State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF PURCHASE AND PROPERTY
PURCHASE BUREAU
P.O. BOX 230
TRENTON, NEW JERSEY 08625-0230

JON S. CORZINE
Governor

R. DAVID ROUSSEAU
State Treasurer

December 23, 2008

Via Facsimile and Postal Mail

GTECH Corporation
GTECH Center, 8th Floor
10 Memorial Boulevard
Providence, RI 02903
Attn: Timothy Simonson, Regional Vice President

Reference: Proposal for Lottery Gaming System and Support Services
RFP #08-X-39707

Dear Mr. Simonson:

Please be advised that it is the intent of the Director of the Division of Purchase and Property to make a contract award to the following vendor pursuant to its bid proposal submitted in response to the referenced Request for Proposal.

GTECH Corporation

This award is being made in accordance with the protest procedure set forth in New Jersey Administrative Code 17:12-3.3, in compliance with Public Law 2005, Chapter 51 (formerly Executive Order 134 (2004) and Executive Order No. 117. **(The attached forms should be submitted by the intended awardee and faxed to Kevin Moore at 609-633-3634 by 12/30/08)**, and is contingent upon the availability of funds.

NOTE: If the proposed awardee or any of the covered entities or individuals have or may have made a newly proscribed political contribution, please add a list to the attached Executive Order 117 certification list, including the date of the contribution, the entity to which the contribution was made and the amount of the contribution.

All documentation pertinent to this award is available for your review by making an appointment with Kevin Moore by emailing kevin.moore@treas.state.nj.us.

The bidder is reminded that in accordance with RFP Section 1.9.8, No Contact with Executive Branch Employees, the no contact requirements remain in effect until contract award which does not occur until the end of the protest period and the completion of all protests, if any.

Thank you for the time and effort expended by your firm in the preparation of your bid proposal and we welcome your continued interest in future requirements.

Sincerely,

Kevin Moore
Manager, IT/Telecommunications
Division of Purchase and Property

STATE OF NEW JERSEY DEPARTMENT OF THE TREASURY PURCHASE BUREAU	**AWARD RECOMMENDATION**	REFERENCE NUMBER: T-1320

REPORT DATE: 12/08/08	NUMBER OF LETTERS MAILED: N/A	NUMBER OF BIDS RECEIVED: 2	PRICE EXPIRATION DATE OF RECOMMENDED VENDOR: N/A

TO: John Varghese, Assistant Director, Purchase and Property FROM: Kevin Moore, Acting Manager, IT/Telecommunications	SUBJECT: Lottery Gaming System and Support Services 08-X-39707

RECOMMENDATION: The Evaluation Committee (Committee) recommends that a contract be issued to GTECH Corporation (GTECH) for the single price line contained in the Lottery Gaming System and Support Services (LGS) Request for Proposal (RFP) 08-X-39707. The price line is for the total net sales percentage. GTECH has offered 00.5899 and has been found to be the most advantageous offer to the State and the NJ Lottery (NJL), price and other factors considered.

The contract term will include an implementation period as proposed by the bidder plus seven (7) years of production operations. The contract will have extension options not to exceed three years unless authorized by the Director: To maintain Lottery operations due to contractual delays for the follow-on contract and/or; if it is deemed in the best interest of the State. The anticipated annual cost estimate is $15 million dollars with a total estimate of $105 million over the 7 years of production operation. The FY 2008 net total sales was approximately $2.5 billion.

JUSTIFICATION: The purpose of this RFP is to solicit bid proposals for a contractor to provide and operate a lottery gaming system and support services that will replace the current lottery system. The LGS required by the RFP includes, but is not limited to:

- On-line games;
- Instant ticket validation, instant games inventory management, and combined accounting;
- Instant ticket warehousing and distribution (including point-of-sale (POS) materials);
- Communications network;
- Primary and back-up computer system and facilities;
- Business Continuity Site/District Office;
- Repair, maintenance, and updates of equipment and software;
- Associated security requirements.

An existing base of approximately six thousand two hundred (6,200) on-line terminals together with all related computer and network hardware and software and their support services must be replaced as a result of this RFP. All proposed system components must be delivered, installed, implemented, acceptance tested, and ready to be operational in accordance with the agreed upon schedule. The State requires that on the conversion date, at a minimum, the number of installed, operational retailer sales terminals must be equal (identical) to the number of installed, and operational retailer sales terminals on the day prior to the conversion date. The new system must be capable of supporting the Lottery's then current gaming products offered to the public. The Contractor must also be able to incorporate additional games and promotions into the System to support the Lottery's marketing plans.

The new system will operate on a satellite network operated by the contractor and thus eliminate the frame relay network supplied by Verizon the State currently uses. All costs for communications are included in the price. The elimination of the communications contract will save the State an estimated $8 million per year.

The RFP was issued on October 5, 2007. The RFP (Attachment 1) contained provisions for the submission of a Bid Proposal and a Best and Final Offer (BAFO) process. Bid Proposals were opened on January 11, 2008. Proposals were received from GTECH and INTRALOT.

Two addenda were released between the release of the RFP and the opening of the Bid Proposals. Addendum 1 changed the bid opening date to January 4, 2008 and Addendum 2 changed the bid opening date to January 11, 2008 and provided answers to the bidders' electronic submitted questions.

The proposal scoring methodology was provided in Section 5 of the RFP (Attachment 1). A proposal could receive a combined price and technical score of 1428 points (1000 points for technical and 428 points for price). The total technical score would be added to the total price score for each bidder and the bidder with the most points would win the award.

TO BE INCLUDED WITH REPORT: TABULATION, LETTER FROM USING AGENCY (IF ANY), BID PROPOSAL

APPROVALS:	
NA *Assistant Director / Date*	Kim Hall 12/22/08 *Acting Director / Date*

PB - 128 (12/07)

Prior to the release of the RFP an Evaluation Committee was formed. The Committee evaluated each proposal based on the requirements of each section of the Scope of Work (i.e.: 3.1, 3.2...3.10) described in the evaluation elements on the technical evaluation worksheet (See Attachment 3, Exhibit E). After completing reviews of each proposal and all clarification responses (See Attachment 2, Exhibits A & B) the Committee came to a consensus agreement on each element and on the overall score for each section. The technical scoring comparison is:

RFP Section	Points Available	GTECH Percentage Rating	GTECH Score
3.1 Central Configuration	100	99%	99.00
3.2 Retailer Terminals, Peripherals & Other Devices	130	94%	122.20
3.3 Communications Network	110	98%	107.80
3.4 Software Controls & Data Management	170	98%	166.60
3.5 Games & Marketing	100	98%	98.00
3.6 Emergency Management Terminals	60	97%	58.20
3.7 Contractor Facilities & Disaster Recovery Plan	75	98%	73.50
3.8 Staffing, Services & Operations Security Plan	100	98%	98.00
3.9 Gaming System Implementation	80	98%	78.40
3.10 Bidder Corporate Capability	75	98%	73.50
TOTALS	**1,000**		**975.20**

RFP Section	Points Available	INTRALOT Percentage Rating	INTRALOT Score
3.1 Central Configuration	100	85%	85.00
3.2 Retailer Terminals, Peripherals & Other Devices	130	96%	124.80
3.3 Communications Network	110	94%	103.40
3.4 Software Controls & Data Management	170	94%	159.80
3.5 Games & Marketing	100	95%	95.00
3.6 Emergency Management Terminals	60	95%	57.00
3.7 Contractor Facilities & Disaster Recovery Plan	75	95%	71.25
3.8 Staffing, Services & Operations Security Plan	100	74%	74.00
3.9 Gaming System Implementation	80	85%	68.00
3.10 Bidder Corporate Capability	75	75%	56.25
TOTALS	**1,000**		**894.50**

As documented in the Evaluation Committee report (See Attachment 2) and the scoring above, both bidders submitted responsive proposals. Neither bidder received a technical percentage score of less than 60% in any of the ten (10) scoring categories and each bidder's combined technical score was over the minimum requirement of 700.

Each bidder was asked to submit a BAFO on July 25, 2008 in addition to addressing specific issues related to the proposals. Once the technical scoring was complete the Committee opened the BAFO responses on November 7, 2008. The original pricing was subsequently opened to ensure neither bidder submitted a BAFO price that exceeded the original bid price. The pricing comparison is:

Bidder	Original Percentage of Net Total Sales	BAFO Percentage of Net Total Sales
GTECH	00.8899	00.5899
INTRALOT	00.6177	00.5577

Based on the FY 2008 gross sales of $2.5 billion, GTECH would cost $14,747,500 and INTRALOT would cost $13,942,500 for a difference of $805,000. Over the seven years of production operations, the GTECH proposal would cost approximately $5,635,000 more than INTRALOT based on the FY 2008 gross sales.

Using the formula provided in the RFP (Attachment 1, Section 5.8) to compute price points reveals:

GTECH price points = 428 x (.005577/.005899) = 404.64
INTRALOT price points = 428 x (.005577/.005577) = 428.00

The combined scoring comparison is:

VENDOR	TOTAL TECHNICAL POINTS	TOTAL PRICING POINTS	TOTAL COMBINED POINTS
GTECH	975.20	404.64	1379.84
INTRALOT	894.50	428	1322.50

In accordance with RFP Section 5.10, Technical Scoring and Pricing Combined, "The proposal scoring the highest amount of points will be recommended for contract award, regardless of how slim the margin." The Committee unanimously recommends GTECH for award of the Lottery Gaming System and Support Services contract.

A check of the complaint file found no complaints against this bidder.

GTECH has complied with the Business Registration requirements (VINF Screen Attachment 3). GTECH completed the Ownership Disclosure form. GTECH will be required to submit EO 134 and EO 117 certification documents and insurance certificates prior to contract award. GTECH is in compliance with Affirmative Action requirements (Attachment 4).

OIT and OMB have approved this project.

This contract will require a performance bond in the amount of $20,000,000.00.

Based on the pricing submitted, it is estimated that a new lottery gaming system will cost the State approx. $15,000,000.00 per year in operation. The contract term will be for 7 years of actual operation for an estimated cost of $105,000,000. The cost to continue with the existing lottery gaming system including communications lines each year is estimated at $34,000,000.00 with a 7 year estimate of $238,000,000.00. Awarding a new contract would result in an estimated annual savings of $19,000,000 and an overall savings of approx. $130,000,000.00.

The FY 2008 NJL net total sales was $2.5 billion. If the contract recommended for award had been in place in FY 2008, the estimated cost would have been about $15 million, or less than one percent (.59%) of the net total sales.

The Treasurer Approval Request form has been submitted and approval has been granted. See copy attached ahs ~~approval is pending. A contract will not be issued until approval has been granted.~~

Prepared by: _____ 12/5/08
Kevin Moore Date
Manager, IT/Telecommunications

Attachments:
RFP
Evaluation Committee Report
VINF Screen
Affirmative Action Form
Recommended Bidders Proposal

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Kevin Moore Date
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RFP
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EVALUATION COMMITTEE REPORT

Lottery Gaming System and Support Services (Re-bid)

RFP NUMBER 08-X-39707

EVALUATION COMMITTEE REPORT

Lottery Gaming System and Support Services (Re-bid)

RFP NUMBER 08-X-39707

1.0 PURPOSE AND INTENT

At the request of the New Jersey State Lottery (NJL), the Division of Purchase and Property in the Department of Treasury issued RFP 08-X-39707 Lottery Gaming System (LGS/System) and Support Services (Re-bid). The purpose of this RFP is to solicit bid proposals for a contractor to provide and implement a Lottery Gaming System and Support Services.

This is a re-procurement of the Lottery Gaming System and Support Services term contract, presently due to expire on 08/20/09. Also, this is a re-bid of RFP#: 06-X-37983, which was canceled.

2.0 BACKGROUND

2.1 NEW JERSEY LOTTERY HISTORY

On November 4, 1969, New Jersey voters voted to create a lottery and as a result, New Jersey became the third state, after New Hampshire and New York, to authorize and create a state lottery (the Lottery). Consequently, the Division of State Lottery and State Lottery Commission (Commission) were concurrently established February 16, 1970, pursuant to the "State Lottery Law" (N.J.S.A. 5:9-1 et seq.). The first tickets were sold on December 16, 1970 and the first lottery drawing was held on January 7, 1971. Net proceeds benefit education and State institutions.

The Division of State Lottery operates within the Department of the Treasury. The Commission consists of the State Treasurer and six public members and is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the price or prices of tickets, the number and size of prizes on winning tickets, the licensing of retailers, and the apportionment of ticket revenues.

The Lottery has been a success with the public; first-year revenues were $137 million. The Lottery's phenomenal growth and popularity were reflected recently in gross sales of over $2.5 billion in fiscal year 2008. The Lottery has taken and continues to take the industry lead in innovation with the design of new games and systems, to meet the demands of the buying public and insure honesty and integrity.

The mission of the Lottery is to raise revenue for the maximum contribution to education and institutions, benefiting the citizens of New Jersey through the sale of lottery products. The Lottery accomplishes this by providing entertaining products through a dynamic public business enterprise built upon honesty, integrity, customer satisfaction, teamwork, and public/private partnerships.

2.2 CONTRACT REQUIREMENTS

The contract requirements include the following:

- Hardware, software and data management;
- Retailer Terminals;
- Games and Marketing;

- Instant ticket validation, instant games inventory management, and combined accounting;
- Instant ticket warehousing and distribution (including point-of-sale materials);
- Communications network;
- Primary and back-up computer system and facilities;
- Business Continuity Site/District Office;
- Repair, maintenance, and updates of equipment and software;
- Associated security requirements.

The Contract will cover an implementation period plus seven (7) years of production operations. The Contract may be extended, under its original terms, for additional periods up to an overall three (3) additional years.

An existing base of approximately six thousand two hundred (6,200) on-line terminals together with all related computer and network hardware and software and their support services must be replaced as a result of this RFP. All proposed system components must be delivered, installed, implemented, acceptance tested, and ready to be operational in accordance with the agreed upon schedule.

The State requires that on the conversion date, at a minimum, the number of installed, operational retailer sales terminals must be equal to the number of installed, and operational retailer sales terminals on the day prior to the conversion date.

The new system must be capable of supporting the Lottery's current gaming products offered to the public. The Contractor must also be able to incorporate additional games and promotions into the System to support the Lottery's marketing plans.

2.3 CONTRACT OBJECTIVES

The following are the objectives for entering into a contract for the LGS:

- Install an integrated gaming system that will meet the gaming product needs of the Lottery for the entire term of the Contract.

- Obtain retailer equipment, supporting systems, and support services that are operationally sound, incorporate the highest level of integrity and security, and minimize risk for the Lottery.

- Obtain retailer equipment that will lead to high retailer and player satisfaction for quality and performance.

- Obtain a gaming system that is sufficiently flexible to meet the Lottery's evolving requirements.

- Obtain a highly reliable data communications system.

- Ensure that all proposed systems and services are ready to be operational by the agreed-upon schedule.

- Maximize net lottery proceeds for the State of New Jersey.

