TRANSMITTAL LETTER

March 18, 2022

Angela Zgabay-Zgarba, CTCD, CTCM
Contracts & Facilities Manager
Texas Lottery Commission
611 East 6th Street
Austin, TX 78701

Re: Request for Proposals for Scratch Ticket Manufacturing and Services for the Texas Lottery Commission (RFP No.362-2022-0005)

Dear Ms. Zgabay-Zgarba,

Pollard Banknote Limited (the "Proposer") is pleased to submit our Proposal to provide Scratch Ticket Manufacturing and Services to the Texas Lottery Commission ("Texas Lottery").

Pollard Banknote Limited, together with its American instant scratch ticket manufacturing subsidiary (collectively, "Pollard Banknote"), can comply with all requirements outlined in the RFP. As per **1.12. Proposal Tenure**, our Proposal is valid for one hundred and eighty (180) days after the deadline for submitting Proposals, which is March 23, 2022.

Furthermore, as per **2.7.2.**, we confirm that we accept the terms and conditions set forth in Part 3 of the RFP, which will be included in the contract.

Our response includes the following:

- One (1) signed original and fifteen (15) hard copies of our Technical Proposal;
- One (1) signed original and two (2) copies of all required HSP documentation (in separate binders titled Historically Underutilized Business (HUB) Subcontracting Plan);
- One (1) copy of the text portion of our Technical Proposal on a USB drive in a searchable PDF file (included with the signed original Technical Proposal);
- One (1) redacted copy of the text portion of our Technical Proposal on a USB drive in a searchable PDF file;
- One (1) original Cost Proposal for Scratch Ticket Manufacturing and Services in the format set forth in Attachment H of the RFP, in a separate sealed envelope included within the original Technical Proposal;
- One (1) copy of the original Cost Proposal on a USB drive in a searchable PDF file with the tables in the Excel spreadsheet, in the same sealed envelope as the original **Cost Proposal**.

- Company financials for the last two years, as required per **4.6.2.**, on a USB flash drive labeled "Financials" (included with the original Technical Proposal).

For the Evaluation Committee's consideration, we have provided supplemental marketing samples as part of our Scratch Ticket Manufacturing and Services response, which includes our broad range of innovative ticket offerings, ideas, and capabilities. These samples are included within our **Instant Inspiration** ticket and design portfolio and our **2022 Holiday Collection design catalog** accompanying this response, contained in a separate box.

CONFIDENTIALITY

Please note that, per **1.7. Proposals Subject to the Texas Public Information Act** of the RFP, all information requested to be handled as confidential or proprietary has been specifically marked throughout our Proposal. We have marked the start and end of confidential/proprietary information with confidential bars, highlighted in red, as shown below:

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Please see our response to section **1.7.** for specific and detailed reasons for each section marked as confidential.

BEST PARTNER FOR SCRATCH TICKETS AND RELATED SERVICES

Pollard Banknote understands that the Texas Lottery's intent is to obtain Proposals from qualified Proposers to provide scratch ticket manufacturing and services. Ultimately, the Lottery's objective is to maximize revenue to the State of Texas through the selection of "industry best" games and those consistent with the Texas Lottery's current product mix and scratch ticket strategy. Pollard Banknote is confident that we are the best in the world at developing innovative, revenue-generating instant games and related services that surpass our customer's expectations and resonate with their players, and we are equally confident that we can continue to provide these to the Texas Lottery.

As our Proposal demonstrates throughout, Pollard Banknote has the experience, expertise, capacity, and equipment necessary to handle anything the Lottery may require—now and in the future. We are proud of the relationship we have built with the Texas Lottery over the last 23 years. We understand that the Lottery wants engaging, unique scratch tickets and related services that drive revenues. Our experienced team of industry professionals is eager to build on our partnership to ensure that the Lottery continues to generate revenue for good causes in the state of Texas, including education, veterans' services, and other important state programs.

Pollard Banknote has a high standard for meeting each client's needs through proactive and extremely responsive customer service. Moreover, we provide service on a per game basis; each game receives the same amount of attention and dedication—from concept to production, delivery, and beyond. We customize our approach for each client and our attention to detail is second to none.

When you choose to continue your partnership with Pollard Banknote, you receive the best products, the best people, and the best partner. You also receive the benefit of knowing you're working with a company that understands the importance of assisting the Texas Lottery accomplish its mission of generating revenue for the State and has a strong history of doing exactly that.

In closing, it is our pleasure to participate in this bidding process. We have worked very hard to provide you with all the information requested and truly believe that Pollard Banknote is the right partner for you at this time and going forward.

Brad Thompson, Vice President, Sales & Marketing, would be pleased to answer any questions pertaining to our Proposal. His contact information is as follows:

Brad Thompson
Vice President, Sales & Marketing
Tel: 204.474.2323 extension 343
Email: bthompson@pbl.ca

Further, I affirm that as Co-Chief Executive Officer, I am legally authorized to bind Pollard Banknote to the representations in this response and have the authority to execute a contract on behalf of Pollard Banknote. As such, I have signed this letter and the Proposer's Commitment (Attachment A of the RFP), as well as the Background Information Certification (Attachment D-1).

Sincerely,

POLLARD BANKNOTE LIMITED

Doug Pollard
Co-Chief Executive Officer

This page intentionally left blank.

TABLE OF CONTENTS

TRANSMITTAL LETTER 1

TABLE OF CONTENTS 5

LIST OF APPENDICES 9

EXECUTIVE SUMMARY 11

1. GENERAL INFORMATION 17

1.7. PROPOSALS SUBJECT TO THE TEXAS PUBLIC INFORMATION ACT 17

2. PROPOSAL PROCESS 33

3. CONTRACTUAL TERMS AND CONDITIONS 35

3.40. DISCLOSURE OF LITIGATION 35

3.49. HIRING OF LOBBYIST, CONSULTANT, AND/OR ADVISOR; SUPPLEMENTAL INFORMATION 35

3.50. NOTICES 36

3.56. CERTIFICATIONS 36

3.57. PREFERENCES 39

4. REQUIRED INFORMATION 41

4.1. EXPERIENCE OF PROSPER 41

4.2. EXPERIENCE OF KEY PERSONNEL 74

4.3. PROPOSER REFERENCES 125

4.4. CONTACT PERSON 126

4.5. CONFLICT OF INTEREST 127

4.6. FINANCIAL SOUNDNESS 128

4.7. BACKGROUND INVESTIGATIONS 133

4.8. DISCLOSURE OF INTERESTED PARTIES 135

5. HISTORICALLY UNDERUTILIZED BUSINESS (HUB) PARTICIPATION 136

5.1. HUB REQUIREMENT 137

5.2. HSP SUBMISSION AND TEXAS LOTTERY REVIEW 138

5.3. ASSISTANCE FOR PREPARATION OF HSP 138

5.4. REQUIREMENTS FOR COMPLETING THE HSP FORMS 140

5.5. SUBCONTRACTING OPPORTUNITIES 144

5.6. POST-CONTRACT AWARD 147

6. TEXAS LOTTERY'S OBJECTIVES, GOALS AND EXPECTATIONS 149
6.1. OVERVIEW 149
6.2. TEXAS LOTTERY OBJECTIVE 150
6.3. TEXAS LOTTERY GOALS AND EXPECTATIONS 161
6.4. INNOVATION AND CREATIVITY 162
7. SCRATCH TICKET GAME DEVELOPMENT 163
7.1. STAFFING 163
7.2. GAME PLANNING 164
7.3. INDIVIDUAL SCRATCH TICKET GAME DEVELOPMENT SCHEDULE 166
7.4. CREATIVE GAME DESIGN 178
7.5. GRAPHIC CAPABILITIES & DATA TRANSFER 190
7.6. ARTWORK 191
7.7. PRODUCTION SCHEDULE REPORT 193
7.8. WORKING PAPERS 194
7.9. CUSTOMER SPECIFICATIONS DOCUMENT 197
8. SCRATCH TICKET MANUFACTURING AND SERVICES 199
8.1. OVERVIEW OF TICKET MANUFACTURING METHODS 199
8.2. MANUFACTURING SPECIFICATIONS 207
8.3. TICKET STOCK 207
8.4. OMISSIONS 241
8.5. SCRATCH TICKET COATING QUALITY 242
8.6. RANDOMIZATION 255
8.7. GUARANTEED LOW END PRIZE STRUCTURES (GLEPS) 259
8.8. PRIZE GUARANTEES 262
8.9. SECURITY SPECIFICATIONS 263
8.10. TICKET TESTING SAMPLES 291
8.11. TEST GAME 292
8.12. TICKET RECONSTRUCTION 293
8.13. EMPLOYEE SECURITY 297
8.14. SECURITY BREACH 302

8.15. PRODUCTION AND TRANSFER OF GAME PRODUCTION DATA 302
8.16. PLANT AND SYSTEM SECURITY 303
8.17. PRE-PRODUCTION CERTIFICATION AND COLOR PROOF APPROVAL 308
8.18. PRODUCTION AUDIT 346
8.19. SECURITY TESTING SAMPLE PACKS 347
8.20. END OF PRODUCTION PRIZE STRUCTURE 347
8.21. PACKAGING 348
8.22. SHRINK WRAPPING 349
8.23. SHIPPING CARTONS 350
8.24. PALLETS 351
8.25. DELIVERY OF TICKETS TO LOTTERY WAREHOUSE(S) 352
8.26. SCRATCH TICKET TESTING 355
8.27. TESTING PROTOCOLS 356
8.28. NON-CONFIRMING TICKETS 362
8.29. COMPUTER SYSTEM COMPATIBILITY 363
8.30. HIGH-TIER WINNER VALIDATION MEDIA 363
8.31. ELECTRONIC DATA TRANSFER PROCESS 364
8.32. BACK-UP CAPABILITIES 364
8.33. SPECIFIED OPTIONS 373
8.34. INVITED OPTIONS 409
8.35. OFFERED OPTIONS 415
RFP ATTACHMENT A PROPOSER'S COMMITMENT 511
RFP ATTACHMENT B FINANCIAL COMMITMENT AND RESPONSIBILITY 513
RFP ATTACHMENT C HUB SUBCONTRACTING PLAN 515
RFP ATTACHMENT D TEXAS GOVERNMENT CODE § 466.155 517
RFP ATTACHMENT D-1 BACKGROUND INFORMATION CERTIFICATION 519
RFP ATTACHMENT E TEXAS LOTTERY COMMISSION VENDOR BACKGROUND INVESTIGATION FORM 521
RFP ATTACHMENT H SEALED COST PROPOSAL 523

This page intentionally left blank.

LIST OF APPENDICES

APPENDIX 1: CORPORATE CERTIFICATIONS

APPENDIX 2: CLIENT LIST

APPENDIX 3: MANUFACTURING AT POLLARD BANKNOTE

APPENDIX 4: INNOVATION TIMELINE

This page intentionally left blank.

EXECUTIVE SUMMARY

As our proposal demonstrates throughout, Pollard Banknote is world-renowned for our expertise as a provider of scratch tickets and related services. We have the experience, skill, resources, and equipment necessary to handle anything the Texas Lottery may require—now and in the future. This is further enhanced with an ingrained culture of innovation across all facets of the scratch ticket business, as evidenced by the introduction of numerous industry-first products that have generated billions in sales worldwide.

The Texas Lottery has achieved extraordinary success in recent years and FY 2021 was no exception. Overall sales reached $8.107 billion, marking the 11th consecutive year of record-breaking sales! Scratch ticket sales are a key driver of that success reaching $6.6 billion in FY 2021—an increase of more than $2.2 billion over FY 2018—and accounting for 82% of overall sales. Since 1992, the Texas Lottery has generated more than $33.6 billion in revenue for good causes, with over 96.8% sales returned to the state in the form of contributions to the Foundation School Fund, Fund for Veterans' Assistance, and other state programs[1]. The Lottery continues to deliver on its mission to raise money for programs that positively impact the lives of Texans—ensuring that the state of Texas is always the Lottery's biggest winner.

As collaborative partners for over two decades, Pollard Banknote has worked closely with the Texas Lottery to develop unique products and exciting promotions that have proven very successful in engaging Texas players and driving sales. In fact, many of the Texas Lottery's recent top-selling tickets were provided by Pollard Banknote, several of which included proprietary innovative print features. For example, $50 *Casino Millions*, featuring our unique Scratch FXtra™ print innovation and $50 *Million Ca$h*, featuring vibrant Spectrum Scratch FX®, are the Texas Lottery's two highest-selling $50 scratch games since 2007.

In addition, in recent years Pollard Banknote has also worked with the Texas Lottery to launch a number of families of games featuring second chance promotions with incredible experiential prizes. Most recently, the Texas Lottery leveraged the unique and eye-catching combination of Scratch FX® and Fluorescent ink to launch its X The Cash family of games. This family was supported by an exciting second chance promotion, managed by Pollard Banknote, which gave players the opportunity to enter non-winning tickets into a second chance drawing for a Hawaii Dream Getaway. The results were outstanding! Both the $20 *200X The Cash* and $10 *100X The Cash* tickets were among the Texas Lottery's bestselling games of the year.

Looking ahead to 2022, the Texas Lottery will be celebrating its 30th anniversary. To commemorate this milestone, we are thrilled that the Texas Lottery turned to Pollard Banknote to design a visually stunning 30th anniversary-themed scratch ticket featuring our dazzling Scratch FX® print innovation, which will launch later this year.

POLLARD BANKNOTE: THE PARTNER OF CHOICE

Pollard Banknote has undergone tremendous growth in recent years to become a dynamic, full-

[1] https://www.texaslottery.com/export/sites/lottery/Documents/AnnualReportBusinessPlan2022.pdf

service lottery partner. We are the fastest growing lottery industry vendor; from FY 2011 to FY 2021, our sales grew by over 165%. Over the last several years, we have sharpened our focus on innovative product development across both print and digital games, broadened our retail expertise, further resourced and refined our capabilities to deliver data-driven analyses and insights, and acquired companies that are firmly focused on the lottery industry. Our subsidiaries are established leaders in their respective areas, each offering their specialized knowledge and experience to our company, and together, we have created a more competitive and nimble organization.

Our strategic growth and direction reflect our belief that there are three key dimensions that are crucial for our lottery clients, and by extension, our organization, to be successful: Outstanding Games that excite and engage players; Retail Excellence through effective in-store strategies and retail network expansion; and Digital Innovation that cultivates a more robust and interactive experience.

Outstanding Games.
Retail Excellence.
Digital Innovation.

Our refined focus, combined with our consultative approach, is where the Pollard Banknote advantage lies. We build Empowered Partnerships with many of our lottery clients, including the Texas Lottery, enabling them to grow with products and services that attract and retain both new and existing players; build merchandising strategies that optimize their retail presence; and activate the right mix of digital products to support their digital journey. Recognizing a one-size-fits-all approach to lottery success is inherently flawed; we collaborate with our clients to build a customized portfolio of solutions that reflects the unique regulatory, market, and organizational conditions in which they operate, empowering them to raise more money for the good causes they support.

With Pollard Banknote, the Texas Lottery is choosing an established organization with a unique expertise not only in scratch tickets, including creative, eye-catching designs and sales-driving print innovations, but also in retail expansion, in-lane solutions, and optimization with our Schafer Retail Solutions + (SRS+) portfolio, offering the most innovative point-of-sale displays and a robust selection of sales-driving merchandising options, as well as the invaluable expertise of our Retail Growth Team.

Unrivalled Experience

Pollard Banknote is one of the key contributors to the industry-wide growth of scratch ticket sales over the past 10 years, serving 60+ customers worldwide, including some of the world's largest and most respected lotteries, as well as some of the fastest growing lotteries.

Pollard Banknote is proud of the long-term partnerships we have built with lotteries around the world, including our 34 NASPL clients; many of which have experienced industry-leading growth in the last five years. We truly feel that the unmatched energy and enthusiasm we offer is propelling us forward toward even greater success. Our passion for lottery drives our focused vision, commitment to innovation, and industry-leading products and services, and is the reason lotteries continue to choose Pollard Banknote.

Consider that, since 2020, Pollard Banknote has been awarded 17 new contracts, 10 of which are with U.S. lotteries, including a retained primary award from the Maryland Lottery for Instant Ticket Games and Related Services and a new primary award from the Idaho Lottery for Scratch Ticket Printing. We are equally proud of our track record of contract extensions, with both primary and secondary clients, as they reflect the success of the strong relationships we have built. Since 2020, a total of 15 lotteries have opted to extend their existing agreement with Pollard Banknote, eight of which are with U.S. lotteries. This incredible momentum is evidence of the value we bring to our clients' businesses and emboldens our vision to be the partner of choice for lotteries in the U.S. and around the globe.

Pollard Banknote is the primary scratch ticket supplier to both the Michigan Lottery and Maryland Lottery, the *only* two U.S. lotteries to have reached double digit sales growth for the four consecutive year period ending FY 2018, an achievement not attained by any other U.S. lottery in the past decade[2]. In FY 2021, the Maryland Lottery achieved continued scratch sales growth of 16.5%, and the Michigan Lottery recorded impressive sales growth of 22.5% over FY 2020. Over the last five years alone, our success includes working as a primary vendor in partnership with these two lotteries such that Michigan achieved 119.6% sales growth and Maryland achieved 62.5% sales growth, while the overall U.S. lottery average experienced growth of 53.5% over the same period.

Manufacturing Capabilities and Capacity

From a manufacturing, quality, and security perspective, we have demonstrated our enhanced capabilities across our organization, which will directly benefit the Texas Lottery over the upcoming contract period. Our capabilities in the design and manufacture of the Texas Lottery's scratch products are second-to-none in the industry, and various enhancements over the past year have strengthened those capabilities. Pollard Banknote's five scratch ticket manufacturing facilities in North America, which employ approximately 1,300 people, offer more than 385,000 square feet of manufacturing space and utilize our proprietary vision inspection, varnish detection, and packaging system capabilities.

START OF CONFIDENTIAL, PROPRIETARY AND TRADE SECRET INFORMATION

TPIA §552.110

[2] The Michigan Lottery has achieved seven consecutive years of double-digit sales growth.

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY AND TRADE SECRET INFORMATION

These resources allow us to produce tickets for the Texas Lottery that will always be manufactured to the highest standards using the latest in automation and technology. Over the next contract period, Texas Lottery games will continue to be manufactured at our Ypsilanti, Michigan facility, which houses our state-of-the-art 22-station TRESU press, with full-service back-up facilities available, for added peace of mind.

Industry Best Personnel Dedicated to the Texas Lottery

Pollard Banknote's Dedicated Account Services Team for the Texas Lottery is led by Brad Thompson, Vice President, Sales & Marketing, and Jennifer Wankling, Director, Sales & Marketing. They have a comprehensive understanding of the Texas Lottery's needs, goals, and vision, and will be fully supported by specialists across our organization that will provide in-depth knowledge and expertise to the Texas Lottery, offering a holistic approach unmatched by any other vendor in the industry. Our expertise is vast and varied, including prize structure design, game design, graphic design, secure game generation, production quality, security, product management, information technology, industry analysis, and accounting. Collectively, the entire team will ensure that the Texas Lottery's needs are not only met, but exceeded, at each touch point along the way.

As always, the Texas Lottery can rely on our talented in-house design team to create bold, dynamic scratch games that reflect the Texas Lottery's aesthetic and entertain players, as well as our Product Innovation specialists, a team that is constantly developing, testing, and refining innovative new products to engage players and drive returns to the state.

Innovative Products to Drive Lottery Success

Pollard Banknote is known for its innovative products throughout the industry. Our innovative nature, combined with our considerable strength and depth of experience across games, retail, and digital, ensures that the Texas Lottery will have access to the most innovative and new products available. Our innovations can be broadly categorized by our three key areas of focus, and many overlap two or more areas: outstanding games, retail excellence, and digital innovation.

Outstanding Games

Designing, developing, and producing outstanding games is Pollard Banknote's core business. We have acquired extensive knowledge in product portfolio development and deeply understand the importance of keeping a lottery's scratch portfolio relevant and appealing by continuously refreshing the product mix across all price points. Pollard Banknote leads the industry in the

development of value-added games that feature unique play styles and formats, prize structures, special materials, and striking inks.

Retail Excellence

One of the most impactful aspects of a lottery's success is its retail presence. Growing and optimizing a lottery's retailer network is often a key objective within a lottery's larger retail strategy, and Pollard Banknote offers many innovative options by which our lottery clients can reach their goals. Supporting these initiatives is our Retail Growth Team, composed of seasoned retail experts from across our organization, all of whom are focused on expanding and optimizing our lottery clients' retail presence.

As a leader in the development of sales-driving solutions for the in-lane retail environment, we have proposed our proprietary easyVEND™ In-Lane ITVM for the Texas Lottery's Automated Scratch Sales Solution. Pollard Banknote recognizes that the most important characteristic of an in-lane solution is to attract attention and trigger a purchase. Our easyVEND™ solution is composed of an eye-catching menu board located conveniently in the checkout lane along with a co-located secure dispenser unit in which pre-activated tickets are stored/vended. easyVEND™ also offers a multitude of benefits for retailers, including ease of use, additional foot traffic, and increased basket size that comes with lottery sales. Please refer to **8.33.6.** for more detailed information.

Digital Innovation

Pollard Banknote acknowledges that the Texas Lottery is restricted from offering digital lottery products. Should this change in the future, Pollard Banknote, as the lottery industry's digital technology leader, can offer the Texas Lottery digital solutions that are proven to engage players and help introduce players to digital lottery experiences.

HUB SUBCONTRACTING PLAN (HSP)

Pollard Banknote is aware of the important role the Texas Lottery plays in stimulating the local economy, especially minority and women-owned businesses. We have in place some long-standing partnerships with Texas-based HUBs that we intend to renew, as well as an exciting new partnership for the contract arising from this RFP process.

