Lottery and achieve the Offeror's Business Plan that are not considered an expansion of gaming from the Hoosier Lottery as it currently functions.

Bid Net Income Proposal The Bid Net Income (as defined in the Integrated Services Agreement) that Offeror proposes as a minimum over the first five (5) Contract Years (as defined in the Integrated Services Agreement).

Bid Security An unconditional and irrevocable standby letter of credit, with an effective date of August 31, 2012 and a stated expiration date of December 31, 2012, payable upon presentation of a demand notice given by the Commission to the issuing Eligible Institution, without any condition or approval (whether involving Offeror or otherwise), which shall be issued in a usual and customary form in use in the State which form is Approved (as defined in the Integrated Services Agreement) and that is consistent with and governed by the Uniform Customs and Practice for Documentary Credits, 2006 Revision, International Chamber of Commerce Publication No. 600 (UCP), or any later version or amendment and applicable uniform commercial code law of a state of the United States of America, the force and effect of which state law is substantially the same the laws of the State. Alternatively, cash deposited in an escrow account pursuant to an Escrow Agreement.

Business Plan The information, plans and data submitted by the Offeror that is responsive to Section 3.3 of this RFI. The submitted Business Plan, subject to any modification and clarification resulting from the process described in Sections 3.1 and 4.1.3 of this RFI, will be the Initial Annual Business Plan (as defined in the Integrated Services Agreement).

Commission Director The person appointed to the role of the Director of the Commission as specified by the Lottery Law.

Designated Procurement Contact Transaction Advisor, Oliver Wyman Inc., 111 Monument Circle, Suite 4300, Indianapolis, IN 46204 Attention: Bill Harsh, to whom and where all submissions by Offeror shall be submitted when required by this RFI.

Eligible Institution	A Third Party (as defined in the Integrated Services Agreement) that is (i) a financial institution domiciled in the United States of America rated at least A3 by Moody's Investors Service, Inc. and A- by Standard & Poor's Ratings Services, (ii) duly licensed to do business in the State, and (iii) without any equity interest, directly or indirectly, in Provider or any of its Affiliates (as defined in the Integrated Services Agreement); <i>provided</i> that the Commission reserves the right to Approve an Eligible Institution that has a substantial Indiana banking presence not meeting the criteria in clause (i).
Enhanced Bid Options	The services, equipment and products that the Offeror is capable of and would propose implementing for purposes of improving, modernizing or otherwise enhancing the Hoosier Lottery (including new games, new platforms, and delivery mechanisms not presently in use by the Commission) beyond those relating to the Base Bid Option.
Escrow Agreement	Escrow Agreement among the Offeror, Commission and escrow agent selected by the Commission in a form to be made available by the Commission in the Virtual Data Room, pursuant to which the Bid Security and/or the Bid Deposit shall be held and applied.
Hoosier Lottery	The lottery games operated by the Commission pursuant to the Lottery Law.
Integrated Services Agreement	The final form of the written agreement to be executed by Provider, which will be available in the Virtual Data Room on or about July 20, 2012.
Lottery Law	State law including Indiana Code 4-30, corresponding administrative codes and applicable federal laws that directly or indirectly apply to the delivery or receipt of the Services and performance of the Integrated Services Agreement.
Lottery Retailer	A Person (as defined in the Integrated Services Agreement) who complies with the requirements of the Lottery Law and has entered into an agreement to be an authorized agent for the retail sale of Lottery Tickets to the public, which is additionally defined in Indiana Code 4-30-2-7.

Offer	The Probity Submission, including the results of any investigations conducted by the Probity Officer, and the Response (and if applicable, the Bid Deposit).
Offeror	A single individual or entity or group of individuals and/or entities that intend to submit an Offer and, at a minimum, has entered into a Non-Disclosure Agreement that is approved by the Commission. This term includes all individuals and/or entities that will have an equity interest in the Provider that would constitute Control (as defined in the Integrated Services Agreement).
Operating Expenses	The expenses incurred by the Provider in providing Services necessary for the Commission to operate the Hoosier Lottery.
Operating Standards	A manual describing the policies and procedures that shall govern the operational provisions for the performance of the Services, as amended from time to time.
Probity Officer	The party or parties conducting background searches and due diligence investigations of Offerors at certain stages of the process for the sole benefit of the Commission and its Director of Security.
Provider	The special purpose entity caused to be established by the Selected Offeror that enters into the Integrated Services Agreement. (See Section 5.3 of this RFI.)
Provider Net Income	All revenue derived from the Hoosier Lottery, less paid prizes and claims, commissions to Lottery Retailers and Operating Expenses determined in accordance with GAAP (as defined in the Integrated Services Agreement).
Provider's Security	An unconditional and irrevocable standby letter of credit payable upon presentation of a demand notice given by the Commission to the issuing Eligible Institution, without any condition or approval (whether involving Provider or otherwise), which shall be issued in a usual and customary form in use in the State which form is Approved (as defined in the Integrated Services Agreement) and that is consistent with and governed by the Uniform Customs and Practice for Documentary Credits, 2006 Revision, International Chamber of Commerce Publication No. 600 (UCP), or any later version or amendment and applicable uniform commercial

code law of a state of the United States of America, the force and effect of which state law is substantially the same the laws of the State.

Request for Information	This document and all materials, schedules, exhibits, and attachments appended hereto, as may be amended or supplemented from time to time at the sole discretion of the Commission. Sometimes referred to herein as “RFI”.
Response	The collective plans, information and data submitted by the Offeror in its Business Plan, Bid Net Income Proposal and Bid Security.
Selected Offeror	The Offeror tentatively selected by the Commission; <i>provided</i> that such tentatively selected Offeror shall not be deemed to have been awarded a right to enter into the Integrated Services Agreement until all applicable conditions in this RFI have been met (as determined by the Commission in its sole discretion), which shall solely and conclusively be evidenced by the Commission’s execution of it.
Selection Team	The group of individuals selected by the Commission Director to evaluate the Offers and recommend the Selected Offeror.
Services	The scope of services is to be consistent with the Base Bid Option and Enhanced Bid Options, if and to the extent approved and accepted by the Commission, which include the services detailed in the Services Exhibits. This scope of services to be performed by the Provider is definitively described and determined in the Integrated Services Agreement.
Services Exhibits	Schedules 2.1, 2.2 and 5.5 attached to the Integrated Services Agreement.
State	The State of Indiana.
Virtual Data Room	The means by which the Commission has made and will continue to make certain information and data available to the Offerors for the sole purpose of permitting them to prepare Offers. The Designated Procurement Contact will instruct the Offerors on the manner by which the Virtual Data Room may be accessed. Access may be discontinued at any time for any reason by the Commission in its discretion.

1.3 HOOSIER LOTTERY

The Hoosier Lottery currently includes both instant games (scratch cards and pull-tabs) and draw games (traditional number matching games where player tickets are produced on a terminal connected to a central computer). The sales split between these two major product categories was 66% instant and 34% draw in SFY 2011.

The Hoosier Lottery generated \$791 million of revenue and \$188 million of net income during SFY 2011. The Hoosier Lottery has enjoyed relatively consistent growth throughout its history; with a compound annual growth rate (“CAGR”) of 3.7% from 2001-2011, and a net income CAGR of 1.9% during the same period.