2.4 GAMING SYSTEM

Currently, the Lottery conducts the following games:

- Pick 3 plus Pick 3 Instant Match
- Pick 4 plus P4 Instant Match
- Jersey Cash 5
- Pick 6 Lotto
- Mega Millions
- Raffles (Intermittent)
- Various instant scratch games

The New Jersey Lottery has a contract with GTECH Corporation, Providence, Rhode Island, to run the current LGS and with Verizon to provide data communication services from the retailer terminals to the data centers operated by GTECH for the NJL. Approximately 6,200 on-line retailer sales locations are operational throughout the State. Retailers sell, validate and pay winners for multiple on-line games and a host of instant scratch ticket games.

The contract will consolidate the functions of both the gaming contractor and the data communication service vendor into one contract. The Lottery's communications contract will expire on the same date as the lottery gaming system contract, August 20, 2009.

3.0 OVERVIEW OF THE BID PROCESS

The procurement process for this RFP was divided into two phases: analysis and evaluation of technical proposals and cost evaluation. The evaluation of the technical proposals was completed before the cost proposals and/or the Best and Final Offer (BAFO) cost proposals were opened (see Section 4.0).

The RFP was issued on October 5, 2007. An electronic question and answer period was conducted. The deadline for submission of questions was October 26, 2007.

Two Addenda to the RFP were issued:

Addendum #	Issue Date	Description
1	11/9/2007	Modified Bid Opening Date from November 27, 2007 to January 11, 2008
2	12/6/2007	Provided answers to questions and modifications to the RFP.

Bid proposals were received on January 11, 2008 from GTECH Corporation and INTRALOT, Inc.

Each firm demonstrated the proposed retailer lottery terminals and other related equipment, GTECH on April 29 and INTRALOT on April 30, 2008. These demonstrations took place at 135 West Hanover Street, Trenton, New Jersey.

The following clarification letters and responses were exchanged. Copies of the letters are contained in Exhibit A.

Bidder	Letter Date	Response Date	Description
GTECH	Undated	2/19/08	Contact person for procurement same as current contract
	2/29/08	N/A	Corrections to Litigation Bond
	3/26/08	3/31/08	Imagine Terminal launch delay
	4/03/08	4/09/08	Demonstration date notice
	5/08/08	5/14/08	Clarification of technical proposal sections
	5/14/08	5/29/08	Subcontractor financial documents
	10/09/08	10/16/08	Clarification of Reference Check Responses
INTRALOT	4/04/08	N/A	Demonstration date notice
	5/08/08	5/14/08	Clarification of technical proposal sections
	5/14/08	5/28/08	Subcontractor financial documents
	6/12/08	6/18/08	IPLCP server clarification
	10/09/08	10/16/08	Clarification of Reference Check Responses

On July 2, 2008 letters were sent to both bidders requesting a best and final offer. These letters also requested that each bidder address specific issues related to its proposal. Both bidders submitted responses on July 25, 2008. Copies of the BAFO letters and responses are contained in Exhibit B.

4.0 EVALUATION PROCESS

4.1 EVALUATION COMMITTEE

The Evaluation Committee (Committee) is composed of the following individuals:

Committee Members

Deleted as Confidential

Advisors to the Committee

Garry Gassin	Lottery Projects Manager, Battelle Memorial Institute
Michael Huffenberger	Senior Research Scientist, Battelle Memorial Institute

4.2 BACKGROUND AND GENERAL APPROACH

Preparation of this Request for Proposal followed the State Treasurer's announcement that the State had decided that it was in the best interest of the public to cancel and re-bid an earlier RFP for these services and begin the procurement process anew.

As we began work on the new procurement, the Evaluation Committee was guided by the Treasurer's statement that the Treasury Department would work "to ensure that our process is as transparent and fair as possible to all stakeholders and free from outside influence and any apparent or real conflict of interest."

The intent of the Evaluation Committee, from the beginning of the process, was to conduct a fair and impartial procurement from RFP development through contract award. As a result, the procurement requirements and the evaluation methodology were carefully prepared to assure that impartiality and fairness were paramount.

The State retained the services of an independent, not-for-profit consultant, Battelle Memorial Institute (Battelle), to facilitate the evaluation effort and to provide technical advice. Battelle began consulting work with state lottery systems in 1977, and since then has served lotteries around the world and throughout the United States. Battelle does not work for vendors; rather it provides services for jurisdictions such as the NJL that oversee the operations of the games. Thus, Battelle can maintain an unbiased position while assisting state lotteries to oversee gaming systems.

Battelle consultants assisted in RFP development and proposal review and provided technical assistance in understanding responses. It participated in the product demonstrations and in Committee meetings, via teleconference. Battelle did not score the Proposals nor provide any opinions or recommendation as to which Proposal would best meet the State's needs. The technical information provided was used throughout the Committee's report.

4.3 PREPARATION OF REQUEST FOR PROPOSAL

Preparation and evaluation of the new Request for Proposal was undertaken by staff from the Department of the Treasury and the Office of the Attorney General who had no involvement in the cancelled procurement.

Rather than using the prior RFP as a starting point, the Committee asked Battelle to prepare an entirely new baseline document from which this re-bid could be built. This new document included up-to-date provisions used in Lottery procurements throughout the United States since 2005, and was familiar to potential bidders because the format had been used in other lottery procurements.

Before the new RFP was issued, the procurement was approved by the State Office of Information Technology Project Review Board which is responsible for the review, approval, and monitoring of large Executive Branch information technology projects.

Inclusive and straightforward bidder qualifications were established in the RFP to provide an opportunity for all potential bidders to compete. Section 1.2 (Bidder Qualification) required "at a minimum, that any proposing Bidder has one or more current U.S. clients to whom it has supplied a Lottery Gaming System."

In order to ensure transparency and fairness in the procurement process, and to insulate the process from outside influences, a prohibition against inappropriate vendor contact with Executive Branch employees was drafted – and appears in this procurement for the first time. Section 1.9.8 (No Contact with Executive Branch Employees) stated that "Neither the Bidder, its directors, officers or employees, nor, on its behalf, the Bidder's consultants, legal representatives, lobbyists, or other agents, shall initiate any Contact with any employee or agent of the Executive Branch of the State during the Procurement Process," with limited exceptions to permit necessary and appropriate contact with the Purchase Bureau during the procurement process.

Section 1.9.8 further provided that: "If it is discovered that there has been any Contact other than that specifically permitted in this Section 1.9.8 during the Procurement Process, the Director may take any reasonably appropriate action in response to such discovery, including but not limited to disqualifying the bidder from bidding or from further consideration of the Proposal (if the Proposal has been submitted), or, if in the best interests of the State, rescinding the Contract award or terminating the Contract, if the Contract has been awarded to the Bidder."

The Bidder was required to submit with its Proposal the No Contact Agreement and Certification Form provided with the RFP in accordance with Section 6.4.1.4. A copy of this Form is attached as Exhibit C.

The Purchase Bureau and the Lottery ensured that the entire procurement and evaluation process was governed by strict ethical guidelines. All Committee members, as well as any individual who may have contributed to the process, were required to sign a certification acknowledging that no contact relating to the project or the RFP was permitted between the State employee and any potential bidder or potential subcontractor to a bidder, or any party advocating or offering support on behalf of a potential bidder or subcontractor to a bidder.
Additionally, this certification required individuals to disclose any known or perceived conflict of interest with any potential bidder or with any potential subcontractor of a potential bidder, and prohibited anyone with such a conflict from serving as a member of the Evaluation Committee. The certification required that Evaluation Committee members could not have any direct or indirect personal financial interest in any potential bidder, or proposed subcontractor thereof. A copy of the certification is attached as Exhibit D.

Prior to the issuance of the RFP, all Lottery staff, as well as members of the Lottery Commission, were notified in writing that the procurement was taking place and directed to document and report any contacts with potential vendors. No reports were submitted.

To provide legal review and oversight during the procurement process, the Department of Law and Public Safety, Division of Law, assigned a Deputy Attorney General to provide legal advice and serve as a non-voting member of the Evaluation Committee. Legal counsel was provided to the Committee from the early stages of RFP drafting through the completion of the evaluation process.

In addition, the RFP gave notice to the vendors by clearly documenting how the proposals would be evaluated and scored. Prior to releasing the RFP, the Committee approved the evaluation process which clearly documented how the proposals would be evaluated and scored. The process was outlined in RFP Section 5.0.

4.4 PROPOSAL EVALUATION

4.4.1 TECHNICAL EVALUATION

Each of the technical (non-price) elements/items in RFP Section 3.0 (Scope of Work) was evaluated by the Committee, considering all Proposal text, clarifications, reference checks and product demonstrations.

A weighted scoring system was used to provide numerical scores that represented the Committee's assessments of the technical merits of the proposals relative to the RFP requirements. The scoring approach involved evaluating ten (10) technical and management criteria, multiplying the scoring percentage by the point weights available for each, and then totaling the scores.

4.4.1.1 CRITERIA AND WEIGHTS (AVAILABLE POINTS)

The weights (available points) for each of the evaluation criteria were:

RFP Section	Description	Points
3.1	Central Configuration	100
3.2	Retailer Terminals, Peripherals and Other Devices	130
3.3	Communications Network	110
3.4	Software Controls and Data Management	170
3.5	Games and Marketing	100
3.6	Emergency Management Terminals	60
3.7	Contractor Facilities and Disaster Recovery Plan	75
3.8	Staffing, Services and Operations Security Plan	100
3.9	Gaming System Implementation	80
3.10	Bidder Corporate Capability	75
	TOTAL AVAILABLE TECHNICAL POINTS	1,000

Although some criteria were more heavily weighted than others, bidders were cautioned that every criterion reflected requirements that had to be met regardless of a criterion's weight.

4.4.1.2 SCORING SCALE FOR EVALUATION

Points in this system were "earned" based on the Committee's consensus judgment using the following award scale:

Percentage Rating	Description
90-100%	The Proposal contains no significant limitations for the criterion.
80-89%	The Proposal has no more than one significant limitation and otherwise only minor limitations for the criterion.
70-79%	The Proposal has a few significant limitations or concerns, and otherwise only minor limitations for the criterion.
60-69%	The Proposal has several serious flaws and concerns with the approach or capability for the criterion.
Less than 60%	The Proposal is so severely flawed for this criterion as to render an essential element of the solution unworkable and therefore render the Proposal ineligible for contract award.

For each of the ten (10) evaluation criteria, the proposal received a score as a result of multiplying the points available times the percentage rating. All ten (10) scores were combined for the proposal's total technical score – with a total of 1,000 points available.

A percentage rating of less than 60% on any of the ten (10) criteria (sections), or a total technical score below seventy 70% (i.e., less than seven 700 of the available 1000 points) would render the Proposal ineligible for contract award.

4.4.1.3 EVALUATION AND SCORING METHODOLOGY

To determine a scoring percentage using the above table, the Evaluation Committee employed a structured methodology for documenting their findings and observations, known as PMIQ (Plus, Minus, Interesting and Question).

Dr. Edward de Bono, a renowned researcher and author on creative thinking, negotiation, evaluation and conflict resolution was the original developer of the concept. Using the PMI process, the evaluator makes a list of the positive, negative, and novel features of the criterion. The evaluators then compare and discuss their PMI lists, and arrive at a consensus.

The PMI approach was adapted by Michael Huffenberger of Battelle Memorial Institute for use in large proposal evaluations such as the Lottery Gaming System and Support Services procurement. According to Battelle, the method has been used successfully many times in the technical proposal evaluation in information technology procurements. The “Q” added to the PMI indicates that individuals also document Questions as they review the proposals. Plus, Minus, Interesting and Question are defined as follows:

Plus - response to an evaluation element/item that exceeds the RFP requirements;

Minus - response to an evaluation element/item that, although compliant, is far less than ideal;

Interesting - response to an evaluation element/item that is documented for further consideration or discussion. Interesting responses were eventually converted to Questions, Pluses, or Minuses -- or noted as simply compliant (meets RFP requirements);

Question – response to an evaluation element/item that is incomplete, unclear, or possibly non-responsive. Such questions may be answered by evaluation team members for each other, answered by consultants, answered by references to outside information sources (such as spec sheets on a company website), or sent to the proposing bidder for clarification. Once answered, questions became a Plus or Minus entry or simply resolved into compliant items that needed no further documentation.

Elements/items that did not receive a Plus, Minus, Interesting, or Question simply met the RFP requirements, and were given a "Pass". The elements that received a Pass did not have any effect on the technical scoring.

For the purposes of the PMIQ evaluation, 394 individual evaluation elements/items (see Exhibit E) were identified in the ten (10) RFP sections (evaluation criteria) listed in the Scope of Work (Section 3.0). Responses to individual evaluation elements/items within each section were reviewed and evaluated. When the Committee documented its findings, a PMIQ entry was not made for those responses which were simply compliant or workable (i.e. met RFP requirements). The ten (10) evaluation criteria were assigned percentage ratings based on the PMIQ's.

The methodology is discussed in greater detail in the following paragraphs.

4.4.1.3.1 - High and Low Impact Items

The Committee recognized that not all 394 elements/items within the ten sections/criteria had identical impact. Some elements/items were of greater importance to the NJL's business than others and these were deemed significant. As such, if the bidder's response to a significant element/item within a section was given a Plus, Minus or a high or low Quality of Evidence (see 4.4.1.3.2), there was an impact on the rating of the section.

4.4.1.3.2 - Quality of Evidence and Evaluation (QOE)

Quality of Evidence (QOE) is a measure of the level of confidence the evaluator is able to take from a specific element of the bidder's proposal. The Committee recognized that a proposal is a promise to deliver products and services. Some of these promises may not have been thoroughly detailed in the Proposals, and some requirements may not have been delivered by the vendors to other lotteries in the past. System modules and practices new to the vendor may result in scheduling problems and products that have not been fully tested in the field. The Committee, therefore, understood that there is risk associated with bidder responses that are vague, qualified or based on limited experience or deliveries. Thus, a high QOE for a detailed and comprehensive response to an evaluation element/item may indicate reduced risk and can enhance a bidder's

proposal score while a low QOE may indicate an increase in uncertainty and can detract from the proposal score.

4.4.1.3.3 - Unanimous Outcome

The Committee used the PMIQ "Consensus Method". Committee members discussed their individual reviews and came to a consensus, yielding a group PMIQ. The sections were rated and points assigned as a group effort.

Accordingly, the Committee is unanimous in support of the evaluation conclusions and in its ultimate recommendation.

4.4.1.3.4 - Technical Scoring

Each section of the Scope of Work (i.e.: 3.1, 3.2…3.10) was evaluated based on the identified evaluation elements/items on the Technical Evaluation Worksheet (See Exhibit E). Each evaluation element/item within a section was identified as normal or significant (see 4.4.1.3.1 High and Low Impact Items).

The assigned percentage rating of an evaluation section was developed based on the evaluation of each significant element/item within the section, and the QOE determined by the Committee for each of the evaluation elements/items within the section. A section could receive multiple Minuses. A section could only receive one Plus and/or QOE. The following is the specific rationale for the assigned ratings.

