

IN THE CIRCUIT COURT OF THE SECOND JUDICIAL CIRCUIT
IN AND FOR LEON COUNTY, FLORIDA
CIRCUIT CIVIL DIVISION

RICHARD CORCORAN, in his official
capacity as Speaker of the Florida House of
Representatives,

Plaintiff,

v.

Case No. _____

TOM DELACENSERIE, in his official
capacity as Secretary of the Florida
Department of the Lottery,

Defendant.

_____ /

COMPLAINT FOR WRIT OF QUO WARRANTO

Introduction and Petition for Relief

The power of appropriation is exclusively a legislative function. An executive agency, then, cannot increase or restructure an appropriation without prior legislative authorization. Pursuant to its authority, the Legislature appropriated the Florida Department of the Lottery (the “Florida Lottery” or “Department”) roughly \$26.6 million for terminal machines, \$5 million for instant-ticket vending machines, and \$2.9 million for full-service vending machines in Fiscal Year 2016-17. Unless certain proviso conditions—not applicable here—are met, these numbers represent the *maximum* authority granted by the Legislature to the Florida Lottery in this fiscal year to spend public funds for those specific categories. As recurring appropriations, they form part of the base budget for the next year’s appropriations process. Those numbers put the Florida Lottery on notice—as recurring appropriations do for every other executive agency—as to its *maximum* contracting authority in future fiscal years absent a specific increase authorized in advance by the Legislature.

As such, the Florida Lottery cannot enter into a contract that obligates the agency to pay more in subsequent fiscal years than its current budget authority allows, and it certainly cannot use that contract to support a request for an increase or realignment in its appropriations. In fact, Florida law governing the budgeting process expressly prohibits agencies from doing just this. By doing so, the law protects against executive agencies trying to force the Legislature's hand in the budgeting process. It also protects against agencies unleashing the lobbyists of private vendors to interfere with that process. This in turn ensures budgeting transparency and predictability.

Contrary to these established principles, the Secretary of the Florida Lottery (the "Lottery Secretary") executed a multi-year contract with IGT Global Solutions Corporation ("IGT") previously sought by the Department that will require the Florida Lottery—by its own admission—to spend more money in future fiscal years than currently is appropriated for the applicable appropriation categories. In fact, the Florida Lottery's legislative budget request ("LBR") for Fiscal Year 2017-18 now asks for an aggregate increase in its ticket machine appropriation categories and a realignment of those categories to accommodate this new excess contract. The contract with IGT violates legislative budgeting rules—set out in statute—designed to prevent agency efforts to cabin the Legislature's exclusive appropriations authority. Under Florida law, the Department had no authority to solicit the IGT contract, and the Lottery Secretary had no authority to sign it.

COMES NOW, then, Richard Corcoran, as Speaker of the Florida House of Representatives, and petitions this Court pursuant to rule 1.630 of the Florida Rules of Civil Procedure to issue a writ of *quo warranto* to the Secretary of the Florida Department of the Lottery. That writ should require the Lottery Secretary to prove by what authority he entered

into—and subsequently renewed—a gaming systems contract with IGT that requires expenditures by the Florida Lottery in Fiscal Year 2017-18 and subsequent fiscal years that exceed the agency’s current budget authority.

Parties

1. The plaintiff, Richard Corcoran, is a Florida taxpayer. He also is the Speaker of the Florida House of Representatives and the presiding officer for that institution pursuant to Article III, section 2, of the Florida Constitution. House Rule 2.6 empowers the Speaker to initiate this suit on behalf of the House, its members, and its staff on a matter of significant interest to the House.

2. The defendant, Tom Delacenserie, is the Secretary of the Florida Department of the Lottery and serves as the agency’s administrative head. *See* § 20.317, Fla. Stat. The Department’s purpose “is to operate the state lottery as authorized by s. 15, Art. X of the State Constitution so as to maximize revenues in a manner consonant with the dignity of the state and the welfare of its citizens.” § 24.104, Fla. Stat. The Florida Lottery has the authority to “[e]nter into contracts for the purchase, lease, or lease-purchase of such goods and services as are necessary for the operation and promotion of the state lottery.” § 24.105(16), Fla. Stat. It also has the procurement authority set out in chapter 287 of the Florida Statutes and the authority to adopt alternative procurement procedures “designed to allow the department to evaluate competing proposals and select the proposal that provides the greatest long-term benefit to the state with respect to the quality of the products or services, dependability and integrity of the vendor, dependability of the vendor’s products or services, security, competence, timeliness, and maximization of gross revenues and net proceeds over the life of the contract.” § 24.105(13), Fla. Stat.

Jurisdiction and Venue

3. This Court has jurisdiction to issue writs of *quo warranto* pursuant to Article V, section 5, of the Florida Constitution, and rule 1.630 of the Florida Rules of Civil Procedure.

4. Venue is proper in Leon County, Florida, pursuant to section 47.011, Florida Statutes, because the operative facts and circumstances giving rise to the need for this petition occurred in Leon County. Also, the Lottery Secretary and his Department are headquartered in Leon County, *see* § 20.317(3), Fla. Stat., so the home venue privilege dictates that venue should be here. Finally, section 24.110, Florida Statutes, provides that venue for all civil actions regarding the Florida Lottery shall be in Leon County.

5. “The term ‘quo warranto’ means ‘by what authority,’ and the writ is the proper means for inquiring into whether a particular individual has improperly exercised a power or right derived from the State.” *Whiley v. Scott*, 79 So. 3d 702, 707 (Fla. 2011). The writ is an appropriate vehicle by which “members of one branch of government [may challenge] the validity of actions taken by members of another branch.” *Chiles v. Phelps*, 714 So. 2d 453, 456 (Fla. 1998).

6. Because this complaint challenges the unauthorized official action of the Lottery Secretary when he executed a contract on behalf of the Florida Lottery, this proceeding seeks to enforce a “public right,” and there is no need for the Speaker to show he has a real or personal interest for standing purposes. *Whiley*, 79 So. 3d at 706 n.4 (internal citation omitted). “Thus, when bringing a petition for writ of *quo warranto*, individual members of the public have standing as citizens and taxpayers.” *Id.* (internal citation omitted).

7. Moreover, the Lottery Secretary’s unauthorized official action now requires additional public funds to be appropriated to the Department—that is, the Florida Lottery’s

budget authority must be increased—in ensuing fiscal years, including Fiscal Year 2017-18, if that contract is to be implemented. In fact, the Department submitted an LBR for the upcoming fiscal year that seeks an aggregate increase in its ticket machine category appropriations to accommodate the Secretary’s unauthorized official action. The Lottery Secretary’s unauthorized official action runs counter to legislatively established budget procedures, and by law, the contract that the Secretary executed is null and void. This, then, is a matter of significant interest to the House. The Speaker thus has standing to bring this suit in his official capacity. *Cf. Fla. House of Representatives v. Crist*, 999 So. 2d 601, 607 (Fla. 2008) (finding jurisdiction to consider *quo warranto* petition filed by the Speaker and the Florida House against the Governor to challenge his authority to execute a compact on the State’s behalf).

8. This action is appropriate in this Court because, “[a]s a general rule, unless there is a compelling reason for invoking the original jurisdiction of a higher court, a *quo warranto* proceeding should be commenced in circuit court.” *Whiley*, 79 So. 3d at 707. This action is appropriately filed here also because there may be a need for determinations of fact. *Cf. Moreau v. Lewis*, 648 So. 2d 124, 126 n.4 (Fla. 1995).

Prima Facie Case for Issuance of Preliminary Writ

9. The allegations set out in paragraphs 1 through 8 are incorporated by reference and restated here as if set out in full.

Florida Appropriations Overview

10. An “appropriation” is a “legal authorization to make expenditures for specific purposes within the amounts authorized by law.” § 216.011, Fla. Stat. In our system of government, the power to appropriate public funds is uniquely legislative, and “Article VII, section 1(c), of the Florida Constitution gives the Legislature the exclusive power of deciding

how, when, and for what purpose the public funds shall be applied in carrying on the government.” *Graham v. Haridopolos*, 108 So. 3d 597, 603 (Fla. 2013) (internal quotation and citation omitted); *see also Chiles v. Children A, B, C, D, E, & F*, 589 So. 2d 260, 267 (Fla. 1991) (“The constitution specifically provides for the legislature alone to have the power to appropriate state funds.”).

11. Florida operates under an incremental, or issue-based, budgeting system. That means that the State’s budget for the next fiscal year starts with a *soi-disant* “consensus base budget” developed by the staffs of the Legislature and Governor’s Office of Policy and Budget. This consensus base budget essentially is the current fiscal year’s budget, plus “annualizations”—which factor in additional costs to implement issues funded for a partial year for the balance of a full fiscal year—and minus non-recurring appropriations that appear in the current budget. Agencies submit LBRs that propose changes to the base budget, known in the budgetary argot as “issues.” *See generally* § 216.023, Fla. Stat. These issues can be items, programs, and incremental changes to be added to or deleted from the base budget.