POLLARD BANKNOTE AND THE TEXAS LOTTERY: BETTER TOGETHER

Every lottery needs a partner that can deliver innovation, creativity, experience—and success. Pollard Banknote is that partner for the Texas Lottery. We're proud of our shared successes to this point—but we're just getting started. So, here's to the road ahead: the exciting new ideas, the innovative products, the creative and fun new ways to engage players, and our enduring commitment to quality and security that has become a hallmark of every product that bears the Texas Lottery logo.

This page intentionally left blank.

1. GENERAL INFORMATION

Pollard Banknote has read, understands, and accepts the information presented in **1. General Information** of the RFP, and, as applicable, will comply with the requirements in this section. We have provided a specific response to **1.7.1. Proposals Subject to the Texas Public Information Act.**

1.7. Proposals Subject to The Texas Public Information Act

1.7.1.

The Texas Lottery is subject to the Texas Public Information Act (Act) (Chapter 552, Government Code). Proposals submitted to the Texas Lottery in response to this RFP are subject (in their entirety) to release by the Texas Lottery as public information. A Proposal, or specific parts thereof, may, however, be shown by the Proposer to fall within one or more of the exceptions to disclosure provided in the Act, the State Lottery Act or other applicable law. ***Marking an entire Proposal as "confidential" or "copyrighted" is unacceptable.*** *If a Proposer believes that parts of its Proposal are confidential under the Act, it should specify the confidential information by marking "Confidential" on each page or by each paragraph containing such information prior to submitting the Proposal to the Texas Lottery. In response to this section, Proposers shall provide the Texas Lottery with specific and detailed reasons for each item marked "Confidential". Vague and general claims to confidentiality are not acceptable. This detail is necessary so that the Texas Lottery will have sufficient information to provide to the Attorney General of Texas, if a ruling regarding the confidentiality of such information is requested. Failure of a Proposer to respond to such notification result in the release of all or part of the Proposal as public information. It is the Proposer's obligation to submit briefing to the Attorney General setting forth the basis upon which the requested information should remain confidential. The Attorney General may determine all or part of a Proposal to be public information even though parts of the Proposal were marked "Confidential" by the Proposer. Additionally, see Sec. 552.0222 of the Act relating to contracting information that is considered public and must be released.*

All information requested to be handled as confidential or proprietary has been specifically marked throughout our proposal. We have marked the start and end of confidential/proprietary information with confidential bars, highlighted in red, as shown below:

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

In the following table, we have provided a statement justifying the trade secret designation for each item marked as such throughout the response.

SECTION AND PAGE NUMBER	RATIONALE
Executive Summary Pages 13 - 14	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
4.1.2. Pages 42 - 52	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
4.1.4. **Pages 53 - 54**	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
4.1.5. **Pages 54 - 55**	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
4.1.6. Pages 59 – 60, 65, 67 – 69, 73 - 74	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
4.6. Financial Soundness Pages 129 – 131	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
6.2. Texas Lottery's Objective Pages 153, 157 - 160	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
7.3. Individual Scratch Ticket Game Development Schedule Pages 166 - 169	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
7.3.4. **Pages 174 - 176**	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
8.1. Overview of Ticket Manufacturing Methods **Pages 202, 204 - 206**	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
8.3.6. Font Generation Pages 217 - 218	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
8.3.8. Game Pack Numbers Pages 222 - 223	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
8.3.10. Validation Number **Page 225**	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
8.3.11. Validation Algorithm **Pages 226 - 227**	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
8.3.12. Back of Ticket Bar Codes Page 229	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
8.5. Scratch Ticket Coating Quality Page 242	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
8.5.2. Pages 243 – 247, 248 – 250, 251	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
8.6. Randomization Pages 255 - 257	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
8.9. Security Specifications Pages 274 – 276, 281 – 286, 288 - 289	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
8.12. Ticket Reconstruction Pages 294 -296	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
8.17. Pre-Production Certification and Color Proof Approval Pages 308, 310 – 311, 313 – 319, 320, 321 – 333, 333 – 335, 335 – 341, 341	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
8.17.5. Pages 343 - 345	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
8.32. Back-Up Capabilities Pages 364 – 365, 367 - 368	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
8.33.6. Automated Scratch Sales Solution Pages 390 - 400	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
8.35. Offered Options Pages 410 - 504	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
Appendix 2: Client List	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

SECTION AND PAGE NUMBER	RATIONALE
Appendix 3: Manufacturing at Pollard Banknote Pages 12, 16, 21 – 22, 24 – 25, 25 – 28, 31 – 33, 39 – 48, 53 – 54, 57 – 60, 61 - 63	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.
Appendix 4: Innovation Timeline	This section of our response constitutes trade secret materials and/or commercial or financial information, and is excepted from required disclosure, pursuant to the Texas Public Information Act; Chapter 552, Subchapter C – Information Excepted from Required Disclosure Sec. 52.110. Pursuant to this section, a "trade secret" means all forms and types of information, including business, scientific , technical, economic, or engineering information, and any formula, design, prototype, pattern, plan, compilation, program device, program, code, device, memorialized physically, electronically, graphically, photographically, or in writing if: (1) the owner of the trade secret has taken reasonable measures under the circumstances to keep the information secret; and (2) the information derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable through proper means by, another person who can obtain economic value from the disclosure or use of the information. Pursuant to this section, commercial or financial information means information which it is demonstrated based on specific factual evidence that disclosure would cause substantial competitive harm to the person from whom the information was obtained is excepted from the requirements of Subchapter B – Right of Access to Public Information Sec. 552.021.

This page intentionally left blank.

2. PROPOSAL PROCESS

Pollard Banknote has read, understands, and accepts the information presented in **2. Proposal Process** of the RFP, and, as applicable, will comply with the requirements in this section. We have provided a Transmittal Letter (as per **2.7**) and an Executive Summary (as per **2.8**), both of which precede **1. General Information.**

Pollard Banknote acknowledges the receipt of the following amendments and Q&A documents (as per **2.4 Inquiries**) from the Texas Lottery:

- Scratch Ticket Responses to Proposers' Questions & RFP Amendments Round 1; posted on the Texas Lottery's website on January 27, 2022
- Scratch Ticket Responses to Proposers' Questions Round 2; posted on the Texas Lottery's website on February 16, 2022

This page intentionally left blank.

3. CONTRACTUAL TERMS AND CONDITIONS

Pollard Banknote has read, understands, and agrees to comply with all the terms and conditions described in **3. Contractual Terms and Conditions**. We have provided a specific response to **3.40.1.**, **3.49.**, **3.50.**, **3.56.1.**, **3.56.2.**, **3.56.3.**, **3.56.4.**, **3.56.5.**, **3.56.8.**, **3.56.12.**, **3.56.15.**, and **3.57**.

3.40. Disclosure of Litigation

3.40.1.

The Proposer must include in its Proposal a complete disclosure of any material civil or criminal litigation or indictment either threatened or pending involving the Proposer. "Threatened litigation" as used herein shall include governmental investigations and civil investigative demands. "Litigation" as used herein shall include administrative enforcement actions brought by governmental agencies. The Proposer must also disclose any material litigation threatened or pending involving Subcontractors, consultants, and/or lobbyists. For purposes of this section, "material" refers, but is not limited, to any action or pending action that a reasonable person knowledgeable in the gaming industry would consider relevant to any gaming operation or any development such a person would want to be aware of in order to stay fully apprised of the total mix of information relevant to the gaming industry and its operations, together with any litigation threatened or pending that may result in a substantial change in the Proposer's financial condition, as described in Section 4.6.

Pollard Banknote confirms that it has nothing to disclose related to any material civil or criminal litigation or indictment either threatened or pending at the time of this writing.

Pollard Banknote confirms that it has nothing to disclose related to any material litigation threatened or pending involving Subcontractors, consultants, and/or lobbyists at the time of this writing.

3.49. Hiring of Lobbyist, Consultant, and/or Advisor; Supplemental Information

*The Proposer shall list the names, addresses and telephone number for all lobbyists, consultants, and/or advisors who will perform services related to the Proposer's operations or interests in the State of Texas, under previously executed contracts, or during the three (3) years prior to the issuance of the RFP, who have performed services related to the Proposer's operations or interests in the State of Texas for the Proposer or any Subcontractors of the Proposer. The **Successful** Proposer shall immediately notify the Texas Lottery in the event of change of lobbyist, consultant, or advisor information.*

Pollard Banknote confirms that it has not employed any lobbyists, consultants, and/or advisors to perform services related to the Proposer's operations or interests in the State of Texas, pursuant

to previously executed contracts, or during the three (3) years prior to the issuance of the RFP, who have performed services related to Pollard Banknote's operations or interests in the State of Texas for itself or any Subcontractor. There are no plans to hire lobbyists, consultants and/or advisors who will perform services related to this contract, if Pollard Banknote becomes one of the Successful Proposers. Pollard Banknote will immediately notify the Texas Lottery in the event of a change on this matter.

3.50. Notices

The Proposer shall indicate in its Proposal the name and address of the person to whom any notices shall be given. Notices to the Texas Lottery shall be made by personal delivery or by certified (or registered) mail return receipt requested to the Texas Lottery at the address below unless the Proposer is notified in writing by the Texas Lottery of any change.

Regarding all matters relating to a Contract arising from this RFP, including notices, please contact:

Debbie Schween
Director, Legal Affairs
Pollard Banknote Limited
140 Otter St. Winnipeg, Manitoba R3T 0M8
Tel: 204.474.2323 extension 542
Email: dschween@pbl.ca

3.56. Certifications

3.56.1.

Under Tex. Gov't Code §466.103, the Executive Director may not award a contract for the purchase or lease of facilities, goods or services related to lottery operations to a person who would be denied a license as a sales agent under Tex. Gov't Code §466.155. All Proposers must read and be familiar with Tex. Gov't Code §466.155, attached hereto as Attachment D. All Proposals shall include a completed Background Information Certification Form, attached hereto as Attachment D-1, which certifies that the Proposer has reviewed Tex. Gov't Code §466.155 and neither the Proposer nor any of the following persons would be denied a license as a sales agent under said section: (a) Proposer's officers, directors, investors, owners, partners and other principals, as more particularly described in Tex. Gov't Code §466.155 (collectively, Proposer Principals); or (b) any spouse, child, brother, sister or parent residing as a member of the same household in the principal place of residence of the Proposer or any of the Proposer Principals.

Pollard Banknote confirms that we have read and are familiar with TEX. GOV'T CODE ANN. § 466.155 (**Attachment D** of the RFP). Please see Pollard Banknote's completed Background

Information Certification Form (**Attachment D-1** of the RFP), signed by Co-Chief Executive Officer, Doug Pollard, in **Attachment D** of our proposal.

3.56.2.

Under §231.006 of the Tex. Fam. Code, the Proposer certifies that the individual or business entity named in the Proposal or Contract is not ineligible to receive the specified grant, loan or payment and acknowledges that the Contract may be terminated, and payment may be withheld if this certification is inaccurate. Furthermore, any Proposer subject to §231.006 must include names and social security numbers of each person with at least 25% ownership of the business entity submitting the Proposal. This information must be provided prior to Contract Award.

Pollard Banknote certifies that it is not ineligible to receive the specified grant, loan or payment (under Section 231.006 of the TEX. FAM. CODE ANN.) and acknowledges that the Contract may be terminated and payment may be withheld if this certification is inaccurate.

3.56.3.

Under §2261.053 of the Tex. Gov't Code, a state agency may not accept a bid or award a contract that includes proposed financial participation by a person who, during the five-year period preceding the date of the bid or award, has been: (1) convicted of violating a federal law in connection with a contract awarded by the federal government for relief, recovery, or reconstruction efforts as a result of Hurricane Rita, as defined by Section 39.459, Utilities Code, Hurricane Katrina, or any other disaster occurring after September 24, 2005; or (2) assessed a penalty in a federal civil or administrative enforcement action in connection with a contract awarded by the federal government for relief, recovery, or reconstruction efforts as a result of Hurricane Rita, as defined by Section 39.459, Utilities Code, Hurricane Katrina, or any other disaster occurring after September 24, 2005; or convicted of any offense related to the direct support or promotion of human trafficking. In submitting a Proposal under this RFP, the Proposer certifies as follows: "Under Section 2261.053 of the Texas Government Code, the contractor certifies that the individual or business entity named in this bid or contract is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate."

Under Section 2261.053 of the Texas Government Code, Pollard Banknote certifies that it is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate.

3.56.4.

The Proposer certifies that: (a) the Proposer has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted Proposal; and (b) neither the Proposer nor the firm, corporation, partnership, or institution represented by the Proposer, nor anyone acting for such firm, corporation, partnership, or institution has violated the antitrust laws of the State of Texas (Tex. Bus. & Comm. Code §15.01, et seq.), or the antitrust laws of the United States (15 U.S.C.A. Section 1, et seq.), nor communicated directly or indirectly the submitted Proposal to any competitor or any other person engaged in such line of business.

Pollard Banknote certifies that (a) it has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with the submitted Proposal; and (b) neither Pollard Banknote, nor anyone acting for it, has violated the antitrust laws of the State of Texas (TEX. BUS. & COMM. CODE ANN. Sec. 15.01, et seq.), or the antitrust laws of the United States (15 U.S.C.A. Section 1, et seq.), nor communicated directly or indirectly the submitted Proposal to any competitor or any other person engaged in such line of business.

3.56.5.

The Proposer certifies that it is in compliance with Tex. Gov't Code §669.003, relating to contracting with the executive head of a state agency. If §669.003 applies, the Proposer will complete the following information in order for the Proposal to be evaluated:

Name of Former Executive
Name of State Agency
Date of Separation from State Agency
Position with Proposer
Date of Employment with Proposer

Pollard Banknote certifies that it is in compliance with TEX. GOV'T CODE ANN., Title 6, Subtitle B, Section 669.003, relating to contracting with the executive head of a state agency. Section 669.003 does not apply, so the additional requested information has not been provided.

3.56.8.

Under §2155.004 of the Tex. Gov't Code, the Proposer has not received compensation from the Texas Lottery for participating in the preparation of the specifications for this RFP and certifies as follows: "Under Section 2155.004, Government Code, the vendor certifies that the individual or business entity named in this bid or contract is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate."

Pollard Banknote certifies that, under Section 2155.004, Government Code, it is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate.

3.56.12.

Under §2155.0061 of the Tex. Gov't Code, a state agency may not accept a Proposal or award a contract if the contract includes the financial participation who, within a five-year period from the date of the Proposal or award, has been convicted of any offense related to the direct support or promotion of human trafficking. The Proposer certifies that the individual or business entity named in this Proposal is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate.

Pollard Banknote certifies that under Section 2155.0061 of the Tex. Gov't Code, the individual or business entity named in this Proposal is not ineligible to receive the specified contract and acknowledges that this contract may be terminated and payment withheld if this certification is inaccurate.

3.56.15.

The Proposer agrees to comply with Tex. Gov't Code §2155.4441, pertaining to service contract use of products produced in the State of Texas.

Pollard Banknote agrees to comply with Texas Government Code §2155.4441, pertaining to service contract use of products produced in the State of Texas.

3.57. Preferences

Any Proposer entitled to a preference(s) under Texas law shall claim the preference(s) in its Proposal.

Pollard Banknote confirms it is not entitled to a preference under Texas law, and therefore has nothing to claim.

This page intentionally left blank.

4. REQUIRED INFORMATION

4.1. Experience of Prosper

4.1.1.

Each Proposer shall provide the following information relating to its experience:

On the following pages, Pollard Banknote has provided information relating to its experience as required.

4.1.2. Years of Experience

Proposers must indicate the number of years' experience the Proposer has in manufacturing scratch tickets and providing related services as specified in this RFP. Each Proposer shall include descriptions and verifiable references (including names, titles, addresses and telephone numbers) documenting its experience for all engagements of comparable complexity and sensitivity for the past five (5) years.

With over 37 years of experience in manufacturing scratch tickets and providing related services as specified in this RFP, Pollard Banknote's success is based upon formulating open, communicative, and successful partnerships with our 60+ lottery customers worldwide. As a leading vendor in the lottery industry, Pollard Banknote has a strong presence in both the North American and international markets, with the privilege serving 27 NASPL/WLA lotteries as a primary or sole source supplier.

Pollard Banknote is proud of the long-term partnerships we have built with lotteries around the world, many of which have experienced industry-leading growth in the last five years. We truly feel that the unmatched energy and enthusiasm we offer is propelling us forward toward even greater success. Our passion for lottery drives our focused vision, commitment to innovation, and industry-leading products and services, and is the reason lotteries continue to choose Pollard Banknote.

In the four years since the Texas Lottery's last RFP, Pollard Banknote has undergone tremendous growth and dramatically enhanced our impact beyond scratch tickets, acquiring complementary companies that all reside within the lottery industry and that uniquely establish us as the *only* full-service provider to lotteries worldwide. Our growth and acquisitions have been targeted to fit within the three key pillars that we strongly believe to be essential to lottery success: Outstanding Games, Retail Excellence and Digital Innovation.

Our subsidiaries are established leaders in their respective areas, each offering their specialized knowledge and experience to our company, and creating a more competitive, nimble organization in the process. These subsidiaries and related companies include:

- Schafer Systems, the North American market leader of innovative scratch ticket merchandising, dispensing, and display solutions in the lottery industry;
- Schafer Systems (UK) Limited (formerly Fastrak Retail), a retail point-of-sale (POS) display company specializing in customized solutions for lottery and retail customers;
- Diamond Game, as a leading provider of innovative electronic gaming solutions, designed to engage players in social establishments;
- mkodo, delivering world-class apps and digital user experiences for mobile, online, and retail environments in the betting, gaming, and lottery sectors;
- American Games and International Gamco, which specialize in charitable and lottery gaming products;
- Compliant Gaming, a leading provider of electronic pull-tab gaming systems and products to the charitable gaming market, supported by a robust technology platform and engaging game content;
- Next Generation Lotteries (NGL), a full solution supplier to the lottery industry, featuring a state-of-the-art retail lotto system and modern iLottery platform, with an extensive portfolio of mobile, e-instant, and draw games, as well as complete lottery management services;
- NeoPollard Interactive (NPi), our joint venture company providing iLottery platforms and games. NPi helped pioneer the introduction of online gaming in regulated lottery jurisdictions in the U.S. and powers the most profitable iLottery programs in the market.

With these acquisitions we are positioned as the leading innovator in the lottery industry and the only company that can offer scratch tickets, best-in-class retail solutions, and digital innovations under one corporate umbrella. Our unique synchronicity and alignment across these three pillars is a key Pollard Banknote advantage and positions us as the preferred partner for today and the future.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

4.1.3.

Proposers must indicate any previous State of Texas or other lottery experience providing similar services, including name of agency or lottery, type of work performed, and duration of project. Proposers must have a minimum five (5)years of related lottery experience in scratch ticket printing in North America and at least three(3) current clients who are members of the North American Association of State and Provincial Lotteries(NASPL).Proposers with less than the minimum required lottery experience and fewer than three (3) current NASPL clients will be disqualified and their Proposals will be rejected and not evaluated.

As noted above in **4.1.2. Years of Experience,** Pollard Banknote has over 37 years of experience in the scratch ticket printing industry and serves 60+ lottery customers worldwide. Amongst our 34 North American Association of State and Provincial Lotteries (NASPL) clients, we have 13 primary or sole source contracts and 21 secondary contracts, and we are proud to have built partnerships with some of the world's largest and most distinguished lotteries including the Texas Lottery, as well as the lotteries in California and New York.

Our experience with the Texas Lottery dates back to 1999 and over the years we have gained an in-depth understanding of the Lottery's requirements, preferences and standards. A shared desire to provide customers with a selection of industry-best games has driven collaboration on hundreds of games, many of which have incorporated Pollard Banknote's print innovations.

In addition to our five NASPL-member references presented in **4.1.2. Years of Experience,** which describe in detail our experience in engagements of comparable complexity and sensitivity, we have provided our current Client List in **Appendix 2: Client List**. The Client List includes contact information for all of our current scratch ticket customers, the majority of which are members of the NASPL. It also includes the name of the lottery, type of work performed and duration of the relationship/contract, confirms that Pollard Banknote has experience that far exceeds the minimum five (5) years of related lottery experience in scratch ticket printing in North America and at least three (3) current clients who are members of the North American Association of State and Provincial Lotteries (NASPL) required.

4.1.4.

Each Proposer shall provide descriptions for all engagements of comparable complexity and sensitivity to the requirements of this RFP that have been conducted within the past five (5) years. The description of comparable engagements shall be detailed and cover the contracts the Proposer and any subcontractors have had and all experience similar to this Contract which qualifies the Proposer to meet the requirements of this Contract, including but not limited to:

a) Size of contract (including value).

b) Reason for contract termination/expiration, if contract is no longer in effect.

c) Types of services directly provided by the Proposer and whether the Proposer was the contractor or subcontractor.

d) Term and type of contract, including effective dates.

e) Any problems encountered.

Pollard Banknote has provided descriptions for all engagements of comparable complexity and sensitivity to the requirements of this RFP in our Client List found in **Appendix 2: Client List**, including but not limited to:

- Size of contract including contract value (see columns labeled "**Annual Printed ESS Tickets**", "**Total Invoiced Amount (2017-2021)**", and "**Estimated Contract Value**"). Please note that for contracts with clients outside of the United States, Pollard Banknote has only provided Annual Printed ESS Tickets to demonstrate contract size as we are prevented from disclosing contractual pricing information that is not currently available to the public.
- Types of services provided (see column labeled "**Services Provided**")
- Term and type of contract, including effective date (see column labeled "**Type & Start and End Dates of Contract**")

Note that for its contracts with the Wisconsin Lottery and the North Carolina Education Lottery, Pollard Banknote is a subcontractor to IGT.

Pollard Banknote has not had a client terminate its relationship with us in the last five years.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

4.1.5.