Hoosier Lottery Historical Financials							
						2007-2011	
	\$MM	FY07	FY08	FY09	FY10	FY11	CAGR
Operating Revenues							
Instant Games		525	539	485	474	519	-0.3%
Online Games		264	284	248	266	272	0.8%
Total Operating Revenues		789	823	733	740	791	0.1%
YoY Growth %		-3%	4%	-11%	1%	7%	
Operating Expenses							
Prizes		478	503	453	456	495	0.9%
Retailer Commissions		55	59	50	51	56	0.5%
Ticket Printing Costs		8	9	7	8	9	3.8%
Advertising and promotion		8	10	11	11	12	9.9%
On-line professional services		8	8	7	8	8	-0.4%
ITVM lease and courier services		4	4	4	3	3	-9.4%
Other Operating Expenses		17	20	21	19	18	1.4%
Total Operating Expenses		578	613	555	557	600	1.0%
% of Revenue		73%	74%	76%	75%	76%	
Operating Income		211	210	178	183	191	-2.5%
% Profit Margin		26.8%	25.5%	24.3%	24.8%	24.2%	
Net Income		216	217	179	190	188	-3.4%
% Profit Margin		27.4%	26.4%	24.4%	25.6%	23.8%	

As of May 31, 2012, the Operating Income is forecast to be \$212 million at the end of SFY 2012. As and when available, SFY 2012 income statement information will be made available in the Virtual Data Room. In May 2012, the Commission approved the SFY 2013 budget with an anticipated Operating Income of \$226 million.

Operating Income is the measure used by the Commission to evaluate the performance of the Hoosier Lottery. Net income (as shown above) includes unrealized gain and losses related to the Fair Market Valuation of securities that, effective July 1, 2012, do not impact the amount of funds that are distributed to the State.

There are approximately 180 full-time employees currently working for the Commission, the majority of whom focus on sales, distribution and marketing activities.

Since its incorporation in 1989, the Hoosier Lottery has contributed over \$2.9 billion to the State's Build Indiana Fund. Hoosier Lottery revenue contributions currently account for approximately 30% of the State's annual contribution to the Build Indiana Fund. In addition, the Hoosier Lottery is also contributing to Police Officers' and Firefighters' Pension and Disability Fund and Teacher's Retirement Fund. Through the selection of a Provider and the execution of an Integrated Services Agreement, the Commission will increase the Commission's net income and will be able to increase its contributions to the State's Build Indiana Fund which will, in turn, fund and support capital projects throughout the State for the benefit of the citizens of this State.

The laws and regulations that govern the requirements and obligations of the Commission are some of the most autonomous and flexible laws and regulations in the United States of America. The Commission is granted wide authority to develop its own budgets and manage its own business with minimal integration with other State agencies.

1.4 OPPORTUNITY

Since its incorporation, the Commission has built a well-regarded franchise. The Commission now has established a goal that the Hoosier Lottery become among the best performing lotteries in the nation. This RFI is part of the process to accomplish that goal by giving the Commission the opportunity to identify and select a Provider that will maximize the business opportunity presented by the Hoosier Lottery in a manner that builds on the reputable brand of the Hoosier Lottery and upholds the Highest Standards (as defined in the Integrated Services Agreement) including security, honesty, fairness, integrity and transparency in the operation and administration of the Hoosier Lottery.

While it is anticipated that the Services to be furnished by the Provider will include assumption of the sales, distribution and marketing activities and functions for the Hoosier Lottery, it is expected that the Provider will perform the Services in a manner that coincides with the Commission's current operation of the Hoosier Lottery holistically with an emphasis of integrating Provider's activities in the broadest manner to permit the Commission to continue to meet its obligations and its public mission and directives under the Lottery Law. A premium will be placed on Responses that demonstrate this understanding and address our central and core challenge and questions – *How will you help the Hoosier Lottery: become and remain one of the highest performing lotteries in the nation; meet our important stakeholder transparency needs; and make this relationship a model for cooperation, collaboration, and excellence.* It is this cooperative spirit and philosophy that the Hoosier Lottery is seeking.

Once selected, the Provider will be at risk in terms of potential payments that will be due to the Commission should the Provider fail to meet its Bid Net Income or fail to meet certain other requirements of the Integrated Services Agreement. Conversely, the Provider will have the opportunity to earn both significant monetary payments and an extension of its contract term should it meet and exceed its objectives. While the Commission will at all times maintain control and guidance over the operation of the Hoosier Lottery, it will expect the Provider to perform a broad range of functions consistent with Services Exhibits and the Initial Annual Business Plan. These include:

- Developing and executing the strategy to improve the financial performance of the Hoosier Lottery sufficiently to allow Provider to deliver its Bid Net Income;
- Recruiting and managing Provider's team, including Subcontractors (as defined in the Integrated Services Agreement), required to deliver the strategy;
- To the extent required, refreshing and repositioning the Hoosier Lottery brand in the marketplace;
- Developing the portfolio of instant and draw games offered by the Hoosier Lottery;
- Supporting the games offered with effective advertising, including POS displays and materials, sponsorships and promotions;
- Providing and maintaining the Central Gaming System and the Terminals (each as defined in the Integrated Services Agreement);
- Printing the tickets for the instant games;
- Providing and maintaining vending machines and other sales equipment required to sell instant products;
- Recruiting and training Lottery Retailers, including achieving appropriate market penetration throughout the State and, in particular, developing new categories of Lottery Retailers;
- Efficiently managing distribution of product to Lottery Retailers, including development and maintenance of a predictive ordering system, warehousing and efficiently shipping product;
- Customer relationship management, including development of the Hoosier Lottery website, development of a loyalty program, maintaining a responsible gaming program and maintaining an efficient customer service center;
- Providing the Commission with timely information in a format prescribed by the Commission sufficient to allow it to resume all aspects of the operations of the Hoosier Lottery quickly and efficiently should the Integrated Services Agreement be terminated for any reason; and
- Developing baseline data concerning the strength of the franchise and participation in lottery games, and sharing that data efficiently with the Commission.

The Commission anticipates that each Offeror may have its own distinct perspectives concerning opportunities to grow revenue and Provider Net Income for the Commission. Such opportunities may include but are not limited to:

- Reconfiguring the current retail and distribution network, potentially increasing its scope and reach;
- Optimizing commission structure for Lottery Retailers and other distributors;
- Optimizing the gaming experience within the legal and policy parameters of the State as established by the Commission and the Lottery Law;
- Enhancing marketing activities and developing superior knowledge of, and communications with customers;
- Marketing the Hoosier Lottery to new, infrequent and lapsed players to increase the breadth of its customer base; and
- Making improvements to the supply-chain.

The Commission will be responsible for the operation of the Hoosier Lottery, including adopting rules for all games and setting jackpots. The Commission's staff will continue to provide expert support to the Commission consistent with the Services Exhibit, and will continue to be responsible for:

- Conducting drawings for draw games, validating winning tickets, paying prizes not paid by Lottery Retailers, establishing annuities for prize winners as requested and managing unclaimed prizes;
- Representing Indiana in multi-jurisdictional games;
- Maintaining a system of internal controls and audits;
- Collecting and disbursing Lottery revenues;
- Certifying Lottery Retailers proposed by the Provider; and
- Tax reporting.