12. Annually recurring appropriations—which are based on existing contracts and anticipated revenue—automatically become part of the next fiscal year’s base budget. Under this budgeting process, if an executive agency anticipates negotiating a vendor contract in the next fiscal year that will require more budget authority than is available in its current budget, it must submit an LBR for that next fiscal year disclosing that need. The agency can solicit, negotiate, and execute the contract *only if* the Legislature *first* increases that agency’s budget authority to accommodate the anticipated contract costs—or otherwise expressly authorizes the future procurement. In other words, an executive agency lacks the authority to increase its own

appropriations or to restructure them, and an agency cannot do indirectly—via future contracting—what it cannot do directly. By statute, the Legislature specifically prohibits this.

13. Section 216.311(1) of the Florida Statutes precludes an agency from contracting “to spend . . . any moneys in excess of the amount appropriated to such agency . . . unless specifically authorized by law.” That provision also renders any contract that violates the proscription “null and void.” *Id.* Section 216.313 of the Florida Statutes prohibits an agency head from entering into a contract that binds his agency “for the purchase of services or tangible personal property in excess of \$5 million unless the contract identifies the specific appropriation of state funds from which the state will make payment under the contract in the first year of the contract, *unless the Legislature expressly authorizes the agency . . . to enter into such contract absent a specific appropriation of funds.*” (emphasis supplied). Finally, an agency may not “initiate a competitive solicitation for a product or service if the completion of such competitive solicitation would . . . [r]equire a change to the agency’s budget” *unless the Legislature or the Legislative Budget Commission authorize in advance the initiation of that solicitation.* Ch. 2014-53, § 50, at 25, Laws of Fla. (2014) (Implementing Act for Fiscal Year 2014-15); *see also* ch. 2015-222, § 72, at 51, Laws of Fla. (2015) (same proscription in Implementing Act for Fiscal Year 2015-16); ch. 2016-62, § 113, at 76, Laws of Fla. (2016) (same proscription in Implementing Act for Fiscal Year 2016-17).

14. Taken together, these proscriptions prevent an agency from pursuing a contract with a vendor that will require an expenditure in a fiscal year in excess of what that agency has been appropriated, unless the Legislature authorizes that solicitation or contract in advance. Otherwise, an agency could seek a contract from or execute a contract with a vendor in excess of its appropriation. This, in turn, would create a significant financial incentive for that vendor then

to lobby the Legislature to increase that agency’s budget for the next fiscal year. This statutory framework protects the annual budget process from the outside interference of private interests pursuing their own financial gain at the expense of sound fiscal policy. As such, the law ensures an open, transparent, predictable budget process every fiscal year without executive agencies attempting to force the Legislature’s hand through the execution of future contracts that exceed their current budget authority.

Florida Lottery’s Pertinent Appropriations and Its Excess Contract

15. The Florida Lottery deploys three types of machines to sell lottery tickets. “Terminal machines” distribute “draw” tickets—those familiar, traditional tickets purchased from a store employee behind a retail counter. “Instant Ticket Vending Machines,” or ITVMs, are stand-alone vending machines operated by the ticket consumer and distribute scratch-off tickets only. “Full Service Vending Machines,” or FSVMs, also are stand-alone vending machines operated by the consumer, but they distribute both draw tickets and scratch-off tickets.

16. The General Appropriations Act (the “GAA”) funds these three types of machines through separate line items. The GAA for Fiscal Year 2016-17 appropriates to the Florida Lottery—out of its Operating Trust Fund—\$26,646,545 for deployment and administration of its terminal machines (line 2674), \$5,010,600 for its ITVMs (line 2675), and \$2,940,000 for its FSVMs (line 2676). *See* ch. 2016-66, § 6, at 363, Laws of Fla. (2016). Over the course of the fiscal year, the Operating Trust Fund (within the State Treasury) derives its funds from ticket sale proceeds, and the Florida Lottery has the authority to pay its machine vendors pursuant to their contracts out of that Operating Trust Fund *only up to the appropriated amount for each machine*.

17. Lines 2674 – 2676 in the 2016-17 GAA are recurring appropriations, so they automatically move forward into the next fiscal year’s budget, in anticipation of existing contracts and projected sales, unless the Legislature makes an affirmative change. For the Florida Lottery to enter into a contract that will obligate it in future fiscal years beyond its current legislative authorization, it *first* must obtain legislative authority to do so—either through advance authority to procure, or through an increase in appropriation in the applicable category in anticipation of executing a contract in that ensuing fiscal year.

18. The Lottery Secretary contravened these proscriptions and executed a new multi-year contract with IGT, exceeding the Florida Lottery’s current machine appropriations and requiring new appropriations to accommodate Lottery’s new obligations.

19. On February 3, 2015, the Florida Lottery issued an invitation to negotiate (an “ITN”) for a new gaming systems contract. In March 2015, IGT replied to that ITN. There were negotiations between IGT and the Florida Lottery that spanned the remainder of 2015 and into 2016.

20. On September 1, 2016, the Lottery Secretary executed a gaming systems contract with IGT that was set to expire on April 2, 2028. *At the same time or immediately thereafter*, the Lottery Secretary signed a renewal agreement, extending the contract to April 6, 2031. Redacted copies of those contracts are attached hereto as **Exhibit A**.¹

21. This new contract with IGT replaced the Florida Lottery’s existing draw/terminal game contract and provides for a significant increase in the total number of lottery machines deployed and administered by the Florida Lottery.

¹ The Florida Lottery or IGT made the redactions when the contract was provided to the House. The redactions were based on IGT’s assertion of trade secret confidentiality. Whether those redactions were warranted is beyond the scope of this suit, and the redacted details are not pertinent to the allegations asserted here.

22. The new IGT contract increases the number of lottery machines by more than 20 percent. Also, unlike under the older contract, IGT will be paid based on a fixed percentage of total sales for all included systems—machines, tickets, and services. This fixed percentage, based on current sales projections from the estimating conference, will require payments to IGT out of the Operating Trust Fund in the first year of the contract—in Fiscal Year 2017-18—that exceed the Florida Lottery’s current total appropriations in lines 2674 – 76 of the current GAA. The Florida Lottery did not seek prior legislative approval for this new, more expensive contract. Instead, the Lottery Secretary executed the contract—and immediately signed a renewal.

23. The new contract also fails to identify which appropriation line items would be used to pay for this new contract. And it could not, because the authority in those line items could not cover the cost of the new contract. Notably, the Florida Lottery’s internal contract routing checklist does identify the “Terminal Games Fees” (line 2674) appropriation as the funding source, but the recurring appropriation (read: legislative authorization) for that line item, \$26,646,545, is far below the cost of the contract.

24. Essentially seeking forgiveness rather than the advance approval required by law, the Florida Lottery then submitted an LBR for Fiscal Year 2017-18 that seeks line item realignments and appropriation increases to accommodate the new contractual obligations. A copy of that LBR is attached hereto as **Exhibit B**.

25. In its LBR for Fiscal Year 2017-18, the Florida Lottery seeks an increase of \$16.9 million for the terminal machines (current line 2674) to pay for the new contract’s increase in both terminal machines and FSVMs. Notably, the appropriation in line 2674 is the funding source for the contract that the Florida Lottery also identified in its own internal routing documents. Acknowledging that the current appropriation in that line is insufficient—and the

contract that the Secretary executed unauthorized—the Florida Lottery’s LBR requests the \$16.9 million increase for the line item “to pay the Department’s gaming system vendor based on projected ticket sales. . . . Under the new contract, which replaces the previous draw games contract, the vendor is paid based on a fixed percentage of total sales for all included systems, equipment, and services.”

26. At the same time, the Florida Lottery’s LBR seeks a reduction of about \$4 million in the other two categories (current lines 2675 and 2676). It seeks “a base reduction in the [FSVM] Appropriations Category in the amount of \$1,470,000,” and “a base reduction in the [ITVM] Appropriation Category in the amount of \$2,505,300.” To justify both reductions, the Florida Lottery admits: “The Lottery’s new draw game contract, when fully implemented, will eliminate the need for appropriation in this category as vending machines will be provided by the contracted vendor.”

27. When all three issues in the LBR are considered together, the Florida Lottery seeks a dramatic increase in one of its appropriations—the one for terminal machines at current line 2674—to pay for both terminal machines and FSVMs under the new contract while asking realignment and reductions in the other two lines—2675 and 2676—to cover for the overall shortfall in budget authority created by the Lottery Secretary. In other words, the Florida Lottery submitted an LBR both to realign current appropriation line items and to increase its budget authority because its new contract with IGT exceeded the budget authority reflected in the applicable appropriation line items and the aggregate budget authority for all lottery machines. This is precisely what the legislatively established budget rules were designed to prevent.

28. The Florida Lottery’s ITN in February 2015 violated section 50 of the Fiscal Year 2014-15 Implementing Act, and the Secretary’s execution of the resulting contract with IGT was

in direct contravention of sections 216.311 and 216.313 of the Florida Statutes. The Lottery Secretary had no authority to execute the contract with IGT prior to getting express authorization from the Legislature. The Florida Lottery's LBR is an express acknowledgement of this fact. Thus, the contract with IGT is void.

Nature of Relief Requested

WHEREFORE, the Speaker of the Florida House of Representatives prays that this Court:

- 1) Review this pleading for facial sufficiency and issue post haste a preliminary writ of *quo warranto* to the Secretary of the Florida Department of the Lottery that requires him to serve on the undersigned a response hereto pursuant to rule 1.140 of the Florida Rules of Civil Procedure;
- 2) Hold a prompt hearing on this matter; and
- 3) Render a judgment and final writ determining that the Lottery Secretary lacked the authority to enter into the contract with IGT Global Solutions Corporation and requiring the Lottery Secretary to take all steps necessary to avoid that contract.