The Proposer shall state whether or not any of the following have occurred during the last five (5) years:

a) *The Proposer has had a contract terminated, and, if so, shall provide full details, including the other party's name, address and telephone number.*

During the last five (5) years, Pollard Banknote has not had a contract terminated.

b) *The Proposer has been assessed any penalties or liquidated damages under any existing or past contracts, and, if so, note the reason for and the amount of the penalty or liquidated damages for each incident.*

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

c) *The Proposer was the subject of (i) any disciplinary action for substandard work and unethical practices or (ii) any order, judgment or decree of any federal or state authority barring, suspending or otherwise limiting the right of the Proposer to engage in any business, practice or activity.*

During the last five (5) years, Pollard Banknote has not been the subject of (i) any disciplinary action for substandard work and unethical practices or (ii) any order, judgment or decree of any federal or state authority barring, suspending or otherwise limiting the right of Pollard Banknote to engage in any business, practice or activity.

d) *The Proposer has been involved in any litigation related to contract performance.*

During the last five (5) years, Pollard Banknote has not been involved in any litigation related to contract performance.

4.1.6.

The Proposer must demonstrate its understanding of the requested services and must address specifically, in writing, the Proposer's approach to providing each requirement in this RFP.

Throughout our response to the RFP, Pollard Banknote has demonstrated its understanding of the requested services and has addressed, specifically in writing, our approach to providing each requirement in the RFP. On the following pages, we have provided a summary of information about how we can meet all of the Texas Lottery's requirements. In order to highlight our capacity, skills, and expertise to fulfill the Texas Lottery's needs, we have provided information on five key topics:

- Pollard Banknote: A Dynamic, Full-Service Lottery Partner
- Manufacturing Capabilities the Lottery can Rely On
- Unrivaled Security Program
- Uncompromising Quality Standards Supported by a Commitment to Continuous Improvement
- Account Services Team: A Wealth of Experience to Support the Lottery

POLLARD BANKNOTE: A DYNAMIC, FULL-SERVICE LOTTERY PARTNER

In the years since the Texas Lottery's last RFP, Pollard Banknote has undergone tremendous growth to become a dynamic, full-service lottery partner. We are the fastest growing lottery industry vendor; from FY 2011 to FY 2021 (our most recent audited financial results), our sales grew by over 165%. Over the last several years, we have sharpened our focus on innovative product development across both print and digital games, further resourced and refined our capabilities to deliver data-driven analyses and insights, broadened our retail expertise, and acquired companies that are world leaders in retail, digital, and social gaming. Our subsidiaries are established leaders in their respective areas, each offering their specialized knowledge and experience to our company, thus creating a more competitive, nimble organization in the process.

With Pollard Banknote as its partner for the next contract period, the Texas Lottery is choosing an established organization with a unique expertise not only in scratch tickets, including creative, eye-catching designs and sales-driving print innovations, but also in retail expansion and optimization with our Schafer Retail Solutions + (SRS+) portfolio, offering the most innovative point-of-sale displays and a robust selection of sales-driving merchandising solutions, as well as the invaluable expertise of our Retail Growth Team. And while we understand that the Texas Lottery is not currently permitted to offer digital gaming, should that change over the contract period, the Texas Lottery can rely on Pollard Banknote to deliver world-class apps and digital user

experiences as well as extensive iLottery expertise through our joint venture Neo Pollard Interactive (NPi).

Our strategic growth and direction reflect our belief that there are three key dimensions that are crucial for our lottery clients, and by extension, our organization, to be successful: Outstanding Games that excite and engage players; Retail Excellence through effective in-store strategies and retail network expansion; and Digital Innovation that cultivates a more robust and interactive experience.

Pollard Banknote's three key dimensions for lottery success.

Our unique synchronicity and alignment across these three pillars is a key Pollard Banknote advantage and positions us as the preferred partner for today and the future.

Building Empowered Partnerships

At Pollard Banknote, we believe in building Empowered Partnerships with many of our lottery clients, including the Texas Lottery. This approach recognizes each lottery client's unique needs, requirements, and environment, and offers customized solutions to meet those conditions.

True to the name, our Empowered Partnerships—built around our three key dimensions for lottery success—allow lotteries to grow with products and services that excite and engage both new and existing players; optimize their retail presence through in-lane and merchandising solutions; and provide products to support their digital journey.

Outstanding Games

Our focus on the creation of outstanding games that delight and entertain players has enabled us to push the boundaries of what a "traditional" scratch ticket looks and plays like. Pollard Banknote leads the industry in the development of innovative, value-added instant games that feature unique play styles and formats, prize structures, special materials, and striking inks. For more detail on our industry-leading print innovations, please refer to **8.35.** under the heading **Print Innovations**.

Retail Excellence

One of the most impactful aspects of a lottery's success is its retail presence. Growing and optimizing a lottery's retailer network is often a key objective within a lottery's larger retail strategy, and Pollard Banknote offers many innovative options by which our lottery clients can reach their goals.

We are at the forefront of innovative merchandising and dispensing options, integrated in-lane solutions for the multi-lane retail environment and can offer considerable expertise and support to the Texas Lottery in this realm. As the Texas Lottery looks to launch an Automated Scratch Sales Solution, know that we are leading the industry with solutions to deploy lottery products in new ways to new retail environments, whether that is discount stores, big box stores, or multi-lane grocery environment. We have commercially available options as well as exciting new products at various stages of development within our innovation pipeline, all fully supporting lottery expansion into this previously unavailable retail frontier. For more information regarding our proposed solution for the Texas Lottery's Automated Scratch Sales, easyVEND™, please refer to **8.33.6.**

Supporting these initiatives is our Retail Growth Team, composed of seasoned retail experts from across our organization, all of whom are focused on expanding and optimizing our lottery clients' retail presence. Our Retail Growth Team is led by Matt Isaac, Senior Director, Lottery Marketing, and is rounded out with the expertise of Teresa Immel, Senior Director, Sales & Marketing, Shay Wahl, Sales & Marketing Manager, and Kelly Harrison, Product Director, who oversee our Schafer Retail Solutions + portfolio, as well as Rick Droste, Pollard Banknote's Vice President, Retail Growth. This team will draw on their experience working with successful U.S. lotteries to develop and implement distribution network strategies, optimization tools, and programs to continue to support retail growth in Texas.

For more information on our retail excellence and our in-lane, dispensing, and merchandising solutions, please refer to **8.35.** under the heading **Retail Excellence.**

Digital Innovation

We understand that the Texas Lottery can't currently launch a digital products, however if this changes in the future, Pollard Banknote can help the Texas Lottery build an engaging digital presence to meet players where they are: online.

Products in the Space Between™—a term coined by Pollard Banknote to represent the space in the lottery market that exists between brick-and-mortar retail activity and the purchase of lottery products over the Internet— are a core part of our digital portfolio. This includes, but is not limited to, our playON® Player Engagement Solution, mobile app development, interactive games and iLottery, all of which have proven to be very successful endeavors for lotteries throughout the world.

For more information on Pollard Banknote's digital innovation products and services, please refer to **8.35.** under the heading **Digital Innovation.**

Proven Innovation Leader

As the industry's innovation leader, Pollard Banknote prides ourselves on fully supporting our clients in the present while maintaining a sharp focus on the future, continuing to create innovative, new products and services that lotteries will require in order to continue to drive sales in an increasingly complex environment. Every lottery needs a partner that can deliver innovation, creativity, experience—and success. Pollard Banknote is that partner for the Texas Lottery.

For more information on our Pollard Banknote's approach to innovations, please refer to **6.2. Texas Lottery Objective.**

MANUFACTURING CAPABILITIES THE LOTTERY CAN RELY ON

Pollard Banknote's enhanced manufacturing capabilities ensure that all products we produce bearing the brand of the Texas Lottery will continue to meet the highest standards of quality and security in the industry over the upcoming contract period.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Robust Processes Certified to the Highest Standards

Pollard Banknote strives to be a leading scratch ticket provider. Our best-in-class manufacturing, security, and quality processes and capabilities, along with our dedicated employees and their wealth of experience, ensure our clients receive unsurpassed products and services. We adhere to strict regulations to ensure the highest quality products, while being mindful of the environment and maintaining a high-level of security both in our tickets, from manufacturing to delivery, and in our manufacturing facilities. Our company is certified to the following standards:

- ISO 9001:2015 (Please see the heading **Quality Practices to Ensure Quality Products** later in this section for more information.)
- ISO 2700:2013 (Please see the **Information Security** heading later in this section for more information.)
- WLA Security Control Standard: 2016 (Please see the **Information Security** heading later in this section for more information.)
- ISO 14001:2015 (This is the internationally recognized standard that outlines the requirements that Pollard Banknote must comply with in order to operate in an environmentally responsible manner.)
- ISO 45001:2018 (This standard ensures that all of our employees receive adequate training to be able to identify and comply with our health and safety policies.)
- C-TPAT (Please see **Delivery Security** in **8.9.1.** for more information.)
- Forest Stewardship Council® (FSC®) (This standard allows companies to label their FSC® products, which in turn enables consumers to identify and choose products that support responsible forest management.)

Copies of our certifications have been included in **Appendix 1: Corporate Certifications.**

Leader of the Pack: Our Meticulous Manufacturing Process Guarantees Superior Scratch Games

Pollard Banknote employs an industry-leading nine (9) stage process for the manufacturing of Scratch Ticket Games, summarized in the graphic below. From the first step of our all-encompassing manufacturing process, Raw Materials Inspection, to the final step, Shipping, the strict controls, processes, and procedures throughout each stage of production ensure a final product that boasts the highest levels of quality, security, and design.

For an in-depth look at our unparalleled game development processes, please refer to **Appendix 3: Manufacturing at Pollard Banknote.**

POLLARD BANKNOTE'S **MANUFACTURING PROCESS AT A GLANCE**

PRE-MANUFACTURING

Raw Materials Inspection

1

Before any stock arrives at our facilities, Pollard Banknote's internal lab has already confirmed with suppliers that our quality requirements are understood. Suppliers demonstrate their ongoing commitment to our specific requirements by providing Certificates of Analysis with all raw materials. Additionally, on delivery, our lab spot checks raw materials to ensure compliance with manufacturing and lottery standards.

PRE-MANUFACTURING

Game Design + Development

2

We take each game concept and transform it into an instant ticket design. After a series of customer-approved proofs, printing plates are produced and the game is ready for manufacturing.

3

MANUFACTURING

Application of Security Coatings

Proprietary security coatings are printed onto card stock to prepare the data areas for variable data imaging.

MANUFACTURING

Variable Data Imaging

4

Following the completion of game programming and audits, variable data is printed using our Kodak Versamark imagers.

MANUFACTURING

Application of Security Varnish + Scratch-off Layers

5

Game data is covered with a protective coating of varnish before scratch-off layers (including white) are applied to cover the variable game data imaging.

MANUFACTURING

Application of Graphic Inks

6

In this stage, all of the graphic inks are applied, both on top of the stock directly (base graphics) and on top of the scratch-off layers (overprints).

FINISHING

Inspection

7

All tickets undergo our rigorous, proprietary electronic vision inspection process while on press to ensure they meet the Lottery's requirements. In this stage, tickets identified by the press system as "non-conforming" are pulled from manufacturing, ensuring high quality and security standards are met.

FINISHING

Packaging

8

Tickets are split into books, shrink-wrapped, and packaged in cartons in preparation for shipping.

FINISHING

Shipping

9

Cartons of tickets are labelled, inspected, and shipped to the Lottery.

This formalized, structured manufacturing process allows us to bring virtually any game and ticket design to life for the Lottery—from standard tickets to our vast offerings within the extended play category to our patented Scratch FX® and Fusion™ products, we constantly push the limits of scratch ticket manufacturing to make our client's dreams a reality.

Creating innovative, eye-catching, and engaging games that maintain our high standards of security and quality is a multi-stage endeavor that involves highly skilled specialists across our organization.

We invite the Texas Lottery to learn more about our commitment to quality and security in our response to **8.17.1**. and **8.9.1.**, respectively, and about our skilled team in **4.2.2.**

Comprehensive Business Continuity Measures

The overall objectives of Pollard Banknote's Business Continuity Plan are to ensure that we can continue business operations and safeguard and recover the company's operational capability under difficult circumstances. This plan defines and prioritizes key critical risks that could negatively impact the company's operations—in particular, those which could prevent Pollard Banknote from meeting its business objectives and contractual obligations. Our Business Continuity Plan provides our management team with a framework to work within to immediately respond to severe unexpected events and to develop a strategic plan of action to continue the delivery of products and/or services during the disruption.

For example, our Business Continuity Plan allowed us to respond swiftly and decisively at the onset of the COVID-19 pandemic in early 2020 to institute health and safety measures—based on the guidance of the WHO, CDC, and local health authorities—at all of our facilities. These measures—including work from home arrangements for all employees that were able, mandatory physical distancing and face mask policies, temperature screening upon entrance to all facilities, an advanced contact tracing solution for our manufacturing staff, and enhanced cleaning procedures—helped to slow and control the spread of the novel coronavirus within our workforce, ensuring that our continuity of service to our lottery clients remained uninterrupted and confirmed cases remained low.

Ultimately, Pollard Banknote's contingency planning ensures that we can easily meet the Texas Lottery's ticket quantity requirements, and we can continue to do so even if one of our manufacturing facilities is rendered utterly inoperable for an extended period. While we're sufficiently equipped to mitigate this kind of disaster, never in our history have we encountered this situation.

For a more detailed look at our Business Continuity measures, please refer to **8.32.**

UNRIVALED SECURITY PROGRAM

Pollard Banknote is proud of its highly established and robust security program. We provide a few key highlights below, while detailed descriptions on all the areas mentioned can be found in our responses to **8.5.2.** and **8.9.1.**

People and Policies

At Pollard Banknote, every employee in every department is continually educated in the importance and principles of maintaining a secure environment. New employees undergo a criminal record check on local and national (American and Canadian) systems upon intake and are required to sign a non-disclosure agreement prior to the start of employment. They also undergo training of Pollard Banknote's security regulations. Each employee receives an access card and is only given access to areas required to perform work functions.

Manufacturing Facility Security

Pollard Banknote's instant ticket facilities meet stringent security standards. Each Pollard Banknote facility is located in an industrial park, adjacent other low-risk industries. Facility design, key card control, human intervention, and established procedures all help control access. Key activities in the production of instant games are physically and electronically separate. All entry/exit points and restricted areas, as well as the general facility, are under constant surveillance.

Information Security

Pollard Banknote's robust security policies include network security, system security, access controls, firewalls, and game data security, among others. Pollard Banknote's Information Security Management System (ISMS) has been successfully certified to the ISO 27001:2013 standard. The standard specifies a set of comprehensive security controls and ensures security best practices and a managed approach to information protection—including risk, governance, and compliance. This standard is used to certify that a company's ISMS protects sensitive information of both the company and its customers. To further ensure the security of our products and operations, Pollard Banknote also holds a WLA Security Control Standard: 2016 certification.

Game Data Security

Pollard Banknote understands that the integrity, protection and confidentiality of game data, together referred to as game data security, is a foundational requirement of a scratch ticket vendor. Pollard Banknote's approach to game data security is second to none in the business and is based firmly on our well established and continually evolving processes that leverage the best

tools available. We meet our own and our lotteries' uncompromising goal to deliver each game in a manner that is secure, fair and properly executed, while also being highly entertaining.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Please refer to **8.9.1.** and **Stage 4: Variable Data Imaging** of **Appendix 3: Manufacturing at Pollard Banknote** for more information about our procedures related to the game data security.

Game Design Security

Pollard Banknote conducts a Design Review for each ticket we design. This review improves security through the early input of key departments within our company. We identify any special considerations regarding security prior to issuing draft Game Specifications (Working Papers) in order to ensure the Lottery is aware of any features that have been added or eliminated and the reasons for the change. Early-stage review meetings include Game Planners, include our Technical Artists; the Director, Manufacturing; Lab Services representatives; and other manufacturing management staff—all of whom study the technical feasibility of the design. Some of the features that are taken into account include overprint colors, wireframe and data movement, font use for game data, VIRN and agent codes, and tint color.

Anti-Counterfeiting Security

Pollard Banknote's scratch tickets are created with advanced anti-counterfeiting and validation security features, which minimize and prevent successful attempts at compromise.

Our Labs play a vital, ongoing role in security throughout ticket manufacturing. They ensure that the built-in security features of our tickets protect them from ever being compromised. The Labs

do this by performing an exhaustive variety of experiments on the printed tickets to ensure the performance of these security features.

Ticket testing covers five general methods that are used in attempts to compromise scratch tickets:

- Mechanical methods
- Electrical methods
- Chemical methods
- Optical methods
- Environmental methods

Please refer to **8.5.2.** for additional information on ticket testing.

Game Development and Manufacturing Security

Security is intrinsic in all aspects of Pollard Banknote's game development and manufacturing processes. We have provided a more detailed discussion of the various processes involved in the development of a secure scratch ticket, and the interrelated security protocols that are in place in **8.5.2.** including raw materials, plate making, game data and programming, variable data imaging, protecting live data, ticket inspection and data storage security.

Storage of Scratch Tickets

Pollard Banknote has secure storage areas for our scratch tickets, which are located within our facility based on their stage in our manufacturing process. These areas are locked, restricted-access rooms requiring card key for entry, and are constantly monitored under CCTV surveillance.

Finished tickets are stored in fully secure, restricted-access areas of our production facilities while they are packaged, cartoned and marshaled for shipping.

Delivery Security

In preparation for shipping, pallets of sealed cartons of ticket packs are stored within a secure area in our warehouse facility. This secure area is constructed of reinforced cinder blocks with a single overhead door. This door is on an interior wall in the warehouse. It is opened by a proximity card/reader with greatly restricted access. To reach this door, an employee must pass through a minimum of two other card access doors with restricted access

Secure Scratch Ticket Destruction

Pollard Banknote has destruction facilities in place in all of our manufacturing facilities. All waste material to be destroyed (e.g., omits, voided tickets, unused imaged or un-imaged ticket stock) is shredded within the secure confines of our production facilities by Pollard Banknote staff. The specifics of all shredding activity sessions are detailed in a logbook.

UNCOMPRIMISING QUALITY STANDARDS SUPPORTED BY A COMMITMENT TO CONTINUOUS IMPROVEMENT

As one of the world's leading scratch ticket suppliers, Pollard Banknote is fully attuned to the stringent quality standards required by the lottery industry and the commitment to continuous improvement that is required to maintain those standards. Our proven dedication to quality is just one of the many reasons why our diverse clientele trust Pollard Banknote to help them drive sales and net proceeds for good causes in their respective jurisdictions. Quality is intrinsic throughout every phase of production of our scratch ticket production. We have integrated procedures and protocols into all of our processes that meet or exceed rigorous quality and security standards inherent in the industry today. In addition, we have developed specific systems and capabilities to ensure our high standards of quality are maintained game after game.

Pollard Banknote's Quality Management System is ISO 9001:2015 certified, which covers aspects of quality management in design, development, production, installation, and servicing procedures. Our ISO 9001:2015 certification can be found in **Appendix 2: Corporate Certifications**. Operating to ISO 9001 standards helps our company to reduce variation in our processes and, consequently, from our tickets. The result is that our lottery customers receive the very best products and services from Pollard Banknote each and every time they order a game from us.

By maintaining the focus on our core business—scratch tickets—we have continually invested in the latest ticket printing equipment, technologies and quality control systems, leveraging considerable resources to provide the highest quality tickets to our customers. For the Texas Lottery's consideration, we have provided a high-level overview of our quality control processes and some of our latest investments in the areas of quality control and continuous improvement.

Quality Control at Every Stage of Manufacturing

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

ACCOUNT SERVICES TEAM: A WEALTH OF EXPERIENCE TO SUPPORT THE LOTTERY

At Pollard Banknote, we employ great people who are committed to ensuring we meet the highest standards of quality and security in the lottery industry. To serve the Texas Lottery over the next contract period, we've assembled the Account Services Team, with each member bringing unmatched experience and top industry talent to the table from all aspects of our business—executive leadership, marketing, technology, innovation, design, manufacturing, information services, and security.

Pollard Banknote understands that great success stars with great people. We are pleased to present the Texas Lottery Account Services Team who will work with the Texas Lottery upon contract award for all aspects related to instant game product and services, including Executive Leadership, the Dedicated Account Services Team and our vast team of Support Specialists.

Executive Leadership

We are proud that our leadership has been recognized as having made significant contributions to the industry. Doug Pollard, at the helm of Pollard Banknote as Co-CEO, was inducted into the Lottery Industry Hall of Fame in 2015. Pollard Banknote is proud to have an additional inductee that will actively provide guidance and direction to our efforts for the Texas Lottery—Jennifer Westbury (2012 inductee), Executive Vice President, Sales & Customer Development, who will oversee the Lottery's account at the executive level. In addition, Rob Young, Executive Vice President, Operations, is responsible for the manufacturing, pre-press, and information systems departments at all of our scratch ticket production facilities, and Pedro Melo, Executive Vice President, Information Technology & Digital, oversees the company's various departments dedicated to the development and support of technology-intensive processes and products, including Game Development, Digital Solutions, Computer Operations, Lottery Management Services (LMS), iLottery, Enterprise Resource Planning (ERP), and other internal IT services.

Dedicated Account Services Team

The Texas Lottery Dedicated Account Services Team had its members specially selected for their mix of experience and dedication, their understanding of the U.S. market, and specifically, their knowledge of the Texas market. The team is led by Account Managers Brad Thompson, Vice President, Sales & Marketing and Jennifer Wankling, Director, Sales & Marketing. In 2021, Brad

was the recipient of a *Powers Award* from the North American Association of State and Provincial Lotteries (NASPL). Nominated by Gary Grief, Director of the Texas Lottery, this significant recognition affirms that Brad is a leader in the lottery industry who offers tremendous breadth and depth of experience in the North American market. Brad and Jennifer are supported by Account Service Representatives Erika Kasper, Account Executive and Melanie Mateychuk, Account Executive.

Brad and Jennifer have the expertise and the experience to help continue to introduce customized strategies to help the Texas Lottery increase sales to support public education and veterans throughout the state. Their sales-driving strategies have helped clients experience impressive growth over the past, and it is this unwavering dedication of Brad and Jennifer have shown to our lottery clients that will continue to make a difference for the Texas Lottery.