In sum, the Commission is seeking a Provider that has demonstrated the ability to innovate and to implement substantial improvements to the Hoosier Lottery to succeed, rather than the selection of a technical team to make incremental changes to the way the Hoosier Lottery has operated. The Commission is offering the opportunity to assist in growing a medium size, well-established lottery in the most business friendly state in the nation.

1.5 RFI PROCESS

This RFI is being carried out and administered under the broad authority and powers granted under Indiana Code 4-30, 65 IAC 2-1-4(8) and the Commission's Resolution dated May 16, 2012. Under the Resolution, the Commission Director is charged with the authority to solicit offers for the Services with the objective, after evaluating Offers and taking into consideration price and other evaluation factors including competence, quality of services, experience and expectation for timely performance of the Integrated Services Agreement, of selecting the Offer determined to be most advantageous and highest overall value to the Commission.

Prior to the issuance of this RFI, the Commission published a Request for Expression of Interest in order to solicit input from the industry and market place relative to the RFI process, the form of Integrated Services Agreement and to aid in the Commission's development of the Operating Standards. Participation in the Request for Expression of Interest process was voluntary and is not a condition to responding to this RFI. A copy of the Request for Expression of Interest is available in the Virtual Data Room. A Non-Disclosure Agreement form was included in the Request for Expression of Interest that is required to be completed by each Offeror and accepted by the Commission Director prior to an Offeror gaining access to the Virtual Data Room and participating in the RFI process. A copy of this form is available upon request to the Designated Procurement Contact. The Commission shall have no obligation for any costs incurred by Offerors in responding to any portion of this RFI (or in anticipation of being awarded an agreement) including, but not limited to, any costs incurred related to the probity and background investigations. By submitting an Offer, each Offeror acknowledges and agrees that it incurs all such costs on its own behalf and that no claim or demand for recovery of such costs shall be made against the Commission, Commission Director, the Indiana Finance Authority, the State and their respective employees, agents, members, consultants and counsel. There is no obligation of the Selection Team to recommend an Offer or Offeror to the Commission or of the Commission to accept an Offer or select an Offeror at the conclusion of the RFI process.

During this RFI process, the Commission reserves the right to:

1. Disqualify and/or reject any or all Offeror(s) at any time for any reason;
2. Terminate this RFI process at any time for any reason;
3. Terminate this RFI process and commence a similar or different procurement approach; and
4. Take any action permitted under the Lottery Law.

1.6 VIRTUAL DATA ROOM

A Virtual Data Room will be available to all Offerors upon the Commission's receipt and acceptance of a completed and executed Non-Disclosure Agreement. The Virtual Data Room will contain copies of all information that the Commission deems useful to the RFI process and will serve as the primary forum for responding to written questions and inquiries and posting any modifications, addendums or supplemental instructions to the RFI. An Offeror's access to the Virtual Data Room may be revoked by the Commission at any time if deemed to be in the best interests of the Commission.

1.7 SCHEDULE

Subject to change at the discretion of the Commission Director, the anticipated schedule for the RFI process is as follows:

Date	Event
July 9, 2012	Draft Integrated Services Agreement and Draft Operating Standards released to Vital Date Room.
July 13, 2012	Last day to submit input on (a) draft Integrated Services Agreement and draft Operating Standards and (b) any desirable changes to regulations applicable to the Hoosier Lottery or any desired statutory changes.
July 20, 2012	Release Final Integrated Services Agreement and Operating Standards.
August 1, 2012	Probity Submission to be submitted in accordance with Section TWO.
August 31, 2012	Responses to be submitted in accordance with Section THREE.
September 13 & 14, 2012	If required by the Selection Team, meetings with Offerors to discuss Offers and seek clarifications. Offerors are requested to reserve these dates.
September 20, 2012	Selection Team recommends an Offer to the Commission.
September 21, 2012	Offeror that submits the recommended Offer to make Bid Deposit under Escrow Agreement.
September 26, 2012	Commission determines a Selected Offeror.
September 26, 2012	Commence full probity and background investigation.
By October 25, 2012	Selected Offeror to make Preclosing Deliveries (as defined in Attachment A).
By November 1, 2012	Execute Integrated Services Agreement and Selected Offeror to make other Closing Deliveries (as defined in Attachment A).

1.8 QUESTIONS

Offerors may submit questions related to the RFI, the Integrated Services Agreement, the Operating Standards, or any other related subject. To avoid doubt, Offerors are particularly encouraged to submit any questions about whether any elements in Offeror's Business Plan might be considered an expansion of gaming for purposes of properly aligning inclusion of items in the Base Bid Option or Enhanced Bid Options, respectively; all such questions should be specific as possible and include a description of any and all games, platforms, delivery mechanisms or other concepts at the root of the question. All questions and requests for clarification shall be submitted in writing to the Designated Procurement Contact at hoosierlottery@oliverwyman.com. A response will be provided to the Offeror in writing via email or posted in the Virtual Data Room. There is no guarantee that

every question or request will receive a response. Offerors are encouraged to submit any questions or requests at the earliest possible time so that they may be answered prior to August 31, 2012. The Commission, in its sole discretion, may issue a modification or addendum to this RFI based on the substance of any response issued under this Section without identifying the Offeror, fact or circumstance that prompted the question. No Offeror shall rely upon, take any action, or make any decision based upon any verbal communication.

To ensure the integrity of this process, upon publication of this RFI, Offerors and their agents MUST NOT contact 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 this RFI unless otherwise expressly permitted. Offerors who are currently doing business with the Commission may continue to work with their contacts at the Commission; *provided* that such communications shall be strictly limited to subject matter involving current pending Commission business and any communication regarding the RFI with any individual mentioned above is prohibited. Failure to comply with this protocol may disqualify an Offeror from further consideration and result in exclusion from the RFI process.

1.9 MODIFICATIONS TO RFI

The Commission reserves the right to modify or amend this RFI for any reason at any time. In the event that the Commission determines that it is beneficial to the Commission or process to modify or amend this RFI, the Commission will release a written addendum and/or supplemental instructions to this RFI and post them in the Virtual Data Room.

1.10 OPPORTUNITY TO COMMENT ON THE DRAFT INTEGRATED SERVICES AGREEMENT AND OPERATING STANDARDS; AND TO THE REGULATORY REQUIREMENTS

Offerors are invited to submit “red line” comments concerning the draft Integrated Services Agreement and the draft Operating Standards. Offerors are also invited to submit any proposed changes to regulations applicable to the Hoosier Lottery or any desired statutory changes. Comments may be submitted electronically to the Designated Procurement Contact at hoosierlottery@oliverwyman.com on or before Noon (12:00 P.M. Eastern Daylight Time) on July 13, 2012. Comments will be carefully considered. Final copies of the Integrated Services Agreement and the Operating Standards will be posted in the Virtual Data Room on or about July 20, 2012.

SECTION TWO PROBITY SUBMISSION

The Probity Submission shall be received by the Designated Procurement Contact on or before Noon (12:00 P.M. Eastern Daylight Time) August 1, 2012. The Probity Submission must be submitted in a sealed envelope or other suitable packaging and must clearly identify on the envelope or packaging, in bold letters, the name of the Offeror and the Title "Hoosier Lottery RFI – Probity Submission." Probity Submissions received after Noon (12:00 P.M. Eastern Daylight Time) August 1, 2012 may, in the sole discretion of the Commission, be returned unopened at which point the Offeror that submitted the untimely Probity Submission will be disqualified from further participation in this RFI process.