An evaluation element/item was given a Minus if the Committee determined that the response to that evaluation element/item was compliant but far less than ideal. The number of Minuses for a section, in accordance with the paragraph above, determined where the section percentage rating would begin. For example: 0 Minuses (no determinations that elements/items were compliant but far less than ideal) = 95%; 1 Minus = 85%; 2 Minuses = 75%; etc.

An evaluation element/item was given a Plus if the Committee determined that the response to that evaluation element/item exceeded the RFP requirements and was beneficial to the Lottery. A Plus for a Section would equal 2 points unless the response was deemed to be extremely beneficial to the Lottery, in which case a Plus would be awarded 3 points. A Section could not receive more than 1 Plus. Once the scoring range for the section was determined by the number of Minuses as explained above, a Plus for an element/item deemed significant within the section determined the rating within the percentage range. For example, a section determined to have 1 Minus for a significant element/item would begin with an 85%. Should a significant element/item within the section receive a Plus, the section would receive a rating of 87%.

An evaluation element/item was given a high or low QOE if the Committee determined that the response to an evaluation element/item and/or subsequent verification provided evidence corroborating, calling into question, or refuting the proposal response. A section could receive a high QOE award of +1 point or a low QOE of -1 point. Once the percentage range for the section was determined by the number of Minuses as explained above, a high or low QOE for an element/item deemed significant within the section determined the percentage rate within the percentage range. For example, a

section determined to have 1 Minus would begin with an 85%. Should a significant element/item within the section receive a high QOE, the section would receive a score of 86%.

4.4.2 NEGOTIATION AND BEST AND FINAL OFFER (BAFO)

Subsequent to the initial review of the proposals and pursuant to N.J.S.A. 52:34-12 (f), the Committee requested that bidders provide a BAFO and respond to additional technical questions. The response to the technical questions was opened and used during the Technical Evaluation. The BAFO price portion was not opened until the technical evaluation was completed and the technical section of this report was finalized. Copies of the State's BAFO letters and the bidders' responses are attached as Exhibit B.

4.4.3 PRICE EVALUATION

Price evaluation occurred after the technical evaluation and scoring were completed. Neither the original prices submitted nor the BAFO prices submitted in separately sealed envelopes were opened and viewed by the Committee until the technical scoring had been completed.

The price evaluation was based on the proposed price submitted in accordance with the RFP requirements in Section 4.0, "Bidders are required to quote the System price as a percentage of Net Total Sales (on-line and instant) for the 7 year contract period. This includes all fees. No other payments will be made to the Contractor unless authorized by a contract amendment."

The RFP stated that the Evaluation Committee would award up to 428 points for price, with the 428 points awarded to the lowest price proposal. Thus, the formula for the proposals being evaluated was:

PRICE POINTS = 428 x (LOWEST COST / PROPOSAL COST)

4.4.4 TECHNICAL SCORING AND PRICING COMBINED

The Evaluation Committee combined the points for the technical and price proposals to determine the total score for each Proposal per the formula below:

TOTAL POINTS = TOTAL TECHNICAL POINTS + TOTAL PRICING POINTS

The available 1000 technical points and 428 price points provide a maximum of 1428 points. The RFP stated that the proposal scoring the highest amount of points would be recommended for contract award, regardless of how slim the margin.

5.0 DETAILED TECHNICAL EVALUATION

As part of the Technical Evaluation, the Committee sent reference questions to three states currently using each bidder's lottery system. Identical written questions were e-mailed to Montana, Nebraska and Idaho for INTRALOT and Arizona, Kansas and

Washington for GTECH. These states were picked because they had the most recent implementations completed by each of the bidders. The Committee received responses from Montana, Nebraska and Idaho and all indicated satisfactory performance for INTRALOT. At first, the Committee did not receive responses from Arizona, Kansas and Washington and the requests were resent. The Committee then received completed forms from Arizona and Washington. Kansas acknowledged receipt of the request, but would not respond with the requested information (See Exhibit G).

The Committee used the responses and research of public documents to gather information on INTRALOT and GTECH operations in the United States. On October 9, 2008, the bidders were each sent a letter requesting it evaluate its performance during the above referenced implementations and provide information regarding problems, impacts and resolutions. In addition, GTECH was asked to explain the changes made to address a security breach in Washington D.C. The letters and responses are contained in Exhibit F. The Committee reviewed the responses and determined that the information provided by the bidders indicated normal implementation issues that were addressed by the contractor in a timely manner. No information was revealed that would affect the technical score of either bidder.

LEGEND FOR ALL BELOW LISTED FINDINGS

Finding	Description
++	Significant Element Given a Plus
+	Non-Significant Element Given a Plus
- -	Significant Element Given a Negative
-	Non-Significant Element Given a Negative

5.1 GTECH CORPORATION

SECTION 3.1 - CENTRAL CONFIGURATION

GTECH's proposal is based on its Enterprise Series (ES) solution, a proprietary GTECH product. The proposal states that ES consists of modules that perform such functions as ticket sales and winner transaction processing, transaction logging, instant ticket game inventory management, telemarketing, maintaining a retailer database, claims and payments and sales reporting. ES is the main application that will reside on the host computer systems operating system (LINUX). The modules use N-tier architecture with a Java platform, Enterprise Edition (JEE) application development environment. The backup system processes transactions as they are received from the primary system, and balance with the primary system at every checkpoint (about every 20 minutes).

GTECH’s transaction engine is a key part of the ES solution; it consists of four physically separate, fully integrated, redundant ES Transaction Engines, each running on an IBM System p55 server. The 4 transaction engines will be securely linked together (via N-plexing technology) across 2 data centers, the Primary Data Center (PDC) in Trenton, and the Backup Data Center (BDC) in Austin Texas. The systems will operate in a quadraplex configuration, which will provide multiple levels of redundancy to maintain operation and data integrity in the event of a system failure at the PDC or a total failure of both systems at the PDC, which will result in a failover to

the 2 systems in the BDC. The PDC will also contain the acceptance testing system, which will be identical in architecture and capacity to the production ES transaction engines. The acceptance testing system will provide an additional level of backup in that it can be elevated to serve as a substitute production system, if necessary. ES's open, modular design claims it allows for the adding of future generations of hardware and software, providing the Lottery with the ability to add computing resources to the central configuration or plug in new components to easily enhance the system.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 99%
Total Elements in Section = 41; Number of PLUS elements = 3; Number of MINUS elements = 0

There were two significant elements given a Plus and deemed extremely beneficial and one element was given a Plus. No significant elements received a Minus. There was 1 significant element with a high QOE. Starting with the base percentage rating of 95, 3 points were added for the two significant elements that received extremely beneficial Pluses (+ +) and 1 point was added for a significant element with a high QOE as noted below.

High QOE Central Configuration:
3.1.1 - ES Is installed or being installed in more than 40 jurisdictions some of which are on the scale of NJ and some larger, such as California, Florida and Georgia, making ES a well-tested and proven platform.

+ Gaming System Quantitative Performance Criteria:
3.1.5.A – The central system will be able to handle 15,000 retailer terminals at startup, over twice the amount required by the RFP.

+ + Gaming System Quantitative Performance Criteria:
3.1.5.H - The failover time at the Primary Data Center from system A to B is almost instantaneous bettering the RFP requirement of 2 minutes. The proposal indicates that the secondary system (System B) starts taking over in 3 seconds. This very fast failover would likely not affect retailers, and the likelihood of lost sales is minimized. This faster failover would be extremely beneficial, especially if the primary system fails during high sales periods which could result in a significant loss of revenue to the State. The Committee confirmed the failover time as almost instantaneous during terminal demonstrations.

+ + Systems Management and Monitoring:
3.1.6 - GTECH is proposing to use BMC Performance Manager (a commercial product), OperCon and On-Line Product Manager (OLPM) software to closely monitor and operate the central system. The Primary Data Center and Backup Data Center each will have a BMC Performance Manager Server, either of which can manage all systems at all locations. The system's operational status is visual on the BMC Performance Monitor. OperCon provides a color-designated software process status screen, with access to the system's error log. OLPM is a portal into all the basic system applications, game services, retailer services, instant services and system administration. All of these systems combined provide comprehensive system

monitoring and management which exceeds the RFP requirement by making system monitoring and management user friendly and system problems more easily identifiable resulting in quicker mitigation and less risk to State revenue.

SECTION 3.2 - RETAILER TERMINALS, PERPHERALS & OTHER EQUIPMENT

The retailer terminal proposed by GTECH is a new model known as the Imagine. According to GTECH, the Imagine succeeds the Altura terminal, approximately 82,000 of which are currently deployed in the field. The major difference between the two terminals is a non-feed imaging reader using digital camera technology. The Imagine is solid state with flash memory (instead of rotating disk) and only the printer feed is mechanical. The terminal is modular with several field replaceable units. The size of the terminal is compact (footprint 15 3/4"H x 10 1/8"W x 18" D). The screen is a 12-inch LCD with16-bit color, active matrix, and resolution of 800 x 600 and includes Surface Acoustic Wave (SAW) touch screen technology. The screen is adjustable up/down for the viewing angle, and brightness is adjustable. GTECH states that the ImageCam reader for play-slip and ticket reading has no mechanical feed mechanism and therefore has no moving parts to jam. GTECH states that the ImageCam allows any shape of play-slip or other document to be read. The terminal is equipped with a separate 2D bar code reader as required. The terminal status and diagnostic data can be viewed remotely by technicians and/or Hotline operators. The terminal has 13 total ports/slots including six USB, Ethernet, RS-232, RS-485, VGA, two PCI slots, and PS/2. The terminal is capable of both English and Spanish languages. The Imagine terminals are produced in a manufacturing environment certified to be in compliance with International Standards Organization (ISO) 9001.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 94%
Total Elements in Section = 76; Number of PLUS elements = 2; Number of MINUS elements = 0

No significant elements received a Plus or Minus. One significant element received a low QOE. Starting with the base percentage rating of 95, 1 point was deducted for a low QOE as noted below.

Low QOE - Terminal
3.2 - The Committee deducted a technical point for a low quality of evidence since the product demonstration indicated the terminal is not as efficient or user friendly as claimed in the proposal and GTECH has pulled the terminal from production pending resolution of the issues described below under Additional Findings.

+ Player Jackpot Display
3.2.1.3 - The display offered is a 24-inch Starlight with tri-color LEDs and special effects (twinkle, spray, etc.). The addition of color and special effects exceed the RFP requirements. The Committee judged that the enhanced display could enhance player awareness of lottery products and increase sales.

+ Wireless Terminals

3.2.3.D - This element was given a Plus specifically because of the two C-Com Satellite iNetVu Mobile Dish systems that lock a terminal onto a satellite automatically, facilitating Very Small Aperture Terminal (VSAT) use. These two systems will allow easy setup at events and festivals where the Lottery self promotes and sells it products to the public. These systems also will allow sales to occur in areas where wireless 3G (cellular) technology may not be available.

ADDITIONAL FINDINGS:

Subsequent to the bid opening date; GTECH issued a press release in early March 2008 that stated, in part, that the formal market launch of the Imagine terminal has been delayed and that it will not enter into production until late 2008 (see Exhibit H). On March 26, 2008, the Committee requested that GTECH clarify how the delay might affect its proposal. GTECH replied that the delay is due to ease of use and compatibility issues in the retail environment. GTECH stated that the delay would enable the company to make refinements for these issues and that GTECH does not expect there will be any delay in meeting the projected August 21, 2009 "go-live" date for the New Jersey Lottery. When the Imagine terminal was demonstrated to the NJ Lottery on April 29, 2008, the Committee found that the reader did not work consistently, for example, it sometimes took more than one pass under the camera reader for the reader to register, and sometimes the reader would register the previous wager if a finger or hand got in the way of the reader. In the BAFO/clarification response letter dated July 25, 2008 GTECH advised that it has been visiting, interviewing and observing retailers, conducting focus groups with retailers, and engaging independent image capture consultants, as well as lottery industry experts. GTECH stated that it has invested in enhancements to the Imagine terminal to ensure the terminal is ready for production. In the letter, GTECH committed to providing new and unused equipment and that the hardware model and software version of the Imagine terminal to be installed at start-up would represent the then-current equivalent or better version of the equipment.

The Committee found the AccuTherm thermal printer supports clamshell ticket stock reloading which is quick and easy to perform. The printer is quiet, fast, and produces tickets of high graphical quality (203 DPI). GTECH proposes to use Appleton paper; the stock is top-coated and back-coated.

The Committee found that the local operating systems and applications are "hardened" to prevent their being co-opted for use other than lottery operations. The terminal's case resists disassembly except by an authorized Field Service Technician. Data stored on the compact flash memory is password-protected. All data communications to and from the terminal are encrypted using 3DES or AES

SECTION 3.3 – COMMUNICATIONS NETWORK

GTECH is offering a multi-technology communication solution that includes the following:

- Internet Protocol (IP) from terminal to host.
- An integrated hybrid-technology on-line network.
- VSAT satellite technology for approximately 99% of NJL's retailers.

- A mix of Frame Relay and Business Class Digital Subscriber Line (DSL) technology for the remaining 1%.

For VSAT services, GTECH proposes three satellites each available to three ground stations, each connected to both data centers via Asynchronous Transfer Mode (ATM). ATM provides redundancy by automatically rerouting virtual circuits within the network backbone. Non-VSAT retailers will have Frame Relay or DSL from the phone carrier. This architecture provides path diversity for the retailer network.

GTECH states that it has extensive experience with the solutions offered. For instance, GTECH's VSAT customers in the U.S. include Arizona, California, Florida, Georgia, Kansas, Minnesota, Missouri, Nebraska, New Mexico, New York, North Carolina, Tennessee, Texas, Wisconsin, and Washington State. GTECH has selected Hughes satellite services, the largest such supplier, as a link service provider and for network hardware/software. GTECH manages major elements of the network configuration with its own ground station operations.

GTECH offers a variety of network monitoring tools for managing and monitoring the lottery network end-to-end. GTECH states that in addition to GTECH's ESConnect Admin, HP OpenView, WildPackets OmniPeek, SolarWinds Orion, and Fluke NetTool are used for network monitoring and management. The use of IP across the WAN and LAN enables the use of these tools.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 98%
Total Elements in Section = 29; Number of PLUS elements = 2; Number of MINUS elements = 0

One significant element received a Plus and was determined as extremely beneficial. No significant elements were given a Minus or a high or low QOE. Starting with the base percentage rating of 95, 3 points were added for one significant element with an extremely beneficial Plus as noted below.

+ + Retailer Network:
3.3.1.A - This response was deemed extremely beneficial because GTECH proposed 3 satellites and 3 ground hubs for its VSAT solution that GTECH estimates will service 99% of NJ's retailers. Retailers will be geographically interleaved in their assignment to a satellite. For example, a retailer on one side of a street will be pointed to one satellite while another retailer across the street will be assigned to a different satellite. Having 3 satellites and 3 ground hubs is extremely beneficial in that the Lottery would lose only one-third (1/3) of the retailer network should a satellite or ground station fail, which would reduce the amount of lost revenue.