Overall, the Texas Lottery Dedicated Account Services Team have over 240 years of cumulative experience and invaluable industry expertise. Pollard Banknote provides consistency; the same team that has been supporting the Lottery to date will continue to support a new contract award.

Quality Control: Manufacturing

Pollard Banknote's facility in Ypsilanti, Michigan runs under the direction of Darrell Ward, Vice President, Manufacturing. Darrell is assigned as the leader of Quality Control for Manufacturing. He, along with his team, is responsible to ensure that accuracy flows from the Game Specifications (Working Papers) and customer specification documents, through the production processes and continuous quality inspection methods, to final delivery.

Quality Control: Lab Testing

Pollard Banknote's laboratories test all finished product according to our Laboratory Test Procedures and Laboratory Services Security Manual. The Texas Lottery's games undergo our exacting lab testing to ensure quality and security. Brett Taylor, Director, Corporate Lab Services is assisted by Allen Carter in Ypsilanti and Andrew Wojtowicz Winnipeg, as well as a support team of lab technicians, chemists, and technical reviewers.

Information Technology

Pedro Melo, Executive Vice President, Information Technology & Digital, oversees the company's various departments dedicated to the development of technology-intensive processes and products. Pedro provides oversight to the four key groups related to game data developments: Game Generation, Image Development, Computer Operations, and Internal Audit & Software Acceptance.

Graphic Artists (Game Management & Design)

Sandra Newransky, Senior Creative Artist, has over 28 years of experience in graphic design, and is responsible for the creation of the Lottery's scratch ticket designs and illustrations. She will

work closely with technical members of our Game Management & Design department on the development of new themes and game. She also provides consultation service to the marketing team and clients. Sandra also works closely with Brad and Jennifer to brainstorm new concepts, themes and innovations.

Additional Support Specialists

Innovations & Product Specialists

Pollard Banknote recognizes the importance of innovation as a driver for success not only for our business, but also for driving the success of the lotteries we serve.

Mike Brickwood, Print Innovations Manager

Mike Brickwood, Print Innovations Manager, manages the development and marketing of Pollard Banknote's print innovations. He has extensive experience in every aspect of the business of scratch ticket production, from the creation of scratch ticket innovations and game planning to process management and design. With four decades of experience behind him, Mike's deep insight into the lottery, print, and graphic design industries makes him a valuable contributor to our clients' product strategies. He was a key member of the production team responsible for producing our very first scratch ticket in 1985 and has played an integral role in the development of several products that led to Pollard Banknote-held patents, including Scratch FX® and some of our Fusion™ products. Mike also has deep knowledge of the Texas Lottery gained from his previous experience as the Production Technician for the Lottery.

Erin Ross-Stewart, Product Innovation Specialist, supports the development of Pollard Banknote's innovative, new products and services. Erin participates in the development and launch of new product innovations, with a primary focus on print innovations. She researches ideas, monitors the lottery industry, and prepares information related to new products.

Erin Ross-Stewart, Product Innovation Specialist

Richard Bennett, Director, Digital Innovations

Richard Bennett, Director, Digital Innovations, manages the innovation and ideation of Pollard Banknote's exciting in-lane lottery products, such as easyVEND™. Before joining Pollard Banknote, Richard worked with multiple companies to foster cultures of innovation and continuous improvement for a diverse range of digital products. He is passionate about the overall player experience and how it must be considered across design, code, and user psychology. Richard works closely with multiple departments at Pollard Banknote to build exciting and creative digital experiences.

Our diverse team of experts, at all levels and in all areas, allows us the flexibility to identify opportunities for innovation across the business, and across the industry. Most importantly, we have a proven history of introducing innovative new products that drive sales for our customers.

Brad Thompson, Vice President, Sales & Marketing, oversees the ongoing development and integration of our licensed brands portfolio. He and his team design and execute 360°, client-specific marketing strategies to support and promote lottery products based on those licensed properties. These turnkey marketing solutions are wide-ranging and include promotional contests, prize fulfilment, social media campaigns, print and broadcasting advertising and event planning.

Pollard Banknote has worked with dozens of lotteries to launch and support successful licensed games, including PAC-MAN® and Chevrolet® Silverado® for the Texas Lottery. For descriptions of our licensed games offerings, please see our response to **8.33.4**.

Retail Growth Team

Our commitment to helping our clients achieve success—including retail excellence—led us to assemble a group of experts from across our organization with expertise in various facets of retail execution, including network growth and optimization, in-lane solutions, and merchandising products and best practices. With a collective 150 years of related experience, we are confident that the knowledge and expertise of our Retail Growth Team will help the Texas Lottery achieve excellence at retail. To learn about the specialists that compose this team, please refer to the information under the **Retail Excellence** heading earlier in this section, as well as the information provided in **4.2.2.**

As part of our commitment to the Lottery, our Retail Growth Team will draw on their experience working with successful U.S. and international lotteries to develop and implement distribution network strategies, optimization tools, and programs to promote retail growth in the state. Guided by their expertise and informed by primary research and supporting business intelligence and insights and analysis of the Lottery, the state, and industry trends and best practices, the team will explore all possible solutions to support the Lottery's retail endeavors and will visit the Lottery at least once per year, as described earlier in our response.

Insights & Analytics Team

Pollard Banknote's Insights & Analytics team is led by Darren Perche, Director, Insights & Analytics, who provides insights based on available secondary market research and any primary market research studies available to provide actionable recommendations for the Texas Lottery. He works with Brad and Jennifer to help identify winning strategies and will continue to work towards identifying products that will optimize the Lottery's marketing efforts.

Our Insights & Analytics team utilizes Pollard Banknote's proprietary SMART® database to identify and capitalize on opportunities in the Texas market. We have provided additional information about SMART® below.

SMART®: Sales Magnifier Advanced Research Tool

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

4.2. Experience of Key Personnel

4.2.1.

The Successful Proposer must provide a dedicated account services team to assist with scratch ticket game development.

Pollard Banknote confirms that it will provide a dedicated account services team to assist with scratch ticket game development. Please see the following sections for additional details.

4.2.2.

Each Proposer must provide the resumes and supporting information for key personnel (including name, title and detailed job experience) who will be assigned to the Texas Lottery Account Team. The Account Team shall include, but not be limited to, the following positions:

- *Account Manager - responsible for managing the Successful Proposer's relationship with the Texas Lottery. Coordinates, directs and implements the Successful Proposer's scratch ticket game development processes. Confers with Texas Lottery to assess needs, determine goals and establish plans while ensuring the accuracy of each phase of the production process.*
- *Account Services Representative(s) - responsible for serving as the day-to-day liaison with the Texas Lottery ensuring the successful and timely completion of working papers and/or Customer Specifications Document and any and all communications between the Texas Lottery and the Successful Proposer as related to scratch ticket game development.*
- *Quality Control individual or team - responsibilities include accuracy of all content and ensuring there are no errors in the working papers and/or Customer Specifications Document, printing processes and continuous quality inspection of final product.*
- *Information Technology individual or team - responsibilities include the accuracy of all game data in each scratch ticket game as specified in the working papers and/or the Customer Specifications Document and security requirements.*
- *Graphic Artists - responsible for creative design and final ticket graphic output.*

Pollard Banknote has provided the resumes and supporting information for key personnel who are assigned to the Texas Lottery Dedicated Account Services Team, including but not limited to the positions outlined in this section of the RFP. Pollard Banknote is the best supplier to meet the objectives of the Lottery. We have been in the scratch ticket business for over 37 years, and currently serve over 60 clients.

We ensure that we dedicate the right team of people to the program, we know our clients' markets, and we make recommendations that work. Many of Pollard Banknote's customers have experienced impressive growth in the U.S. lottery industry in recent years. Their growth is due in part from having outstanding and experienced Pollard Banknote employees dedicated to these clients—and from gaining insight into each market, providing expert scratch ticket portfolio recommendations, and developing scratch tickets that attract the attention of players, are fun to play and that ultimately, drive sales.

Pollard Banknote's Dedicated Account Services Team for the Texas Lottery includes some of the most skilled and experienced professionals in the industry. Together, Brad Thompson, Vice President, Sales & Marketing, Jennifer Wankling, Director, Sales & Marketing, Erika Kasper,

Account Executive, Sandra Newransky, Senior Creative Artist, and the other members of the Dedicated Account Services Team possess over 250 years of experience combined and will be involved in servicing the day-to-day account needs of the Lottery. Not only is the Dedicated Account Services Team's experience impressive, but the overall Account Services Team for the Texas Lottery brings over 900 years of combined industry experience to the Lottery.

The following table provides a comprehensive overview of the personnel assigned to the Account Services Team, including key personnel that make up the Dedicated Account Services Team. Following that we have provided more detailed information about all of the management, supervisory and key technical personnel that will be involved with the Texas Lottery account.

Dedicated Account Services Team and Key Personnel

REQUIRED POSITION	NAME AND TITLE
Account Managers	***Brad Thompson – Vice President, Sales & Marketing** ***Jennifer Wankling – Director, Sales & Marketing**
Account Service Representatives	***Erika Kasper – Account Executive** ***Melanie Mateychuk – Account Executive**
Quality Control: Manufacturing	***Darrell Ward – Vice President, Marketing** David Colatriano – Senior Vice President, Manufacturing (oversight) Peter Kovacs – Manager, Corporate Quality & Continuous Improvement Scott Stalker – Production Manager Barry Nicholas – Finishing Manager Larry Levasseur – Director, Corporate Security Marion Van Montgomery – Manager, Security (Ypsilanti)
Quality Control: Lab Testing	***Brett Taylor – Director, Corporate Lab Services** Allen Carter – Manager, Corporate Lab Services (Ypsilanti) Andrew Wojtowicz – Senior Security Chemist (Winnipeg)
Information Technology	***Darren Wareham – Director, Game Development** Pedro Melo (oversight) – Executive Vice President, Information Technology & Digital Patrick Hoger – Director of Information Security Arnie Devlin – Manager, Computer Operations Troy Clowater – Manager, Imaging Development Group (IDG)
Graphic Artists (Game Management & Design)	***Sandra Newransky – Senior Creative Artist** ***Leanne Toms – Game Planner** ***Renée Hogan – Supervisor, Game Planning** Murielle Fontaine (oversight) – Vice President, Game Management & Design Dean Van De Walle (oversight) – Director, Creative Services Sindy Catigay – Manager, Game Planning Dave Thomas – Manager, Pre-press Norm Hagman – Prepress Workflow Specialist – Color Management Specialist

Note: Asterisk ("") denotes members of the Dedicated Account Services Team for the Texas Lottery.*

ACCOUNT SERVICES TEAM FOR THE TEXAS LOTTERY

Building Community Together

For the Texas Lottery, every ticket purchased is an investment in the local community. For the consumer, that same ticket holds the opportunity for a life-changing experience in that moment of anticipation before the ticket is scratched, that anything is possible. For us, that same scratch ticket is more than paper and ink; it is the product of years of experience and commitment. The following pages showcase Pollard Banknote's proposed team and approach to servicing the Texas Lottery account. It includes people who are among the most experienced and seasoned managers in the lottery ticket industry.

The team assigned to the Texas Lottery account bring top industry talent to the table from all aspects of the business— marketing; scratch ticket development; creative design; innovation; retail excellence; digital product development; licensed properties; quality control; and security.

The team that we will dedicate to the Lottery includes Executive Leadership, our Dedicated Account Services Team, along with other Key Personnel involved in providing services related to the required positions (as listed in this section of the RFP). Our team also includes an array of Additional Support Specialists.

ORGANIZATIONAL CHART

For the Evaluation Committee's consideration, Pollard Banknote has provided an organizational chart depicting the structure of the personnel assigned to the Texas Lottery account on the following page.

Dedicated Account Services Team

TEXAS LOTTERY COMMISSION KEY PERSONNEL ORGANIZATION CHART

EXECUTIVE LEADERSHIP

DOUG POLLARD
Co-Chief Executive Officer

JENNIFER WESTBURY
Executive Vice President, Sales & Customer Development

ROB YOUNG
Executive Vice President Operations

PEDRO MELO
Executive Vice President IT & Digital

DEDICATED ACCOUNT SERVICES TEAM AND KEY PERSONNEL

Account Managers

BRAD THOMPSON
Vice President, Sales & Marketing

JENNIFER WANKLING
Director, Sales & Marketing

Account Service Representatives

ERIKA KASPER
Account Executive

MELANIE MATEYCHUK
Account Executive

Quality Control: Manufacturing

DARRELL WARD
Vice President Manufacturing

DAVID COLATRIANO
Senior Vice President, Manufacturing

PETER KOVACS
Manager, Corporate Quality & Continuous Improvement

SCOTT STALKER
Production Manager (Ypsilanti)

BARRY NICHOLAS
Finishing Manager

LARRY LEVASSEUR
Director, Corporate Security

MARION VAN MONTGOMERY
Manager, Security (Ypsilanti)

Quality Control: Lab Testing

BRETT TAYLOR
Director Corporate Lab Services

ALLEN CARTER
Manager, Corporate Lab Services

ANDREW WOJTOWICZ
Senior Security Chemist (Winnipeg)

Information Technology

DARREN WAREHAM
Director, Game Development

PATRICK HOGER
Director of Information Security

ARNIE DEVLIN
Manager, Computer Operations

TROY CLOWATER
Manager, Imaging Development Group (IDG)

Graphic Artists (Game Management & Design)

SANDRA NEWRANSKY
Senior Creative Artist

LEANNE TOMS
Game Planner

RENÉE HOGAN
Supervisor, Game Planning

MURIELLE FONTAINE
Vice President, Game Management & Design

DEAN VAN DE WALLE
Director, Creative Services

SINDY CATIGAY
Manager, Game Planning

DAVE THOMAS
Pre-Press Manager

NORM HAGMAN
Prepress Workflow Specialist – Colour Management Specialist

ADDITIONAL SUPPORT SPECIALISTS

Insights & Analytics Specialists

DARREN PERCHE
Director Insights & Analytics

BIANCA LOPEZ AUSTRIA
Manager, Insights & Analytics

Innovations & Product Specialists

MIKE BRICKWOOD
Manager, Print Innovations

RICHARD BENNETT
Director, Digital Innovations

ERIN ROSS-STEWART
Product Innovation Specialist

CASSANDRA BOYD
Senior Manager Licensed Games

Retail Growth Team

RICK DROSTE
Vice President, Retail Growth

MATT ISAAC
Senior Director, Lottery Marketing

TERESA IMMEL
Senior Director, Sales & Marketing, Schafer Retail Solutions +

SHAY WAHL
Sales & Marketing Manager Schafer Retail Solutions +

KELLY HARRISON
Product Director, Schafer Retail Solutions +

I. EXECUTIVE LEADERSHIP

Whether in marketing, manufacturing, or other areas of the scratch ticket business, we employ an open-door policy allowing the Dedicated Account Services Team to consult quickly with Executive Management for direction on customer-related issues and strategic approach to the account. Pollard Banknote's executives are tightly aligned with our Dedicated Account Services Team to ensure that the Texas Lottery's concerns can be immediately acted upon and new ideas shared as quickly as possible. Your success is our priority. The Texas Lottery can be completely confident that the integrity and the commitment to excellence that our senior-most leaders demonstrate is shared by everyone in the company—from those on the manufacturing floor to those bringing our most innovative products directly to you.

On the following pages, we are pleased to introduce:

- Doug Pollard, Co-Chief Executive Officer
- Jennifer Westbury, Executive Vice President, Sales & Customer Development
- Rob Young, Executive Vice President, Operations
- Pedro Melo, Executive Vice President, Information Technology & Digital

Doug Pollard

Co-Chief Executive Officer

Years of relevant industry experience: 24

After 14 years of successfully leading Pollard Banknote through a variety of new business ventures, Doug was appointed Co-Chief Executive Officer of Pollard Banknote in 2011.

As Co-Chief Executive Officer, Doug brings a dynamic, customer-centric, and forward-thinking vision which plays an integral role in setting Pollard Banknote's standard of excellence for product development, quality, innovation, marketing, and client service, which ultimately benefits our lottery partners worldwide. His visionary approach has been honed by previous leadership roles at Pollard Banknote, including General Manager of the company's former France-based, international subsidiary serving France, Eastern Europe, and Africa, and through the development of Pollard Banknote's Lottery Management business unit. Doug's hard work and industry insight were recognized during his 2015 induction into the Public Gaming Research Institute ("PGRI") Lottery Hall of Fame.

Doug continues to live up to his motto—"never fall out of love with your core business"—by focusing on the company's vision for the lottery industry and maintaining its position at the forefront of the instant product category with the relentless pursuit of outstanding games, retail excellence and digital innovation. Doug encourages our account teams to engage with clients at all levels of their business, from vital brick-and-mortar retail development, to the adaptation of emerging technologies including the importance of nurturing the development of a player database, and is always readily available to lend his expertise and unique insights to all our valued lottery clients.

Under Doug's leadership, Pollard Banknote has recently completed the strategic acquisition of a number of companies that will be instrumental in helping our clients to expand their retail footprint and explore exciting, new retail initiatives, as well as optimize their digital engagement. He has been a driving force in working toward the company's goal to become a leader in the related business of offering instant-style games online. Doug also serves as the Co-Chief Executive Officer of NeoPollard Interactive (NPi), Pollard Banknote's joint venture with NeoGames. NPi provides a comprehensive, scalable iLottery 360° solution to lottery customers across North America, including those in Michigan, New Hampshire, North Carolina, Virginia, and Alberta.

Doug is a highly dynamic and sought-after speaker and has addressed the lottery industry at conferences across the globe. Doug also plays an active role in setting the agenda for the Pollard

Family Foundation through which hundreds of worthwhile causes have found the means to help the communities in which Pollard Banknote is a part.

Prior to joining Pollard Banknote, Doug was a senior consultant with PricewaterhouseCoopers in its Supply Chain Management group. He also worked on projects in the hospitality and consumer products industries that emphasized business process redesign of core order fulfilment processes.

Doug holds a Master of Business Administration degree from the University of Western Ontario and a Bachelor of Arts degree from the University of Manitoba. In addition to English, he is fluent in Spanish and French.

Jennifer Westbury

Executive Vice President, Sales & Customer Development

Years of relevant industry experience: 31

Jennifer Westbury provides the vision for marketing our products and managing relationships with our clients. She has been at the forefront of Pollard Banknote's exceptional growth during her 30 years with the company. With this unrivalled experience, she provides strategic direction and leadership for our company and our clients. Jennifer has been instrumental in guiding the company's vision for the industry which includes achieving success through the relentless pursuit of outstanding games that excite players, excellence at retail by executing effective in-store strategies and expanding the retail network, and digital engagement using a true multi-channel approach. Further, she is passionate about assisting our lottery partners in discovering and executing on the intersection of these strategies to help drive growth and even greater lottery success.

Jennifer's scope of responsibilities includes overseeing our worldwide lottery accounts. Her experience in working with clients around the globe, from start-up to mature well-established lotteries, including some of the world's most successful lotteries is unmatched. She has direct hands on experience in helping lotteries drive growth in generating money for good causes—whether that is in strategic management of existing instant portfolios, or the introduction of new and innovative products and retail strategies. Her induction in the PGRI Lottery Hall of Fame in 2012 is evidence of the exceptionally high regard in which she is held in the industry. Her approach is hands-on and customized to each lottery based on a clear understanding of their market dynamics, players, challenges, and opportunities.

Whether developing winning strategies, launching new products and services, or optimizing the positioning of established products, Jennifer's drive for developing innovative strategies to cultivate lottery sales and revenues and the expansion of new products and solutions has contributed to the success of our customers across the globe.

Overseeing the delivery of products and services to the highest standards in the industry, Jennifer is looking forward to help drive the Texas Lottery's growth in coming years. She plans to visit the Texas Lottery on a regular basis to keep abreast of the Texas Lottery and the Texas Lottery's market's latest developments, be directly engaged in driving growth, and to address concerns that may occasionally arise.

Prior to joining Pollard Banknote, Jennifer held prominent positions with Booz Allen & Hamilton and with Ernst & Young. She graduated from Rice University in Houston, Texas with Bachelor of Arts and Master of Business Administration degrees. Jennifer also studied at Oxford University in England.

Rob Young

Executive Vice President, Operations

Years of lottery/print experience: 39

Rob boasts nearly 40 years of senior management experience at both the general management and executive level. As Pollard Banknote's Executive Vice President, Operations, he has corporate responsibility for the manufacturing, game management & design, innovation and security departments at all of our scratch ticket manufacturing facilities. In addition, Rob oversees NPi's operations team, including the Customer Support Center, located in Lansing, Michigan.

Rob has experienced a successful 35+ year career in printing, working at some of the largest firms in North America including Quebecor, Cenveo and Transcontinental. Rob was President of Transcontinental Direct (Transcontinental's U.S. direct marketing division), where he was responsible for eight facilities across the U.S. with over $280 million in annual revenues. Rob also has previous experience in the lottery industry from the first stop in his career at British American Banknote, where he rose to Director of Sales in their Instant Lottery Printing Group.

Rob oversees all aspects of production and serves as the single point of executive leadership for the integrated coordination of production scheduling. His knowledge of production, manufacturing, print efficiency, waste management, and cost management makes Rob invaluable to the Pollard Banknote team and to our clients.

Rob holds a Bachelor of Arts degree from Queens University in Kingston, Ontario and is a member of the Board of Trustees of the Canadian Printing Industries Scholarship Trust Fund.

Pedro Melo

Executive Vice President, Information Technology & Digital

Years of relevant industry experience: 22

Pedro Melo, Executive Vice President, Information Technology & Digital, oversees the company's various departments dedicated to the development and support of technology-intensive processes and products, including Game Development, Digital Solutions, Computer Operations, Lottery Management Services (LMS), iLottery, Enterprise Resource Planning (ERP), and other internal IT services. He is responsible for Pollard Banknote's digital strategy and has led the development of the company's cutting-edge Lottery technology platform that supports our B2B and B2B2C digital products. In addition, Pedro oversees the people, processes and technology of our mkodo and NGL subsidiaries. For mkodo, he has ultimate executive-level responsibility for its overall strategy, including sales and all related financial aspects of the operation.