Each Offeror must submit one original hard copy version of the Probity Submission and one complete copy of the Probity Submission on CD-ROM or similar storage device. The Probity Submission should include all documentation requested in this Section. See attached Scheduled Deliverables as provided in Attachment A to this RFI for the deliveries that will be required to be made by Offeror/Provider (the "Scheduled Deliverables") which includes the deliveries that will be required in Offeror's Probity Submission. An Offeror may only submit one Probity Submission.

The purpose of this submission is to ensure that Offeror possesses the requisite integrity, ethics, resources, financial wherewithal and commitment to perform the Services in accordance with the Integrated Services Agreement, Operating Standards and the Highest Standards established by the Lottery Law.

The Selection Team's evaluation of the Probity Submission will rely, in part, on the preliminary investigation that the Probity Officer conducts concerning each Offeror (including related Affiliates). A significant portion of the information required to be included in the Probity Submission will be used by the Probity Officer in conducting these preliminary investigations. All Offerors shall fully and timely cooperate with the Probity Officer at all stages of the investigation. A lack of cooperation by an Offeror will be considered by the Selection Team in evaluating the Offer of that Offeror and making their recommendation. The Commission, through the Probity Officer, will conduct a further investigation of the Selected Offeror prior to entering into the Integrated Services Agreement. (See Section 5.2 of this RFI.)

2.1 MULTI-JURISDICTIONAL PERSONAL DISCLOSURE FORM

A Multi-Jurisdictional Personal Disclosure Form, a copy of which is available in the Virtual Data Room, must be filled out by each individual or entity that will have a direct or indirect ownership interest in the Provider that Offeror will establish if its Offer is selected and accepted by the Commission. Any individual who serves as an officer or director of the Provider or as an officer or director of any Controlling entity must also fill out a Multi Jurisdictional Personal Disclosure Form. The Probity

Officer reserves the right to request additional Multi-Jurisdictional Personal Disclosure forms as appropriate.

2.2 REQUIRED STATEMENTS AND REPORTS

If the Offeror includes and/or is affiliated with a listed entity or an entity with publicly traded debt, please include a copy of the last three years Form 10-K or foreign equivalent. If the Offeror is not a listed entity or an entity with publicly traded debt, please include audited financial statements for the last three years (or if audited statements are not available, then unaudited one with any review or compilation reports from any external accountants) and a description of the Offeror's business. If the Offeror includes a Limited Liability Corporation (LLC), Limited Partnership (LP), General Partnership (GP) or Limited Liability Partnership (LLP), please submit the operating agreements among its members. Please identify each member of the Offeror and provide the last three years 10-K or foreign equivalent, or certified audited or unaudited financial statements for each member. If a governance agreement for the consortium has been entered into, please provide a copy of that agreement. Otherwise, please provide an indicative description of the role and proportional financial interest of each consortium member. This description should identify the party with controlling interest and the identity of each member expected, directly or indirectly, to have more than a five percent interest in the Provider. Offerors may reserve the right to add or delete consortium members, *provided* that such changes and supporting documentation are promptly submitted to the Designated Procurement Contact prior to the submission of Responses.

2.3 FINANCIAL VIABILITY

Demonstration that the Offeror has available financial resources that it can and would make available to Provider as necessary to capitalize the operations of Provider sufficient to permit Provider to provide the Services and meet its obligations under the Integrated Services Agreement. This financial showing must be demonstrated by appropriate evidence presented to the Commission either through (a) a showing of liquidity of at least \$20,000,000 (U.S. Dollars) in unencumbered cash resources as shown on a balance sheet (e.g., current assets in excess of current liabilities and unrestricted retained earnings/equity) as of May 31, 2012 or a more current date or (b) a lending commitment from an Eligible Institution stating that it is willing to extend a line of credit in the amount of \$20,000,000 (U.S. Dollars) to Offeror.

2.4 VOLUNTARY DISCLOSURE

Offerors are invited to bring to the attention of the Probity Officer any facts concerning the Offeror, any of its employees or Affiliates, that might be construed as

bearing adversely upon its suitability to act as Provider. An Offeror availing itself of this option may provide an explanation of such facts.

The Commission advises Offerors that it will view voluntary disclosure positively in that it will maximize the time available for the Probity Officer to investigate and evaluate the facts.

SECTION THREE RESPONSE

Offeror's Response shall be comprised of its Business Plan, Bid Net Income Proposal and Bid Security and shall be submitted to the Commission. A list of the Scheduled Deliverables to be included in the Response is identified Attachment A. Each Response should be prepared simply and economically. Offerors are reminded that the Selection Team is interested primarily in the content of the Business Plan and the consistency of the Business Plan with the Bid Net Income Proposal. An Offeror may submit only one Response.

This information should be presented in clear and concise text and exhibits. The inclusion of brochures and other sales materials is strongly discouraged. The importance of developing and preparing Responses in a manner that succinctly addresses the business challenges, opportunities for innovation, standards, laws and regulations that are unique to the Hoosier Lottery cannot be overstated. Generic, "stock," marketing and similar content is discouraged and will not be considered by the Selection Team.

The Response shall be received by the Designated Procurement Contact on or before Noon (12:00 P.M. Eastern Daylight Time) August 31, 2012. The Response must be submitted in a sealed envelope or other suitable packaging and must clearly identify on the envelope or packaging, in bold letters, the name of the Offeror and the title "Hoosier Lottery RFI – Response". Responses received after Noon (12:00 P.M. Eastern Daylight Time) August 31, 2012 may, in the sole discretion of the Commission, be returned unopened, at which point the Offeror that submitted the untimely Response will be disqualified from further participation in this RFI process. The Response must be submitted with a Response Transmittal Letter in the form which will be available in the Virtual Data Room.

Offeror must submit seven hard copies of the Response and one complete copy on CD-ROM or similar storage device.

All Responses must be firm and remain open to selection and acceptance until the Integrated Services Agreement is executed by the Selected Offeror or by December 31, 2012, whichever occurs first. This period of time may be extended upon mutual agreement of the Commission and one or more Offerors.

3.1 CLARIFICATION AND DISCUSSIONS

September 13 and 14, 2012 have been reserved by the Selection Team to hold, as necessary, discussions with Offerors for the purpose of seeking clarification of any information contained in their respective Offer, which may include details pertaining to any new and/or alternate lottery games proposed by Offeror as part of its Enhanced Bid Options. The Selection Team may or may not require any such clarification discussions but, as it may request, reserves the opportunity to do so in person or by email through the Designated Procurement Contact.

When formed as described in Section 5.3 of this RFI, the Provider shall enter into the Integrated Services Agreement in the form provided by the Commission, which will be available in the Virtual Data Room on or about July 20, 2012. Offeror's Response must be based on the assumption that the Offeror will enter into the Integrated Services Agreement without any changes or modifications other than filling blanks and completing information consistent with the selected Offer. The Integrated Services Agreement will not be subject to negotiation. Every description and term contained in this RFI (including any attachments to it) is qualified in its entirety to the definitive terms and conditions set forth in the Integrated Services Agreement. Each conflict between this RFI (including any attachments to it) and the Integrated Services Agreement shall be conclusively resolved by reference to the Integrated Services Agreement.