+ Service Level Agreement:
3.3.5 - GTECH commits to a 99.9% retailer availability Service Level Agreement. This is above the 99.7% agreement required. On a 24-hour business basis, 99.9% is 10 minutes per week downtime reducing the risk of lost sales. The RFP requirement allows 30 minutes per week on a 24 hour basis.

SECTION 3.4 – SOFTWARE CONTROLS & DATA MANAGEMENT

The gaming software security and control features and functions are part of the Enterprise Series (ES) gaming application software from GTECH. The ES system logs all game processing activities and transactions to two disks, the master journal file (MJF) and the backup journal file BJF). Each of the active transaction processing system and its backup has its own journal (log) files for transactions. A ticket transaction is not released to a terminal until this journal write has occurred. The MJF and BJF are not in the same Redundant Array of Independent Disks (RAID) set, but are completely separate. If one fails the other is available without using a RAID recovery mechanism.

GTECH offers BMC Performance and OperCon for managing and recording the console records. OperCon provides access to a system error log (ELOG).

The GTECH proposal lists a variety of mechanisms that protect against compromise. These include items such as authentication, authorization and access controls, audit trail and principal of least privilege.

To prevent retailer terminal "spoofing," GTECH states on 3.4.1-16 that "spoofing" a retailer terminal has been eliminated through an ES communications subsystem that allows only terminals configured on the ES systems to request and be supplied with IP addresses. Each terminal's address is unique and the ES system only communicates with known terminals. According to GTECH, no action, either by external agents or insiders, can result in creation of a duplicate or unauthorized terminal address. GTECH also states on page 3.3.1-19 of their proposal that it has several layers of authentication to prevent unauthorized access these include; Physical ID, Logical ID and Pass Number.

The ES management workstations use a browser-based interface such as Internet Explorer.

ES Instant Processing System (IPS) is capable of supporting at least three (3) different bar code algorithms. IPS will support retailer inventory management transactions such as acknowledgement of the delivery of instant tickets, activation of packs of instant tickets when placing them on sale, manual settlement of instant ticket packs and validation of instant tickets.

Retailers designated by the Lottery as heads of retailer chains are able to retrieve reports for any member of their chain or a complete summary of activity for all retailers within the chain. The retail chains will also be able to receive sales data in a format that can be entered directly into their accounting system.

The IPS provides inventory management tools that allow a global inventory view while also offering drill-downs to detailed retailer level data. The system is capable of analyzing current games as well as comparing them with past game performance. Instant ticket inventory will be available in real time to Lottery staff and retailers. The Lottery staff will have the ability to view the history of all transactions related to an individual pack. ES IPS has many instant game inventory system parameters, such as credit limit, for each individual retailer and establishment of a limit on the number of

packs for any one game that can be active at one time at a retail location.

GTECH's telemarketing team uses the ProCall module of the ES system (ES ProCall).

The ES Retailer Management (ESRM) application is proposed to handle retailer account management. This system will contain full retailer life cycle coverage.

GTECH offers to provide new hardware and software for the ICS as required. Elsym, LAPIS, and H&S are the designated supplier alternatives. All three have multiple industry installations.

GTECH offers the management terminal interface for Lottery field employees. This interface is through the ES System Portal to GTECH's proprietary retailer management application (and other applications as needed). GTECH states it is providing this software to six states.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 98%
Total Elements in Section = 104; Number of PLUS elements = 7; Number of MINUS elements = 0

Two significant elements received a Plus and one significant element was given a high QOE. No significant elements were given a Minus. Starting with the base percentage rating of 95, 2 points were added for the significant elements with a Plus and 1 point was added for the significant element with a high QOE as noted below.

+ + Gaming Software Security & Control Features & Functions – Transactions Protected:
3.4.1 - The ES employs several features that greatly enhance security. These include transaction checksums, encryption inside the data center LAN as well as external encryption on the retailer network, dual security with public key cryptography (G-Guard+), limited content winners file, encrypted ticket serial numbers, journal sealing with a hash code, and other methods. The Committee found this to be an outstanding security approach that would be beneficial to the integrity of Lottery products.

+ Gaming Software Security & Control Features & Functions – Transaction Simulation:
3.4.1.L - The gaming simulator is comprehensive and can be used to test from outside the data center core LAN. Testing from outside the data center edge device allows the entire data center transaction path to be checked. The simulator lets the user set different levels of transactions, which can allow for more realistic simulation.

+ + Gaming Software Security & Control Features & Functions – Instant Ticket Information Protection:

Deleted as confidential material.

+ Retailer Disablement Codes:
3.4.4.2.C - The system will accommodate a configurable number of retailer disabling conditions, presently set at 99, and any of the 99 can be used concurrently. This betters the RFP requirement of twenty (20) total and five (5) concurrent, respectively.

+ Games Management Application Features & Capabilities:
3.4.4.2.G - Retailer message size can contain up to 1,014 characters almost doubling the RFP requirement of 512 characters. Additionally, retailer messages can be scheduled for automatic posting on a one-time basis or recurring basis. The Committee found the larger message size may be beneficial in circumstances where more information needs to be conveyed.

High QOE – Instant Ticket Accounting and Management:
3.4.6 - GTECH has excellent applicable experience in instant ticket accounting. The ES IPS has been implemented in lotteries as large as or larger than New Jersey, such as Florida, California, Georgia, Illinois, Michigan and New York. The large client base helps assure that the system works and that functionality can be maintained with increased number and volume of instant ticket games.

High QOE – Instant Ticket Ordering: Telemarketing and Distribution Systems:
3.4.7 – GTECH's telemarketing system is called ES ProCall. GTECH indicates that more than 105,000 lottery retailers in 15 states such as Texas, New York, Michigan, New Jersey and Nebraska are using this system indicating an excellent degree of functionality is provided in the ordering process with an increased number of game calls and orders. GTECH has extensive experience in instant ticket warehousing and distribution; and it currently operates these services in New Jersey, New York, Texas and Michigan.

+ Data Management & Reporting – Sales Reporting Tool Set:
3.4.11.B – GTECH proposes an ES Reports (ESR) solution that provides a single interface to enhance user friendly access to data enabling development of graphics, graphs and tables to support sales, marketing accounting and operations. This will benefit the Lottery by increasing its ability to enhance reports assisting in making knowledgeable, informed marketing decisions.

+ Data Management & Reporting – History:
3.4.11.C - GTECH will maintain three years of historical sales information and seven years of transaction detail in the data warehouse, which betters the RFP requirement of two years. This will benefit the Lottery by having the data more readily available for data analysis for sales and marketing purposes (Clarified per letter dated 5/14/2008, see Exhibit A).

ADDITIONAL FINDINGS:

The management terminal interface is called ES System Portal, and it accesses On-Line Product Management (OLPM). The system will be able to support 300 concurrent users almost twice as many as the RFP required. Additionally, the system will accommodate a configurable number of retailer disabling conditions, presently set at 99, and any of the 99 can be used concurrently. This offer is unlikely to have added value because the Lottery does not anticipate expanding personnel from the present level which is below 150.

GTECH's proposal says ES will retain cashed winners for a minimum of 400 days. The system is capable of disabling validations for a specific game or a specific draw for all retailers. While the 400 days exceeds RFP requirements by 35 days, it provides no added benefit to the Lottery.

SECTION 3.5 – GAMES AND MARKETING

GTECH's proposal included game concept design and development, game promotions, retailer placement, network planning, research, and marketing strategy and support.

GTECH proposes a Game Library said to contain thousands of instant games and more than 350 on-line games. The proposal cites numerous examples of games and promotions experiences with other lottery jurisdictions, and provides details and approaches customized for the NJL.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 98%
Total Elements in Section = 32; Number of PLUS Elements = 7; Number of MINUS Elements = 0

Two significant elements received a Plus and one was determined to be extremely beneficial. No significant elements/items were given a Minus or high or low QOE. Starting with the base percentage rating of 95, 3 points were added for one significant element with an extremely beneficial Plus as noted below.

+ + Corporate Marketing Support – Marketing Strategy Meetings:
3.5.1.A – GTECH exceeded the requirements of the RFP by committing to more than the required number and types of meetings. The RFP requires quarterly strategy meetings for formulating the slate of games, games changes and promotions to be introduced in the coming twelve (12) months. GTECH also committed to meetings as requested by the NJL, and proposed additional meetings, such as, an annual product parade and Biennial World Leader Forum with regional and corporate staff participation in those meetings. All of the marketing support staff were identified by name and their resumes were provided. The additional strategic meetings and presentations as well as the reporting tools being proposed by GTECH are significant and extremely beneficial, as they are likely to enhance Lottery decision making in evaluating marketing and advertising campaigns, promotions, game launches and re-launches.

+ + Corporate Marketing Support – Market Surveys, Market Research, Focus Groups:
3.5.1.D – Surveys, research and focus groups are significant and important components of the decision-making process for the NJL for game promotion launches and re-launches, as well as proposed marketing and advertising campaigns. Six (6) annual marketing surveys and focus group research are being proposed, which exceeded the two required by the RFP, as well as, broad attitude and usage studies and segmentation studies. This will enable the NJL to be more responsive to changes in market conditions and player attitudes, and could ultimately result in higher sales. Surveys and research will include two (2) retailer focus groups and several game design and game development research. GTECH proposes to perform the project management for this research, and work closely with the NJL to develop a flexible research plan utilizing multiple methodologies and showing clear comparison data on lottery games and players.

+ Corporate Marketing Support –Gaming Concept Design & Development:
3.5.1.E - GTECH has an elaborate and extensive Research and Development program. GTECH provided an in-depth discussion of its R&D program, its importance to game concept design and development, the GTECH game development process, and how it will apply to the NJL. GTECH established a new game incubator program that brings together game development expertise from all of its subsidiaries. Changes to the NJL's current games were proposed. These changes were realistic and well developed, including realistic graphics and scenes, and could lead to faster implementation of game enhancements and new games.

+ Corporate Marketing Support – Marketing Plan:
3.5.1.F - The GTECH proposal states that it will, with NJL guidance, write the annual marketing plan, where the RFP requires the contractor only assist in the writing. GTECH cited similar and extensive experience in a broad range of annual planning activities, which it currently performs for lotteries that are comparable in market size and complexity to the NJL, e.g. New York, California, and Texas.

+ Player Analysis and Retailer Placement:
3.5.2 - GTECH proposes both its GMARK system and an annual New Jersey–specific retail optimization update report for analysis of sales, game and player markets, and identifying possible locations for placing new retailers. GMARK has the ability to map new retailer opportunities against the existing retailer network. The Committee found that GTECH's existing relationships with major national corporate accounts offer the potential to bring new retailers to NJ.

+ Games Menu – Additional Games & Play Types from the Contractor:
3.5.4.B – GTECH's proposal included supporting traditional games and potentially new additional play types. GTECH established a new game incubator program that brings together game development expertise from all of its subsidiaries. GTECH's proposal documents an extensive library of games and game types with many licensed properties and a variety of distribution channels, and the technology platform to deliver those games to players.

+ Game Volumes (Instant Tickets):

3.5.6.A – GTECH's proposed IPS allows for growth in the number of instant games the NJL can offer. It has the capacity to support up to 300 instant games with large game volumes that vastly exceed the NJL's current volumes cited in the RFP.

ADDITIONAL FINDINGS:

The Committee found GTECH's proposal for games and marketing demonstrated an extensive and strong library of available gaming products and promotions. The Committee also found the proposal displayed an understanding of the specific needs of the NJL.

The Committee found that GTECH has broad and extensive experience and capability in market research and sales analysis.

SECTION 3.6 – EMERGENCY MANAGEMENT TERMINALS

GTECH will provide ten (10) dedicated wireless emergency management terminals. The EMTs will be Dell Optiplex 745 ultra Small Form (USFF) PCs. The CPU will be mounted behind a 17" LCD monitor. The equipment will be connected through dedicated wireless outlets. Three printers will also be provided and networked to the management terminals.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 97%
Total Elements in Section = 1; Number of PLUS Elements =1; Number of MINUS elements = 0

One significant element received a Plus. No significant elements were given a Minus or high or low QOE. Starting with the base percentage rating of 95, 2 points were added for one significant element with a Plus as noted below.

+ + Emergency Management Terminals (EMT)
3.6.1 – The response to this significant element was given a Plus and determined to be beneficial because GTECH proposed wireless terminals. This is beneficial to the Lottery in that installation will require less hard wiring and the terminals can be moved easily from place to place, making the terminals very versatile.

SECTION 3.7 - CONTRACTOR'S FACILITIES & DISASTER RECOVERY PLAN

GTECH proposes to operate its Primary Data Center (PDC) at its current location next to Lottery Headquarters in Lawrenceville, NJ. The instant ticket warehouse, District Office, Business Continuity Site and the maintenance and repair depot will be located at a proposed new site in Robbinsville, New Jersey. This location is within a 10 mile radius of the Lottery Headquarters and accessible to local highways. GTECH hotline services will be provided in the Providence, RI facility.

GTECH proposes to operate the Backup Data Center (BDC) in Austin, Texas. This facility has multiple redundant power systems and is staffed 24/7/365. During implementation, retailer training sites will be located throughout the State. After

conversion, ongoing training will be conducted at a dedicated training facility co-located with the PDC. The acceptance testing facility will also be at the Primary Data Center and will be equipped with ten (10) full function retailer terminals. GTECH will maintain a disaster recovery and contingency plan for the PDC and the BDC, as well as other facilities such as the warehouse.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 98%
Total Elements in Section = 23; Number of PLUS Elements =1; Number of MINUS elements = 0
One significant element received a Plus and one significant element was given a high QOE. No significant elements were given a Minus. Starting with the base percentage rating of 95, 2 points were added for the significant element with a Plus and 1 point was added for the significant element with a high QOE as noted below.

+ + Backup Data Center:
3.7.2 B - The BDC has many redundant features that will make the system extremely reliable. The redundant features include two sources of commercial power on two independent power grids, two UPS systems, five main transfer switches, and two fully redundant generators. This diversity and redundancy in power sources makes this a significantly desirable and secure choice as a backup site. This site supports primary production systems for Texas and California lotteries and backup systems for numerous other lotteries. The data center has passed multiple Statement on Auditing Standards no. 70 (SAS70) and Multi State Lottery Association (MUSL) audits. As a result, the Committee gave this significant element a Plus.

High QOE System Disaster Recovery Plan:
3.7.7 - GTECH conducts mock disasters at the Texas location and provided examples of how its Disaster Recovery Plan worked successfully in Florida when four major hurricanes hit in rapid succession. According to Battelle, the plans have been field-tested during real emergencies such as the hurricanes in Florida. The additional information demonstrates a high QOE for GTECH's approach.

SECTION 3.8 – STAFFING, SERVICES, OPERATIONS SECURITY PLAN

GTECH proposed implementation and conversion staff and ongoing operations staff as required by the RFP. An organization chart of the implementation team was provided with key managers and supervisors identified. GTECH named eleven (11) employees at the managerial and lead technical level for implementation. Resumes are provided for most management, supervisory and key technical, marketing, client services and instant ticket personnel. GTECH further provided names and responsibilities for nine (9) ongoing operations staff with an additional three (3) people yet to be determined.