Pedro works closely with our business stakeholders, partners, and customers to understand business objectives and to develop right-fit and cost effective internal and external solutions that can deliver the best value for the organization. Pedro provides leadership in all areas of IT delivery, including responsibility over software development, QA, solution architecture, data center/hosting services, implementation services, Project Management Office (PMO), and technology support.

Prior to joining Pollard Banknote, Pedro served as Vice President, Business Technology at Postmedia Network Inc., where he had overall responsibility for the Information Technology group and played an integral role in the delivery of large transformational and complex business initiatives requiring significant changes in technology. Pedro was also responsible for Postmedia's application development, architecture, IT infrastructure, data center management, IT security, project management, and IT service management.

Pedro is a Computer Analyst/Programmer Honors graduate of Red River College and a recipient of the Canadian Information Processing Society (CIPS) Award for highest GPA. Pedro has also completed several other industry relevant courses and seminars in Business Analysis, Software Development, and Project Management.

II. DEDICATED ACCOUNT SERVICES TEAM AND KEY PERSONNEL

Each member of the Texas Lottery Account Services Team brings a valuable skill set and experience to their role—and great success starts with great people. Along with Doug Pollard, Jennifer Westbury, Rob Young, and Pedro Melo, we are pleased to present the team who will work with the Texas Lottery upon contract award on all aspects related to scratch ticket products and services.

Our Dedicated Account Services Team and key personnel cover the required positions/areas:

Account Managers – responsible for managing Pollard Banknote's relationship with the Texas Lottery; coordinates, directs and implements the scratch ticket game development processes; and confers with the Texas Lottery to assess needs, determine goals, and establish plans while ensuring the accuracy of each phase of the production process.

Account Services Representatives – responsible for serving as the day-to-day liaison with the Texas Lottery ensuring the successful and timely completion of accurate Game Specifications (Working Papers) and/or Customer Specifications Document and any and all communications between the Texas Lottery and Pollard Banknote as related to scratch ticket game development.

Quality Control: Production – responsible for ensuring quality in the printing processes and continuous quality inspection of final product.

Quality Control: Lab Testing – responsible for ensuring quality via testing and continuous quality inspection of final product.

Information Technology – responsibilities include the accuracy of all game data in each scratch ticket game as specified in the Game Specifications (Working Papers) and/or the Customer Specifications Document and Security requirements.

Graphic Artists (Game Management & Design) – responsible for creative design and final ticket graphic output. As an integral part of the Dedicated Account Services Team, we also include Game Planning personnel from our Game Management & Design group.

Experienced Strategic Planning Leadership

As the Lottery's primary senior contact for all scratch ticket-related products and services, Brad Thompson, Vice President, Sales & Marketing, will ensure that every possible opportunity to increase the Lottery's net revenue is explored and acted upon. Brad's experience and success with other NASPL lotteries such as Arizona, Massachusetts, Oregon, and the Ontario Lottery and Gaming Corporation (OLG), and others means that he brings a vast North American perspective to the scratch ticket Dedicated Account Services Team.

He will draw upon the various marketing and technical experts of his team to coordinate the ongoing management of the Lottery. The Texas Lottery can expect Brad to be engaged throughout the life of the contract, and to be your main contact point for scratch ticket products.

Brad's expertise will play an active role in strategic planning. With nearly 30 years of scratch ticket experience, he will introduce options, ideas, and innovative thinking to increase the Lottery's sales. He will:

- Work with the Lottery to develop a robust strategic ticket production and marketing plan for each year.
- Evaluate Pollard Banknote's innovations (e.g., licensed games or other proprietary products) and make appropriate recommendations for the Texas market.
- Bring industry success stories and winning strategies from North America and around the world to the Lottery for strategic consideration and planning.
- Consider the typical number of launches for each price point and recommend whether or not changes should be made to the frequency/timing of these launches by analyzing the Lottery's sales, as well as the launch strategies implemented by other lotteries.
- Consider the various market segments of the Lottery to ensure games targeted to each segment are available in a desirable frequency (games targeted at each market segment should be available at all times).
- Evaluate research results available from the Lottery's market and factor these results into the recommendations.
- Ensure all of the popular game themes are effectively represented, and that the launch dates are distributed in a logical way throughout the year.
- Maintain and coordinate all facets of production for the Lottery to ensure each game is printed, finished, and delivered to the Lottery without any issue.

For more information about Brad, including the background and accolades he will draw on to deliver optimal leadership to the Lottery, as well as resumes for the rest of the Dedicated Account Services Team, please refer to the resumes later in this section.

Our Job? To Make Your Job Easier...

Ultimately, we want to ensure that dealing with Pollard Banknote is simple, effective, and results-oriented. This includes addressing any issues that may arise in the game planning or manufacturing of scratch tickets. For any questions that may come up—whether technical, software, design, or otherwise—our scratch ticket experts will actively assist the Lottery in addressing concerns both expertly and efficiently.

Some of the responsibilities of our Dedicated Account Services Team include:

- Working with our internal Game Management & Design team to ensure the Lottery's game designs will meet production requirements.
- Maintaining regular contact with the Lottery to set press and delivery dates in order to meet projected launch dates (and keeping all parties acquainted with project timelines).
- Reviewing prize structures internally with Pollard Banknote's Game Generation group and present options that may enhance the prize structures.
- Formulating Game Specifications (Working Papers) in collaboration with Pollard Banknote personnel in our Game Generation, Technical, Manufacturing, and Computer Operations groups, all with the intent of providing the Lottery with a comprehensive game document that is customized to the Lottery's specifications.
- Producing timely contract proofs.
- Communicating regularly with the Texas Lottery's personnel to address any issues, questions, or concerns that may arise.
- Ensuring all deliverables are completed according to the established timeline as outlined in the Game Specifications (Working Papers) and all paperwork, invoices, etc., are processed.
- Providing recommendations to the Texas Lottery, as appropriate, based on successful sales-driving strategies employed by other jurisdictions from around the world.

Account Management Services

Pollard Banknote understands that the design, development, manufacturing, and marketplace success of every instant game calls on many distinct resources and skill sets. The Texas Lottery can be confident that Pollard Banknote's Dedicated Account Services Team, led by Brad Thompson, will continue to provide extraordinary support to the Lottery throughout the contract term. Simply stated, Pollard Banknote understands the Texas Lottery's vision, and our team has the skills and abilities to transform that vision into tangible and successful products and services.

We are committed to offering insightful, strategic recommendations related to all facets of the Texas Lottery's scratch ticket portfolio, including price points, prize structures, and game designs and concepts; retail and market performance and insights; trends and successes observed in other markets; and emerging trends in other industries. As it has over the past two decades, the Texas Lottery can continue to rely on Pollard Banknote's support as a value-add partner, working side-by-side to drive the Texas Lottery's strategic goals with data, analysis, and insightful recommendations based on our extensive expertise and experience.

To support the Texas Lottery in strategy development and planning, key members of our Dedicated Account Services Team will participate in yearly planning sessions with the Lottery.

As described throughout our proposal, Pollard Banknote will assist the Texas Lottery in monitoring the production of its games—from design and manufacturing all the way through to delivery. The Texas Lottery will always be kept fully informed of all the essential elements that comprise our manufacturing timelines. When there is a concern, we will address it honestly, directly, and as quickly as possible.

Day-to-day activities contribute to the overall strategic mission of the Texas Lottery, and Pollard Banknote is poised to support the Texas Lottery in this respect, as well. To this end, Brad Thompson will be supported by Jennifer Wankling, who will continue to serve the Texas Lottery as they have for nearly 35 years combined. This means that the Texas Lottery can look forward to receiving the same level of care, attention, and responsiveness that Brad has displayed during the development of countless games over the years. Brad prides himself on his acute awareness of the Lottery's needs; his attention to detail is second to none, and through countless exchanges over the years, he has become a trusted partner to the Texas Lottery team. Brad, Jennifer, and the rest of the Dedicated Account Services Team are enthusiastic to continue serving the Texas Lottery through its next phase of growth.

Account Management for the Texas Lottery

Brad Thompson and Jennifer Wankling, assigned as the Account Managers for the Texas Lottery, have the experience and abilities required to assist the Texas Lottery in developing scratch ticket games that engage players and maximize revenues. As a product of working effectively together over the past several years, this pair has been actively involved in developing successful games for Pollard Banknote clients throughout the U.S. and Canada. We have presented just a few of their success stories below.

As a product of working effectively together over many years, this pair has been actively involved in developing successful games and strategies for Pollard Banknote clients throughout the U.S. and Canada, including the Arizona Lottery, Massachusetts Lottery, and Ontario Lottery and Gaming Corporation (OLG).

Poised for Success in Texas

In FY2021, the Texas Lottery reached new sales heights and achieved a record-breaking year. With $8.107 billion in overall sales, this marked the Lottery's 11th consecutive record-breaking year. This outstanding success was primarily driven by scratch ticket sales, that reached a remarkable $6.6 billion—an increase of more than $1 billion over FY2020.

One scratch ticket game the contributed to the success of FY2021 is *Casino Millions*, featuring Pollard Banknote's Scratch FXtra™ print innovation, which reached sales of over $180 million

since its launch in September 2021. Based on sales through the first 10 weeks, *Casino Millions* is the highest-selling $50 scratch ticket game in Texas Lottery history!

In addition, the Texas Lottery launched two family of games featuring exciting experiential prize packs: *X The Cash* in January 2021, and *Gem 7s* in 2019. *X The Cash* gave players the opportunity to enter non-winning tickets into the Hawaii Dream Getaway promotional second-chance drawings for their chance to win a VIP vacation experience that included an all-expenses paid trip for two to Hawaii and a private concert from country music superstar Darius Rucker. *Gem 7s* gave Texans the chance to win a weekend getaway to Big Cedar® Lodge and have a private concert by the Rascal Flatts. The results of these promotions were outstanding! Both the $20 *200X The Cash* and $10 *100X The Cash* tickets landed among the Texas Lottery's bestselling games of the year, and the Gem7s family reached almost $240 million in sales!

In the following pages we have provided detailed narrative on our approach to account management services and the role and responsibilities of each team member, including resumes.

ACCOUNT MANAGERS

Brad Thompson, Vice President, Sales & Marketing, is supported by Jennifer Wankling, Director Sales & Marketing.

Brad Thompson

Vice President, Sales & Marketing

Years of lottery/print experience: 28

Brad Thompson is a leader in the industry with unmatched breadth and depth of experience. His lottery clients leverage his more than two decades of experience to receive invaluable, sales-boosting product portfolio guidance. Brad has extensive experience directing U.S. and Canadian lottery accounts.

Along with his knowledge of sales, marketing, analysis, and customer relations, Brad has expertise in strategic development and merchandising. His experience with the Texas Lottery extends back to when Pollard Banknote began its partnership with the Lottery in 1999. In addition to the Texas Lottery, Brad has led some of Pollard Banknote's largest account teams including those for Massachusetts, Arizona, Western Canadian Lottery Corporation, and Ontario Lottery and Gaming Corporation.

Brad is also responsible for overseeing Pollard Banknote's portfolio of licensed brands and the Licensed Products team, including the design and execution of various promotional opportunities. Brad provides a robust toolbox of options to expand sales and make the Lottery's offerings both successful and engaging.

Responsibilities

Brad will lead the Texas Lottery's Dedicated Account Services Team and oversee all responsibilities relating to the Texas Lottery's scratch ticket contract, with the goal of meeting the Texas Lottery's mandate to generate revenue in support of education and veteran programs in Texas. He will work with Jennifer Wankling, Director, Sales & Marketing to maintain direct contact with the Texas Lottery for the development and production of instant games and work closely with the Texas Lottery to develop marketing strategies and insightful recommendations. Supported by sales analyses, comparative data, industry trends, and proven winning strategies, Brad will present new opportunities to meet the Texas Lottery's objectives, suggest market-specific promotions, and offer the latest on product innovations. He will oversee the development of new game concepts, artwork, and Game Specifications (Working Papers).

Employment History and Lottery Experience

Upon joining Pollard Banknote, Brad worked in our Purchasing department, and has been promoted through the ranks to his present position of Vice President, Sales & Marketing—spending over 20 years in Marketing and Sales roles. Brad has been instrumental in Pollard Banknote's expanded relationships with the Massachusetts State Lottery Commission and the Texas State Lottery. He holds a Bachelor of Commerce (Honors) degree from the University of Manitoba, with a specialty in Finance.

Brad was the receipt of a 2021 *Powers Award* from the North American Association of State and Provincial Lotteries ("NASPL"), in recognition of the significant contributions he has made to the lottery industry through exceptional job performance. Brad was nominated for the *Powers Award* by Gary Grief, Executive Director of the Texas Lottery. Gary Grief shared his reasons for nominating Brad, "For the Texas Lottery, Brad has long been a trusted partner for creative and innovative scratch ticket solutions. He works with the Texas Lottery to understand, and then solve, our problems, no matter their size. He never brings a cookie-cutter approach to our issues; instead, he delivers thoughtful and well-reasoned advice."

Jennifer Wankling

Director, Sales & Marketing

Years of lottery/print experience: 17

Jennifer Wankling's knowledge of the print industry makes her a highly sought-after partner to her lottery clients. She consistently provides exceptional customer service and her attention to detail allows her clients to always feel at ease, knowing their scratch ticket requirements are fully met. Jennifer provides marketing support and assistance to numerous lotteries throughout the U.S. and Canada.

She offers a wealth of knowledge and experience of all elements associated with scratch ticket development and production—from prize structures, programming parameters and security features, to artwork and shipping procedures.

Responsibilities

Jennifer will assist Brad Thompson, Vice President, Sales & Marketing, in overseeing the responsibilities relating to the development, production and marketing of the Texas Lottery's instant games. She will work closely with the Texas Lottery to develop defined marketing strategies that align with the Texas Lottery's goals, and will share information on industry trends, recent product innovations, and relevant successes from other jurisdictions. Jennifer will direct the development of new game concepts and artwork, as well as ensure timely preparation and approval of Game Specifications (Working Papers).

Employment History and Education

Jennifer joined Pollard Banknote in 2005 as an Account Coordinator and was promoted to her current role as Director, Sales & Marketing in January 2021. In addition to the Texas Lottery, she provides marketing support for clients such as the Massachusetts State Lottery Commission, Ontario Lottery and Gaming Corporation (OLG), Vermont Lottery, and Oregon Lottery.

Prior to joining Pollard Banknote, Jennifer spent eight years in the radio industry, orchestrating promotional events, developing sales and marketing strategies, and assisting in the development of advertising campaigns. Prior to this, she served in marketing roles with Global Fashions Corp., Sampson's Sportland, and The Landmark Group.

Jennifer has a Bachelor of Commerce (Honors) degree from the University of Manitoba, with a major in marketing.

ACCOUNT SERVICE REPRESENTITIVES

The responsibilities of Account Service Representatives will be undertaken by Erika Kasper, Account Executive, and Melanie Mateychuk, Account Executive.

Erika Kasper

Account Executive

Years of lottery/print experience: 7

Erika Kasper has been with Pollard Banknote since November 2018, when she began as an Account Coordinator. Recently promoted to Account Executive, Erika assists with the day-to-day responsibilities and game development for the Texas Lottery and the Interprovincial Lottery Corporation, which includes all five Canadian lotteries involved with national games: Atlantic Lottery Corporation (ALC), British Columbia Lottery Corporation (BCLC), Loto-Quebec (LQ), Ontario Lottery and Gaming (OLG), and Western Canada Lottery Corporation (WCLC). Erika's knowledge of the printing industry and her experience in providing superior customer service has made her an invaluable asset to Pollard Banknote.

Responsibilities

Erika works closely with Brad Thompson, Vice President, Sales & Marketing, and Jennifer Wankling, Director, Sales & Marketing, and serves as an additional point of contact for the Texas Lottery. An important function of her daily efforts includes representing the Texas Lottery's interests when communicating with internal groups to coordinate all aspects of her client's scratch ticket game production. Additionally, Erika develops concept artwork for the Texas Annual Game Planning presentation as well as designs for the Pollard Banknote Holiday Books. She will engage in day-to-day correspondence with the Texas Lottery to ensure that all pertinent information is gathered—such as artwork, ticket specifications, timelines, etc.—and manage the project through the entire production process, ensuring that all tasks are performed on schedule and to the preference of the Texas Lottery.

She will oversee the development of draft game concepts and artwork for client review and approval and ensure timely preparation and approval of Game Specifications (Working Papers) and press proofs. Erika will work to ensure that the Texas Lottery remains fully satisfied with Pollard Banknote's products and services.

Employment History and Lottery Experience

Prior to joining Pollard Banknote, Erika spent over three years working for SRS Signs & Service Inc. as an Account Manager. There she was responsible for over 70 accounts ranging from small, local

businesses to large, national corporations. Additionally, Erika wrote proposals for large bidding opportunities to bring in new clients and create long-lasting business relationships. Working at SRS Signs & Service Inc., Erika gained experience in marketing, graphic design, and project management.

Melanie Mateychuk

Account Executive

Years of lottery/print experience: 25

Melanie Mateychuk has been with Pollard Banknote since March 2008, when she began as an Account Coordinator. Promoted to Account Executive in December 2017, Melanie assists with the day-to-day responsibilities and game development for the Massachusetts State Lottery and the Oregon Lottery. Melanie's knowledge of the printing industry and her experience in providing superior customer service has made her an invaluable asset to Pollard Banknote.

Responsibilities

Melanie works closely with Erika Kasper, Account Executive, and serves as an additional point of contact for the Texas Lottery. An important function of her daily efforts includes representing the Texas Lottery's interests when communicating with internal groups to coordinate all aspects of her client's scratch ticket game production. She will engage in day-to-day correspondence with the Texas Lottery to ensure that all pertinent information is gathered—such as artwork, ticket specifications, timelines, etc.—and manage the project through the entire production process, ensuring that all tasks are performed on schedule and to the preference of the Texas Lottery.

She will oversee the development of draft game concepts and artwork for client review and approval and ensure timely preparation and approval of Game Specifications (Working Papers) and press proofs. Melanie will work to ensure that the Texas Lottery remains fully satisfied with Pollard Banknote's products and services.

Employment History and Lottery Experience

Prior to joining Pollard Banknote, Melanie spent over a year working for Globally Boundless Graphics as their Production Planner and Relationship Manager. There she was responsible for monitoring production plans to ensure that all of her customers' requirements were met. Melanie also worked for Sunwest Screen Graphics Ltd. for over 11 years, spending her last six years with them in an Account Coordinator/acting Sales Representative position. Working for Sunwest, Melanie gained significant experience dealing with clients, resolving customer service concerns, and managing product development.

Melanie's professional development includes Principles in Leadership (levels one and two) from Red River College. She also completed Business Speaking Skills and How to Design a Newsletter from Rockhurst University's Continuing Education Centre.

QUALITY CONTROL: MANUFACTURING

Pollard Banknote's facility in Ypsilanti, Michigan runs under the direction of Darrell Ward, Vice President, Manufacturing. As a member of the Texas Lottery's Dedicated Account Services Team, Darrell, along with the Quality Control: Manufacturing Support Specialists, ensure that accuracy flows from the Game Specifications (Working Papers) and customer specification documents, through the production processes and continuous quality inspection methods, to final delivery.

Darrell Ward

Vice President, Manufacturing / Quality Control

Years of lottery/print experience: 36

Darrell oversees manufacturing and daily operations at our Ypsilanti facility, including direction of all departmental managers and responsibility for personnel decisions and requirements. In addition, Darrell and the Quality, Health, Safety & Environment team ensure that our entire ticket manufacturing process complies with ISO standards and environmental regulations.

Responsibilities

He works with manufacturing departments to minimize ticket incidents and keeps the Dedicated Account Services Team updated on the latest developments in the realm of quality control.

Darrell and his teams ensure efficient and compliant production of any Texas Lottery tickets manufactured at the facility.

Employment History and Lottery Experience

Darrell joined Pollard Banknote in 1986 as a Game Planner. Within two years, he was promoted to Forensic Lab Manager, and in 1990, he was appointed Corporate Quality System Manager. Over the years, his role and responsibilities in this capacity expanded considerably, and his promotion to Director, Quality, Health, Safety & Environment reflects this evolution. In this position, Darrell created the Corporate Quality Management System, certified ISO 9001:1994, which he later helped upgrade to ISO 9001:2015 and ISO 9001:2008. He also participated in the development of safety programs that have been certified to ISO 45001:2018.

In 2016, Darrell's ongoing commitment to Pollard Banknote was further rewarded with the promotion to Vice President, Manufacturing. He continues to serve as a lead auditor of quality, health, safety, and the environment for Pollard Banknote's manufacturing facilities.

Under Darrell's leadership, Pollard Banknote was the recipient of the BSI Canada 2016 Award of Excellence for Management Systems. This award is a testament to Pollard Banknote's commitment to continuous improvement and to providing quality products to our lottery customers.

Darrell received his training in Quality Education System from Crosby Management College in Mississauga, Ontario. He is a senior member of the American Society for Quality (ASQ) and a multiple winner of the NAOSH Award. Canada's House of Commons presented Darrell with the community award in recognition of his outstanding community development initiatives.

Working with Darrell to ensure that only the highest quality products are produced and distributed are David Colatriano, Peter Kovacs, Scott Stalker, Barry Nicholas, Larry Levasseur, and Marion Van Montgomery and their experienced team of printers, pre-press operators, inspectors and shippers.