It shall be a condition of entering into the Integrated Services Agreement that the Offeror will enter into a Guaranty (as defined in the Integrated Services Agreement); *provided* that if (a) the Offeror is comprised of a group of Affiliated companies, the guarantor shall be that Affiliated entity determined by the Commission to be the most financial solvent entity from the Affiliated group or the parent entity, or if (b) the Offeror is comprised of a consortium of companies, the Commission reserves the right to require each such member of the consortium to provide a Guaranty on a joint and several basis. (See Section 18.3 of the Integrated Services Agreement.)

Furthermore, execution of the Integrated Services Agreement by the Commission will be subject to final approval and execution by the Commission Director, establishment of Provider as described in Section 5.3 of this RFI, provision for each of the required deliverables to the Commission under the Integrated Services Agreement and this RFI, and successful conclusion of the full probity and background investigation. Failure of Provider to execute the Integrated Services Agreement may result in a forfeiture of its Bid Deposit.

3.2 CONFIDENTIAL INFORMATION

Once submitted, the Offers shall become the property of Commission, may not be returned to Offerors and are subject to Indiana Public Records Act, Indiana Code 5-14-3 and other relevant provisions of Indiana Code (collectively, the "Public Records Act"). Offerors are encouraged to familiarize themselves with the Public Records Act. In the event the Offeror submits any documents which the Offeror believes are not subject to disclosure pursuant to the Public Records Act, Offeror **shall**, at the time of submission, provide such materials and information in a manner that complies with the following:

- The exterior package or envelope containing the Response, in bold letters shall be marked "CONFIDENTIAL MATERIALS AND INFORMATION EXCEPTED UNDER INDIANA'S ACCESS TO PUBLIC RECORDS ACT"; it shall not be necessary to separate the confidential portions from the non-confidential portions in separate packages;
- Within the materials, for each piece of material and information that is asserted to be confidential under the Public Records Act, specify the exception that applies to in each section of material, either in the header or footer of each such page affected (or by another clear and conspicuous method); blanket designations that do not identify the specific information which the Offeror deems confidential and the basis shall not be acceptable and may be cause for the Commission to treat the entire Offer as public information;
- To the extent any Offeror submits information or material so marked "Confidential" it shall simultaneously submit a redacted version of such materials and information, which may be in the same package, with the "Confidential" information deleted therefrom and clearly marked "VERSION REDACTING CONFIDENTIAL MATERIALS AND INFORMATION EXCEPTED UNDER INDIANA'S ACCESS TO PUBLIC RECORDS ACT";
- The Bid Net Income Proposal information in any Response may NOT be marked as, and will NOT be treated by the Commission, as confidential.

The Commission may, in its sole discretion, request an opinion from the Office of the Indiana Public Access Counselor ("PAC") as to whether or not the material or information marked confidential may be properly withheld from disclosure in response to a request to access public records under the Public Records Act. In the event the Commission requests an opinion from the PAC, such opinion may be treated by the Commission as conclusive absent a determination or order by a judicial body to the contrary.

The Commission will not advise a submitting Offeror as to the nature or content of documents entitled to protection from disclosure under the Public Records Act or other applicable laws, as to the interpretation of such laws, or as to definition of trade secret. Nothing contained in this provision shall modify or amend requirements and obligations imposed on the Commission by the Public Records Act or other applicable law. The provisions of the Public Records Act or other laws shall control in

the event of a conflict between the procedures described above and the applicable law.

In the event of any request, proceeding or litigation concerning the disclosure of any material submitted by an Offeror, the Commission will be the custodian retaining the material until otherwise directed or ordered by the PAC, a court or such other authority having jurisdiction with respect thereto, and the submitting Offeror will be responsible, at its sole expense and risk, for otherwise prosecuting or defending any action concerning the materials; *provided*, however, that Commission reserves the right, in its sole discretion, to intervene or participate in the litigation, proceeding, or request for disclosure if and to the extent the Commission deems necessary or desirable. All costs and fees (including attorneys' fees and costs) incurred by the Commission in connection with any litigation, proceeding, or request for disclosure shall be reimbursed and paid by the submitting Offeror objecting to disclosure. Each submitting Offeror shall be responsible for all of its own costs in connection with any litigation, proceeding, or request for disclosure.

In no event shall the Commission, or any of its agents, representatives, consultants, commissioners, officers or employees be liable to the submitting Offeror for the disclosure of all or a portion of any Offer submitted under this RFI.

Any designation of confidentiality under this Section relates solely to the rights and obligations under, and the operation of, the Public Records Act as to requests received from third parties. The Commission will obtain all rights necessary to use any information, process or idea proposed in any Response regardless of which Offeror is selected at the conclusion of this RFI process. Nothing contained in this Section will impair this right of use on behalf of the Commission.

Information submitted by the Offerors may be made available to any Commission representative. Notwithstanding that certain materials may be exempt from disclosure under the Public Records Act, the Offeror understands and acknowledges that all portions of the Offer may be made available to any Commission representative including but not limited to, the members of the Commission, the Commission Director, the Selection Team, the Indiana Finance Authority and the respective consultants, legal counsel and employees of any of them.

3.3 BUSINESS PLAN

The Business Plan shall conform in all respects with the requirements of the Integrated Services Agreement including the requirements of the Section 5.3 of the Integrated Services Agreement. While the Provider will be rewarded based upon its success in growing Provider Net Income, it also will be expected through the development and execution of its Business Plan to maintain and enhance the Hoosier Lottery brand and to uphold the Highest Standards of responsible gaming, security, honesty, integrity, fairness and transparency.

Base Business Plan

An essential element of an Offeror's proposal is a concise and coherent Business Plan that clearly documents the specific strategies and actions the Offeror will undertake to grow Provider Net Income should it be selected as the Provider and the specific resources it will require to achieve its Bid Net Income Proposal. The Base Business Plan should cover the first five Contract Years of the Integrated Services Agreement and should be limited solely to matters related to the Base Bid Option. The first Contract Year should be quite specific and granular. The second Contract Year should be as specific and granular as possible, given the uncertainty of planning one year in advance. (See "Detailed Portion of the Plan" in Section 5.3.2 of the Integrated Services Agreement.) The remaining three Contract Years may be somewhat more general. The Commission expects that the Base Business Plan, as adjusted annually, will provide the basis by which the Offeror would provide Services in support of the operation of the Hoosier Lottery, and thus the Commission leaves the format of the Business Plan to the discretion of each Offeror. At a minimum, however, each Base Business Plan must include:

1. A description of the Offeror's strategic approach to growing Provider Net Income.

A compelling strategy will be based on a sound rationale, experience in other jurisdictions or analogous situations and market research.

2. Based upon the strategic approach, the specific actions and initiatives the Offeror proposes to undertake to achieve the Bid Net Income Proposal.

Again, the actions and initiatives for first Contract Year should be quite specific and granular. The second Contract Year should be as specific and granular as possible, given the uncertainty of planning one year in advance. The remaining three Contract Years may be somewhat more general.