The GTECH proposal included a program for retailer training, both initial and ongoing, which included classroom and in-store refresher training and specialized training for corporate accounts and video training at the retailer level. GTECH identified the training managers and supervisors included in the training initiative. GTECH cited specific examples of recent training done in North Carolina, 6,000 retailers in 56 days, and in Florida, 12,000 retailers in under one month, to demonstrate its ability to handle

conversion training. A conversion training plan was also provided, which included content outline, materials used, training schedule and parameters for training locations. Ongoing retailer training is also proposed, as well as training for Lottery staff. GTECH stated it would use certified master trainers. Lottery staff will also be trained on retailer terminals, retailer operations, instant ticket functions, finance and accounting as required.

GTECH proposed a Consumables Management System (CMS) for Lottery retailers. GTECH indicated that this system is currently in place in eleven (11) jurisdictions with more than 90,000 retailers. The inventory solution is described as a "push model" which uses a calculation to define materials usage at each retailer location and manages distribution based on reorder-point logic. GTECH proposed a system for retailer terminal maintenance which starts with a retailer hotline, preventative maintenance schedule and swapping non functional terminals. The retailer hotline will be run out of the Providence, RI headquarters and a system of call tracking and reporting applications (Cisco VoIP) will be used to manage the process. English and Spanish will be accommodated. Call Center staff that will be servicing the NJL will be pulled from a larger pool of trained associates to ensure adequate staffing and a buffer against call spikes. In addition GTECH provides a method and system to address change control and configuration management as required.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 98%
Total Elements in Section = 52; Number of PLUS Elements = 9; Number of MINUS Elements = 0

Two significant elements received a Plus and were determined to be extremely beneficial. No significant elements were given a Minus or a high or low QOE. Starting with the base percentage rating of 95, 3 points were added for the significant elements determined to be extremely beneficial as noted below.

+ + Bidder Personnel - Implementation and Conversion Staff:
3.8.1.A – Conversion staff being proposed have extensive applicable experience, both working in the lottery field and working for GTECH. The proposed Project Manager is Joyce Johns. Ms. Johns' resume states that she is PMP certified and has ten years of experience in the area of project delivery, including three years in software project management for GTECH's on-line lottery systems. The resume further states that, "as software project manager, [Ms. Johns] led a staff that consisted of 20 to 30 engineers and quality assurance analysts who provided technology development testing and support for GTECH's project deliveries. She oversaw all aspects of software delivery for projects including compliance with software processes and standards…." The Committee found this combination of managerial and technical experience to be significantly important and extremely beneficial for successful implementation and conversion of a lottery the size and complexity of the NJL.

++ Bidder Personnel - Ongoing Lottery Operations Staff:

3.8.1.B GTECH's proposal contains an organization chart of the proposed ongoing lottery operations staff. The chart contains the name and responsibility for each position

where a person is offered and the responsibilities for the roles where the person for the position is still to be determined. The organization chart appears to be well though out and appears to cover all positions that would be needed to conduct the day to day operations of the Lottery. GTECH provides resumes for each position employee offered. The resumes provided indicate that the proposed personnel have significant experience in their assigned roles. For example, the proposed Account Development Manager (manager of the operations staff) has approximately 20 years of applicable experience, the Technology Section Manager has approximately 12 years of applicable experience and the Warehouse Manager has over 20 years applicable experience. The Committee determined that the detail provided and personnel offered exceeded the RFP requirement. The Committee also determined that due to their experience the personnel offered would be extremely beneficial for successful ongoing Lottery operations.

+ Retailer Training Programs, Initial & Ongoing - Retailer Instruction:
3.8.5.A – The proposal included a well thought out and comprehensive training program. GTECH states that the field service techs will also support the training effort by providing training to retailers during a service visit. GTECH identified the training locations and recommended classroom training in small venues (hotel rooms) on a scheduled basis. The Committee agreed that a structured more personalized training approach offered by classroom training in small venues is desirable for NJ's culturally diverse retailers. Two types of training programs were proposed: one for existing retailers; and a more comprehensive one for new retailers.

+ Lottery Staff Training - Training Methods and Tools:
3.8.6.B – The proposal contained an extensive customized training program for Lottery staff. GTECH's Lottery Training Team members are certified Master Trainers with Langevin Learning Services, which exceeds the RFP requirement.

+ Retailer Consumables Supply - Consumables Design:
3.8.7.B – GTECH is offering in-house graphic design services for the design of play slips or ticket stock at no additional cost, which exceeds the RFP requirement. This allows for quick turn around time to implement changes and eliminate the need for Lottery to contract for design services.

+ Retailer Equipment Maintenance Program - Terminal Parts Supply:
3.8.8.D – Each field service technician will carry spare terminals to ensure that terminal uptime and retailer satisfaction are maximized. Specifically, GTECH is proposing to replace a broken terminal in most cases (as opposed to repair in the store). Swapping the terminal is the quickest solution to get the retailer back on-line to sell lottery products and it is less intrusive to the retailer.

+ Gaming System Engineering Support Services - Software Support:
3.8.10.B – GTECH will provide six (6) software and system engineering support personnel on-site at a GTECH facility in NJ. Personnel are named and resumes submitted. The in-state support personnel will be able to address software and engineering issues more effectively and efficiently, thus shortening the implementation times for new gaming initiatives and the resolution of software and engineering problems.

+ Instant Ticket Logistics Services - Warehouse Management:
3.8.11.A - GTECH plans on increasing the amount of packing lines from six currently to nine to support the continued growth of instant products. In addition, GTECH will add six more clerks bringing the total to nineteen from the current level of thirteen. This increase is responsive to the growing instant ticket product line and business demands.

GTECH will have nine pick and pack lines in the warehouse, eight dedicated to instant game shipments and one dedicated to point-of-sale shipments. Employees will be cross-trained so they can easily be shifted from one position to another as the workload dictates. GTECH will add lines and clerks at no additional cost as the Lottery's business needs grow. GTECH's flexibility in staffing shipping lines will help ensure there is no delay in shipping instant ticket games and point of sale items to the retailers, a vital part of Lottery sales.

GTECH will have two courier shipments every business day to shorten delivery time and ensure the retailers are always properly stocked. GTECH will use the UPS Quantum View tracking system that can identify any irregularities that might occur in connection with a shipment. The system will alert them if a shipment is refused, damaged or lost within the UPS network. The USPS will be the backup shipper.

+ Instant Ticket Logistics Services – Telemarketing:
3.8.11.B – The Telemarketing team being proposed will consist of ten members plus a manager. NJL is currently supported by an eight person telemarketing team. In addition, GTECH has offered to increase staff, depending on continued NJL growth. This increase is responsive to the growing instant ticket product line and business demands.

ADDITIONAL FINDINGS:

The Committee determined that GTECH's proposal included a broad based and experienced team of professionals to assist the NJL through implementation and ongoing operations. The team, both locally and corporate, are high quality professionals with years of applicable lottery experience and years of experience working for GTECH.

The Committee found that GTECH demonstrated its commitment to ensure quality services to the retailers by establishing a Retailer Support Team comprised of three groups: Distribution Warehouse; Field Services; and Telemarketing. In addition to providing daily support, this team would also facilitate timely terminal services and resolve retailer concerns or problems.

The Committee found GTECH's proposed training, for during conversion and ongoing operations, to be detailed, extensive and practical. It displayed an understanding of the specific needs of the NJL and the diverse retailer base in New Jersey.

SECTION 3.9 – GAMING SYSTEM IMPLEMENTATION

GTECH proposes a gradual implementation of software and equipment for the gaming system implementation which GTECH has named the "Big Whisper" approach. The new terminals and new satellite communications network will be connected to NJL's current ProSys system as early as three to seven months prior to the central system conversion. GTECH proposes that the central system be converted on August 21, 2009. GTECH provides an implementation planning process including major milestones in Gantt chart format. GTECH does not require interim facilities and processes but understands its responsibility for any associated costs if required. GTECH describes the acceptance testing facility at the Primary Data Center and acceptance testing processes and the software tools and processes GTECH will use in conjunction with this activity. The names of the Project Manager and team members are provided as well as a description of their skills. GTECH provides a plan to validate tickets on and after production startup and agrees to meet the requirement for converting a minimum of 36 months of historical data.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 98%
Total Elements in Section = 16; Number of PLUS Elements =2; Number of MINUS elements = 0

Two significant elements received a Plus and were determined to be extremely beneficial. No significant elements were given a Minus or a high or low QOE. Starting with the base percentage rating of 95, 3 points were added for the significant elements determined to be extremely beneficial as noted below.

+ + Conversion Strategy - Minimizing Conversion Limitations:
3.9.1.A – GTECH will conduct a gradual conversion that GTECH calls "The Big Whisper Conversion". GTECH will remove old retailer terminals and concurrently replace them with the new terminals anywhere from three to seven months prior to the conversion date. At the time GTECH replaces a retailer terminal, it will also install the new VSAT communications. The new terminal will then operate on the new VSAT communication network that will connect to the NJL's current central system. GTECH further proposes to train the retailers shortly before installation of the new terminal so the retailer can begin sales using the new terminals immediately upon installation. On conversion day, only the central system will change. The Committee found this conversion approach to be significant and extremely beneficial for the following reasons:

- Minimal disruption for retailers.
- Minimal disruption for selling tickets and paying winners.
- Conversion day will be much less risky than switching all terminals and central system at the same time because only GTECH's central system will change on conversion day. The new terminals will have already been working and communicating via the new VSAT communication network. If there are any issues with a retailer's terminal or communications, they should be discovered prior to central system conversion.
- Conversion to the new central system will be transparent to retailers and players.

- The NJL will have substantial cost savings because the NJL is currently responsible for communication costs with Verizon. Since GTECH proposes to switchover terminal communications to VSAT at the same time it installs the new terminals (three to seven months prior to conversion) a gradual reduction in the NJL's monthly costs with Verizon will occur. Monthly Verizon costs currently average approximately $650,000 per month, consequently the NJL should reap a one time savings of well over $1 million dollars prior to conversion.
- GTECH stated that it has a satisfactory record of conversion of lotteries of similar size and larger than New Jersey, such as Ohio, California, Georgia and Texas.

+ + Conversion Strategy - Maintaining Good Retailer Relations:
3.9.1.B – As a benefit of GTECH's implementation plan, retailers will not have the inconvenience of two (2) terminals in the store which gives optimal consideration to the counter space issues and retailer convenience. There will be no retailer intervention needed to swap out the terminals, as GTECH will perform every task for the retailers. Retailers will have the opportunity for hands on training before the switch and immediately practice knowledge learned in the implementation training. The Committee considers this approach to be significant and extremely beneficial since Lottery retailers are a most important partner in the sale of the Lottery products. A smooth and transparent conversion is critical to ensure retailers are able to continue selling lottery products without interruption.

SECTION 3.10 – BIDDER CORPORATE CAPABILITY

GTECH is headquartered in Providence, RI and is a wholly owned subsidiary of Lottomatica based in Italy. GTECH states that its experience in the lottery and gaming business industry began in 1976 and that it has grown to be the leading supplier and operator of lotteries. GTECH further states that it currently operates or provides equipment and services to 25 of the 43 on-line authorities in the United States and to 55 of the 141 non-U.S. on-line authorities. GTECH's proposal states that it is in good standing with its customers and the business community. Additionally, the GTECH proposal states that its proposed substantial subcontractors are also in good standing.

GTECH proposes to produce the Imagine terminals in several manufacturing facilities. The first production facility is in West Greenwich, RI and a second is in Coventry, RI. GTECH also has an offshore partnership with a manufacturing house with two manufacturing facilities, located in Shanghai, China and Taipei, Taiwan. The proposal states that all manufacturing facilities are ISO 9001 certified.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 98%
Total Elements in Section = 20; Number of PLUS elements = 4; Number of MINUS elements = 0

Two significant elements received a Plus and were determined to be extremely beneficial. An additional significant element was given a Plus. No significant elements were given a Minus or a high or low QOE. Starting with the base percentage rating of 95, 3 points were added for the significant elements determined to be extremely beneficial as noted below.

+ + Gaming System Experience:
3.10.2 – According to GTECH's "Customer Summary Spreadsheets" contained in the proposal, GTECH is performing full or partial gaming contracts for 31 jurisdictions in the US. The chart below provides a sampling of the contracts, the estimated number of terminals per state and some of the services provided. For comparative purposes the NJL has approximately 6,200 terminals, and requires all services listed to be performed by the gaming contractor.

Lottery	Est. # of Retailer Terminals	On Line Games	Instant Ticket Mgt. System	Warehouse Inventory Mgt./Order Packing, Distribution/Returns
California	22,062	√	√	In House
Texas	17,300	√	√	√
New York	16,850	√	√	√
Florida	13,203	√	√ *	**
Illinois	11,442	√	√	In House
Michigan	11,200	√	√	√
Georgia	8,800	√	√	In House
Ohio	7,824	√	√ *	In House

* Segments of the Instant Ticket Mgt. System are run by GTECH & Scientific Games.
** Performed by Scientific Games under separate contract.

GTECH's proposal states it has over 30 years of experience in the lottery and gaming business industry and has grown to be the leading supplier and operator of lotteries. Currently, it operates or provides equipment and services to 25 of the 43 on-line authorities in the United States and to 55 of the 141 non-U.S. on-line authorities. GTECH has approximately 450,000 retail point of sales terminals deployed worldwide. It has conducted more than 160 conversions and implementation in the last 18 years. The Committee determined GTECH's gaming experience is significant and extremely beneficial because of GTECH's applicable overall gaming experience, on-line gaming management, instant ticket management system, warehousing, inventory and distribution systems and VSAT for similarly sized lotteries, such as California, Georgia, Texas, Michigan and Illinois.

+ + Software Development Plans & Support Capabilities – Software Development Plans:
3.10.5.A - The Committee deemed GTECH's response as extremely beneficial because GTECH has a software technology group comprising more than 700 professionals, some to be located in New Jersey. NJL will benefit from this organizational depth for future strategic needs.

+ + Software Development Plans & Support Capabilities – Software Quality:
3.10.5.B - GTECH's technology services organization is governed by Software Engineering Institute's (SEI) Capability Maturity Model Integration (CMMI) Level 4 best practices and standards and International Organization for Standardization (ISO). GTECH states that it is one of only 320 companies world-wide to have achieved CMMI Level 4. These quality assurance (QA) standards relate to comprehensive documentation methodologies and standards for all local site testing of computer games, system enhancements, new games and promotion software. CMMI focuses on quality related activities such as requirements management, quality assurance, verification and validation. These QA standards help ensure the integrity, accuracy and

reliability of the Lottery system.

+ Project Management Capabilities – Project Management Quality:
3.10.6.B - The Committee gave GTECH a plus for this element because GTECH has 42 project managers that are Project Management Professional (PMP) certified. PMP certification teaches managers a set of skills such as effective project planning, negotiation, risk assessment and quality management. The Committee found this organizational depth in the area of project management provides a pool of experienced staff capable of completing NJL's conversion and managing ongoing operations. GTECH has proposed PMP certified Joyce Johns as New Jersey's Implementation Manager and PMP certified Ted Tullos, Regional Lead for implementation.