Respectfully submitted,

/s/ Adam S. Tanenbaum

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EXHIBIT A

REDACTED COPY

AGREEMENT FOR LOTTERY GAMING SYSTEM AND RELATED COMMODITIES & SERVICES

THIS AGREEMENT FOR LOTTERY GAMING SYSTEM & RELATED COMMODITIES AND SERVICES (this "Agreement") is entered into as of the 1st day of September, 2016, by and between the STATE OF FLORIDA, DEPARTMENT OF THE LOTTERY, a Florida state agency whose headquarters address is 250 Marriott Drive, Tallahassee, Florida 32301 (the "Lottery"), and IGT GLOBAL SOLUTIONS CORPORATION, a Delaware corporation duly authorized to conduct business in Florida, whose principal address is 10 Memorial Boulevard, Providence, Rhode Island 02903 ("IGT").

WHEREAS, on February 3, 2015 the Lottery issued its Invitation to Negotiate - Lottery Gaming System and Related Commodities & Services - Project Number 066-14/15, together with the Attachments and Appendices thereto, as amended by Addendum No. 1 dated February 26, 2015 (collectively, the "ITN"), as incorporated herein by reference; and

WHEREAS, in response to the ITN, IGT submitted:

- (a) its initial Reply titled "Reply to the Florida Lottery ITN for a Lottery Gaming System and Related Commodities and Services" dated March 17, 2015, consisting of IGT's ITN Part 2 Response, administrative qualification documents (provided in the ITN Part 2 Binder(s), Other Qualification & Administrative Binder(s)), and IGT's Cost Submittal (provided in the Cost Binder), as supplemented by:
 - (i) IGT's submission of Subcontractor (IEI Integration Corp.) financial statements on June 10, 2015,
 - (ii) IGT's response dated July 20, 2015, in response to the Lottery's request for clarifications dated July 6, 2015,
 - (iii) IGT's materials provided to the Lottery for System performance testing at the Site Visit on February 24, 2016,
 - (iv) IGT's response dated February 26, 2016, in response to questions posed by the Evaluation Committee at the Site Visit on February 24, 2016,
 - (v) IGT's response provided March 24, 2016, in response to the Lottery's request for clarifications dated March 23, 2016,
 - (vi) IGT's response provided April 22, 2016, in response to the Lottery's clarification questions dated April 20, 2016,
 - (vii) the Lottery's response provided June 20, 2016, in response to IGT's questions provided June 14, 2016,
 - (viii) IGT's submission provided June 23, 2016, in response to the Lottery's request dated June 20, 2016,

(ix) the Lottery's response provided June 28, 2016, in response to IGT's questions provided June 14, 2016 and the submission provided June 23, 2016; and

- (b) IGT's May 13, 2016 Revised Attachment F: Cost Submittal Form;
- (c) IGT's May 13, 2016 Revised Base System Pricing; and
- (d) IGT's May 20, 2016 Revised Offer;

collectively defined as "IGT's Reply", as incorporated herein by reference; and

WHEREAS, on May 11-13, 2016, the Lottery and IGT held meetings at the Lottery's offices to negotiate certain terms and conditions related to the ITN and IGT's Reply (the "Negotiations"); and

WHEREAS, on May 31, 2016, the Lottery posted its Notice of Agency Decision stating that the Lottery had completed its Negotiations for the ITN and provided notice of its intent to award this Agreement to IGT; and

WHEREAS, the Lottery and IGT desire to enter into this Agreement, as provided in the ITN, specifying terms and conditions as provided herein.

NOW, THEREFORE, the Lottery and IGT agree as follows:

- I. **PARTIES**. The parties to this Agreement are the Lottery and IGT, more fully identified above, sometimes collectively referred to herein as the "Parties". For purposes of clarification, on October 1, 2015, IGT changed its name from "GTECH Corporation" to "IGT Global Solutions Corporation", and all references in IGT's Reply to "GTECH" or "GTECH Corporation" will be deemed to refer to "IGT" or "IGT Global Solutions Corporation", as applicable.
- II. **INCORPORATION BY REFERENCE**. This Agreement hereby incorporates by reference the following documents as integral provisions hereof:

A. The ITN; and

B. IGT's Reply, as defined above.

In the event of a conflict between this Agreement and any of the documents that are incorporated by reference, priority will be given first to this Agreement, then to the ITN and then to IGT's Reply. Capitalized terms used herein without definition will have the meanings ascribed to such terms in the ITN.

III. **TERM OF AGREEMENT.** Subject to the termination provisions of the ITN, the term of this Agreement will be as follows:

- A. **Effective Date.** This Agreement will become effective upon execution by the Parties (the "Effective Date").
- B. **Initial Term.** The initial term of this Agreement will commence on the Effective Date, and production operations will begin on Monday, October 30, 2017 ("Start-Up"), and will continue from Start-Up for ten (10) years of production operations, *plus* such time as is necessary to complete the end of the first or third State fiscal quarter, whichever is closest, and to finish out the business week in progress (i.e., Sunday, April 2, 2028) (the "Initial Term"). Renewal terms shall be available to the Lottery as set forth in ITN Section C1.2 (each, if so exercised by the Lottery, a "Renewal Term", and with the Initial Term, collectively hereinafter referred to as the "Term").
- C. All references to "Agreement" herein will be deemed to refer to the term "Contract" as defined in Attachment A of the ITN.

IV. **SCOPE OF SERVICES.**

As provided in the ITN, IGT has proposed various Reply Enhancements and Additional Offerings that are available to the Lottery. The Lottery hereby accepts the following Reply Enhancements and Additional Offerings below as being included in the "Base System Pricing" in IGT's Reply. All such Reply Enhancements and Additional Offerings accepted by the Lottery and included in the Base System Pricing will be provided in accordance with IGT's Reply, except as otherwise specified in this Section.

The Lottery hereby engages IGT and IGT agrees to furnish the System and services, as provided in the ITN and IGT's Reply, consistent with the provisions hereof and the Negotiations, including but not limited to the following solutions, products and/or services required in the ITN or as set forth in IGT's Reply:

- A. **2.5.1.2 - Enhanced Business Intelligence and GTECH's Gemini Line of Lottery Vending Machines.** See additional terms and conditions in Section IV. (J.) below.
- B. **2.5.1.3 - On-Site Vendor Personnel.** The terms and conditions of the Reply Enhancement with respect to On-Site Vendor Personnel will be as set forth in IGT's Reply.
- C. **2.5.1.4 - In-State Call Center.** The terms and conditions of the Reply Enhancement with respect to the In-State Call Center will be as set forth in IGT's Reply.

D. Aurora Solution.

1. IGT will provide the Lottery with the following four (4) components of its “Aurora” solution at Start-Up (or such later date identified below, which may be subject to change) and as part of the Base System Pricing. IGT will ensure that Aurora meets all the requirements of the Enterprise Services (ES) version 4.0 solution as set forth in IGT’s Reply:

i. *Aurora Transaction Engine* (Start-Up)

ii. *Aurora Retailer Wizard Website* (Start-Up)

iii. *Aurora Performance Intel & LiveAlert* (Start-Up)

iv. *Aurora Open Retail* (ETA [REDACTED]) Described in IGT’s Reply under Additional Offering 2.5.2.16 as “NEOS” (former product name).

2. At a time to be determined by the Lottery (but no sooner than the date such solution is available from IGT, as identified below, which may be subject to change), IGT will provide the Lottery one (1) of the following three (3) additional components as part of the Base System Pricing and at no additional cost to the Lottery:

i. *Aurora Navigator Suite of Back Office Applications* (ETA [REDACTED])

ii. *Aurora Game Master* (ETA [REDACTED])

iii. *Aurora Bus* (ETA [REDACTED])

Should the Lottery desire any of these three components, other than the one (1) component selected by the Lottery pursuant to this section, the Parties will agree upon the terms and conditions pursuant to which IGT would provide such components to the Lottery.

3. To the extent that the Lottery desires *Aurora Pathfinder* as set forth in IGT’s Reply, the Parties will agree upon the terms and conditions pursuant to which IGT would provide such components to the Lottery.

4. IGT agrees to provide the Lottery with an Aurora “Product Roadmap Review” of its developed applications on an annual basis during the Term, commencing

on the first anniversary of the Start-Up. The intent of these “Product Roadmap Review” sessions is to afford the Lottery the ability to strategically review those components of IGT’s emergent products.