Offerors are advised that the Commission places high importance on understanding the actions and initiatives each Offeror proposes to undertake to grow Provider Net Income, the expected benefits and the likelihood that the Offeror can achieve those benefits. For example, an initiative described as "achieving an appropriate penetration rate for Lottery Retailers throughout the State" would be less compelling than an initiative that describes the factors considered in determining optimal market penetration, how those factors were applied to each county, and the strategy for increasing Lottery Retailers in under-penetrated counties and culling Lottery Retailers in over-penetrated counties.

Offerors should also offer analysis or market research where available, demonstrating that projected benefits fall within a reasonable range.

Supporting Experience: In support of the Base Business Plan, its strategic approach and specific activities and initiatives, the Offeror should demonstrate its experience and the experience of the individuals who will be assigned to work on its Hoosier Lottery team, in operating a lottery or a customer-facing enterprise of similar or greater size than the Hoosier Lottery. The Offeror also is encouraged to provide information that demonstrates that it has successfully undertaken some or all of the activities and initiatives described in the Base Business Plan inclusive of a rationale and evidence, based on market research or experience in other jurisdictions or analogous situations, that actions and initiatives proposed can be successfully implemented and that the projected benefits can be achieved within a reasonable range. Experience of persons who will be engaged in operating the Hoosier Lottery is more relevant than experience by others in the firm, although both are useful. Where available, Offerors should cite experience in implementing similar initiatives and describe the benefits actually achieved. Experience need not be specifically related to the operation of a lottery. For example, implementation of a successful rebranding initiative or loyalty program in another industry is relevant. As related to the experience cited in the Business Plan, the Offeror should provide the name and contact information of 3 individuals that the Selection Team may contact to discuss the Offeror's performance, together with a brief description of the role that the individual played in the project.

3. A table, supported as needed by discussion, (a) stating the organic growth of draw and instant games that the Offeror is assuming in its financial projections, and the basis for those assumptions, and (b) the sources of non-organic growth that the Offeror is assuming. For each source of non-organic growth, the Offeror should state the annual revenue growth in each Contract Year of the five-year Business Plan that it has assumed, the actions and initiatives it will undertake, and the resources it will require to realize this growth. The total growth attributable to organic and non-organic growth should foot to the growth shown in the pro forma income statement in the Offeror's Business Plan.
4. A table, supported by discussion, identifying the resources required to undertake the actions and initiatives described in the Base Business Plan. These should be divided into the individual line item elements of the Management Fee (as defined in the Integrated Services Agreement) and the Lottery Expenses. Where appropriate, savings

compared to similar expenses incurred by the Commission during SFY 2012 should be identified. The resources required should total to the Operating Expenses for each of the first five Contract Years of operations under the Integrated Services Agreement.

5. An organization chart showing both the Provider's own employees (including employees hired from the Commission) and its Affiliates and Subcontractors. Include a description of key roles and responsibilities, naming, wherever possible, specific individuals who will form part of the senior management/executive team to be Provider Key Personnel (as defined in the Integrated Services Agreement) and providing resumes for these individuals and a completed Schedule 6.3.1 for the Integrated Services Agreement.
6. Identify any Affiliates and who will provide goods and services (including equipment and products) in support of the Business Plan. For each Affiliate, please describe the specific scope of responsibilities. Affiliate roles and responsibilities not listed will be subject to the requirements in Section 7.3 of the Integrated Services Agreement. Additionally identify any initial Subcontractors and, for any that involve a Major Procurement (as defined in the Integrated Services Agreement), provide information necessary to meet the requirements for review and approval under Indiana Code 4-30-8-2.
7. A pro forma income statement (in the form that is available in the Virtual Data Room) showing anticipated revenues, expenses and Provider Net Income (which will exceed the Offer's Bid Net Income Proposal) for each of the first five Contract Years of operations under the Integrated Services Agreement. This pro forma should relate to the expected results from undertaking the foregoing strategies discussed in paragraphs 1-4 above.

Additional Requirements: In addition to the Base Business Plan, each Offeror must provide:

1. **Transition Plan:** A preliminary timeline and activities for the Transition (as defined in the Integrated Services Agreement). The Transition Plan (as defined in the Integrated Services Agreement) will be Approved prior to the execution of the Integrated Services Agreement.
2. **Ramp-up Period Plan:** A preliminary review of initiatives to be undertaken during the Ramp-up Period (as defined in the Integrated Services Agreement). The Ramp-up Period Plan (as defined in the Integrated Services Agreement) will be finalized and Approved during the Transition.

The preliminary plan should include plans for terminating or assuming each existing Commission contract (see Terminated Commission Contracts and Assumed Commission Contracts in Section 3.3.1 of the Integrated Services Agreement) and for entering into its initial new Subcontracts (including Replacement Contracts); demonstrate that the cost of such plans and related actions will not adversely affect the Commission's budget (or Commission Net Income) for its SFY 2013; and demonstrate how the cost of such plans and related actions are accounted for in the Budgets related to the Contract Years.

3. **Disentanglement Services Plan:** A preliminary Disentanglement Services Plan (as defined in the Integrated Services Agreement) describing how it will provide Disentanglement Services (as defined in the Integrated Services Agreement) including how it will provide the Commission with timely information in a format prescribed by the Commission sufficient to allow it to resume all aspects of the operations of the Hoosier Lottery quickly and efficiently should the Integrated Services Agreement be terminated for any reason. The Disentanglement Services Plan will be finalized and Approved during the Ramp-up Period.
4. **Brand Integrity:** A plan describing how Offeror will periodically develop baseline data concerning the strength of the Hoosier Lottery franchise and participation in lottery games, and share that data efficiently with the Commission.
5. **Diversity:** A plan demonstrating how Offeror will further the statutory direction for participation of the Minority Business Enterprise and Women Business Enterprise as provided in Indiana Code 4-30-1-2 including regarding matters described in Section 7.4 and Schedules 5.3.3 (5) and 12.1.2 of the Integrated Services Agreement.
6. **Responsible Gaming:** A document demonstrating that growth in revenue assumed in its Base Business Plan will be achieved through responsible gaming practices, and that emphasis will be placed on attracting new, light and lapsed players.

Enhanced Business Plan

Offerors may submit an Enhanced Business Plan that is limited solely to matters related to the Enhanced Bid Options. The Enhanced Business Plan should follow the organization of the Base Business Plan. It should specifically identify the incremental revenue, Operating Expense and the Bid Net Income Proposal associated with each proposed concept.

The Offeror should provide evidence demonstrating its experience in implementing concepts that are the same or similar to those proposed, that the concepts can be successfully implemented and that the projected benefits can be achieved within a reasonable range.

The Offer should address how it will implement each such concept in a socially responsible manner consistent with the Highest Standards.

Financial Resources

The Base Business Plan should include a demonstration that the Offeror will make available to Provider access to working capital of at least \$20,000,000 (US Dollars). This demonstration may be made through funds transferred to the Provider or through a working capital lending commitment. Additionally the Offeror should demonstrate a lending commitment from an Eligible Institution stating that it is willing to extend credit in the amount of \$20,000,000 (U.S. Dollars) to Provider to meet the Provider's Security as of the Agreement Effective Date (as defined in the Integrated Services Agreement). Such lending commitments should not contain any underwriting conditions but may be conditioned upon the Offeror being requested by the Commission to enter into the Integrated Services Agreement.