Quality Control: Manufacturing	
David Colatriano, Senior Vice President, Manufacturing As a senior member of the production team, David will work with Rob Young, Executive Vice President, Operations, with oversight and support of scratch ticket production for the Texas Lottery, ensuring that the high quality, security, and integrity of all tickets produced for the Texas Lottery is preserved with every game. David has experience in general and senior management roles in the lottery, printing, manufacturing, and marketing industries across North America. *Years of lottery/print experience: 6*	
Peter Kovacs, Manager, Corporate Quality & Continuous Improvement Peter is at the forefront of Pollard Banknote's quality and continuous improvement efforts, ensuring that our products, and the processes that support the development of those products, reflect the highest quality in the industry. Peter is a certified ISO9001 and ISO27001 auditor, and works closely with our Quality, Health, Safety & Environment team to ensure that our entire ticket manufacturing process adheres to ISO standards and environmental regulations. *Years of lottery/print experience: 6*	
Scott Stalker, Production Manager (Ypsilanti) As Production Manager at our Ypsilanti facility, Scott manages all ticket production at the facility, from raw materials ordering through to the delivery of the finished tickets. *Years of lottery/print experience: 34*	

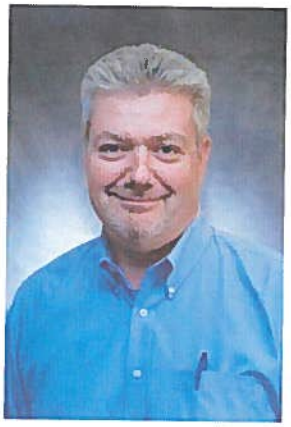
Barry Nicholas, Finishing Manager As Finishing Manager, Barry oversees all processes related to finishing and shipping and receiving and is responsible for developing quality control protocols involved throughout the finishing process. *Years of lottery/print experience: 8 (plus an additional nearly 40 years of industry experience)*	
Larry Levasseur, Director, Corporate Security Larry is responsible for the physical security at all of our facilities. He will work with staff to ensure all aspects of physical security related to the Lottery's ticket production, game development and delivery are met. Larry is a Certified Protection Professional, a designation certified under ASIS (American Society for industrial Security) International, the world's largest association for security management professionals and brings a wealth of experience in corporate security and public policing. He also serves as Vice President of the Association of Certified Forensic Investigators of Canada. *Years of lottery/print experience: 7 (plus an additional 34 years of industry experience)*	
Marion Van Montgomery, Manager, Security (Ypsilanti) As the Security Manager at our Ypsilanti facility, Marion assumes responsibility for the day-to-day security concerns involving all facets of Pollard Banknote's Ypsilanti operations. Marion ensures physical plant security and the safeguarding of manufactured products. *Years of lottery/print experience: 3 (plus an additional 12 years of industry experience)*	

QUALITY CONTROL: LAB TESTING

Pollard Banknote's Quality Control: Lab Testing team is led by Brett Taylor, Director, Corporate Lab Services. As a member of the Texas Lottery's Dedicated Account Services Team, Brett, with assistance from Allen Carter in Ypsilanti and Andrew Wojtowicz in Winnipeg, implements aggressive quality control and security checks to ensure consistency across all production. These three veterans, who together boast 70 years of lottery experience, also work with a support team of lab technicians, chemists, and technical reviewers

Brett Taylor

Director, Corporate Lab Services, Manufacturing / Quality Control



Years of lottery/print experience: 21

Brett Taylor oversees the laboratories located in our manufacturing plants. His group acts as independent auditors to review games for security at the initial stages of development as well as scrutinize the inks, coatings and substrate acquired to produce each job. The group also evaluates, assesses, and reports on the Texas Lottery's tickets in production ensuring that all security and anti-fraud requirements are met and maintained in all of the labs.

Brett and his group have participated in the development of a number of proprietary Pollard Banknote products. Brett is lead inventor of two patents, one being for the sales-driving Scratch FX® product line. He was also involved as an inventor for our patented Clear Play™ product.

Responsibilities

Brett develops and coordinates standardized test procedures at all of Pollard Banknote's labs. He acts as an independent auditor to evaluate, assess, and report on the Texas Lottery's tickets in production. Continuous improvement and research and development are key focuses as well, in the areas of security, raw material development, and innovative products.

Employment History and Lottery Experience

Prior to joining Pollard Banknote in 2001, Brett spent 10 years with the Bayer Group as a Technical Specialist, Paper Chemicals, providing technical support and product sales to customers in North America and Asia. Brett has an extensive background in paper products, particularly in the formulations of paper and paperboard that improve print quality and other performance characteristics.

Brett Taylor holds an honors degree in Chemistry.

QUALITY CONTROL: LAB TESTING	
Allen Carter, Manager, Corporate Lab Services Allen is based at our Ypsilanti, Michigan facility supervising the internal lab. Similar to our lab in Winnipeg, Allen and his team focus on analyzing the security and playability of all of our scratch tickets in coordination with Brett and his team in Winnipeg. Allen works towards continuous improvement of scratch ticket security and safety to better meet our customer's requirements through research and development. *Years of lottery/print experience: 20*	
Andrew Wojtowicz, Senior Security Chemist (Winnipeg) As Senior Security Chemist, Andy is responsible for the security reviews of ticket designs and the establishment of internal security procedures for the evaluation of scratch tickets. *Years of lottery/print experience: 29 (plus 18 additional years of experience as an analytical chemist)*	

INFORMATION TECHNOLOGY

Pedro Melo, Executive Vice President, Information Technology & Digital, oversees the company's various departments dedicated to the development of technology-intensive processes and products. Pedro provides oversight to the four key groups related to game data developments:

Game Generation: The Game Generation group creates a software module that is unique for each game. The Programmers in this group have acquired enviable skillsets in generating the variable data that go into hundreds of games and billions of tickets year after year. Whether developing a straightforward game or an elaborate extended play offering, our Programmers create customized software for each game to ensure a high measure of variability.

Image Development: Pollard Banknote has developed the ability to produce virtually any type of game data image (font). All font images are custom-built to accommodate the game's play mechanics, no matter how involved. These fonts have given our customers tremendous latitude in game design and have allowed for the launch of truly exciting instant games. In addition to the game play data, the variable data applied to each ticket includes the pack and ticket numbers, the validation number, the retailer or agent codes, and the bar code—all of which are unique to each game produced. Imaging of the variable data is done by our Kodak Versamark imagers.

Computer Operations: After Game Generation has developed this software module and extensively tested each function, the module is moved into our secure Computer Operations environment. The Computer Operations group then seeds this application with random numbers, after which the actual game data to be used in production is produced. Different seeds produce different data streams that will all adhere to the game specifications. This process has been developed to ensure that the location of winning tickets is not known by any internal Pollard Banknote employees.

Internal Audit & Software Acceptance: The Internal Audit & Software Acceptance group ultimately takes an all-encompassing look at the game data before any printing takes place. This group ensures that all game data used in the production process meets the requirements in the Game Specifications (Working Papers)—and that the playability of the game will meet the Lottery's requirements.

As a member of the Texas Lottery's Dedicated Account Services Team, Darren Wareham, Director, Game Development, oversees software development and game issues related to data generation. He has managed the game data development for thousands of instant games. He works with our programmers, marketing representatives, and the Texas Lottery for all game development.

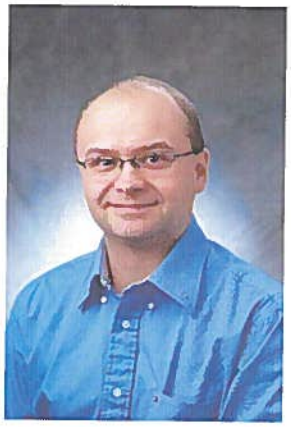
Darren is assisted by Patrick Hoger, Director, Information Security, Arnie Devlin, Manager, Computer Operations and Troy Clowater, Manager, Imaging Development Group—each of whom offer decades of lottery experience. These teams are responsible for ensuring the accuracy of all game data in each game that we develop for the Texas Lottery.

The complexities inherent in effective game development are always given careful consideration at Pollard Banknote. That's why the company enlists the experience and expertise of 70 programmers, font technicians, information technology specialists, and auditors—all operating within well-established systems that ultimately benefit our clients in myriad ways.

Darren Wareham

Director, Game Development / Information Technology

Years of lottery/print experience: 27



Darren oversees software development and game issues related to data generation. He works with our programmers, marketing representatives, and the Texas Lottery's scratch ticket department for all game development, and particularly when new concepts are introduced. Under his supervision, the Game Generation group develops software for validation system deliverables.

Responsibilities

Darren provides support to the Information Technology team to ensure the quality of the development of game software.

Darren liaises with clients for any game development or validation system related topics requiring highly technical expertise.

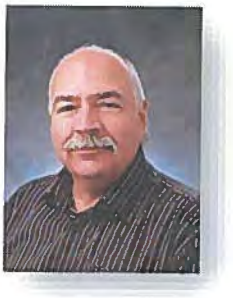
Employment History and Lottery Experience

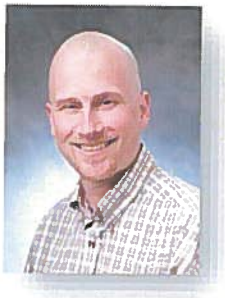
Darren joined Pollard Banknote in 1995 as an Information Systems Programmer Analyst, a position in which his duties included developing, maintaining, and supporting software and hardware systems for data and layout preparation, as well as the variable data imaging systems.

Darren was an integral part of the team that developed the "F Check" software and procedures, which ensures that data meets all game specifications and variability standards before advancing to the audit and production stages.

Additionally, he has managed the development of more than 15,000 instant lottery games and has developed software for more than 100 games as a Game Generation programmer. Further, his diverse knowledge of validation systems and algorithms includes working with more than 100 different customers and overseeing or participating in the development of several validation algorithms.

Darren holds a Bachelor's degree in Computer Engineering from the University of Manitoba.

INFORMATION TECHNOLOGY	
Patrick Hoger, Director of Information Security Patrick offers extensive information security experience, most recently having served as the Government of Manitoba's Chief Information Security Officer for 18 years. As Director of Information Security, Patrick is responsible for ensuring the highest levels of security standards are strictly met and implemented in this project, including that all security standards, protocols, procedures are followed and that certifications are obtained for software development, networking and IT infrastructure, physical environment security, employee security and other relevant areas. He will also be responsible for the development and implementation of the information security program, including the procedures and policies designed to protect information systems and assets from internal and external threats. *Years of lottery/print experience: 40*	
Arnie Devlin, Manager, Computer Operations Arnie oversees the generation of live data, ensures data security, and verifies all audits. He clarifies any discrepancies between Game Specifications (Working Papers) and audit analysis and manages the creation of final computer deliverables for the Texas Lottery's games. In addition to working at Pollard Banknote for more than 20 years, Arnie acquired 15 years of experience at the Western Canada Lottery Corporation (WCLC), serving in several positions, including Supervisor of Gaming Operations and Senior Manager of Computer Operations. *Years of lottery/print experience: 37*	

Troy Clowater, Manager, Imaging Development Group (IDG) Troy oversees Pollard Banknote's IDG, the group responsible for the creation of custom font symbols and their placement, the creation and release of the imager jobs, and the review of draft specifications to ensure they are compatible with wire frames and customer requirements. He is also responsible for the creation of test game tickets as requested to test various aspects of online lottery validation (such as algorithms, prize codes, new deliverables, and changes to bar codes). *Years of lottery/print experience: 22*	

GRAPHIC ARTISTS (GAME MANAGEMENT & DESIGN)

As a scratch ticket printer for the Texas Lottery since 1999, Pollard Banknote is fully capable of producing creative ticket designs for the Texas Lottery. Having produced hundreds of games for the Texas Lottery, we are acutely aware of the Texas Lottery's security and quality requirements for its ticket designs and understand the specific design styles that appeal to the Texas market.

Sandra Newransky, Senior Creative Artist, Leanne Toms, Game Planner and Renée Hogan, Supervisor, Game Planning are all assigned to the Dedicated Account Services Team. Sandra will develop eye-catching game designs suited for the Texas market, while Leanne and Renée will the manage all technical printing aspects between Sales, Manufacturing, Pre-Press, Scheduling, and our Game Generation and Internal Audit & Software Acceptance groups. They will be supported by Murielle Fontaine, Vice President, Game Management & Design, Dean Van De Walle, Director, Creative Services, Sindy Catigay, Manager, Game Planning, Dave Thomas, Pre-Press Manager, and Norm Hagman, Prepress Workflow Specialist – Colour Management Specialist.

Sandra Newransky

Senior Creative Artist

Years of Lottery/Print Experience: 28

Sandra Newransky has been with Pollard Banknote since 1996. Throughout Sandra's time at Pollard Banknote she has produced a variety of scratch tickets, folded cards, laminated products, and licensed games for customers all over the world. She has created engaging designs for numerous lottery clients, including Michigan, New York, New Jersey, Ohio, Maryland, Massachusetts, Kansas, Illinois, Iowa, Oregon, and more.

Responsibilities

Sandra will be responsible for the creation of the Texas Lottery's scratch ticket designs and illustrations. She will work closely with technical members of our Game Management & Design department on the development of new themes and game. She also provides consultation service to the marketing team and clients.

Employment History and Lottery Experience

Sandra Newransky studied design for four years at the University of Valparaíso, in Chile, before moving to Canada where she graduated with Honors from the Advertising Art program at Winnipeg's Red River College. Prior to joining Pollard Banknote in April 1996, Sandra did design work for Brown Communications Group and Manitoba Hydro in Winnipeg, as well as Martiz Graphic Design, Interior Decorations, and Taller Creativo in Chile. As senior artist, she serves as a special consultant for ticket design and product innovation.

Leanne Toms

Game Planner

Years of lottery/print experience: 41

Leanne Toms has more than four decades of experience and an in-depth knowledge of all facets of a game's production. Leanne provides an invaluable contribution to the coordination of game production in her role as a liaison between the account representatives, the Game Management & Design department, and Manufacturing personnel.

Responsibilities

Leanne will assist Supervisor, Game Planning, Renée Hogan, on the development of all technical printing and manufacturing specifications of the Texas Lottery's games—from initial design concept through to the finished product. She also ensures that all communication is consistent from department to department as the ticket moves through the various stages of process and that quality is maintained throughout ticket design and production. For Texas, Leanne will serve as a liaison between the Dedicated Account Services Team, the Game Management & Design group, and the Manufacturing department regarding production of the all the Lottery's scratch tickets.

Employment History and Experience

Leanne joined Pollard Banknote working as an Operator on a manual silkscreen press on our pull-tab ticket line. Over the years, she steadily added to her knowledge of lottery ticket printing and her understanding of Pollard Banknote's policies and procedures through such positions as a Quality Control Inspector (1985-1989), Lead Hand (1989-1996), and Supervisor (1996-1999).

Building on 18 years of experience, Leanne became a Game Planner in 1999 and has since created engaging designs for numerous clients, including various U.S., Canadian, and international lotteries.

Currently, Leanne is primarily responsible for scratch ticket production for lotteries in British Columbia (Canada) and Luxembourg. In addition, Leanne previously gained extensive European experience having worked with lotteries in Austria, Norway (Norske Spil), Finland, Netherlands, Denmark, Sweden, and Switzerland (Swisslos and Loterie Romande).

Leanne's experience at Pollard Banknote has given her the confidence to tackle whatever print job comes her way. Her organization, efficiency, and superior documentation skills help her work effectively with groups throughout our company, with external suppliers, and with customers.

Renée Hogan

Supervisor, Game Planning

Years of lottery/print experience: 27

Renée uses her broad lottery and printing experience to provide excellent game planning services to her lottery clients.

She joined Pollard Banknote in 1995 in the Finishing department, where she held a variety of roles including Inspector and Packaging Operator before moving into Manufacturing as an Imaging Assistant. From there she progressed to the position of Production Coordinator for the Manufacturing Group and then as Production Scheduler. In 2011, Renée joined Game Management & Design as a Game Coordinator, advancing to Game Planner in 2012, and Supervisor in 2019. In addition to overseeing the Game Planning team, Renée provides an invaluable contribution in her role as Supervisor, Game Planning, to the coordination of game production and as a liaison between the account representatives, the Game Management & Design department and Manufacturing personnel.

Responsibilities

Renée oversees the development of all technical printing and manufacturing aspects of the Texas Lottery's games—from initial design concept through to the finished product. She also ensures that all design, specs, layout and communication is consistent from department to department as the ticket moves through the various stages of the production process and that quality is maintained throughout. Renée reviews incoming scratch ticket designs, noting any additions, deletions or attachments, reviews draft spec forms, builds the layout, provides information for the game requirements as required. Throughout the process, Renée will address any issues that may arise and work with the appropriate departments to ensure the ticket is green lighted through to production, reviewing at each stage including final proof sign off. If the ticket design requires special die or plates, Renée will ensure the preparation of these as well as any activate POS or ITVM requirements.

Employment History and Lottery Experience

Renée's diverse experience has provided her with a diverse range of relevant skill, including strong administrative, organizational, project management and production skills.

Renée has worked with many clients during her time with Pollard Banknote, including Taiwan Lottery, Loterie Romande (Switzerland), Next Generation Lotteries (Loteries de Catalunya), Mifal Hapayis (Israel).

GRAPHIC ARTISTS (GAME MANAGEMENT & DESIGN)	
Murielle Fontaine, Vice President, Game Management & Design Murielle functions as a liaison between our Sales & Marketing and Manufacturing departments and manages all technical printing aspects between Sales & Marketing, Manufacturing, Game Management & Design, Scheduling, and our Game Generation and Internal Audit & Software Acceptance groups. *Years of lottery/print experience: 16*	
Dean Van De Walle, Director, Creative Services As the Director of Pollard Banknote's Creative Services team, Dean oversees our team of in-house creative artists, managing the creation of artwork as well as the design proofing process—both print and digital—for lotteries around the world. His team of 26 artists have a combined 243 years lottery ticket and digital lottery experience. Dean is responsible for the creative direction of designs and themes, ensuring the development of high quality new game concepts, as well as efficiency and accuracy of the creative process. *Years of lottery/print experience: 6*	
Sindy Catigay, Manager, Game Planning Sindy Catigay serves as a liaison between the account representatives, the Game Management & Design department, and the manufacturing personnel regarding production of the Texas Lottery's scratch tickets. Sindy oversees the development of all technical printing and manufacturing specifications of the Texas Lottery's games—from initial design concept through to the finished product. She also ensures that all communication is consistent from department to department as the ticket moves through the various stages of process and that quality is maintained throughout ticket design and production. Managing a team of Game Planners, Sindy monitors day-to-day schedules and ensures that timeframes are sound and achievable. *Years of lottery/print experience: 29*	

GRAPHIC ARTISTS (GAME MANAGEMENT & DESIGN)	
Dave Thomas, Pre-Press Manager As Pre-Press Manager, Dave Thomas oversees production of a game from customer approval of a ticket design through to the game running on the presses. *Years of lottery/print experience: 38*	
Norm Hagman, Prepress Workflow Specialist - Colour Management Specialist Norm manages all the physical and electronic standards as well as colour characterization for all proofers and presses in both our Winnipeg and Ypsilanti facilities. He oversees all the colour management software utilized in our Game Management & Design group as well as manufacturing, and he specializes in troubleshooting problematic colour matches. Norm is the main administrator of the Prinergy Prepress Workflow and InSite Prepress Web Portal, and governs the Pollard Banknote Colour Management Group, including the deployment of pre-press ISO standards. *Years of lottery/print experience: 16*	

III. ADDITIONAL SUPPORT SPECIALISTS

While the day-to-day key personnel are critical in providing effective account service, its members are supported by the efforts of many highly-qualified individuals who offer specialized expertise. Our executive, managers, creative, technical, and marketing specialists, together with our craftspeople— totaling approximately 1,300 people across five instant scratch ticket press lines and 11 finishing lines— have manufactured and marketed scratch ticket products that have helped lotteries across the globe meet their sales objectives.

Pollard Banknote has allocated several of our senior leaders to support the Texas Lottery Account Services Team in order to ensure that the Texas Lottery receives the very best products and services the industry has to offer. The following personnel are some of the most experienced professionals in their respective fields. They are very familiar with what is required to develop and produce secure and marketable scratch tickets, and each offer extensive experience working with lottery clients across North America.