5. The Parties agree that the understanding of the Parties with respect to the “n – 2” requirement in ITN Section C.1.16(2), as set forth IGT’s May 20, 2016 Revised Offer, has not been superseded by this Agreement.
- E. **Altura Flex Terminals.** The Parties agree that, at no additional cost to the Lottery, IGT will provide the Lottery with 13,800 Altura Flex retailer terminals at Start-Up in lieu of 13,800 Altura GT1200 retailer terminals (as described in IGT’s Reply). Specifications for the Altura Flex retailer terminal to be provided at Start-Up are attached as Exhibit A, hereto. Each Altura Flex terminal will include an External Wireless Barcode Reader.
- F. **2.5.1.1 – Early Deployment of Initial Five Hundred (500) 24-Bin Gemini Ultra FSVMs.** IGT will deliver to those Florida retailer locations designated in writing by the Lottery the initial five hundred (500) Gemini Ultra FSVMs, offered in IGT’s Reply for early delivery as a Reply Enhancement (described in Section 2.5.1 of IGT’s Reply as “Early Delivery of Full-Service Vending Machines (FSVMs) (C2.2.1.2)”), within 60 days of IGT’s receipt from the Lottery of a final approved list of retailer locations (such final approved list of retailer locations to be delivered upon or promptly following execution of the Agreement), as part of the Base System Pricing and at no additional cost to the Lottery.
- G. **Existing Five Hundred (500) 24-Bin Gemini Ultra FSVMs.** The Lottery will retain five hundred (500) previously existing Gemini Ultra FSVMs (as currently configured and supported under Lottery Contract A0835 between the Lottery and IGT, executed on November 26, 2003 (as amended)) for five (5) years following Start-Up as part of the Base System Pricing and at no additional cost to the Lottery. In accordance with the requirements of the ITN, IGT will be responsible for the maintenance of these FSVMs.
- Prior to expiration of such five (5) year period, the Parties will review the possibility of further extending the time period for maintaining the existing five hundred (500) Gemini Ultra FSVMs in the field, subject to mutually agreed upon terms and conditions.
- H. **Gemini Full Service Vending Machine Consumer and Retailer Research.** IGT will provide for Gemini Full Service Vending Machine (FSVM) Consumer and Retailer Focus Groups, as well as an Online Survey, to be included in the Base System

Pricing and at no additional cost to the Lottery. The FSVM Focus Groups and Online Survey will be conducted under the following terms and conditions at the direction of the Lottery:

1. Focus Groups research will be conducted by a vendor/moderator approved by the Lottery.
2. Focus Groups will be conducted in three (3) cities to be selected by the Florida Lottery.
3. Three (3) focus groups will be conducted in each of the three (3) cities (two consumer groups and one retailer group per city). The retailer group will be selected by the Lottery.
4. An Online Survey will be conducted with Florida participants to supplement the Focus Group studies.
5. Focus Groups and Online Surveys will be fielded from 9/6/2016 through 9/23/2016.
6. Questions provided to the Focus Groups and for the Online Surveys, throughout the Consumer and Retailer Research, will be subject to input and approval of the Lottery.
7. Final Reports from the Focus Groups and Online Survey will be due to the Lottery no later than 10/17/2016.

I. Full Service Vending Machines Selection and Fulfillment.

1. No later than 10/24/2016, the Lottery will notify IGT of its selection for the balance of the FSVMs (i.e., FSVMs for 39% of the retailer base at Start-Up less the five hundred (500) Gemini Ultra FSVMs provided under F. above), selecting either:
 - (a) all 24-Bin Gemini Touch FSVMs, or
 - (b) all 28-Bin Gemini Touch FSVMs (specifications for those 28-Bin Gemini Touch FSVMs that would be provided to the Lottery are attached as Exhibit B hereto), or
 - (c) all Gemini Ultra FSVMs.
2. If the Lottery selects either 1(a) or 1(c), IGT will provide the Lottery with those respective FSVMs in an amount equal to the balance of FSVMs required under the ITN (i.e., FSVMs for 39% of the retailer base at Start-Up as set forth in ITN Section C2.1.6.1.B. less the five hundred (500) Gemini Ultra FSVMs provided under F. above), at no additional cost to the Lottery. If the

Lottery selects 1(a) or 1(c), IGT remains responsible for replacing all existing satellite mounts and cinder blocks as required by the ITN and shall not receive any liquidated damages credits, as contemplated in Sections IV.1.3(a) and (b) below.

3. If the Lottery selects 1(b), IGT will provide the Lottery with those respective FSVMs in an amount equal to the balance of FSVMs required under the ITN (i.e., FSVMs for 39% of the retailer base at Start-Up as set forth in ITN Section C2.1.6.1.B. *less* the five hundred (500) Gemini Ultra FSVMs provided under F. above). The Parties agree that IGT will be entitled to the following, in addition to Base System Pricing:

- (a) continued use of pre-existing satellite mounts and cinder blocks (where applicable) which were deployed by IGT under Lottery Contract A0835, as long as the satellite mounts and cinder blocks are in good working condition. At no additional cost to the Lottery and throughout the Term of the Agreement, IGT will be responsible for repairing all satellite mounts and cinder blocks that are determined by the Lottery not to be in good working condition. And,

- (b) an aggregate [REDACTED] [REDACTED] [REDACTED] "Liquidated Damages Credit" at Start-Up. Any liquidated damages incurred by IGT during the Term would first be set off and deducted from the IGT Liquidated Damages Credit, if any, and, upon fully depleting the IGT Liquidated Damages Credit, all liquidated damages would then be payable by IGT to the Lottery pursuant to the terms of the ITN.

4. IGT will begin deployment of the selected FSVMs no later than six (6) months following the Lottery's notification of its selected FSVMs on 10/24/2016 (per I.1. above) and upon IGT's receipt of the Florida Lottery's written identification of the retailer locations where the FSVMs will be installed, on an implementation schedule to be mutually agreed-upon by the Parties.

J. **FSVM Analytics.** IGT will provide its FSVM Analytics (as described in Section 2.5.1 of IGT's Reply as "Enhanced Business Intelligence and GTECH's Gemini™ Line of Lottery Vending Machines (C2.2.1.2)") in the Base System Pricing, as well as any enhancements made by IGT to its FSVM Analytics solution.

Additionally, IGT will provide its proposed twenty-four (24) month product roadmap on an annual basis following the Effective Date. The Parties acknowledge that the provided roadmap will be subject to change.

K. **Update to SAP Business Objects before Start-Up.** IGT will provide the following, no later than June 30, 2017, to be included in Base System Pricing and at no additional cost to the Lottery:

1. Upgrade the Lottery's current SAP Business Objects platform to the latest version (v.4.2) of SAP Business Objects. Additionally, IGT will update the advanced features/functions of SAP Business Objects (e.g., advanced analytics, LiveAlert, Tableau) in conjunction with the Start-Up. IGT will provide identified Lottery personnel training on an as-needed basis on the upgraded features/functions of SAP Business Objects.
2. IGT will provide the staffing required pursuant to ITN Section C2.7.1 prior to implementation of the SAP Business Objects platform referenced in this Section.
3. With respect to Tableau, IGT will provide at Start-Up five (5) desktop licenses (i.e., license for the "power user" that will create their own dashboards) and up to fifty (50) server licenses (i.e., license for viewing and accessing the dashboards which provides end-users the ability to interact with the dashboards that are on the server). To the extent that the Lottery desires more than fifty (50) server licenses, the Parties will discuss the pricing for such excess licenses. Both the "desktop" and "server" licenses are for "named users", which are transferrable to Lottery approved users.

L. **Wireless Jackpot Signs.** IGT will provide, as part of the Base System Pricing, four thousand seven hundred (4,700) wireless jackpot signs at Start-Up as follows: (i) two thousand eight hundred (2,800) wireless window jackpot signs, (ii) fifteen hundred (1,500) wireless counter top jackpot signs, and (iii) four hundred (400) double-sided window jackpot signs.

M. **Mobile Convenience App.** IGT will provide and upgrade, as part of the Base System Pricing, a player-facing mobile convenience app ("Mobile Convenience App") as noted in IGT's Reply in response to ITN Section C2.2.1.3 (4) "Smart Device Support" and further described under the "Mobile Convenience Features" in the "Mobile Application – Proven Solutions and Capabilities" subsection of Section 2.5.2.14 of IGT's Reply.

IGT's Mobile Convenience App will include, as part of the Base System Pricing, the functionality currently included in the Lottery's most recent mobile convenience app for Android and IOS (as of the Effective Date), which includes: (i) draw-based game and instant ticket winner inquiry and (ii) facilitating player interactions

with the Lottery's 2nd chance offerings (not to exceed twenty-four (24) events per annum).

IGT will certify its Mobile Convenience App on both the Android and IOS operating systems for the then-current and the immediately-prior release, as new releases become available.

- N. 2.5.1.5 – Additional Ticket Checkers. This Reply Enhancement is being included as part of the Base System Pricing and at no additional cost.
- O. 2.5.1.6 – Dual Comm Inside for Ninety-Five Percent (95%) of Retailer Base. IGT will provide the Lottery, as part of the Base System Pricing and at no additional cost, its Dual Comm Inside (DCI) technology for ninety-five percent (95%) of the Lottery's retailer base at Start-Up as set forth in ITN Section C2.1.6.1.B., offered by IGT as a Reply Enhancement in Section 2.5.1.6 of IGT's Reply.
- P. 2.5.1.7 – Four Satellite Solution.
- Q. 2.5.1.8 – Faster Response to Non-Critical FSVM Repair Calls.
- R. 2.5.1.9 – Additional Customer Acceptance Testing (CAT) Environment.
- S. 2.5.1.12 – First Read Rate of Playslip Reader.
- T. 2.5.1.13 – Send to Cut Times.
- U. 2.5.1.14 – Recovery Times.
- V. 2.5.1.16 – Network Interface Supports 100,000 Active Retailers.
- W. 2.5.1.17 – Insight Execution Team Consultation.
- X. 2.5.1.18 – Corporate Data Analytics Support.
- Y. 2.5.1.19 – Predictive Sales Model in PrimeLocation.
- Z. 2.5.1.21 – Play it Again Feature for Playing Favorite Numbers.
- AA. 2.5.2.1 – Lottery Gift Vouchers Issued at Terminals (Model 2). This Additional Offering is being included as part of the Base System Pricing and at no additional cost.