ADDITIONAL FINDINGS:

The Committee requested the New Jersey Economic Development Authority (EDA) to conduct an objective review of the financial condition of GTECH. Their findings indicate that GTECH appears to be well capitalized, reported growing and profitable results with sound experience in the lottery industry (see Exhibit I).

The RFP required the bidder to list incidents during the past 5 years where the aggregate of liquidated damages and settlement resulted in an extraordinary payment or loss of expected revenue to any jurisdiction of $100,000 or greater in a 12 month period. GTECH listed approximately 40 incidents meeting these guidelines. The Committee, in consultation with Battelle, determined that the amount of liquidated damages, was not statistically significant considering the size and scope of GTECH's worldwide operations and total revenues. In fact, GTECH states that during calendar year 2006 liquidated damages represented 0.56% of total gross revenues for the period. Also, the Committee noted that there are no recurrent patterns of problems.

GTECH SCORING SUMMARY

RFP Section	Points Available	Percentage Rating	Score
3.1 Central Configuration	100	99%	99.00
3.2 Retailer Terminals, Peripherals & Other Devices	130	94%	122.20
3.3 Communications Network	110	98%	107.80
3.4 Software Controls & Data Management	170	98%	166.60
3.5 Games & Marketing	100	98%	98.00
3.6 Emergency Management Terminals	60	97%	58.20
3.7 Contractor Facilities & Disaster Recovery Plan	75	98%	73.50
3.8 Staffing, Services & Operations Security Plan	100	98%	98.00
3.9 Gaming System Implementation	80	98%	78.40
3.10 Bidder Corporate Capability	75	98%	73.50
TOTALS	**1,000**		**975.20**

5.2 INTRALOT INC

SECTION 3.1 - CENTRAL CONFIGURATION

INTRALOT proposes its proprietary LOTOS O/S gaming system. LOTOS is based on an IBM business platform and the lottery engine is built and driven using Oracle transaction processing and database applications. LOTOS O/S is a fully duplexed

system, capturing the data in multiple disk locations, using primary and secondary systems, and recording all transactions to a DVD ROM transaction log file on the remote back-up site systems. The system design is said to be fully redundant and prevents loss or corruption of data. The transaction processing engines are IBM Blade servers and are deployed on a load-balancing fiber cluster environment with a redundant number of high-volume servers interconnected to an IBM Total Storage Area Network solution. LOTOS O/S runs the applications that are used for on-line processing, storing and logging of transaction over multiple media. Each data center is proposed to have eight front-end communications processors (IPLCP), which are IBM x3250 Xeon systems with a 2.1 GHz processor and 2x250 GB disk. The IPLCPs are load-sharing, with each having terminals assigned to it. If an IPLCP fails, the terminals assigned are transferred automatically to another IPLCP.

INTRALOT's n-plexing approach makes transactions available for the failover at the primary site in the Trenton area and at the backup site in Boise, Idaho. Local and remote backup systems can detect and take over upon primary failure (auto-failover). Local hosts share a common disk base that is fault tolerant in itself. Front-end communications processors and network elements are also redundant and have failover.

The gaming operating system, LOTOS, provides LOTOS O/S Administrator User (LAU) software, a real-time tool for monitoring the system. LAU is a graphical interface depicting the status of games, network nodes, and retailers.

Using IBM's Hardware Management Console (HMC) product, INTRALOT will monitor and manage the system. HMC is a dedicated PC workstation for configuring and operating pSeries servers.

LOTOS stores the MAC address for equipment in the network and will not communicate with unrecognized nodes. AES encryption is used. Network Address Translation is used to conceal real IP addresses.

The LOTOS O/S system is installed or currently being implemented and maintained for over 40 customers worldwide, with three in production in the US (Nebraska, Montana, Idaho) and two forthcoming (New Mexico, South Carolina).

FINDINGS:

TECHNICAL PERCENTAGE RANGE: 85%
Total Elements in Section = 41; Number of PLUS elements = 1; Number of MINUS elements = 1

One significant element received a Minus. No significant elements were given a Plus or a high or low QOE. Starting with the base percentage rating of 85, no other points were added or subtracted.

- - Gaming Host Systems at the Primary Data Center & Backup Data Center:
3.1.1 & 3.1.2 -. The Committee noted an inconsistency in INTRALOT's proposal in the number of front-end communications servers called, "Internet Protocol LOTOS Communication Processors" (IPLCPs or LCPs) being offered. A diagram following page

14 of Section 3.1 entitled, “NJ Central Gaming Systems Overview”, depicts that there are eight IPLCPs at each data center. Further on in the proposal, more specific diagrams, drawn and written for the Primary Data Center (PDC) and Backup Data Center (BDC), indicate four IPLCPs at each data center and a chart of equipment proposed shows a total of four IPLCPs. Because of these discrepancies and the fact that too few IPLCPs would severely affect communications between the retailers and the central system proposed by INTRALOT, the response adds the potential of great risk of lost sales to the Lottery. The Committee requested, via clarification letter, that INTRALOT clarify the information provided regarding the IPLCPs.

The first clarification response, dated May 14, 2008, indicated there would be eight IPLCPs at each data center and that each IPLCP could handle a maximum of 650 retailers. The second letter requested that INTRALOT clarify how eight IPLCPs at each data center would allow connectivity should a failure occur at either data center (8 x 650 = 5,200 retailers maximum at any one data center). The second clarification response, dated June 18, 2008, indicated that all 16 IPLCPs would be in service at the same time and that the 650 terminals per IPLCP maximum was for the primary table alone. Each IPLCP would also have a back-up table of 650 retailers (8 x 1300 = 10,400 retailers).

The Committee found little assurance by INTRALOT’s statement “However, should the Lottery have any reservations as to the total terminal capacity of our proposed number of LCPs (16 total), INTRALOT agrees to stand by its original base proposal wherein it will provide a mutually agreed upon quantity of LCPs at “Go –Live” that is satisfactory to the Lottery.” These statements suggested to the Committee that INTRALOT was uncertain of the number of IPLCP’s that would be necessary to properly service the network.

Due to the conflicting information contained in the proposal, coupled with the confusing, unconvincing and seemingly less than forthright responses to the State’s clarification requests, the Committee deemed this element of INTRALOT’s proposal as having a significant limitation (minus) due to a substantial low QOE which constitutes a substantial risk to the NJL . See Exhibit A for clarification letters and responses.

+ Gaming System Quantitative Performance Criteria:
3.1.5.A – The central system will be able to handle 12,000 retailer terminals at startup, almost twice the amount required by the RFP.

ADDITIONAL FINDINGS:

The auto failover requirements specified by RFP Section 3.1.5.H, did not work during the terminal demonstration. INTRALOT provided an explanation in its BAFO/clarification letter dated July 25, 2008 where IBM is faulted for installing an incorrect software component in the configuration being tested. INTRALOT further states that in the limited set-up time available to it, INTRALOT was unable to fully test its configuration adequately. The Committee did not take any scoring action for the results because Battelle Memorial Institute, NJ’s technical consultant, stated that they have witnessed the auto-failure feature operate properly in demonstrations for other jurisdictions. See Battelle’s Technical Proposal Assessment Letter dated May 7, 2008 attached as Exhibit J.

The INTRALOT proposal did not address RFP Section 3.1.6 for visual and audible alarms but the Committee was able to independently verify that this commercial product does have these capabilities.

SECTION 3.2 - RETAILER TERMINALS, PERIPHERALS & OTHER DEVICES

INTRALOT's proposal offers the CORONIS series of terminals, the full function CORONIS HEE and the microLOT reduced-size terminal.

The CORONIS High End terminal (HEE) comes with an adjustable 12-inch display (800x600) screen, external thermal printer, full-width A4 scanner, 2D barcode reader, and either 40 GB hard disk drive or 1 GB flash memory. The touchscreen display component is 5-wire resistive technology with Surface Acoustic Wave also available. The operating system is Linux. In addition, the proposal includes 300 extra microLOT terminals above the RFP-required 6,200 terminals. The microLOT is more compact but lacks some of the standard features of the HEE, and employs a smaller A6 scanner, smaller 8-inch display screen, and smaller printer. The proposal also allows substitution of microLOT terminals for HEE terminals.

The HEE and microLOT terminals in a standard configuration have 512 MB RAM and a 1 GB disk on module (DOM) flash memory.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 96%
Total Elements in Section = 76; Number of PLUS Elements = 7; Number of MINUS Elements = 0

Two significant elements received a Plus and two significant elements were given a low QOE. No significant elements were given a Minus. Starting with the base percentage rating of 95, 2 points were added for the two significant elements that received a Plus and 1 point was subtracted for the significant elements that received a low QOE as noted below.

+ Retailer Terminals, Peripherals & Other Devices:
3.2 INTRALOT proposes to provide 6,500 terminals, 300 over the RFP requirement. These additional 300 terminals are proposed to be microLOT terminals as opposed to the full size HEE terminals.

+ Retailer On-line Terminal Features and Functions – Secure Sign-On:
3.2.1.2.F The INTRALOT proposal states that if the NJL decides to implement magnetic strip or smart card technology for retailer log-on function or other lottery applications such as VIP Player Club, there would be no additional cost for the hardware or software. INTRALOT will provide the cards for the LSR's and all Lottery authorized personnel. Other cards, such as VIP Player Club would be at additional cost.

+ + Retailer On-line Terminal Features and Functions –On-Line Ticket Reader:
3.2.1.2.K.1 First-read rate for both scanners on the HEE and microLot is claimed to be 99.9%, significantly better than the 95% requirement which aids in retailer ease of use and efficiency.

+ + Retailer On-line Terminal Features and Functions – Instant Ticket Reader:
3.2.1.2.L.2 Instant Ticket Bar Code reader read rate 99.9%, significantly better than the RFP requirement which aids in retailer ease of use and efficiency.

+ Retailer On-line Terminal Features and Functions – Peripheral Slots/Ports:
3.2.1.2.P The RFP requires four unoccupied slots/ports for future growth, and the HEE provides more ports than is required. There are two PCI slots, 6 USB ports, and an RS-232 port. The microLOT also has more than the required four extra slots/ports.

+ Retailer On-line Terminal Features and Functions – Terminal Case Design for Safety:
3.2.1.2.CC The HEE terminal case has a mechanical lock and only the service technician has the key. In addition, a battery-supported sensor detects and records the date/time of openings of the terminal's cover. This is a useful feature, as it provides additional security for the terminal. The microLOT requires a special tool to open the case.

+ Retailer On-line Terminal Attachments – Flat Panel Advertising Display:
3.2.1.3.D Though Keno is not approved for play in NJ at this time, in the future, if the Lottery is able to offer Keno or other monitor games, INTRALOT's proposal states that it will offer a 19" LCD display as an additional information display for use at all retailer locations selected by the Lottery for no additional cost. The Committee could not rate this item as significant because the State may never be able to take advantage of this offer.

Low QOE Specialty Retailer Terminals - Kiosk Terminals:
3.2.3.A - INTRALOT proposed 1,000 Kiosk Terminals (Coronis Winstation Player Activated Terminal for on-line and instant sales), 500 more than the RFP requirement. The Kiosks have a 25 bin capacity (1 more than required) and come with a Beta Brite scrolling display for jackpot and other messages. Although INTRALOT offered more Kiosks than required, the Committee deemed the response as having a low QOE because the Kiosks have not been deployed in other than field testing scenarios.

Low QOE Specialty Retailer Terminals – Instant Ticket Vending Machines (ITVMs):
3.2.3.B – INTRALOT proposes to provide the 1,000 freestanding ITVMs as required. The Committee deemed the response as having a low QOE because the ITVMs have not been deployed in other than field testing scenarios.

ADDITIONAL FINDINGS:

The printer for the HEE is external and is thermal. Resolution is 203 dpi and transport speed is 7 inches per second. The printer supports clamshell ticket stock reloading of the 7-inch roll. The printer is quiet, fast, and produces tickets of high graphical quality. There are no printer ribbons to supply or to change when using thermal paper, a maintenance simplification. The microLOT printer is similar but slower and smaller.

The Committee found interesting the feature that the terminal changes the screen's background color to signify to the operator that training mode is active to be interesting as this may reinforce operator understanding of the terminal's status.

The proposal offers an instant ticket reader that can come fixed to the CORONIS terminals or be delivered as a removable unit on a 10-foot length cord. The RFP requirement is at least 8-foot cord. The Committee found the additional 2 feet of cord length not significant enough to warrant a plus rating.

INTRALOT proposes, as an option for NJL, to provide 1,000 Kiosk Terminals in lieu of the 1,000 ITVMs. The Kiosk Terminal is essentially an ITVM with on-line gaming capability. Since the RFP requires that the ITVMs "must not be dual-function instant and on-line selling machines, but instant only." INTRALOT's optional offer of dual functionality machines is immaterial.

SECTION 3.3 - COMMUNICATIONS NETWORK

INTRALOT proposes a wireless retailer network solution supporting a broadband IP network through satellite dishes to ground hub stations and then to fully redundant data centers (primary and backup.) The primary media are: Very Small Aperture Satellite (VSAT) and IP Mesh Radio. VSAT will be maximized to the extent possible, estimated at 95% and IP Mesh Radio is the second preference. INTRALOT proposes Frame Relay as a back-up technology, and 3G Cellular for temporary and promotional conditions.

For VSAT services, INTRALOT proposes 2 Satellites, each available to two geographically diverse ground stations connected by diverse dedicated links to both data centers. Assignment of retailers to satellites is accomplished so that adjacent retailers are serviced primarily by different satellites. Should a satellite fail, service will still remain in all local areas. INTRALOT cites satellite communication experience with Nebraska, Montana and Idaho.

Mesh radio is proposed for dense concentrations of retailers and where VSAT may not be the best solution. IP Mesh Radio creates a blanket of coverage in a neighborhood by installing server radios with overlapping service areas.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 94%
Total Elements in Section = 29; Number of PLUS elements =1; Number of MINUS elements = 0

One significant element was given a low QOE. No significant elements were given a Plus or Minus. Starting with the base percentage rating of 95, 1 point was deducted for the significant element that received a low QOE as noted below.