Retail Growth Team	
Matt Isaac, Senior Director, Lottery Marketing As Pollard Banknote's Senior Director, Lottery Marketing, Matt Isaac works with both the team at Pollard Banknote and outside partners to identify and develop new initiatives to improve our customers' product and marketing plans and retail sales. Matt previously gained significant experience in an industry-leading marketing and retail environment, having worked with the Florida Lottery's Sales and Product Development department for seven years. *Years of lottery/print experience: 14*	

Teresa Immel, Senior Director, Sales & Marketing, Schafer Retail Solutions + Teresa works closely with lotteries seeking to optimize their retail presence via the strategic use of innovative display, dispensing, and merchandising solutions. During her 28 years with Schafer Systems, a Pollard Banknote company, Teresa has witnessed first-hand the industry's growing focus on retail, supporting lotteries with a customized approach to retail merchandising strategies. With extensive product knowledge and considerable experience in the application of product placement best practices at retail, she is focused on helping lotteries increase revenues to support good causes. *Years of lottery/print experience: 30*	
Shay Wahl, Sales & Marketing Manager, Schafer Retail Solutions + Shay's goal is to help lottery and retail clients find ways to enhance their lottery displays at retail. Shay previously worked as a Product Manager for the Missouri Lottery, leading a program to improve displays and increase the number of facings at retail, which resulted in double digit sales growth and a PGRI Product of the Year Award. Shay's experience with retail display merchandising allows her to analyze current products and make recommendations for change to drive increased revenues. *Years of lottery/print experience: 27*	
Kelly Harrison, Product Director, Schafer Retail Solutions + Kelly began her career in the lottery industry in 2011 as a Lottery Sales Representative with the Tennessee Lottery, moving into a Corporate Accounts Manager role before joining Schafer in 2021. In her current position, Kelly works closely with lottery clients on the development and implementation of new retail optimization strategies. Drawing on her lottery experience, Kelly is instrumental in the testing and refinement process of new Schafer products, coordinating dispenser and display pilot programs and initiatives in various jurisdictions across the U.S. *Years of lottery/print experience: 10*	

Rick Droste, Vice President, Retail Growth With more than 30 years of experience leading marketing initiatives and retail strategies for the Michigan Lottery, and nearly a decade of retail and merchandising experience outside the lottery industry, Rick is a seasoned retail expert. As part of our Retail Growth Team, Rick works with lotteries to increase their retail sales by identifying and acting upon opportunties for retail excellence, including retail strategy, promotions, and incentives; corporate sponsorships; ITVM and dispenser strategies; and plan-o-grams. *Years of lottery/print experience: 33*	
Innovation & Product Specialists	
Mike Brickwood, Manager, Print Innovations Mike Brickwood has extensive experience in every aspect of the business of scratch ticket production, from the creation of scratch ticket innovations and game planning to process management and design. He is responsible for the development of product innovations, with a primary focus on print innovations. Mike's deep insight into both the lottery and print industries make him a valuable contributor to our clients' product strategies. *Years of lottery/print experience: 45*	
Richard Bennett, Director, Interactive Innovations Richard manages the development and marketing of Pollard Banknote's exciting innovative digital lottery products, such as second chance programs, loyalty clubs, and online games. He is passionate about the overall player experience and how it must be considered across design, code, and user psychology. Before joining Pollard Banknote, Richard worked with multiple companies to foster cultures of innovation and continuous improvement for a diverse range of digital products. *Years of industry relevant experience: 13*	

Erin Ross-Stewart, Product Innovation Specialist Erin participates in the development and launch of new product innovations, with a primary focus on print innovations. She researches new product ideas, monitors the lottery industry, and prepares information related to new products. She also obtains and tracks feedback from lotteries through the Sales & Marketing Team. Erin joined Pollard Banknote in 2012 as an Account Executive, which provided her with an in-depth knowledge of the lottery industry and all the elements that go into instant games. *Years of lottery/print experience: 15*	
Cassandra Boyd, Senior Manager, Licensed Games Cassandra is responsible for managing, executing, and delivering all the operational elements of integrated marketing campaigns for licensed games and loyalty products for clients. Cassandra oversees all second chance drawing activities conducted by Pollard Banknote, and all merchandise and experiential prize fulfilment. Additionally, she develops custom marketing proposals for clients. *Years of lottery/print experience: 9*	
Insights & Analytics Specialists	
Darren Perche, Director, Insights & Analytics Darren oversees market research studies to provide actionable recommendations to help lotteries identify best practices and optimize their marketing efforts. Additionally, he will utilize Pollard Banknote's proprietary SMART® database and market research to identify and capitalize on opportunities in the Texas market. Darren is a Certified Analytics and Insights Professional (CAIP) and a member of Canadian Research Insights Council (CRIC). *Years of lottery/print experience: 16 (plus an additional 4 years' experience in data analysis)*	

Bianca Lopez Austria, Manager, Insights & Analytics Bianca analyses scratch ticket industry trends to identify winning strategies for Pollard Banknote's lottery clients. She develops customized recommendations using best practices that fit with each lottery's specific situation. Additionally, she will utilize Pollard Banknote's proprietary SMART® database and market research to identify and capitalize on opportunities in the Texas market. Bianca holds a Bachelor of Science degree in Mathematics (2002). *Years of lottery/print experience: 6 (plus an additional 9 years' experience in data analysis)*	

4.2.3.

At a minimum, the Account Team members must demonstrate knowledge and experience as it applies to the following job functions:

a) *Prize structure design*

b) *Game design elements including names, themes, play formats, color selection, proprietary production processes, etc.*

c) *Graphic design*

d) *Secure computer game tape/production file generation*

e) *Production scheduling*

f) *Secure scratch ticket manufacturing processes*

g) *Quality control and assurance*

h) *Packaging and distribution*

i) *Lottery sales, industry trends and market analysis relating to game recommendations*

j) *Product management*

k) *Information technology*

l) *Ticket Accounting*

m) *Security*

KNOWLEDGE AND EXPERIENCE

Pollard Banknote confirms the Dedicated Account Services Team members possess knowledge and experience as it applies to the job functions listed in this section of the RFP. On the following pages, we have provided more information on each.

Prize Structure Design

Jennifer Wankling, Director, Sales & Marketing, will work closely with Erika Kasper, Account Executive, and Melanie Mateychuk, Account Executive, to develop the Texas Lottery's Game Specifications (Working Papers) including prize structures. This team has vast expertise in developing prize structures for our clients that maximize game sales and revenue. They will ensure internal analysis and review of any such prize structure before it is sent to the Texas Lottery for approval and that the approved specifications are met in the finished game. Throughout her career at Pollard Banknote, Jennifer has developed prize structures for hundreds of games. Jennifer consults the SMART® Prize Structure Analysis Tool for prize structure analysis

and follows prize structure best practices during the prize structure development process. We have included detailed information on the SMART® Prize Structure Analysis Tool and our prize structure development process in our response to **7.3.4.**

Game Design Elements

The Texas Lottery is able to take full advantage of Brad Thompson and Jennifer Wankling's scratch ticket portfolio expertise by leveraging our team's creative game concepts and designs that feature unequalled playability, expertise in creating sales-driving prize structures, as well as an array of innovative and propriety products.

Combined, Brad Thompson, Vice President, Sales & Marketing, and Jennifer Wankling have more than four decades of experience developing scratch ticket product plans for various U.S. lottery jurisdictions. This entails recommending market specific games, including identifying game design elements such as name, theme, play format, color selection, callouts, features (e.g., bonus spot), pulses/scenes, etc. They will work closely with Sandra Newransky, Senior Creative Artist, to develop eye-catching game designs suited for the Texas market and with the Game Management & Design team to ensure all game design elements meet the customer specifications defined in the Game Specifications (Working Papers). Please refer to **Stage 2: Game Design and Development** in **Appendix 3: Manufacturing at Pollard Banknote** for additional information.

Graphic Design

Sandra Newransky, Senior Creative Artist, will lead the graphic team that will be responsible for the creative design and final ticket graphic output. Sandra will work closely with Dean Van De Walle, Director, Creative Services, who leads the design team with over 25 years of graphic design experience.

As noted above, Sandra will also draw on the expertise and knowledge of Brad and Jennifer to develop games designed to appeal to the specificities of the Texas market.

Secure Computer Game Tape/Production File Generation

Under Darren Wareham's oversight, Arnie Devlin and the Computer Operations group's responsibilities include managing the creation of final computer deliverables for the Texas Lottery's games.

Production Scheduling

Game Planners for the Texas Lottery Account, Renée Hogan and Leanne Toms, have direct access to manufacturing personnel and management, allowing them to ensure production schedules are clearly defined, and all products are delivered to customers on time. Renée and Leanne keep Brad and Jennifer abreast of all aspect of production scheduling.

Secure Scratch Ticket Manufacturing Processes

Darrell Ward, Vice President, Manufacturing will oversee the manufacturing processes for Texas games printed at our Ypsilanti manufacturing facility. Renée Hogan and Leanne Toms will also support in this regard as the liaisons between the manufacturing team and account representatives, Brad and Jennifer. With almost 70 years of combined experience at Pollard Banknote, Renée and Leanne possess an in-depth of knowledge in all facets of a game's production. In combination with their direct access to technical and design staff, they can clearly explain all processes to the Texas Lottery, and can answer any questions that the Texas Lottery may have about printing capabilities.

To learn more about Pollard Banknote's approach to security, please refer to **8.9.1.** For additional information on our manufacturing process, please refer to **Appendix 3: Manufacturing at Pollard Banknote.**

Quality Control and Assurance

Quality control processes are built into all stages of ticket production, from ticket design to delivery to the Texas Lottery.

Brad, Jennifer, and the rest of the Dedicated Account Services Team have direct access to Darrell Ward, Vice President, Manufacturing, and Brett Taylor, Director, Corporate Lab Services, who, respectively, are responsible for quality control in production and for quality and security ticket testing.

For more information on our company-wide quality control policies and procedures, we invite the Evaluation Committee to review **8.17.1.**

Packaging and Distribution

Renée Hogan's 27 years of experience include working with the Finishing department to ensure the Texas Lottery's packaging and distribution requirements, as detailed per the Game Specifications (Working Papers) and/or the Customer Specifications Document, are met.

Please refer to **Stage 2: Game Design and Development** in **Appendix 3: Manufacturing at Pollard Banknote** for additional information.

Lottery Sales, Industry Trends and Market Analysis Relating to Game Recommendations

Brad and Jennifer work closely with Pollard Banknote's in-house Insights & Analytics department, led by Darren Perche, Director, Insights & Analytics, to analyze industry trends and offer the Texas Lottery insights into how those trends may be implemented to drive sales for the Texas Lottery. The team also has access to SMART®, Pollard Banknote's in-house data mining tool. For more

information on Insights & Analytics team and our SMART® tool, please refer to the detailed narrative in **4.1.6.**

Product Management

The Texas Lottery can leverage Brad and Jennifer's scratch product category management experience. Brad and Jennifer are supported by various support specialist teams, such as Licensed Games, Product Innovation & Development, and Insights & Analytics, as well as our Retail Growth Team.

Information Technology

Darren Wareham, along with the teams in Game Generation, Computer Operations, Audit & Acceptance, and Imaging Development, is responsible for ensuring the accuracy of all game data for each game developed for the Texas Lottery, according to the Game Specifications (Working Papers) and/or the Customer Specifications Document.

Please refer to **Stage 4: Variable Data Imaging** in **Appendix 3: Manufacturing at Pollard Banknote** for additional information.

Ticket Accounting

Under Darren Wareham's oversight, the Game Generation group creates a software module unique for each game, including the application used for final prize structure balancing which is utilized to determine which packs need to be removed from the delivery to bring the game into balance. Following manufacturing, Arnie Devlin and the Computer Operations group, also overseen by Darren Wareham, are responsible for generating a prize structure summary stating the number of winners in each prize level, which is compared against the prize structure set out in the Game Specifications (Working Papers) to ensure all specifications are met.

As noted above, Darrell Ward, Vice President, Manufacturing will oversee the manufacturing processes for Texas games which includes ensuring that all packs that have been voided for any reason, whether due to non-conformance or because they have been removed to bring a game into balance, are verified as the void and then destroyed in our shredder.

Please refer to **8.17.1.** for additional information on our processes related to voiding and removing non-conforming packs.

Security

Security is inherent in every process we undertake at Pollard Banknote, at all stages of ticket production, from ticket design to delivery to the Texas Lottery. Brad, Jennifer, and the rest of the Dedicated Account Services Team have direct access to Darrell Ward, Vice President, Manufacturing and Larry Levasseur, Director, Corporate Security, and will work closely with them

and our security team to make sure all products developed and manufactured for the Texas Lottery are secure. In addition, Brett Taylor, Director, Corporate Lab Services is responsible for security ticket testing. For more information on our company-wide security policies and procedures, we invite the Evaluation Committee to review **8.9.1.**

A summary of our team's knowledge and experience as it applies to the job functions specified in the RFP is provided in a table below.

Texas Lottery Dedicated Account Services Team	Prize Structure Design	Game Design Elements	Graphic Design	Secure Game Tape/ Production File Generation	Production Scheduling	Secure Scratch Ticket Manufacturing Processes	Quality Control and Assurance	Packaging and Distribution	Lottery Sales, Industry Trends and Market Analysis	Product Management	Information Technology	Ticket Accounting	Security
Account Managers	x	x	x		x		x	x	x	x			
Account Service Representatives	x	x	x							x			
Quality Control: Manufacturing				x	x	x	x	x				x	x
Quality Control: Lab							x						x
Information Technology				x							x	x	
Graphic Artists (Game Management & Design)		x	x		x	x	x	x					

4.2.4.

The Texas Lottery does not rely on its scratch ticket manufacturers for traditional marketing support. Therefore, the Texas Lottery does not require personnel assigned to this account to be based in Austin, Texas.

Pollard Banknote has read, understands, and appreciates this information.

4.2.5.

In accordance with Section 3.11, the Successful Proposer shall provide the Texas Lottery written notification of any key personnel changes involving the Account Manager or Account Services Representative(s).

Pollard Banknote understands and agrees to provide the Texas Lottery written notification of any key personnel changes involving the Account Managers or Account Services Representatives.

4.3. Proposer References

A minimum of five (5) verifiable references must be provided that include the contact person, name of company, phone, e-mail address and descriptions of services provided. Proposers' references shall include references for which the Proposer has provided similar services as described in Parts 6, 7 and 8 of this RFP within the last five (5) years. The Texas Lottery reserves the right to verify all information in the Proposal submitted by the Proposer and seek other information it deems necessary to conduct a thorough review.

Pollard Banknote is pleased to provide the following five verifiable references, all of which we have provided services similar in size and scope to as described in Parts 6, 7, and 8 of the RFP within the last five (5) years. We have included descriptions of services provided for each reference in our response to **4.1.2. Years of Experience.**

Maryland Lottery

Lottery Contact:

Name: Kate Airey
Title: Director, Product Development
Tel: (410)230-8790
Email: kate.airey@maryland.gov

Michigan Lottery

Lottery Contact:

Name: Glenn Strong
Title: Deputy Commissioner/Marketing
Tel:(517)373-0024
Email: strongg1@michigan.gov

Minnesota State Lottery

Lottery Contact:

Name: Todd Vodden
Title: Product Director
Tel: (651)635-8152
Email: ToddV@mnlottery.com

Arizona Lottery

Lottery Contact:

Name: Chris Rogers
Title: Director, Products & Marketing
Tel: (480)921-4400
Email: CRogers@azlottery.gov

California Lottery

Lottery Contact:

Name: Alyssa Thrasher
Title: Chief of Product Development
Tel: (916)822-8407
Email: athrasher@calottery.com

If the Texas Lottery is unsuccessful in its endeavor to contact a specific lottery reference, upon request, we would be happy to facilitate communications between the Texas Lottery and the specific lottery reference.

In **Appendix 2: Client List**, we have provided contact information for all of our current scratch ticket customers. The Texas Lottery is welcome to contact any of these clients as well.

4.4. Contact Person

4.4.1.

Each Proposer shall provide the name, address, telephone number, and email address of a person to contact concerning questions regarding its Proposal.

Regarding all matters relating to this RFP and Pollard Banknote's response, please contact Brad Thompson, Vice President, Sales & Marketing. He would be pleased to answer any questions pertaining to our Proposal. His contact information is as follows:

Brad Thompson, Vice President, Sales & Marketing
140 Otter St. Winnipeg, Manitoba R3T 0M8
Tel: 204.474.2323 extension 343
Email: bthompson@pbl.ca

4.4.2.

Each Proposer shall provide the name, address, telephone number, and email address of a person to contact (if different than the person identified in Section 4.4.1) concerning the Contract.

Regarding all matters relating to a Contract arising from this RFP, please contact Debbie Schween, Director, Legal Affairs. Her contact information is as follows:

Debbie Schween, Vice President, Legal Affairs
140 Otter St. Winnipeg, Manitoba R3T 0M8
Tel: 204.474.2323 extension 542
Email: dschween@pbl.ca

4.5. Conflict of Interest

4.5.1.

The Proposer must disclose any actual, potential or perceived conflict of interest relative to the performance of the requirements of this RFP. The Proposer must disclose any personal or business relationship of (a) itself; (b) any of its principals, officers, directors, investors, owners, partners, and employees (collectively, Proposer Personnel); (c) any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any Proposer Personnel; (d) any affiliate; or (e) any Subcontractor with (1) any employee or representative of the Texas Lottery (including the Texas Lottery Executive Director and its commissioners) or (2) the Lottery's vendors with contracts over $100,000. The list for all Texas Lottery contracts over $100,000, including major and prime contracts, is regularly updated at the following website link:

https://www.texaslottery.com/export/sites/lottery/About_Us/Doing_Business_with_TLC/Contracts_Over_$100x000/

Failure to promptly disclose any such relationship may be a cause for disqualification of a Proposal.

Pollard Banknote confirms that there are no conflicts of interest to disclose, actual, potential or perceived, relative to the performance of the requirements of this RFP.

4.5.2.

This is a continuing disclosure requirement. The Successful Proposer shall disclose to the Texas Lottery in writing any actual, potential or perceived conflict of interest, relative to the performance of the requirements of this RFP, both prior to Contract Award and after Contract Award, at the time the conflict is identified. Failure to promptly notify the Texas Lottery may be a cause for rejecting the Proposal, sanctioning the Successful Proposer, or exercising any other appropriate remedy under the Contract.

Pollard Banknote affirms that there are no conflicts of interest to disclose relative to the performance of the requirements of this RFP on behalf of the company or any of its employees. Pollard Banknote acknowledges that this is a continuing disclosure requirement and will disclose any potential or perceived conflicts of interest after Contract Award.

4.6. Financial Soundness

4.6.1.

Each Proposer must provide evidence of financial responsibility and stability for performance of the Contract and must demonstrate the ability to finance the project described in its submission.

With almost 115 years of financial success behind us, Pollard Banknote's strong capital base reflects strength and stability that generates confidence from our lottery customers. Over the past decade, Pollard Banknote has been the most consistently profitable scratch ticket supplier in the industry, an achievement we are proud of. Below, we have provided the Texas Lottery with additional information related to the financial strength of our organization.

POLLARD BANKNOTE: A HISTORY OF FINANCIAL STRENGTH

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Current Financial Data Available

If required, additional financial information is available upon request. However, should further information be of interest to the Texas Lottery, the most recent financial information relating to Pollard Banknote Limited is publicly available and can be readily searched and viewed on the SEDAR (System for Electronic Document Analysis and Retrieval) website (www.sedar.com). SEDAR is the official site providing access to most public securities documents and information filed by public companies and investment funds with the Canadian Securities Administrators (CSA). Shares of Pollard Banknote Limited are traded on the Toronto Stock Exchange under the symbol PBL.

4.6.2.

Each Proposer shall provide evidence of financial responsibility and stability based on any and/or all of the following:

1) *If the Proposer is the sole source of financial resources, the Proposer must submit financials showing the Proposer's ability to finance the project on its own with current resources;*

2) *If the Proposer is the subsidiary of a parent corporation and the parent corporation is providing financial resources or assurance, the parent corporation must complete Attachment B, and the Proposer must submit financials for both the Proposer and the parent;*

3) *If the Proposer is a joint venture or a group of affiliated companies, the Proposal must include financials for each member or affiliate of such joint venture or group, as applicable.*

If 1, 2 or 3 applies, then the Proposer shall submit the following documentation with its Proposal:

a) Copies of audited financial statements and/or complete tax returns for each of the Proposer's (and its parent corporation, if applicable, or joint venture member or affiliate, if applicable) two (2) most recently ended Fiscal Years; and/or

b) If documentation under (a) is not available, the Proposer shall provide other proof of financial assurance.

4) If the Proposer is relying on financial resources other than items 1 through 3 above, then the Proposer shall submit the following documentation with its Proposal:

a) Other proof of financial assurance that is verified by a third-party financial institution. Examples of such items are as follows:

I. Unaudited financial statements accompanied by a line of credit from a third-party financial institution stating the credit amount and available balance.

II. Unaudited financial statements accompanied by a bank statement provided by a third-party financial institution confirming the Proposer's average bank balance for at least the previous six (6) months.

III. Any other financial information Proposer would like to be considered.

Pollard Banknote is the sole source of financial resources for any resulting contract of this RFP.

Pollard Banknote has provided its audited financial statement for 2021, which includes audited financial statements for the two (2) most recently ended Fiscal Years: 2021 and 2020 on USB labelled "Financials", included with our original signed Proposal. These financial statements have been audited by a Chartered Professional Accountant, (which is not the same as the American CPA, but is the Canadian equivalent) according to Generally Accepted Auditing Standards (GAAS). These financial statements are the result of an audit completed by KPMG of the entity's records and were prepared in accordance with IFRS (International Financial Reporting Standards), the worldwide equivalent of Generally Accepted Accounting Principles (GAAP). Please note that the financial statements provided are in Canadian dollars (CAD).

For the period covered, we provide the following US currency conversion formulae:

- 2021: 1.26 CAD
- 2020: 1.34 CAD

As noted above, Annual Reports can also be accessed at www.sedar.com and Pollard Banknote's website at Investors – Pollard Banknote Limited. SEDAR (System for Electronic Document Analysis and Retrieval) is the official site providing access to most public securities documents and information filed by public companies and investment funds with the Canadian Securities Administrators (CSA).

4.6.3.

If the information in Section 4.6.2 is not available at the time of submission, the Proposer shall provide other proof of financial responsibility acceptable to the Texas Lottery prior to the deadline for submission of Proposals.

Please refer to **4.6.2.** for evidence of Pollard Banknote's financial responsibility and stability.

4.6.4.

The Texas Lottery reserves the right to require any additional information necessary to determine the financial responsibility and stability of the Proposer.

Pollard Banknote understands, accepts, and will comply with the requirement detailed in this section of the RFP. Upon request, Pollard Banknote will be happy to provide the Texas Lottery with additional information.

4.6.5.

The Proposal must include a certification that the Proposer will notify the Texas Lottery of a change in financial condition during the Contract term and any renewal thereof. If a Proposer experiences a substantial change in its financial condition prior to the award of the Contract, or if the Successful Proposer experiences a substantial change in its financial condition during the term of the Contract or any extension thereof, the Texas Lottery must be notified of the change in writing at the time the change occurs or is identified. Failure to notify the Texas Lottery of such substantial change in financial condition will be sufficient grounds for rejecting the Proposal or terminating the Contract. For the purposes of this section, examples of a substantial change in financial condition are events such as insolvency, bankruptcy or receivership.

Pollard Banknote certifies that it will notify the Texas Lottery as soon as practical in the event of any changes in financial condition after submission of this Proposal, and, if awarded the Contract pursuant to this RFP, during the term of this Contract and any extensions thereto. All financial information was full and correct at time of writing, and we are aware of no pending substantial changes to our financial condition.