If the Offeror is proposing one or more Significant Investment (as defined and described in Schedule 5.3.3 of the Integrated Services Agreement), describe the anticipated annual increase in Provider Net Income directly resulting from the Significant Investment over the amortization period of such Significant Investment using the Amortization Methodology (as defined in the Integrated Services Agreement).

3.4 BID NET INCOME PROPOSAL

Offeror's Bid Net Income Proposal is to set forth the Bid Net Income it proposes to be applicable under section 2 of Schedule 10.1 of the Integrated Services Agreement. At a minimum, this must demonstrate what the Offeror proposes for the following:

- Provide the Bid Net Income for Services under the Base Bid Option for each of the Contract Years ending June 30, 2014 through 2018. These values should not be based on the ability to perform any services outside the scope of the Services under the Integrated Services Agreement or provide any new and/or alternate lottery games as part of its Enhanced Bid Options described in its Business Plan.
- If Offeror identified any Enhanced Bid Options in its Enhanced Business Plan, the additional Bid Net Income for each such item for each of the Contract

Years ending June 30, 2014 through 2018. It is requested that separate amounts be itemized against each separate and distinct strategy and option in the Enhanced Bid Options.

- For any Enhanced Bid Options in its Enhanced Business Plan, Offeror must identify any change in existing law or regulation that it has determined to be necessary to viably consummate any Enhanced Bid Options the Commission may Approve.

3.5 BID SECURITY

Offeror shall provide the Bid Security in the amount of \$1,500,000 (U.S. Dollars) as security to assure that it satisfies its obligations under Section 5.1.2 of this RFI in the event its Offer is recommended to the Commission for consideration and acceptance. The amount of this Bid Security is calculated based on the estimated costs and expenses that the Commission will have incurred up to the time an Offer is recommended by the Selection Team. By submitting a Response, Offeror agrees 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 Section 5.1.2 of this RFI. Offeror agrees 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 Offeror's failure to satisfy its obligations under Section 5.1.2 of this RFI and not a penalty. Further, Offeror recognizes 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 Section 5.1.2 of this RFI. Accordingly, instead of requiring any such proof, Offeror agrees that as liquidated damages for failure to satisfy the obligations under Section 5.1.2 of this RFI in the event that its Offer is recommended to the Commission, the Commission may collect the full amount of the Bid Security.

In the event that Offeror's Offer is not recommended to the Commission for approval, the Bid Security shall be returned to the Offeror after the Integrated Services Agreement is fully executed or by December 31, 2012, whichever occurs first. If Offeror's Offer is recommended to the Commission, the Bid Security will be returned upon Offeror's performance of its obligations under Section 5.1.2 of this RFI.

SECTION FOUR EVALUATION and RECOMMENDATION

4.1 PROPOSAL EVALUATION PROCEDURE

The Selection Team will be responsible for evaluating the Offers using the evaluation criteria identified in Section 4.2 of this RFI.

The procedure for evaluating the Offers will be as follows:

- 4.1.1 Offers that are incomplete or otherwise do not conform to the requirements of the RFI may be eliminated from consideration. Prior to submitting the Offers, Offerors are encouraged to review the Scheduled Deliverables as set out in Attachment A.
- 4.1.2 Each Offer will be evaluated by the Selection Team on the basis of the criteria identified in Section 4.2 of this RFI consistent with the philosophy and objectives expressed throughout this RFI. The Selection Team, in its sole discretion, may receive input from the Commission's staff, consultants and counsel when appropriate.
- 4.1.3 The Probity Officer and/or Selection Team may engage in discussions with Offerors, who submitted Offers determined to be reasonably susceptible of being recommended to the Commission, for the purpose of seeking clarification to assure full understanding of, and responsiveness to, the RFI requirements, correcting errors or omissions in the Offer, and soliciting best and final offers. All discussions and communications will be conducted so as to avoid disclosure of contents of Offer to competing Offerors. Offers determined to be reasonably susceptible of being recommended by the Selection Team will be accorded similar treatment with respect to any opportunity for discussion and revision of Offers.
- 4.1.4 The Selection Team, based on all information provided in the Offers and received through any discussions conducted in accordance with Section 4.1.3 of this RFI, will endeavor to determine the Offer that is most advantageous to the Commission after considering the evaluation criteria identified in Section 4.2 of this RFI. The Selection Team will recommend such Offer to the Commission for approval. If, however, the Selection Team decides that no Offer is sufficiently advantageous, the Commission may take whatever further action is deemed necessary to fulfill its needs.

4.2 EVALUATION CRITERIA

The criteria to be used by the Selection Team in evaluating the Offers:

- Probity;
- Business Plan; and
- Bid Net Income Proposal.

The Selection Team will, in the exercise of its sole discretion, determine which Offer is determined to be most advantageous to the Commission, taking into consideration the criteria set forth in this Section, each of which will be given comparable weight,

consistent with the philosophy and objectives expressed in this RFI. The exercise of this discretion will be final.

SECTION FIVE POST RECOMMENDATION PROCEEDINGS AND EXECUTION OF INTEGRATED SERVICES AGREEMENT

5.1 SELECTED OFFEROR

- 5.1.1 If the Selection Team selects an Offer to recommend to the Commission, the submitting Offeror will receive written notice of such recommendation.
- 5.1.2 Within twenty-four (24) hours of receipt of such notice under Section 5.1.1 of this RFI, Offeror shall immediately deposit \$5,000,000 (U.S. Dollars) ("Bid Deposit") in an escrow account to be held and applied pursuant to the Escrow Agreement.
- 5.1.3 The Bid Deposit (other than refundable amount under the Escrow Agreement in the event the Integrated Services Agreement is not entered into) shall be non-refundable and retained as liquidated damages in the event that Offeror does not, or is unable to, enter into the Integrated Services Agreement as more fully described in Section 5.6 of this RFI. Upon receipt of the Bid Deposit, the Bid Security will be released and returned to the Offeror whose Offer has been recommended by the Selection Team.
- 5.1.4 The Commission will either approve or reject the Offer recommend by the Selection Team. If the Commission approves the Offer, the Selected Offeror will be subject to a full probity and background in accordance with Section 5.2 of this RFI and shall furnish all information and satisfy all obligations in accordance with Sections 5.3 and 5.4 of this RFI.
- 5.1.5 If, for any reason, the Commission is unable to consummate the Integrated Services Agreement with the Selected Offeror, the Commission may begin discussions with any other Offeror deemed to have submitted the next most advantageous Offer or determine that no such acceptable Offer exists.

5.2 FULL PROBITY INVESTIGATION

Upon receipt of the Bid Deposit and the Commission's approval of the Offer, the Selected Offeror shall be subject to a further and full probity and background investigation by the Probity Officer. Additionally, for any initial Subcontractors that involve a Major Procurement (as submitted by the Offeror with its Business Plan),

such Subcontractors will be subject to review and approval pursuant to the requirement of Indiana Code 4-30-8-2. Any unresolved issues or concerns raised during this investigation may serve as basis for disqualifying Offeror (or its proposed Subcontractors) and retaining the full amount of Bid Deposit in accordance with Section 5.6 of this RFI.

5.3 SPECIAL PURPOSE INDIANA ENTITY

The Provider will be required to meet the requirement of the Integrated Services Agreement (including establishment of the Provider consistent with Section 12.1.1 of the Integrated Services Agreement).