BB.2.5.2.8 - Random Number Generators. This Additional Offering is being included as part of the Base System Pricing and at no additional cost.

CC.2.5.2.10 - Mobile Sales Kiosks (Trailer Option 1: 2014 Continental Cargo ELITE 7 x 14 Cargo Trailer). This Additional Offering is being included as part of the Base System Pricing and at no additional cost.

DD.2.5.2.13 - Interactive Playstation Pilot. This Additional Offering is being included as part of the Base System Pricing and at no additional cost.

EE.2.5.2.15 - LiveAlert and Fraud Detection. This Additional Offering is being included as part of the Base System Pricing and at no additional cost.

FF. Technology Refresh \$3M Fund. The Parties agree that the terms and conditions regarding the “Technology Refresh \$3M Fund” offered in IGT’s Reply shall be as set forth in IGT’s May 20, 2016 Revised Offer.

The Reply Enhancements and Additional Offerings in this Section will be available and operational as of either: (a) Start-Up, (b) such other date(s) set forth in Section IV., above, or (c) as otherwise agreed to in writing by the Parties.

V. REPLY ENHANCEMENTS AND ADDITIONAL OFFERINGS.

The Lottery reserves the right to elect to implement during the Term any or all of the remaining Reply Enhancements and/or Additional Offerings identified in IGT’s Reply and not selected by the Lottery as of the Effective Date; provided, however, the terms and conditions with respect to IGT’s provision of such Reply Enhancements and/or Additional Offerings will be mutually agreed upon by the Parties prior to IGT being obligated to provide such Reply Enhancements and/or Additional Offerings to the Lottery.

VI. CONFIDENTIALITY AND NON-DISCLOSURE. IGT agrees and warrants, also on behalf of each IGT subcontractor(s), as follows:

- A. IGT will ensure that the Lottery’s confidential information and records as set forth in the definition of “Confidentiality” in Attachment B of the ITN) (“Confidential Information”), are not disclosed or used other than for the specific purpose of fulfilling the requirements of this Agreement.
- B. Except as authorized by the Lottery, IGT will not make copies of the Lottery’s Confidential Information;
- C. IGT will not disclose the Lottery’s Confidential Information to any other party, except any subcontractor(s) performing services under this Agreement that require

- such subcontractor(s) to have access to such Confidential Information, provided such subcontractor has been approved by the Lottery (each, an “approved subcontractor”);
- D. Except for an approved subcontractor, IGT will not permit any other party to have, obtain, read or access the Lottery’s Confidential Information;
 - E. IGT will take all precautions necessary to safeguard the Lottery’s Confidential Information;
 - F. IGT will immediately notify the Lottery if the Lottery’s Confidential Information, in any form whatever, is lost or stolen or used by unauthorized third parties;
 - G. IGT will be responsible for any use or disclosure of the Lottery’s Confidential Information by its agents, subcontractors or employees contrary to the terms of this Agreement;
 - H. IGT will continue to be bound by the confidentiality obligations of this Agreement for so long as the Lottery’s Confidential Information and records remain confidential;
 - I. If, during the term of this Agreement, IGT or the IGT’s subcontractor is ordered by a court, administrative agency or other governmental body to disclose the Lottery’s Confidential Information or any part of it, IGT will not be liable for disclosure so long as IGT timely notified the Lottery that such disclosure was sought, allowing the Lottery to defend such action and to seek a protective order or other appropriate remedy. If disclosure is required, IGT will only disclose that portion of the Lottery Confidential Information which is, on the advice of the IGT’s counsel, legally required to be disclosed.
 - J. IGT will indemnify and hold the Lottery harmless for any failure of IGT, IGT’s subcontractor, their agents and employees to comply with the confidentiality requirements of this Agreement.

VII. INVOICING AND PAYMENT.

- A. IGT will invoice the Lottery pursuant to “Attachment B: Mandatory Requirements of Contract” of the ITN. Invoices will be for a Lottery accounting week (Monday through Sunday) and will be submitted and processed in accordance with the Invoicing and Payment provisions of Attachment B of the ITN. The first such invoice will be submitted upon completion of the first full accounting week of production operations following Start-Up.
- B. The amount of each invoice during the Initial Term will be determined by multiplying the Net Total Sales by 0.7865 percent for the applicable week. The first sentence of the third paragraph of Section 4.6 of the ITN is deleted in its entirety and replaced with the following: “The vendor’s compensation will be based on a percentage of net total sales conducted through the System, from the time that the retailer network is fully converted to the Contractor’s System and in

production, for the term of the Contract.” All other provisions of Section 4.6 of the ITN remain in full force and effect. The amount of each invoice during any Renewal Term, if so exercised by the Lottery, will be as set forth in IGT’s May 13, 2016 Revised Attachment F: Cost Submittal Form (Appendix C – Alternative Costing Methodology), as updated by IGT’s May 13, 2016 Revised Base System Pricing, or as otherwise agreed by the Parties in writing.

For purposes of this Agreement, the term “Net Total Sales” means Net Terminal Sales (as defined in the ITN) *plus* Net Scratch-Off Tickets Sales. “Net Scratch-Off Tickets Sales” is defined as the gross retail sales value of the total number of settled Scratch-Off Tickets (excluding free tickets and tickets activated for promotions).

VIII. PUBLIC ACCESS TO RECORDS.

Pursuant to Section 119.071, Florida Statutes, the section entitled, “Public Access to Records” in Attachment B of the ITN, is deleted in its entirety and replaced with the following:

All documents, papers, letters, or other materials relating to this Agreement that are made or received by IGT in conjunction with this Agreement, except those matters which, under this Agreement, Florida law or Lottery rules are confidential (collectively, “Confidential Records”), are subject to public access and copying in the manner specified by Chapter 119, Florida Statutes.

IF IGT HAS QUESTIONS REGARDING THE APPLICATION OF CHAPTER 119, FLORIDA STATUTES, OR IGT’S DUTY TO PROVIDE PUBLIC RECORDS RELATING TO THIS AGREEMENT, CONTACT THE CUSTODIAN OF PUBLIC RECORDS REGARDING THIS AGREEMENT AT: PHONE: (850) 487-7777; E-MAIL: OPENGOV@FLALOTTERY.COM; ADDRESS: FLORIDA LOTTERY, 250 MARRIOTT DRIVE, TALLAHASSEE, FLORIDA 32301.

Florida law requires that a request to inspect or copy public records relating to this Agreement be made directly to the Lottery. If IGT receives a request for information pursuant to this Agreement, IGT will notify the Lottery immediately so that the Lottery may respond to the request. If the Lottery does not possess the requested record, the Lottery will immediately notify IGT and IGT must provide the records (other than the Confidential Records) to the Lottery or allow the records (other than the Confidential


Records) to be inspected or copied within a reasonable time. The Lottery may unilaterally cancel this Agreement for IGT's refusal to allow access to public records not exempt from public disclosure as Confidential Records.


If the Lottery receives a records request related to Confidential Records contained in IGT's response to the procurement solicitation, which response is incorporated by reference into this Contract, it shall notify IGT within three (3) business days of receipt of such records request, so that IGT may have the opportunity to protect any trade secrets or intellectual property.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed as of the date first written above in duplicate original counterparts.

STATE OF FLORIDA
DEPARTMENT OF THE LOTTERY

IGT GLOBAL SOLUTIONS CORPORATION


By: 
Tom Delacenserie, Secretary

By: 
Joseph S. Gendron, SVP, WLA North America

Date: 9-1-16

Date: 9/1/16

Reviewed as to legal form and sufficiency:

By: 
Department of the Lottery
Office of the General Counsel

Date: 9-1-16

Exhibit A
Altura Flex Specifications

[ATTACHED]

(INFORMATION HAS BEEN DEEMED CONFIDENTIAL AND TRADE SECRET)

(INFORMATION HAS BEEN DEEMED CONFIDENTIAL AND TRADE SECRET)

(INFORMATION HAS BEEN DEEMED CONFIDENTIAL AND TRADE SECRET)

Exhibit B
28-Bin Gemini Touch Specifications

[ATTACHED]

(INFORMATION HAS BEEN DEEMED CONFIDENTIAL AND TRADE

(INFORMATION HAS BEEN DEEMED CONFIDENTIAL AND TRADE



Florida Lottery – IGT Negotiations

May 20, 2016 (Further Conference Call Updates)

Summary

1. Early Deployment of Initial Five Hundred (500) FSVMs

Florida Lottery Request: The Florida Lottery requested the initial five hundred (500) FSVMs offered by IGT in its Reply for early deployment be Gemini Touch FSVMs in lieu of Gemini Ultra FSVMs.

IGT Response: Since IGT already manufactured the initial five hundred (500) FSVMs as Gemini Ultras, IGT cannot deliver five hundred (500) Gemini Touch FSVMs in lieu of the Gemini Ultra FSVMs. IGT agrees that within seven (7) calendar days of Contract signing, IGT will release the five hundred (500) Gemini Ultra FSVMs into CAT.