Low QOE Network Design and Implementation – Retailer Network:
3.3.1 A -The Committee deemed this significant element a low quality of evidence for the following reasons: INTRALOT's proposal states that VSATs can be used at 95% of retailers and INTRALOT intends to use VSATs whenever possible. The proposed secondary type of communication, Mesh Radio, is not a proven technology for use in the lottery environment. It is not addressed in the proposal which lotteries (or other retail operators) have employed the technology for transaction processing networks. In

INTRALOT's May 14th clarification response, INTRALOT acknowledges that "there are currently no state lottery providers within the United States that employs IP Mesh Radio technology for transaction processing networks." While Internet access and emergency service access use Mesh Radio technology, they have a different design environment from lotteries. IP Mesh Radio requires installation on buildings, light poles, etc, to provide the necessary radio coverage. The proposal does not address what the server radio density will need to be to service the retailers. General guidelines for Wi-Fi are 10-20 server radios per square mile. The proposal also does not address what administrative difficulties or costs may be presented in getting authorization for the installations. The State cannot guarantee approval to mount radio transmitters on public property or utility poles. Towns and cities that have installed IP Mesh Radio generally have administrative control of an infrastructure of poles and buildings that facilitates server radio installation. Also, IP Mesh Radio uses a transmission frequency of 2.4 GHz which is in common use as unlicensed (non-reserved) space. For this reason, unlicensed sending signals cannot be too strong. IP Mesh Radio can suffer interference from other devices including cordless telephones, microwave ovens, and Bluetooth devices. However, this technology is proposed for minimal use in NJ (less than 5%).

Another concern is a statement in the INTRALOT proposal on page 25 of Section 3.3, "INTRALOT can use cellular for temporary installations in order to meet our agreed upon installation time frames and, along with VSAT and radio, use cellular for temporary sites such as fairs and promotions." The temporary use of cellular to meet installation timeframes is a concern because INTRALOT in Section 3.9.3 (page 42 of the proposal) states that it does not anticipate use of interim configurations to complete the conversion. The response leaves the possibility that INTRALOT could use a less than ideal communication solution should INTRALOT not complete VSAT communication installations prior to conversion.

Given the critical importance of communications, the Committee considers this significant element a low QOE related to the feasibility and reliability of IP Mesh Radio.

+ Service Level Agreement:
3.3.5 – INTRALOT commits to a 99.97% retailer availability Service Level Agreement. This is above the 99.7% agreement required. On a 24-hour business basis, 99.97% is 3 minutes per week downtime reducing the risk of lost sales. The RFP requirement allows 30 minutes per week on a 24 hour basis.

SECTION 3.4 – SOFTWARE CONTROLS & DATA MANAGEMENT

INTRALOT's gaming operating system is LOTOS O/S, a proprietary application that runs on IBM's AIX (UNIX) operating system. It consists of several modules that perform such functions as ticket sales and winner transaction processing; transaction logging; instant ticket game inventory management; telemarketing; retailer database; claims and payments; and sales reporting. The transaction processing system confirms a "write to disk" before the terminal receives a response to complete the ticket transaction. This ensures positive recording on the two systems at the primary data center and the two systems at the secondary data center before printing. The system will have two tools for transaction research: Real-Time Data Viewer (RTDV), and Dump Transaction Log. Only authorized users have access.

To prevent retailer terminal "spoofing," terminal static IP addresses and MAC addresses are registered at and checked from the LOTOS central site prior to sign-on. Other sign-on controls and encryption severely limit the opportunity for spoofing a legitimate retailer terminal. The system provides LOTOS O/S Administrator User software, a real-time tool for monitoring the system. The RTDV provides a System Transaction Summary and other displays. Any authorized management terminal can access the RTDV with a web browser.

The INTRALOT gaming system simulator tests the host side as well as the retailer terminal side by emulating both terminals and hosts.

The dual security approach used for checking high-tier winning tickets is called iSecure. Part of the secure number for a ticket is stored at the LOTOS central site and part is only on the ticket itself. An authorized Lottery user can check the winner. INTRALOT's Multi-State Lottery Association (MUSL) jurisdictions are using iSecure for high tier winners. Unresolved transactions that the central transaction processing system puts on its log can be further researched by reference to the encrypted transaction log on the terminal in question.

The proposal lists a variety of mechanisms to protect against compromise which include: operating system access controls; audit log of all system access file checksums; and restricted access to source codes.

The Instant Game Management System (IGMS) provides retailer maintenance, accounting, and retailer accounting adjustments. The IGMS is capable of supporting any settlement method or multiple methods and can also accommodate settlement of partial instant pack returns. The IGMS is also capable of allowing different settlement rules for each retailer, groups of retailers, chains and other configurable profiles. The IGMS is capable of predictive ordering and automatic re-ordering to reduce the telemarketing call burden. The system maintains real-time inventory of each pack of tickets including the status in the warehouse, packs that are in-transit, and all packs located at each retailer. The telemarketing function support offered by INTRALOT, called Tel-sell, has the ability to monitor and manage inventory at the retailer level. This includes the monitoring of orders shipped but not confirmed, packs confirmed but not activated and low or high stock levels.

Crystal Reports and INTRALOT's Business Intelligence application using Oracle are proposed to meet the database reporting requirements. The Oracle product also provides reporting and query tools.

The proposal identifies three ICS providers: ESI Integrity, Elsym Consulting, and Lapis Software Associates. INTRALOT has previously interfaced LOTOS with ESI Integrity and Elsym.

As stated earlier in this report, LOTOS has forty installations worldwide, with three in production in the US (Nebraska, Montana, Idaho) and two more forthcoming.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 94%
Total Elements in Section = 104; Number of PLUS Elements = 4; Number of MINUS Elements = 0

One significant element was given a low QOE. No significant elements received a Plus or Minus. Starting with the base percentage rating of 95, 1 point was deducted for the significant element with a low QOE as noted below.

+ Retailer Disablement Codes:
3.4.4.2.C - The system provides no limit for the total number or retailer disablement codes or the number of concurrent disablement code conditions at any given time. This betters the RFP requirement of twenty total and five concurrent.

+ Games Management Application Features & Capabilities:
3.4.4.2.G - Retailer message size has no limitations, bettering the RFP requirement of 512 characters. The Committee found the larger message size may be beneficial in circumstances where more information needs to be conveyed.

+ Support of Instant Ticket Transactions at Retailers:
3.4.5.A -The INTRALOT IGMS supports up to 10 algorithms where the RFP required at least 3. The Committee judged this to be a benefit for future instant games because additional bar codes may be utilized.

Low QOE Instant Ticket Accounting and Management:
3.4.6 – Instant ticket sales comprise approximately 50% of the NJL sales. The functionality of the proposed IGMS has not been proven in the US on a level similar to NJ. Only Idaho, which has 1,100 retailers, operates the most recent production version of IGMS using all functions that NJL would use. As such, the Committee rated this with a low QOE.

+ (Low QOE) - Lottery Field Employee Automation Software:
3.4.15 INTRALOT proposes the “Order Pad” system from Cole Systems for seventy-five (75) Lottery Field Employees. This software is specifically designed for the Lottery industry and has many useful functions such as a retailer visit history module to analyze how the retailer network is being serviced. INTRALOT did not describe its past experience in providing other state lotteries with the proposed type of field employee automation software and therefore, this element also received a low QOE.

ADDITIONAL FINDINGS:

The INTRALOT proposal states that payments can start within five minutes of drawing results which meets the RFP requirement of ten minutes or less. The Committee noted that this was interesting but offered no significant benefit.

LOTOS O/S provides an array of games management and back-office tools for monitoring, management, and reporting. An Oracle database maintains the summarized sales records, retailer information, retailer accounting, claims and payments, and instant ticket management information. User access is web browser-based, as required. INTRALOT states that the system will be configured to accommodate as many concurrent users as the Lottery may require. There is no limit to

the number of users that may access the system. This exceeds the RFP requirement of 160 users with 64 concurrent. However, the Committee concluded that this offered no significant benefit as the NJL does not anticipate it will have the staff to meet the requirement much less exceed it.

SECTION 3.5 – GAMES AND MARKETING

INTRALOT's proposal states that INTRALOT's SPECTRUM Game Library includes more than 400 game types and variations.

INTRALOT annually conducts an industry-related survey by studying and analyzing the performance and activities implemented by various lotteries around the world. INTRALOT states that it is committed to meeting the strategic and tactical marketing needs of the NJL through on-site support by permanent staff located in the New Jersey Primary Data Center, corporate support in Georgia, and corporate marketing resources at headquarters. Support will include strategic planning, "State of the Industry" presentations, assistance in annual Marketing Plan development, a Research and Development program, market survey, market research, and focus groups.

A Sales Analysis System consisting of pre-designed reports and ad hoc reports is proposed. Ad hoc reporting will be delivered using the Business Intelligence application and Crystal Reports via the Oracle database. To optimize and expand the retailer network and player base, a modeling application provided by Integras Consulting (a subcontractor) is offered.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 95%
Total Elements in Section = 32; Number of PLUS Elements = 1; Number of MINUS Elements = 0

No significant elements were given a Plus, Minus or a high or low QOE. Starting with the base percentage rating of 95, no points were added or deducted.

+ Instant Game Support – Game Volumes:
3.5.6.A -The INTRALOT proposal states that it can easily accommodate multiple games of up to two hundred million tickets and its system can also easily handle the introduction of more than sixty new games annually. The requirement is up to twenty million tickets per game and 52 new games per year.

SECTION 3.6 – EMERGENCY MANAGEMENT TERMINALS

INTRALOT will provide ten emergency management terminals, IBM ThinkCentre M55's, with a 20" flat screen and three HP Laserjet 1022n printers. The emergency management terminals will provide a method of accessing all gaming data to continue normal Lottery operations during periods when normal modes of communication are not available.

TECHNICAL PERCENTAGE RATING: 95%

Total Elements in Section = 1; Number of PLUS Elements =0; Number of MINUS elements = 0

No significant elements were given a Plus, Minus or a high or low QOE. Starting with the base percentage rating of 95, no points were added or deducted.

SECTION 3.7 - CONTRACTOR'S FACILITIES & DISASTER RECOVERY PLAN

INTRALOT proposes a choice of two locations for the Primary Data Center (PDC), one in Ewing, NJ and the other in Hamilton, NJ. Both are within the required ten mile distance from Lottery Headquarters and are easily accessible to local highways. Proposed to be co-located with the PDC are the Business Continuity Site (BCS), District Office, instant ticket warehouse, permanent retailer training facility, acceptance testing center, maintenance & repair depot, Tel-sell hotline, and all other retailer services.

INTRALOT proposes to provide a customized Business Continuity Plan (BCP) by startup. INTRALOT also states it will employ continuity planning software to update equipment, personnel, vendor, vital records and recovery procedures on a regular basis. A sample disaster recovery plan from another state lottery was provided on a CD.

The proposed Backup Data Center (BDC) will be INTRALOT's Idaho Lottery Primary Central Site in Boise Idaho. The PDC and BDC are geographically diverse which virtually precludes simultaneous loss due to the same disaster. INTRALOT states that it currently staffs its PDC in Boise, Idaho 24 hours a day, 7 days a week, 365 days a year. Local personnel will monitor operations around the clock and be immediately available should any item need attention.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 95%
Total Elements in Section = 23; Number of PLUS elements = 1; Number of MINUS elements = 0

No significant elements were given a Plus, Minus or a high or low QOE. Starting with the base percentage rating of 95, no points were added or deducted.

+ Environment and Security at the Primary Data Center:
3.7.1.1 - The electronic access system for the Primary Data Center was noteworthy. INTRALOT proposes using WaveReader software (a GE security software product). WaveReader software is a graphical user interface that allows users to remotely access GE Security digital recorders via Ethernet or dial-up connection. INTRALOT proposed high resolution cameras to be located at key areas and the system can be remotely connected by a feed to NJL's Security Unit to enable real-time monitoring.

ADDITIONAL FINDINGS:

The RFP required that the Lottery's BCS/District Office have an overall minimum of 2,700 square feet, INTRALOT proposed a space of 3,000 square feet. The Committee

did not rate this additional space as a plus because the additional space is minimal and likely would not be needed by NJL.

SECTION 3.8 – STAFFING, SERVICES, OPERATIONS SECURITY PLAN

INTRALOT's proposal included staffing in the following areas; implementation, ongoing operations, technical support, training, call center, field service, warehouse and telemarketing. INTRALOT said that key staff positions will be filled by seasoned professionals with industry related experience and other positions filled locally. INTRALOT proposed an implementation staff and provided the names and experience of 32 people including the top corporate executives, as well as, managerial and technical positions.

INTRALOT provided the functions and qualifications of 18 people and indicated that it would hire the out-going vendor's personnel and/or other qualified candidates from within the State for ongoing operations. In addition to identifying 18 key positions for ongoing operations, INTRALOT provided a chart of estimated minimum and maximum staffing levels over the full term of the contract. These levels represent between 72 and 96 people. INTRALOT also indicated it will provide not less than two software and systems engineering support people.

INTRALOT provided a plan to address initial and ongoing retailer training, which included trade shows, on-site retailer locations and classroom training. INTRALOT recommended a trade show format for training and cited Nebraska and Montana as examples where effective training was completed using this scenario. A training outline and locations were provided in the proposal and examples of a user manual and training component on the CORONIS terminals. Lottery staff training was described and a course outline was provided.

INTRALOT proposes a predictive order method for consumables (play slips, ticket stock, etc.) where the system will calculate usage and compare it to inventory levels. Should retailers run short, INTRALOT offers same day delivery. A retailer equipment maintenance program was described and a preventative maintenance rotation based on retailer volume sales was proposed. INTRALOT is proposing a full-time bilingual hotline located at the PDC. A call management system will handle all incoming calls and calls can be automatically forwarded to other hotline locations in Idaho and Nebraska. Call reports will be available to NJ Lottery through at least three of the management work stations.

A system for change control and quality assurance acceptance testing was described. INTRALOT indicated that the change control process was ISO 9000 certified. INTRALOT provided an outline of a security plan.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 74%
Total Elements in Section = 52; Number of PLUS Elements = 1; Number of MINUS Elements = 3

Two significant elements were given a Minus. One significant element was given a low

QOE. No significant elements received a Plus. Starting with the base percentage rating of 75, 1 point was deducted for the significant element with a low QOE as noted below.

- - Implementation and Conversion Staff:
3.8.1.A – The Committee considered INTRALOT's response to this element to be a significant limitation. In several areas, INTRALOT's response contained conflicting information regarding the project manager for implementation and conversion.

For example, the INTRALOT proposal is ambiguous regarding the person proposed as the project manager for implementation and conversion. In INTRALOT's section 3.9.5 "Lee Wilson" is offered and in section 3.8.1.A, "Paul Ostendorf" is offered. In its clarification letter dated May 8, 2008, the State asked INTRALOT to identify which of the two was being offered. Instead of explaining why two different names were offered in the proposal and stating who it intended to offer in the first place, INTRALOT responded by offering the NJL a choice between the two. In any event, because INTRALOT's proposal did not contain a resume for Mr. Wilson, as stated in section 3.9.5 of the proposal, the Committee could not evaluate his qualifications. This lack of attention to detail coupled with INTRALOT's casual response to the Committee's request for clarification, appeared to the Committee to be a significant limitation because of the importance of this position in ensuring a successful implementation.

Another inconsistency is that INTRALOT's proposal states in section 3.8.1.A that Paul Ostendorf has project management experience that includes more than ten lottery start-ups and conversion of lotteries such as Pennsylvania, Delaware and Maryland. While, Mr. Ostendorf's resume indicates that he is a "veteran of six lottery launches and eight system/network conversions…", the resume does not specify the roles he played in those launches and conversions.