5.4 SCHEDULED DELIVERABLES

Subject to any issues or concerns raised during the full probity investigation, the Selected Offeror shall submit to the Commission (a) the items identified as the "Preclosing Deliveries" in Attachment A (Scheduled Deliverables) at least five (5) Business Days (as defined in the Integrated Services Agreement) in advance of the date the Commission has set for the execution and delivery of the Integrated Services Agreement, which is currently anticipated to occur on November 1, 2012 and (b) the items identified as the "Closing Deliveries" in Attachment A (Scheduled Deliverables) on the date set by the Commission for the execution and delivery of the Integrated Services Agreement. The Commission may in its discretion change the scheduled date for such execution by giving notice to the Selected Offeror.

5.5 EXECUTION OF INTEGRATED SERVICES AGREEMENT

Subject to the obligations under Sections 5.2, 5.3 and 5.4 of this RFI, it is expected that the Commission and Provider will enter into the Integrated Services Agreement on the date set by notice from the Commission. The Integrated Services Agreement shall include the Business Plan and Bid Net Income Proposal (including any Enhanced Bid Options proposed to and accepted by the Commission).

5.6 BID DEPOSIT

- 5.6.1 The amount of the Bid Deposit (except for the portion of the Bid Deposit designated in the Escrow Agreement as being refundable in the event the Integrated Services Agreement is not entered into) is calculated based on the estimated costs and expenses that the Commission will have incurred up to the time the Selected Offeror receives a notice to execute the Integrated Services Agreement in accordance with Section 5.5 of this RFI. By submitting a Response, the Selected Offeror agrees that the Commission and State would suffer significant financial loss if the Selected Offeror fails or is unable to comply with Section 5.5 of this RFI. Selected Offeror agrees that

this loss would be uncertain and difficult to ascertain and that the full amount of the Bid Deposit (other than the refundable amount permitted under the Escrow Agreement in the event the Integrated Services Agreement is not entered into) is a reasonable estimate of actual damages that the Commission and State would suffer as a result of Selected Offeror's failure, or inability, to comply with Section 5.5 of this RFI and not a penalty. Further, Selected Offeror recognizes the delays, expense and difficulties involved in proving actual loss that would be suffered by the Commission and State if the Selected Offeror fails or is unable to comply with Section 5.5 of this RFI. Accordingly, instead of requiring any such proof, Selected Offeror agrees that as liquidated damages for failing to comply with Section 5.5 of this RFI after receiving notice to execute the Integrated Services Agreement, the Commission may collect the full amount of the Bid Deposit (other than the refundable amount permitted under the Escrow Agreement in the event the Integrated Services Agreement is not entered into).

- 5.6.2 Upon Provider and Commission entering into the Integrated Services Agreement and as provided in the Escrow Agreement, the entire amount of the Bid Deposit shall be released to the Commission to reimburse the Commission for certain transaction costs and expense incurred by the Commission.

SCHEDULED DELIVERABLES

Summary of an Offeror's Deliverables to Be Submitted by the Offeror to the Commission ¹

<p>To be Submitted by Each Offeror prior to or as part of the <i>Probity Submission</i> by August 1, 2012</p>
<ol style="list-style-type: none"> 1. Non-Disclosure Agreement (RFI sections 1.5 and 1.6) 2. Probity Submission (including completed Multi-Jurisdictional Personal Disclosure Form and required Statements, Reports and References) (RFI section TWO) 3. Demonstration of Financial Viability Showing (RFI section 2.3)
<p>To be Submitted by Each Offeror as part of the <i>Response</i> by August 31, 2012</p>
<ol style="list-style-type: none"> 4. Response (including Base Bid Option, Enhanced Bid Options, Business Plan, Bid Net Income Proposal) (RFI section THREE) 5. Response Transmittal Letter in the form which will be available in the Virtual Data Room (RFI section THREE) 6. Bid Security in the amount of \$1,500,000 (U.S. Dollars) (RFI sections 3.5 and 5.1.3)
<p>Submitted by the Offeror that is Recommended by the Selection Team within 24 hours after notification and prior to the <i>Commission's approval of the Selected Offeror</i> (anticipated to by September 24, 2012)</p>
<ol style="list-style-type: none"> 7. Bid Deposit- Execution of Escrow Agreement and deposit of \$5,000,000 (U.S. Dollars) into escrow account to replace Bid Security (RFI sections 5.1 and 5.6)

¹ The scheduled dates are subject to change at the discretion of the Commission Director as provided in the RFI.

**Selected Offeror to Submit
the form of each the following
Five (5) Business Days prior to the
anticipated final execution of
the Integrated Services Agreement
(anticipated to be on November 1, 2012, which date the
Commission will set by prior notice)
(RFI sections 5.4 and 5.5)
(the "Preclosing Deliveries")**

8. Certification of Provider's Authorizing Resolutions and Incumbency Matters by an Duly Authorized Officer of the Provider, which is to be in a form and substance that is Approved.
9. Certified (a) Articles of Incorporation and/or Comparable Constituent Documents of Provider from the Indiana Secretary of State; and (b) Operating Agreement, Bylaws and/or Comparable Constituent Documents of Provider.
10. Certificate of Existence And Authorization to Do Business in state of Indiana for Provider from the Indiana Secretary of State.
11. Confirmation by Selected Offeror of execution copy of the Integrated Services Agreement in form presented by the Commission.
12. Form of execution copy of Opinions of outside legal counsel to Provider regarding usual and customary matters pertaining to the Integrated Services Agreement (including Provider being duly organized and existing, the due authorization and enforceability of such agreement, and related matters), which is to be in a form and substance that is Approved.
13. Certification of Guarantor's Authorizing Resolutions and Incumbency Matters by an Duly Authorized Officer of each Guarantor identified by the Commission, which is to be in a form and substance that is Approved.
14. Certified Articles of Incorporation and/or Constituent Documents of each Guarantor from applicable governmental body through which each was formed and exists; and (b) Operating Agreement, Bylaws and/or Comparable Constituent Documents of each Guarantor.
15. Certificate of Authorization to Do Business in state of Indiana for each Guarantor from the Indiana Secretary of State.
16. Confirmation by Selected Offeror of execution copy of the Guaranty or Guaranties in form presented by the Commission.
17. Form of execution copy of Opinions of outside legal counsel to each Guarantor regarding usual and customary matters pertaining to the Guaranty or Guaranties (including each Guarantor being duly organized and existing, the due authorization and enforceability of each such Guaranty, and related matters), which is to be in a form and substance that is Approved.
18. Form of execution copy of Provider's Security, which is to be in a form and substance that is Approved.
19. Form of execution copy of Opinions of outside or inside legal counsel to Eligible Institution regarding usual and customary matters pertaining to the Provider's Security (including the Eligible Institution being organized and existing, the due authorization and enforceability of such Provider's Security, and related matters), which is to be in a form and substance that is Approved.
20. Certified List of Provider's equity interest holders, Affiliates and Subcontractors as of the Agreement Effective Date.
21. Form of Release of escrow deposit to the Commission.

**Final execution of the Integrated Services Agreement
And simultaneous delivery of the foregoing deliverables
no. 8-21 above, which shall be delivered as executed
originals to the Commission
(anticipated to be on November 1, 2012, which date the
Commission will set by prior notice)
(the "Closing Deliveries")**