2. Existing Five Hundred (500) Gemini Ultra FSVMs

Florida Lottery Request: The Florida Lottery requested to keep the existing five hundred (500) Gemini Ultra FSVMs in the field after the conversion date.

IGT Response: IGT agrees the Florida Lottery can keep the existing five hundred (500) Gemini Ultra FSVMs (as currently configured) in the field for five (5) years following the conversion date at no additional cost to the Florida Lottery. Prior to expiration of such five (5) year period, IGT and the Florida Lottery will review the possibility of further extending the time period for maintaining the existing five hundred (500) Gemini Ultra FSVMs in the field, subject to mutually agreed upon terms and conditions.

3. FSVM Analytics

Florida Lottery Request: The Florida Lottery requested that IGT's FSVM Analytics be included in the Base Price.

IGT Response: IGT agrees that FSVM Analytics (as described in Section 2.5.1.2 of IGT's Reply as "Enhanced Business Intelligence and IGT's Gemini Line of Lottery Vending Machines") will be included in the Base Price, as well as any enhancements made by IGT to its FSVM Analytics solution. IGT agrees to provide their proposed twenty-four (24) month product roadmap on an ongoing basis following Contract execution. The Parties acknowledge that the provided roadmap is subject to change.

4. Update to SAP Business Objects before Conversion Date

Florida Lottery Request: The Florida Lottery requested that IGT migrate the Florida Lottery's existing SAP Business Objects from the current unsupported solution to the new SAP Business Objects version (offered by IGT in its Reply) prior to the conversion date (requested on or before July 1, 2017).



IGT Response: IGT agrees, following Contract execution, and not later than June 30, 2017, to upgrade the Florida Lottery's current SAP Business Objects platform, and, subject to the mutual agreement of IGT and the Florida Lottery, IGT will update the features/functions of SAP Business Objects (e.g., advanced analytics, LiveAlert, Tableau) in conjunction with the scheduled conversion. IGT will provide identified Florida Lottery personnel training on an as-needed basis on the upgraded features/functions of SAP Business Objects.

With respect to Tableau, IGT will provide at conversion and as part of its Base Price **Five (5) Desktop Licenses** (i.e., license for the "power user" that will create their own dashboards) and up to **Fifty (50) Server Licenses** (i.e., license for viewing and accessing the dashboards and provides end-users the ability to interact with the dashboards that are on the server) and to the extent that the Florida Lottery desires more than fifty (50) such Server Licenses, the parties will discuss the pricing for such excess licenses. Both the Desktop and Server Licenses are for "named users", which are transferrable.

5. Jackpot Signs

Florida Lottery Request: ITN required three thousand (3,000) window jackpot signs, and two thousand (2,000) counter top jackpot signs. The Florida Lottery requested flexibility on its selection of the five thousand (5,000) aggregate signs (ability to select different mix).

IGT Response: IGT agrees to allow the Florida Lottery the flexibility in its selection of a mix of the five thousand (5,000) offered jackpot signs, or other comparable signage not to exceed the value of the proposed signage.

6. Conversion Period

Florida Lottery Request: The Florida Lottery requested conversion by March 29, 2017. The Florida Lottery expects to award within two (2) weeks and have Contract signed within thirty (30) days following award.

IGT Response: IGT agrees to reduce the offered fourteen (14) month conversion period by one (1) month (i.e., to thirteen (13) months), provided with respect to the one (1) month reduced period, the risk be shared by IGT and the Florida Lottery (i.e., two (2) weeks reduced from IGT-required conversion activities and two (2) weeks reduced from the Florida Lottery CAT).

7. Gift Vouchers

Florida Lottery Request: The Florida Lottery requested the Gift Vouchers Issued at Terminal (referenced as Model 2 in Section 2.5.2.1 of IGT's Reply) be included in the Base Price.

IGT Response: IGT agrees that the Gift Vouchers Issued at Terminal (referenced as Model 2 in Section 2.5.2.1 of IGT's Reply) shall be included in the Base Price.



8. Mobile Player Card

Florida Lottery Request: The Florida Lottery has confirmed that it is not pursuing this offered option at this time.

9. LiveAlert and Fraud Detection

Florida Lottery Request: The Florida Lottery requested a demonstration of the capabilities of IGT's LiveAlert and Fraud Detection solution.

IGT Response: IGT provided a demonstration of the capabilities of IGT's LiveAlert and Fraud Detection solution, and IGT confirms this functionality is included in the Base Price and further confirms that it will provide upgrades to its LiveAlert and Fraud Detection solution at no additional cost.

10. Mobile Sales Kiosks

Florida Lottery Request: The Florida Lottery requested IGT replace the existing two (2) Florida Lottery mobile sales kiosks and add a third (3rd) mobile sales kiosk.

IGT Response: IGT agrees to provide three (3) mobile sales kiosks (as configured in Section 2.5.2.10 of IGT's Reply as "2014 Continental Cargo Elite 7 x 14 Cargo Trailer" and "skinned" by IGT, as instructed by the Florida Lottery) in the Base Price, provided that the Florida Lottery agrees to accept title and assume all ongoing annual expenses (e.g., maintenance, insurance, etc.) with respect to such mobile sales kiosks for the duration of the Contract.

11. Mobile Convenience App

Florida Lottery Request: The Florida Lottery requested that IGT provide in its Base Price its Mobile Convenience App on Android and IOS, for: (i) draw-based games and instant ticket winner inquiry and (ii) 2nd chance support functionality.

IGT Response: IGT agrees to provide and upgrade a mobile convenience app that meets the ITN Requirements. Furthermore, IGT agrees to provide in the Base Price the Florida Lottery's current mobile convenience app functionality in its baseline Mobile Convenience App for Android and IOS that includes: (i) draw-based game and instant ticket winner inquiry and (ii) 2nd chance support functionality (not to exceed twenty-four (24) events per annum). IGT agrees to certify the application on both the Android and IOS operating systems for the current and the immediate prior release, as new releases become available.

12. RNGs

Florida Lottery Request: The Florida Lottery requested three (3) RNGs as part of the Base Price.

IGT Response: IGT agrees to provide the three (3) third-party RNGs as proposed in IGT's Reply and included in the Base Price, so long as the RNG functionality is limited to raffle, retailer promotions and 2nd chance drawings. These three (3) RNGs will be provided consistent with the ICS delivery model.



13. Technology Refresh \$3M Fund

Florida Lottery Request: The Florida Lottery requested the One Million Dollars (\$1M) per year (in years 5, 6, and 7) in technology refresh modernization funds be available in the aggregate amount of Three Million Dollars (\$3M) in any of years 5, 6 or 7.

IGT Response: IGT agrees to allow the Florida Lottery to utilize the aggregate Three Million Dollar (\$3M) technology refresh modernization funds at any time in year 6 or thereafter at the Florida Lottery's discretion.

14. Dual Comm Inside for Ninety-Five Percent (95%) of Retailer Base

IGT Offer: IGT offered to include in the Base Price Dual Comm Inside (DCI) for ninety-five percent (95%) of the retailer base as of the conversion date.

15. Altura Flex Terminals

IGT Offer: IGT offered the Florida Lottery the ability to select at their discretion, within thirty (30) days following Contract execution, either the Altura GT1200 terminal (offered in IGT's Reply) or the Altura Flex terminal. IGT provided an overview of the Altura Flex. IGT provided the dimensions of the Altura Flex to the Florida Lottery on Negotiation Day 2.

16. FSVMs

Florida Lottery Request: The Florida Lottery requested the balance of the FSVMs (i.e., 39% of current retailer base as of the conversion date less the five hundred (500) Gemini Ultra FSVMs deployed early) be Gemini Touch FSVMs (either 24-Bin or 28-Bin) in lieu of Gemini Ultra FSVMs.

IGT Response: IGT agrees the Florida Lottery can select at Contract execution the balance of the FSVMs as either: (i) all Gemini Ultra FSVMs or (ii) all 24-Bin Gemini Touch FSVMs or (iii) all 28-Bin Gemini Touch FSVMs; provided, however, should the Florida Lottery select the 28-Bin Gemini Touch FSVMs, the parties agree to negotiate [REDACTED] per 28-Bin Gemini Touch FSVM, which agreed-upon amount shall be payable upon delivery of such 28-Bin Gemini Touch FSVMs to IGT's Florida warehouse.

[REDACTED]

[REDACTED]



17. Interactive Playstations

Florida Lottery Request: The Florida Lottery requested a ten (10) unit pilot of the Interactive Playstation demonstrated by IGT at the Site Visit held on February 24, 2016, at no cost to the Florida Lottery.

IGT Response: IGT agrees to provide a ten (10) unit pilot of the Interactive Playstation demonstrated by IGT at the Site Visit held on February 24, 2016, at no cost to the Florida Lottery. The pilot would be held for a period determined by the Florida Lottery, commencing on a date following conversion mutually agreed upon by IGT and the Florida Lottery. Upon completion of the pilot, if the Florida Lottery desires to acquire Interactive Playstations, IGT and the Florida Lottery would discuss the terms and conditions for the Florida Lottery's acquisition of a specified quantity of Interactive Playstations.

18. Aurora System

Florida Lottery Request: The Florida Lottery noted that there is no reference to the "Aurora" system, and requested that IGT document what components of the "Aurora" system would be provided to the Florida Lottery.