- - Bidder Personnel - Ongoing Lottery Operations Staff:
3.8.1.B The Committee considered INTRALOT's response to this element to be a significant limitation for the following reasons:

The Committee's major concern was that the proposal arbitrarily limits the number and type of personnel that INTRALOT would make available for the life of the contract regardless of the NJL's business needs. The proposal included a table that showed maximum and minimum staffing by job title. The intent of the contract, in terms of personnel, is that the contractor is expected to provide the necessary personnel to meet the contract performance requirements over the life of the contract. The proposal, which sets a maximum number of personnel for any given job title, is inconsistent with this intent. This restriction seriously limits the NJL's ability to function effectively and increase revenues over time without increasing contract pricing.

INTRALOT provided a table of suggested personnel/position categories with no specific staff identified. The table contained job titles and expected qualifications, as allowed by the RFP. The Committee found that the qualifications provided by INTRALOT for certain job titles were inadequate. For example, only the General Manager is required to have lottery experience. In addition, the requirements for other positions state that US Lottery experience is merely preferred, not required, while others do not require any lottery experience at all. The Committee found that proposing an ongoing operations

staff with very limited lottery experience poses a risk to the quality of the ongoing operations of the NJL.

+ Terminal Provisioning Services: Moves, Adds, Changes, Removal:
3.8.3 - The INTRALOT proposal cuts in half the terminal provisioning schedule for three of the four items contained in the RFP. These are "add a retailer" from 14 to 7 days, "move a retailer" from 14 to 7 days and "inside move" from 10 to 5 days. Removal was required to occur within 7 days and INTRALOT proposed 5.

- Retailer Training Programs, Initial and Ongoing – Retailer Instruction:
3.8.5.A - The proposal states that INTRALOT will use INTRALOT trainers and, if necessary, supplement with temporary trainers. These temporary trainers will be selected through local personnel search agencies. Ideally, training should be conducted by personnel who are both trained and experienced in gaming systems and related equipment, so that they can knowledgably answer retailers' questions related to use of the terminal. Notwithstanding the language in the proposal stating that temporary trainers would only be used as a supplement to INTRALOT staff, the Committee was unable to determine the likelihood of temporary trainers being used because the number of INTRALOT training personnel was not provided. The Committee found the likely use of temporary trainers to be unacceptable, even as a supplement. Temporary trainers will have no practical experience operating an INTRALOT terminal other than that learned during their training. As such, the Committee found INTRALOT's approach to be far less than ideal.

Low QOE Operations Security Plan:
3.8.13 - INTRALOT stated that its personnel have decades of experience, citing that the plan developed for Idaho was flawless. The Committee deemed this as having a low QOE because INTRALOT only cited its experience in one state.

SECTION 3.9 – GAMING SYSTEM IMPLEMENTATION

INTRALOT proposes an overnight approach for conversion which it calls "Perfect Switch". It proposes to install all communications far in advance of terminal deployment having the entire communications network running and load-tested long before the actual cut-over.

INTRALOT proposes to perform pre-installation surveys in cooperation with the Lottery's sales representatives to determine one of three installation type categories as follows:

A. Retailers who are able to receive the new equipment near the existing equipment.
B. Retailers who are not able to locate the new equipment near the existing equipment and require a temporary placement. In this scenario, the retailer will receive training on how to move the equipment to the permanent location. INTRALOT also proposes to move the equipment if the retailer prefers.
C. Retailers who because of space limitations are unable to accept the new equipment. In this case the new equipment must be delivered and set up by INTRALOT the week before conversion.

INTRALOT provides a formal implementation plan and Gantt time chart and lists the various responsibilities of the partners in the conversion. INTRALOT does not anticipate the use of interim facilities, staffing or business procedures but agrees that all costs associated with interim facilities, if necessary, are its responsibility. Acceptance testing will occur at the Primary Data Center. INTRALOT provides a plan to validate tickets on and after production start-up and agrees to meet the requirement for converting a minimum of 36 months of historical data.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 85%
Total Elements in Section = 16; Number of PLUS Elements =0; Number of MINUS Elements = 1

One significant element was given a Minus. No significant elements received a Plus or a high or low QOE. Starting with the base percentage rating of 85, no points were added or deducted.

- - Conversion Strategy – Minimizing Conversion Limitations:
3.9.1.A – INTRALOT's conversion strategy assumes that 90% of retailers have counter space to add a second, fully-connected and ready to go-live terminal for up to four months prior to the conversion date. INTRALOT further assumes that up to 8% of retailers will opt to store the new terminal and install it themselves on the night of the conversion. The remaining 2% of retailers are those that are unable to accept delivery of terminals ahead of time due to space limitations. For these retailers, INTRALOT's proposal has conflicting statements. At one point INTRALOT indicates that it will deliver and set up the terminals one week before conversion. At another point the proposal indicates it will place terminals at these locations "at conversion." This inconsistency makes it impossible to determine exactly when INTRALOT intends to install equipment and makes it appear that INTRALOT does not intend to do a significant number of installations on the night of the conversion. This methodology implies that a great deal of the conversion work will be completed prior to the conversion date and some conversion work will be done by a limited number of retailers on the conversion date. This methodology does not address space issues or how retailers will not be inconvenienced by having to accommodate the additional terminal prior to the actual conversion.

Based on NJL's experience and knowledge of its retailers, considerably more than 8% of retailers will not have the counter space to hold both the current functioning terminal and the new non-working terminal. As a result, a significant number of retailers above the 8% will need to choose to complete the installation themselves or INTRALOT will have to have a significant number of technicians available to perform the installation. Therefore, the Committee believes that INTRALOT may have significantly underestimated the effort that may be required on conversion night. INTRALOT's proposal indicates it will complete installations for all retailers who do not have space or choose not to complete the installation themselves but as stated above, it is unclear when this installation will be performed. This solution is far less than ideal because it places primary responsibility for installation on the retailers and deflects responsibility from INTRALOT.

The Committee considers this a significant element as the generation of over $2.5 billion in sales is a paramount consideration to having a successful conversion without loss of sales. The Committee believes that the methodology proposed by INTRALOT underestimates the amount of installations to be performed by INTRALOT, overly inconveniences and unduly burdens retailers and increases significant risk for loss of sales. For all of these reasons, the Committee has found this element to be a significant minus.

SECTION 3.10 – BIDDER CORPORATE CAPABILITY

INTRALOT's world headquarters is located in Athens, Greece and its US headquarters is located in Duluth, Georgia. INTRALOT was established in 1992 and has a strong international presence, with forty subsidiaries and eight business offices throughout five continents. Currently, it operates or provides equipment and services to Nebraska, Montana, and Idaho and is in the process of installing gaming systems in New Mexico and South Carolina. INTRALOT states that it has installed or is implementing its LOTOS O/S system for over forty customers. INTRALOT states that it has never had a contract terminated for default or cause, has never had implementation delays, has never been suspended and has never been assessed liquidated damages.

INTRALOT will produce its terminals in three manufacturing plants located in Greece, Romania and Taiwan. The proposal states that all manufacturing facilities are ISO 9001 certified.

FINDINGS:

TECHNICAL PERCENTAGE RATING: 75%
Total Elements in Section = 20; Number of PLUS elements = 0; Number of MINUS elements = 2

Two significant elements were given a Minus. No significant elements received a Plus or a high or low QOE. Starting with the base percentage rating of 75, no points were added or deducted.

- - Gaming System Experience:
3.10.2 - INTRALOT states that it is the second largest supplier of integrated gaming and transaction processing systems in the world with a presence on five continents with forty subsidiaries and seven business offices. According to the contract history forms contained in section 3.10, INTRALOT has tens of thousands of retailer terminals installed. However, only approximately 3,140 of those terminals are installed in the United States in three state lotteries, all significantly smaller in scope than the NJL. Currently, INTRALOT is performing gaming contracts for Nebraska, Montana, and Idaho. The chart below provides a summary of the information in the RFP response provided by INTRALOT. For comparative purposes the NJL has approximately 6,200 terminals, and requires all services listed to be performed by the gaming contractor.

Lottery	Est. # of Retailer Terminals	On Line Games	Instant Ticket Mgt. System	Warehouse Inventory Mgt./Order Packing, Distribution/Returns
Nebraska	1,290	√	*	In House
Idaho	1,100	√	√	√
Montana	750	√	√	In House

* Instant Ticket Mgt. System for Nebraska is run by GTECH.

According to the contract history forms that INTRALOT provided with its proposal and information provided by Battelle, INTRALOT operates only two US lotteries that are currently running its Instant Ticket Management System (ITMS), Montana and Idaho. Further, of these two contracts, only Idaho has an instant ticket warehouse, inventory control and distribution system operated by INTRALOT. Although INTRALOT met the RFP experience requirement, the Committee found it has limited experience operating an instant ticket management system close to the volumes the NJL will require. INTRALOT has even less experience operating an instant ticket warehouse and inventory and distribution system. Overall, the Committee found INTRALOT's experience to be far less than ideal. In addition, instant tickets comprise at least half of the NJL sales (Fiscal year 2008 instant ticket sales totaled over $1.2 billion) and it is the fastest growing segment of overall sales. Therefore, INTRALOT was rated a significant minus for this element.

- - Software Development Plans:
3.10.5.A - The INTRALOT proposal states that all third level software support is provided by engineers traveling from Athens, Greece to locations on-site for start-up conversion. Athens personnel also provide support for other development projects on an as-needed basis. The proposal further states that support is also provided from engineers residing and working at the parent company office in Athens, Greece and other locations throughout the world. The Services Source Disclosure document provided by INTRALOT in its proposal does not provide information regarding where software development and/or support will be provided. RFP Section 6.4.1.5 clearly indicates that these services must be performed within the United States. While INTRALOT indicates that some support is provided by engineers traveling to the US, should the Lottery have a significant event occur that requires third level support, the Lottery will have to wait for an engineer to travel to the US to provide a fix, or allow INTRALOT to provide support from an off-shore facility which would be a contract performance issue. While third level support issues are rare, they are usually critical. The Committee believes that having to wait for an engineer to travel to the US to resolve a critical issue is far less than ideal. INTRALOT has facilities in the US and it should be able to provide full function development and support from one of those facilities. The Committee has found that failing to provide all software support in the US increases Lottery's risk of lost sales and revenue by having to wait for an engineer to travel before critical and complex issues can be resolved. Therefore the Committee has found this significant element to be a minus.

- Project Management Quality:
3.10.6.A - INTRALOT currently has five individuals who are in the process of attaining project management professional certification, only one is named, Paul Ostendorf. A

minus was given as a result of the proposal indicating a lack of management personnel with PMP certification.

ADDITIONAL FINDINGS:

The Committee requested the New Jersey Economic Development Authority (EDA) to conduct an objective review of the financial condition of INTRALOT. Their findings indicate that INTRALOT appears to be well capitalized, reported growing and profitable results with sound experience in the lottery industry (see Exhibit I).

INTRALOT SCORING SUMMARY

RFP Section	Points Available	Percentage Rating	Score
3.1 Central Configuration	100	85%	85.00
3.2 Retailer Terminals, Peripherals & Other Devices	130	96%	124.80
3.3 Communications Network	110	94%	103.40
3.4 Software Controls & Data Management	170	94%	159.80
3.5 Games & Marketing	100	95%	95.00
3.6 Emergency Management Terminals	60	95%	57.00
3.7 Contractor Facilities & Disaster Recovery Plan	75	95%	71.25
3.8 Staffing, Services & Operations Security Plan	100	74%	74.00
3.9 Gaming System Implementation	80	85%	68.00
3.10 Bidder Corporate Capability	75	75%	56.25
TOTALS	**1,000**		**894.50**

5.3 TECHNICAL SCORE COMPARISON

The technical point scores earned by each of the bidders are compared in the table below.

RFP Section	GTECH	INTRALOT
3.1 Central Configuration	99.00	85.00
3.2 Retailer Terminals, Peripherals & Other Devices	122.20	124.80
3.3 Communications Network	107.80	103.40
3.4 Software Controls & Data Management	166.60	159.80
3.5 Games & Marketing	98.00	95.00
3.6 Emergency Management Terminals	58.20	57.00
3.7 Contractor Facilities & Disaster Recovery Plan	73.50	71.25
3.8 Staffing, Services & Operations Security Plan	98.00	74.00
3.9 Gaming System Implementation	78.40	68.00
3.10 Bidder Corporate Capability	73.50	56.25
TOTAL POINTS	**975.20**	**894.50**

6.0 PRICE PROPOSALS

The price proposals were opened after the technical scoring was officially completed. Pricing, therefore, had no effect on the technical scores.

Bidder	Original Percentage of Net Total Sales	BAFO Percentage of Net Total Sales
GTECH	00.8899	00.5899
INTRALOT	00.6177	00.5577

The cost proposals were then evaluated according to the formula:

PRICE POINTS = 428 x (LOWEST COST / PROPOSAL COST)

GTECH price points = 428 x (.005577/.005899) = 404.64
INTRALOT price points = 428 x (.005577/.005577) = 428.00

For purposes of this evaluation, the Evaluation Committee multiplied the percentage of net sales, proposed by each bidder, by the net total sales for Fiscal Year 2008 ($2,539,060,984). The result is the estimated total annual cost for the entire gaming system per year. Since the basis of this Contract is a seven-year term, the annual cost was then multiplied by seven to determine the estimated total cost for the term of the Contract.

Bidder	% of Net Total Sales Bid	FY 2008 Net Total Sales	Total Estimated Cost Per Year	Total Estimated Cost 7 Years
GTECH	.005899	$2,539,060,984	$14,977,921	$104,845,445
INTRALOT	.005577	$2,539,060,984	$14,160,343	$99,122,402

7.0 COMBINED TECHNICAL & PRICING POINTS

As a final step in the evaluation process, the Committee combined both the technical and price points for a total score.

VENDOR	TOTAL TECHNICAL POINTS	TOTAL PRICING POINTS	TOTAL COMBINED POINTS
GTECH	975.20	404.64	1,379.84
INTRALOT	894.50	428	1,322.50

Based on the scoring results outlined in the above paragraphs, the Evaluation Committee is recommending that GTECH be awarded the contract.

The NJL is currently charged approximately $26 million per year by the current gaming contractor for Lottery Gaming Services and approximately $8 million per year for terminal communications by the communications contractor for a total estimated cost of approximately $34 million per year. Based on these numbers, the new contract costs for the recommended Bidder should result in a saving of $19,022,079 per year and an approximate savings of $133,154,555 over the seven year term of the contract.

To put the estimated cost of this contract into perspective, the FY 2008 NJL net total sales of $2.5 billion resulted in the payment of $1.5 billion in prizes, a contribution to the state budget of over $882 million for aid to education and state institutions, and the payment of $141 million to retailers for commissions. If the contract recommended for

award had been in place in FY 2008, the estimated cost of the contract would have been $15 million -- less than one percent (.59%) of the net total sales.

EVALUATION COMMITTEE SIGNATURE SHEET

RFP Number 08-X-39707

Respectfully submitted by the members of the evaluation committee:

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