Further, the Florida Lottery requested confirmation that IGT's Aurora Retailer Wizard Website (back-office system functionality) replaced the prior IGT retailer portal (Lottery Services Portal (LSP)), and for IGT to further confirm that the Aurora Retailer Wizard Website can be included in the conversion as part of the Base Price.



IGT Response: The Florida Lottery clarified that the N-2 Upgrade Provision of the ITN applied to matters of Patch Management (e.g. Security) and specifically third-party OEM Software (i.e. DB2, JBOSS, APACHE, etc.) and other non-IGT-developed applications.

IGT acknowledged this interpretation and explained IGT often chooses to pay a premium for Extended OEM Services Agreements which affords IGT, in consultation with the Florida Lottery, the flexibility to upgrade (or not) these components so as not to disrupt the Florida Lottery's operations where no immediate benefit might be gained from the upgrade, even where these components are greater than two (2) releases behind the most current commercially available release (N-2). Critical matters, such as security patches, are always addressed. IGT reaffirms its commitment to keep the OEM Software no greater than two releases back (N-2) at the Florida Lottery's discretion.

Separate and apart from a mutually-agreed upon understanding that the N-2 Upgrade Provision of the ITN does not apply to the IGT developed Aurora system, IGT confirms to the Florida Lottery that the most-current version of the following Aurora components can (at the Florida Lottery's discretion) be included as part of the conversion (except where a date is otherwise noted), and such components are included in the Base Price:

- **Aurora Transaction Engine:**

[Redacted text block]

- **Aurora Retailer Wizard Website:**

[Redacted text block]

- **Aurora Performance Intel & LiveAlert:**

[Redacted text block]



- **Aurora Open Retail** (ETA [redacted]):

[redacted]

Additionally, IGT commits, on an annual basis, to provide the Florida Lottery with a “Product Roadmap Review” of its developed applications. The intent of these sessions is to afford the Florida Lottery the ability to strategically review those components of IGT’s emergent products. To the extent that the Florida Lottery desires any of the below components, other than **Aurora Pathfinder**, the Florida Lottery will have the right to request that IGT provide one of **Aurora Navigator Suite of Back Office Applications, Aurora Game Master, or Aurora Bus** at no additional cost to the Florida Lottery. To the extent that the Florida Lottery desires **Aurora Pathfinder**, or any of the other below-listed components (other than the one component selected pursuant to the immediately preceding sentence), the parties will agree upon the terms and conditions pursuant to which IGT would provide such components to the Florida Lottery. As an example, below is a listing of currently-planned roadmap components (dates listed below are subject to change) that may be made available to the Florida Lottery under the “Product Roadmap Review” process:

- **Aurora Navigator Suite of Back Office Applications** (ETA [redacted]):

[redacted]

- **Aurora Game Master** (ETA [redacted]):

[redacted]

- **Aurora Bus** (ETA [redacted]):

[redacted]

- **Aurora Pathfinder** (ETA [redacted])

[redacted]



19. Self Service Ticket Inquiry/Checkers

Florida Lottery Request: The Florida Lottery noted IGT's Reply (in Section 2.3.1; page 2.31 - 348) offered seven thousand seven hundred (7,700) wireless and three thousand three hundred (3,300) wired Ticket-Scan® Plus (TSP) ticket checker devices at retail locations. However, ITN Section C2.2.1.3(3) required a mix of both wired and wireless ticket checker devices, and that such allocation would be specified by the Florida Lottery. As such, the Florida Lottery requested confirmation that the Florida Lottery will solely determine the final allocation of the TSP ticket checker devices.

IGT Response: IGT confirms the Florida Lottery can solely determine the final allocation of the total thirteen thousand two hundred (13,200) TSP ticket checker devices, such amount that was offered as a Reply Enhancement by IGT in Section 2.5.1 of its Reply (on page 2.5.1 – 11) and as part of the Base Price (above and beyond the eleven thousand (11,000) ticket checkers required in ITN Section C2.1.6). However, (i) with respect to six thousand one hundred twenty-five (6,125) TSP ticket checker devices, the Florida Lottery must notify IGT of the Florida Lottery's desired allocation of TSP ticket checker devices (wired or wireless) within thirty (30) days after Contract execution, and (ii) with respect to the balance of up to seven thousand seventy-five (7,075) TSP ticket checker devices, the Florida Lottery must notify IGT of the Florida Lottery's desired allocation of TSP ticket checker devices (wired or wireless) within ninety (90) days after Contract execution.



Florida Lottery – IGT Negotiations

May 13, 2016 (Day 3)

Revised Base System Pricing

In the event that the Florida Lottery exercises the first of the available three (3) year renewal periods at Contract execution, IGT offers the Florida Lottery the following Base System Pricing:

~~A. **Base System Pricing as a Percentage of Net Terminal Sales**~~

~~Ten-Year Base Period~~

~~Price Quoted as a Percentage of Net Terminal Sales 2.4355 %~~

~~First Three-Year Renewal~~

~~Price Quoted as a Percentage of Net Terminal Sales 2.4355 %~~

B. Base System Pricing as a Percentage of Net Total Sales

Ten-Year Base Period

Price Quoted as a Percentage of Net Total Sales 0.7865 %

First Three-Year Renewal

Price Quoted as a Percentage of Net Total Sales 0.7865 %

For the purposes hereof, the definition of Net Terminal Sales has the meaning set forth in the ITN and the definition of Net Total Sales has the following meaning:

Net Total Sales means Net Terminal Sales *plus* Net Scratch-Off Tickets Sales.

Net Scratch-Off Tickets Sales means the gross retail sales value of the total number of settled Scratch-Off Tickets (excluding free tickets and tickets activated for promotions).

[SIGNATURE PAGE TO FOLLOW]



IGT Global Solutions Corporation May 13, 2016
Vendor's / Company Name Date

05-0389840
F.E.I.D. #

Joseph S. Gendron
Signature of Authorized Representative

Joseph S. Gendron, Senior Vice President, WLA North America
Printed or Typed Name of Authorized Representative

10 Memorial Boulevard
Address

Providence, Rhode Island
City and State

(401) 392-7631 (401) 392-4811
Telephone Number FAX Number

jay.gendron@IGT.com
Email Address

Attachment F: Cost Submittal Form

The Vendor must submit pricing as a percentage of net terminal sales given in the format X.dddd where "X" represents the whole number value and "d" represents decimal digits. Note that only net terminal sales will be counted relative to this fee. Scratch-Off ticket sales are not included relative to this fee.

Example: 2.0000 percent--which would be \$20,000 compensation per one million dollars of net terminal sales.

Base System Pricing - Vendors are required to offer the following items as a percentage of net terminal sales, carried to four (4) decimal places.

Ten-Year Base Period	Price Quoted as a Percentage of Net Terminal Sales	2.5613	%
First Three-Year Renewal	Price Quoted as a Percentage of Net Terminal Sales	2.3842	%
Second Three-Year Renewal	Price Quoted as a Percentage of Net Terminal Sales	2.5611	%
Third Three-Year Renewal	Price Quoted as a Percentage of Net Terminal Sales	2.5609	%

Pursuant to section 2.5 of the ITN, Vendors should list any applicable costs associated with each Reply Enhancement or Additional Offering proposed as an appendix to the Cost Submittal Form.

IGT Global Solutions Corporation May 13, 2016
Vendor's / Company Name Date

05-0389840
F.E.I.D. #

Joseph S. Gendron
Signature of Authorized Representative

Joseph S. Gendron, Senior Vice President, WLA North America
Printed or Typed Name of Authorized Representative

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Providence, Rhode Island
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Attachment F: Cost Submittal Form

Appendix C

Alternative Costing Methodology (as contemplated by ITN, Section 4.6)

Ten-Year Base Period	Price Quoted as a Percentage of Net Total Sales	0.8318	%
First Three-Year Renewal	Price Quoted as a Percentage of Net Total Sales	0.7318	%
Second Three-Year Renewal	Price Quoted as a Percentage of Net Total Sales	0.8316	%
Third Three-Year Renewal	Price Quoted as a Percentage of Net Total Sales	0.8314	%

For purposes of this Appendix C, the following terms have the following meanings:

Net Total Sales means Net Terminal Sales *plus* Net Scratch-Off Tickets Sales.

Net Scratch-Off Tickets Sales means the gross retail sales value of the total number of settled Scratch-Off Tickets (excluding free tickets and tickets activated for promotions).



First Renewal to Agreement for Lottery Gaming Systems and Related
Commodities & Services

This First Renewal to Agreement for Lottery Gaming Systems and Related Commodities & Services (this "First Renewal") is made and entered into, by and between the STATE OF FLORIDA, DEPARTMENT OF THE LOTTERY, a Florida state agency whose headquarters address is 250 Marriott Drive, Tallahassee, Florida 32301 (the "Lottery"), and IGT GLOBAL SOLUTIONS CORPORATION, a Delaware corporation duly authorized to conduct business in Florida, whose principal address is 10 Memorial Boulevard, Providence, Rhode Island 02903 ("IGT"). The Lottery and IGT are referred to collectively herein as the "Parties".

WHEREAS, on February 3, 2015 the Lottery issued its Invitation to Negotiate – Lottery Gaming System and Related Commodities & Services – Project Number 066- 14/15, together with the Attachments and Appendices thereto, as amended by Addendum No. 1 dated February 26, 2015 (collectively, the "ITN"); and

WHEREAS, the Parties entered into that certain Agreement for Lottery Gaming Systems and Related Commodities & Services, dated September 1, 2016 (the "Agreement");

WHEREAS, the Parties desire to renew the Agreement as hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Expiration Date. The Initial Term (as defined in the Agreement) of the Agreement is scheduled to expire on Sunday, April 2, 2028 (the "Expiration Date").
2. Renewal of Term. Pursuant to Section III.B. of the Agreement and Section C1.2 of the ITN, the Lottery hereby exercises its first three-year (3) renewal option ("First Renewal Term"). This First Renewal Term



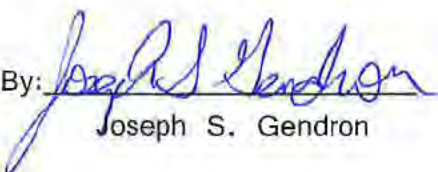
shall commence on Monday, April 3, 2028 (“Effective Date”) and the new Expiration Date shall be Sunday, April 6, 2031.

3. IGT acknowledges that the Lottery is entering into this First Renewal and exercising its First Renewal Term in consideration of:
 - a. Favorable renewal rates as set forth herein, resulting in increased transfers to the Educational Enhancement Trust Fund; and
 - b. This First Renewal is contingent upon an annual appropriation by the Florida Legislature and continued satisfactory performance by IGT for each year during the First Renewal Term and the Agreement being in effect as of the Expiration Date of the Initial Term.
4. Compensation. For the duration of the First Renewal Term, the amount of each of IGT’s invoices will be determined by multiplying the Net Total Sales (as defined in the Agreement) by 0.7865 percent for the applicable week. The amount of each invoice during any future renewal term(s), if so exercised by the Lottery, will be as set forth in IGT’s May 13, 2016 Revised Attachment F: Cost Submittal Form (Appendix C – Alternative Costing Methodology), or as otherwise agreed to by the Parties in writing.

In Witness Whereof, the Parties have executed this First Renewal, in duplicate originals, on the month, day and year set forth below.

IGT Global Solutions Corporation

State of Florida
Department of the Lottery

By: 
Joseph S. Gendron

By: 
Tom Delacenserie

As its: SVP, WLA North America

As its: Secretary

Date: 9/1/16

Date: 9-1-16

IGT GLOBAL SOLUTIONS CORPORATION



Reviewed as to legal form and
sufficiency:

By: Chy Baker 9-1-16

Department of the Lottery
Office of the General Counsel

EXHIBIT B

BNEADL01 LAS/PBS SYSTEM
 BUDGET PERIOD: 2007-2018
 STATE OF FLORIDA

EXHIBIT D-3A
 EXPENDITURES BY
 ISSUE AND APPROPRIATION CATEGORY

SP 10/14/2016 19:13 PAGE: 13
 EXHIBIT D-3A
 DETAIL OF EXPENDITURES

COL A03	COL A04	COL A05	CODES
AGY REQUEST	AGY REQ N/R	AG REQ ANZ	
FY 2017-18	FY 2017-18	FY 2017-18	
POS	AMOUNT POS	AMOUNT POS	AMOUNT

LOTTERY, DEPARTMENT OF THE PGM: LOTTERY OPERATIONS GOV OPERATIONS/SUPPORT GOVERNMENTAL OPERATIONS WORKLOAD FLORIDA LOTTERY INDEPENDENT SECURITY AUDIT	36000000 36010000 16 1601.00.00.00 3000000 3009300
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security evaluation be conducted at least every 2 years. The last evaluation was completed in June 2016. The next evaluation must be conducted in FY 2017-18.

This issue supports the Governor's Area-Specific Strategy - Expand access to education and training programs for talent in distressed markets.

STATE FUNDING REDUCTIONS REDUCTION TO INSTANT TICKET VENDING MACHINE BASE SPECIAL CATEGORIES LOTTERY ITVM OPERATING TRUST FUND -STATE 2,505,300-	3300000 3302380 100000 102382 2510 1
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AGENCY ISSUE NARRATIVE:

2017-2018 BUDGET YEAR NARRATIVE:

IT COMPONENT? NO

The Lottery requests a base reduction in the Lottery Instant Ticket Vending Machines Appropriation Category in the amount of \$2,505,300. The Lottery's new draw game contract, when fully implemented, will eliminate the need for appropriation in this category as vending machines will be provided by the contracted vendor. The amount of reduction takes into consideration the budget need for the contract transition period.

This issue supports the Governor's Area-Specific Strategy - Expand access to education and training programs for talent in distressed markets.

REDUCTION TO FULL SERVICE VENDING MACHINE BASE APPROPRIATION SPECIAL CATEGORIES LOTTERY FSVM OPERATING TRUST FUND -STATE 1,470,000-	3303830 100000 102383 2510 1
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	COL A03 AGY REQUEST FY 2017-18	COL A04 AGY REQ N/R FY 2017-18	COL A05 AG REQ ANZ FY 2017-18	CODES
POS	AMOUNT	POS	AMOUNT	
LOTTERY, DEPARTMENT OF THE				36000000
PGM: LOTTERY OPERATIONS				36010000
GOV OPERATIONS/SUPPORT				16
GOVERNMENTAL OPERATIONS				1601.00.00.00
STATE FUNDING REDUCTIONS				3300000
REDUCTION TO FULL SERVICE VENDING				
MACHINE BASE APPROPRIATION				3303830

AGENCY ISSUE NARRATIVE:

2017-2018 BUDGET YEAR NARRATIVE:

IT COMPONENT? NO

The Lottery requests a base reduction in the Lottery Full Service Vending Machines Appropriation Category in the amount of \$1,470,000. The Lottery's new draw game contract, when fully implemented, will eliminate the need for appropriation in this category as vending machines will be provided by the contracted vendor. The amount of reduction takes into consideration the budget need for the contract transition period.

This issue supports the Governor's Area-Specific Strategy - Expand access to education and training programs for talent in distressed markets.

AGENCY-WIDE INFORMATION TECHNOLOGY				3620000
BUSINESS SYSTEM ENHANCEMENTS				36210C0
OPERATING CAPITAL OUTLAY				060000
OPERATING TRUST FUND -STATE	123,375	7,875	115,500	2510 1
SPECIAL CATEGORIES				100000
CONTRACTED SERVICES				100777
OPERATING TRUST FUND -STATE	39,000	39,000		2510 1
TOTAL: BUSINESS SYSTEM ENHANCEMENTS				36210C0
TOTAL ISSUE.....	162,375	46,875	115,500	

AGENCY ISSUE NARRATIVE:

2017-2018 BUDGET YEAR NARRATIVE:

IT COMPONENT? YES

ISSUE SUMMARY

The Lottery requests \$162,375 to implement an Enterprise/Web Content Management (ECM/WCM) system at Headquarters (HQ). Currently, the Web Development Team manages and maintains all aspects of the Lottery's websites. This system provides non-technical users (business users) the ability to create, organize, store and distribute content on their own, without depending on day-to-day support from the Web Development Team. In addition, the Department desires to improve the user experience interface in a device agnostic approach to support the multitude of devices used by customers to interact with the Lottery.

	COL A03 AGY REQUEST FY 2017-18 POS	COL A04 AGY REQ N/R FY 2017-18 POS	COL A05 AG REQ ANZ FY 2017-18 POS	AMOUNT	AMOUNT	AMOUNT	CODES
LOTTERY, DEPARTMENT OF THE							36000000
PGM: LOTTERY OPERATIONS							36010000
GOV OPERATIONS/SUPPORT							16
GOVERNMENTAL OPERATIONS							1601.00.00.00
FLORIDA LOTTERY OPERATIONS FUNDING							5000000
INCREASE TO TERMINAL GAMES							
FEE APPROPRIATION							5000210
SPECIAL CATEGORIES							100000
TERMINAL GAMES FEES							102381
OPERATING TRUST FUND -STATE				16,942,963			2510 1

AGENCY ISSUE NARRATIVE:

2017-2018 BUDGET YEAR NARRATIVE:

IT COMPONENT? NO

The Lottery requests \$16,942,963 to pay the Department's gaming system vendor based on projected ticket sales, as adopted by the July 2016 Revenue Estimating Conference (REC). This request is made considering the Department's new gaming system contract which will take effect Fall 2017, upon completed implementation. Under the new contract, which replaces the previous draw game contract, the vendor is paid based on a fixed percentage of total sales for all included systems, equipment and services. Vendor fees dollars increase (or decrease) in proportion with sales results, as a fixed percentage of sales, providing the vendor incentive to support the Department's achievement of sales goals. The requested amount will only be used if the REC projected increase in sales is achieved.

Based on the July 2016 REC, the Department's ticket sales in FY 2017-18 are projected at \$5.9987 Billion, an increase of 0.63% from FY 2016-17. Under the new gaming system (draw game) contract, the Department's projected annual increase in sales is \$359 million, and projected annual increase in transfers to EETF is \$97 million.

This issue supports the Governor's Area-Specific Strategy - Expand access to education and training programs for talent in distressed markets.

TOTAL: GOVERNMENTAL OPERATIONS							1601.00.00.00
BY FUND TYPE							
TRUST FUNDS.....	365.00						
SALARY RATE.....	174,137,711	2,663,347	284,398				2000
	14,402,213						