4.7. Background Investigations

4.7.1. Vendor Background Investigations

Under Tex. Gov't Code §466.103, the Executive Director of the Texas Lottery is prohibited from awarding a contract for goods or services related to lottery operations to a person or legal entity who would not qualify for a sales agent license under the requirements of §466.155. The Texas Lottery Commission may initiate investigations into the backgrounds of (a) any Apparent Successful Proposer; (b) any of the Apparent Successful Proposer's officers, directors, investors, owners, partners and other principals, as more particularly described in Tex. Gov't Code §466.155 (collectively, Apparent Successful Proposer Principals); (c) any of the Apparent Successful Proposer's employees; (d) any of the Apparent Successful Proposer's Subcontractors, or the Subcontractors' officers, directors, investors, owners, partners, principals or employees (collectively, Subcontractor Personnel); or (e) any other associates of the Apparent Successful Proposer it deems appropriate. The Texas Lottery Commission may also request background information for a spouse, child, brother, sister or parent residing as a member of the same household in the principal place of residence of the Apparent Successful Proposer, any Apparent Successful Proposer Principals, or Apparent Successful Proposer employees described above. Such background investigations may include fingerprint identification by the Texas Department of Public Safety and the Federal Bureau of Investigation, and any other law enforcement agency. The Apparent Successful Proposer shall be obligated to provide such information about any Apparent Successful Proposer Principals, Apparent Successful Proposer employees, and Subcontractor Personnel as the Texas Lottery may prescribe. The Apparent Successful Proposer also agrees that the Texas Lottery may conduct background investigations of such persons. The Texas Lottery may reject a Proposal and/or terminate the Contract based solely upon the Apparent Successful Proposer's failure to provide information to complete a background investigation or the results of these background investigations.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

4.7.2. Contractually Defined Vendor Principal(s) Background Investigation

The Texas Lottery may initiate background investigations on the Apparent Successful Proposer Principals who will be directly involved in selling or leasing the goods or performing the services that are the subject of this RFP or the Contract. This includes any oversight function performed by such individuals. For purposes of this section and the attachments, these individuals are called "contractually defined vendor principals."

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

4.7.3. Vendor Employee Background Investigations

The Successful Proposer agrees that, during the term of the Contract and any extension thereof, it shall be obligated to provide such information about any principals, employees, and Subcontractor Personnel as the Texas Lottery may prescribe. The Successful Proposer also agrees that the Texas Lottery may conduct background investigations of such persons.

The Texas Lottery will conduct vendor employee background investigations on any of the Successful Proposer's principals, employees, and Subcontractor Personnel who meet one(1)or more of the following criteria:

- *they perform services that may impact the security and integrity of the core gaming business as determined by the Texas Lottery;*
- *they provide audit, financial, legal, or compliance services;*
- *they provide goods and/or services that control or monitor access to lottery premises;*
- *they have unescorted access to TLC facilities;*
- *and/or they have direct access to TLC information systems.*

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP, as required.

4.7.4. Apparent Successful Proposer

If requested by the Texas Lottery, the Apparent Successful Proposer may be required to complete and return the following forms within ten (10) Working Days, or as otherwise directed by the Texas Lottery, after the written Announcement of the Apparent Successful Proposer is issued:

a) *Vendor Background Investigation Form (Attachment E).*

b) *Certified List of Vendor Principals Form (Attachment E-1).*

c) *Certified List of Contractually Defined Vendor Principals Form (Attachment E-2).*

d) *Consent to Background Investigation and Release of Personal Information Form (Attachment E-4). A separate form shall be completed for each vendor principal included on Attachment E-2 Certified List of Contractually Defined Vendor Principals Form and each vendor/Subcontractor employee included on Attachment E-3 Vendor Employee Background Investigation List.*

e) *Vendor Employee Background Investigation List (Attachment E-3).*

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP, as required.

4.8. Disclosure of Interested Parties

Tex. Gov't Code§2252.908 states that a governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties (Form 1295) to the governmental entity or state agency at the time the business entity submits the signed contract to the governmental entity or state agency. The Texas Ethics Commission has adopted rules requiring the business entity to file Form 1295 electronically with the Ethics Commission (See https://www.ethics.state.tx.us/rules/commission/ch46.php). If requested by the Texas Lottery, the Apparent Successful Proposer may be required to complete and file the Form 1295 with the Ethics Commission after the written Announcement of the Apparent Successful Proposer is issued and prior to contract execution.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP, as required.

This page intentionally left blank.

5. HISTORICALLY UNDERUTILIZED BUSINESS (HUB) PARTICIPATION

While not a Texas HUB, Pollard Banknote is well aware of the important role the Texas Government and the Texas Lottery play in stimulating the local economy, and the importance of supporting both local businesses and those which are minority-owned or women-owned.

We have in place some longstanding partnerships with Texas HUBs that we hope to see renewed under the contract arising from the present RFP, following their successful responses to our own Requests for Tenders for subcontracting. In addition to longstanding partnerships, we understand that engaging new HUB suppliers is a worthy goal. As such, we are pleased to be able to add a new HUB subcontractor partnership with Business Asset Enterprises, LP ("Business Asset Enterprises") to provide cartons and pallets for the upcoming contract. Business Assets Enterprises, established in 2000, is a warehousing, distribution, and protective packaging solutions provider and an established partner to the global lottery industry market.

We also believe we can share our more than 100 years of specialty printing experience by putting it to use in the Mentor Protégé Program with Texas-based HUB printers, and are interested in setting up such a partnership in the near future. We would very much appreciate the Texas Lottery's assistance in matching us with potential protégé companies under this program.

Below, please find the narrative of our HSP. The relevant documentation is included in a separate binder titled **Historically Underutilized Business (HUB) Subcontracting Plan**. This documentation, completed and signed as required, fulfills the Texas Lottery's HUB requirements.

5.1. HUB Requirement

The Texas Lottery has adopted the rules promulgated by the Comptroller of Public Accounts (CPA) regarding Historically Underutilized Businesses (HUBs) in 34 Texas Administrative Code (TAC) §§ 20.281 –20.298 (See http://texreg.sos.state.tx.us/public/readtac$ext.ViewTAC?tac_view=5&ti=34&pt=1&ch=20&sch=D&div=1&rl=Y. By submitting a Proposal, the Proposer certifies that it has reviewed 34 TAC §§ 20.281 -20.298. Rule 20.285 addresses the specific requirements of Historically Underutilized Business subcontracting plans (HSPs).

We certify that that we have read, reviewed, and understand 34 Texas Administrative Code (TAC) §20.281 – 20.298.

5.2. HSP Submission and Texas Lottery Review

5.2.1.

All Proposals must include an HSP (Attachment C, including Method A or B, if applicable) in the format required by the CPA. Proposers may access the HSP forms on-line at the following CPA website link: https://www.comptroller.texas.gov/purchasing/vendor/hub/forms.php. The forms must be printed, signed and submitted with your Proposal. The HSP is a pass/fail requirement. PROPOSALS THAT DO NOT INCLUDE A COMPLETED HUB SUBCONTRACTING PLAN PREPARED IN ACCORDANCE WITH 34 TAC §20.285 SHALL BE REJECTED AND WILL NOT BE EVALUATED.

Pollard Banknote has read, understands, and appreciates the information detailed in this section of the RFP. All relevant HSP documentation is attached in a separate binder titled **Historically Underutilized Business (HUB) Subcontracting Plan**.

5.2.2.

The HSP form is provided in Attachment C of this RFP. To determine whether a Proposer has performed a good faith effort in preparing its HSP as required by the CPA's HUB rules, the Texas Lottery may request clarifications, if necessary. The HSP will be reviewed based on the Proposer's submission and any clarifications requested by the agency.

Pollard Banknote understands that the Texas Lottery may request clarifications to determine whether a Proposer has performed a good faith effort in preparing its HSP as required by the CPA's HUB rules. We will be pleased to provide additional information upon request.

5.3. Assistance for Preparation of HSP

5.3.1.

Pre-Proposal Conference. Proposers are encouraged to attend the pre-Proposal conference, which will include a brief overview of the HSP requirements. Proposers may ask questions at the pre-Proposal conference regarding the HSP. A copy of the TLC's Pre-Bid/Proposal Conference Booklet regarding HSP requirements is available on the agency's website at: https://www.texaslottery.com/export/sites/lottery/About_Us/Doing_Business_with_TLC/Procurement/ Proposers should review the HSP booklet thoroughly to ensure they fill out and submit all forms correctly.

On January 11, 2022, Brad Thompson, Jennifer Wankling, Stephanie Romaniuk, and Bryn Golden attended the Virtual Pre-Proposal Conference hosted by the Texas Lottery Commission.

5.3.2.

HSP Quick Check List and HUB Subcontracting Opportunity Notification Form. Attached to this RFP are an HSP Quick Check List (Attachment C-1) prepared by the CPA and a HUB Subcontracting Opportunity Notification Form (Attachment C-2). Attachment C-1 is intended to assist Proposers in preparing the HSP forms, but is not required to be submitted with Proposals. Proposers are encouraged to use Attachment C-2 when sending notice of subcontracting opportunities.

Pollard Banknote has read, understands, and appreciates the information included in this section of the RFP.

When sending notice of subcontracting opportunities, Matt Mitchell, Manager, Purchasing, utilized Pollard Banknote forms, ensuring that they included all the information specified in Attachment C-2.

5.3.3.

Additional TLC Assistance. As stated above, if an HSP is rejected, the Proposal will be disqualified and will not be considered. Therefore, Proposers are strongly encouraged to start preparing HSP forms as soon as possible and take advantage of the following TLC assistance. Please note there are deadlines associated with this process and Proposers have a limited amount of time to cure any deficiencies.

- *Written questions regarding the HSP can be submitted at any time up until the Proposal deadline. The TLC will compile and post a separate HSP question-and-answer document on the TLC website. The document will be updated as questions are submitted. It is the Proposer's responsibility to check the TLC website for this information.*
- *The TLC will conduct one-on-one HSP workshops with Proposers upon request. The workshops will cover detailed information on how to complete the HSP forms. Workshops must be concluded by the date and time listed in the Schedule of Events. Workshops, due to gathering restrictions, may be conducted via Zoom, TEAMS or telephone conference. Proposers are responsible for contacting the Texas Lottery to schedule a workshop during the specified time period. Proposers may schedule a workshop up until the final date listed in the Schedule of Events.*
- *The TLC will review and provide individual written feedback on draft HSP forms submitted by Proposers. Draft HSP forms must be submitted by the date and time listed in the Schedule of Events. Upon request, the TLC may also provide verbal feedback. Note that "draft HSP forms" consist only of the forms included in Attachments C, C-1 and C-2 of the RFP and documentation related to performance of the good faith effort. In reviewing draft forms, the TLC will not comment on responses to any other sections of the RFP, even if they are referred to in the HSP forms. Proposers are instructed not to submit any other portions of their Proposal to the TLC as part of the draft HSP.*

One-on-one workshops and the TLC's review of draft HSP forms do not guarantee that the HSP submitted with the Proposal will pass.

Pollard Banknote has read, understands, and appreciates the information included in this section of the RFP.

Matt Mitchell, Manager, Purchasing at Pollard Banknote participated in a one-on-one workshop to review our draft HSP forms with the Texas Lottery on March 8, 2022, from which he received feedback. Specifically, based on part of the feedback from the one-on-one workshop, Matt followed up with one of our selected HUB subcontractors, Business Assets Enterprises to verify that they were aware of that their HUB certification was expiring in the near future. Business Assets Enterprises has confirmed that they have begun the recertification process.

5.4. Requirements for Completing the HSP Forms

5.4.1.

TLC's HUB Participation Goal. The goods and/or services requested in this RFP are classified in the category of Other Services Contracts. The agency's HUB participation goal for this RFP is 24.30%.

Pollard Banknote has read, understands, and accepts the information included in this section of the RFP.

It is Pollard Banknote's intention to meet the 24.30% goal with the anticipated orders using two existing subcontractors with contracts of over five years and one new subcontractor. Accordingly, we have included Good Faith Effort Method B in three separate binders marked **Historically Underutilized Business (HUB) Subcontracting Plan.**

We regret that we were unable to achieve this goal with entirely new subcontractors. In part, we believe this reflects the state of secure printing, where a relative limited number of qualified subcontractors exist in comparison to other service contracts.

5.4.2.

Requirements of the HUB subcontracting plan. Each Proposer shall complete the HSP forms prescribed by the CPA (Attachment C) and provide the following:

a) *a certification the Proposer has made a good faith effort to meet the requirements of 34 TAC § 20.285;*

b) *the names of the subcontractors that will be used during the course of the Contract;*

c) *the expected percentage of work to be subcontracted; and*

d) *the approximate dollar value of that percentage of work.*

Each Proposer shall provide all documentation required by the agency to demonstrate the Proposer's compliance with the good faith effort requirements prior to Contract Award. If a Proposer fails to provide supporting documentation (phone logs, fax transmittals, electronic mail, etc.) by the deadline specified by the agency, the Proposal shall be rejected for material failure to comply with Tex. Gov't Code §2161.252 (b).

We identified potential HUB subcontractors for each of these goods/services through a review of the Centralized Master Bidders List (CBML), the HUB Directory, and internet resources. We selected these relevant subcontracting categories:

- 560-54 Pallets and Skids: Metal, Plastic, Wood
- 640-25 Corrugated Boxes and Sheets, Including Fillers
- 645-64 Offset Paper, Including Recycled; 645-31 Card Stock, Including Recycled;
- 665-82 Shrink Film Packaging Equipment and Supplies
- 962-86 Transportation of Goods, Shipping and Handling, and Other Freight Services
- 966-61 Offset Printing, Large Production Runs (Quan. Over 100,000); 4 Color Process or Close Registration Required
- 640-43 - Packing Materials for Mailing and Shipping, Not Containers, 665-83 - Machine Stretch Film
- 961: Legal Services

We notified three (3) or more HUB/minority businesses in each of these subcontracting categories. Notification was in writing via email, consisting of a summary email and a Request for Quote document. These documents together set out essential information for preparing a response to Pollard Banknote, including:

- scope of work
- location of work
- information about insurance requirements
- contact person
- telephone/fax numbers and email address

Pollard Banknote provided notice with "reasonable" time for HUB/minority business vendors to respond. For the categories listed above, vendors received email notice on February 18, 2022. We provided a deadline of March 3, 2022 in all notifications, thereby providing more than seven (7) working days from receipt of notice for all vendors. Also, on February 18, 2022, Pollard Banknote notified two (2) minority/woman trade organizations by email, the Houston Minority Council – Southwest and Women's Business Council – Southwest, inviting them to notify member companies of the opportunity to bid, and offering a deadline of March 3, 2022, more than seven (7) working days.

In the binder marked **Historically Underutilized Business (HUB) Subcontracting Plan**, please find all documentation for our HSP, including documentation of our good-faith efforts to reach subcontractors and trade organizations in the aforementioned categories. Included in the binder is the completed HUB Subcontracting Plan form, Attachment C, Sections 1, 2, and 4, followed by outreach documentation grouped by work category. Each of the work categories (the subcontracting opportunities noted above) includes:

- Completed HSP Good Faith Effort—Method B (Attachment B, Sections B-1, B-2, B-3, and B-4) form for each subcontracting opportunity;
- Copies of emails sent to the vendor's listed email address, including the CMBL/HUB Vendor Detail and "commodity description" for each vendor;
- Copy of Pollard Banknote Request for Quote.

Matt Mitchell, Manager, Purchasing at Pollard Banknote, prepared our HSP documentation under the supervision of Carolyn Suggett, Director, Purchasing. **Section 4: Affirmation** of our HUB Subcontracting Plan has been signed by Doug Pollard, Co-Chief Executive Officer, an authorized representative of Pollard Banknote.

ONGOING EFFORTS

We enthusiastically support efforts to promote full and equal business opportunities for businesses in State contracting. We are pleased to have exceeded the target of 24.30%, which includes existing partnerships as well as a new HUB subcontractor partnership.

We are aware that, from time to time, the Texas Comptroller and/or the Texas Lottery may host conferences or fairs for the purpose of promoting Texas certified HUBs. We are very much interested in contacting businesses at such trade shows or symposiums for the purpose of meeting potential new suppliers who may offer competitive prices, new technologies/methodologies, or other business advantages. We view such meetings not only as an opportunity to supply the Texas Lottery under the current RFP, but to procure subcontracting for other contracts as well.

5.4.3. Proposer Intends to Subcontract

Proposers who intend to subcontract any portion of the Contract must indicate in the HSP form that they intend to subcontract, and must perform one of the three good faith effort methods identified below.

- *Method A (1): Using 100% HUB Subcontractors. Proposer will use only Texas-certified HUBs for all identified subcontracting opportunities.*
- *Method A (2): Meeting the Specified HUB Contract Goal. Proposer will meet the HUB contract goal by using only Texas-certified HUBs with whom the Proposer has contracted for five years or less.*
- *Method B: Good Faith Effort Outreach. Proposer will perform good faith effort outreach for each identified subcontracting opportunity by contacting at least three Texas-certified HUBs and two trade organizations or development centers that serve members of the HUB groups. Proposers using this method must perform the outreach even for areas where a Proposer has a pre-existing subcontracting relationship.*

PROPOSERS WHO INTEND TO SUBCONTRACT, AT A MINIMUM, MUSTUSE ONE OF THE METHODS OUTLINED ABOVE. FAILURE TO DO SO WILL RESULT IN DISQUALIFICATION.

Pollard Banknote has read, understands, and accepts the information included in this section of the RFP.

We have undertaken Method B: Good Faith Effort Outreach, with our approach detailed in the separate binders marked **Historically Underutilized Business (HUB) Subcontracting Plan**.

5.4.4. Proposer Does Not Intend to Subcontract

Proposers who intend to fulfill the entire Contract using only their own existing resources and employees, without subcontracting, should check the appropriate box in Section 2 of the HSP form and complete Sections 3 and 4 of the form. The Proposer must explain how all functions of the Contract will be performed without the use of Subcontractors and should refer to Section 3 of the HSP form.

Pollard Banknote has read, understands, and accepts the information included in this section of the RFP. Pollard Banknote is not intending to fulfill the entire Contract using only its own existing resources and employees, without subcontracting.

5.5. Subcontracting Opportunities

5.5.1.

The Texas Lottery has identified the following potential subcontracting opportunities under this RFP. Proposers intending to subcontract any work under this RFP must perform the good faith effort detailed in the HSP instructions and include a compliant HSP with the Proposal.

CLASS 560: MATERIAL HANDLING, CONVEYORS, STORAGE EQUIPMENT AND ACCESSORIES

Item Numbers and Commodity Descriptions:
560-54Pallets and Skids: Metal, Plastic, Wood

CLASS 640: PAPER AND PLASTIC PRODUCTS, DISPOSABLE

Item Numbers and Commodity Descriptions:
640-25Corrugated Boxes and Sheets, Including Fillers

CLASS 645: PAPER, FOR OFFICE AND PRINT SHOP USE

Item Numbers and Commodity Descriptions:
645-64Offset Paper, Including Recycled

CLASS 665: PLASTICS, RESINS, FIBERGLASS: CONSTRUCTION, FORMING, LAMINATING, AND MOLDING EQUIPMENT, ACCESSORIES, AND SUPPLIES

Item Numbers and Commodity Descriptions:
665-82Shrink Film Packaging Equipment and Supplies

CLASS 700: PRINTING PLANT EQUIPMENT AND SUPPLIES, EXCEPT PAPER

Item Numbers and Commodity Descriptions:
700-57Printing Accessories and Supplies, Including Electrostatic Types: Blankets, Chemicals, Gum, Inks, Mats, Negatives, Plates, Roller Covers, Rubber Rejuvenators, Sleeves, etc. (See 700-30 for Graphic Art Supplies)

CLASS 915: COMMUNICATIONS AND MEDIA RELATED SERVICES

Item Numbers and Commodity Descriptions:
915-48 Graphic Arts Services, Not Printing

CLASS 946: FINANCIAL SERVICES

Item Numbers and Commodity Descriptions:
946-20Audit Services946-31Certified Public Accountant (CPA) Services

CLASS 961: MISCELLANEOUS SERVICES, NO. 1 (NOT OTHERWISE CLASSIFIED

)Item Numbers and Commodity Descriptions:
961-49Legal Services, Attorneys961-50Legal Services Including Depositions and Expert Witness Testimony 961-53 Marketing Services (Inc. Distribution, Research, Sales Promotions, etc.) 961-78 Travel Agency Services (Inactive, please see commodity code 958-92 effective January 1, 2016)

CLASS 962: MISCELLANEOUS SERVICES, NO. 2 (NOT OTHERWISE CLASSIFIED)

Item Numbers and Commodity Descriptions:
962-69Personnel Services, Temporary962-86Transportation of Goods, Shipping and Handling, and Other Freight Services

CLASS 966: PRINTING AND TYPESETTING SERVICES

Item Numbers and Commodity Descriptions:
966-61Offset Printing, Large Production Runs (Quan. Over 100,000); 4 Color Process or Close Registration Required: Color Brochures, Maps, etc.

CLASS 971: REALPROPERTY RENTAL OR LEASE

Item Numbers and Commodity Descriptions:
971-45Office Space Rental or Lease

Pollard Banknote has read, understands, and appreciates the information included in this section of the RFP.

5.5.2.

The potential subcontracting opportunities listed above may or may not be areas that a Proposer would subcontract, depending on that Proposer's existing resources, employees, and business model. Further, Proposers are not limited to the list above, and may identify additional areas of subcontracting. Proposers who intend to subcontract are responsible for identifying all areas that will be subcontracted and shall submit a completed HSP demonstrating evidence of good faith effort in developing that plan.

Pollard Banknote has read, understands, and appreciates the information included in this section of the RFP.

5.5.3.

A list of HUB vendors registered with the CPA for the subcontracting opportunities identified above is included under the HUB/CMBL tab of this RFP. This list is provided as a resource to assist Proposers in preparing and submitting an HSP. The Texas Lottery Commission does not endorse, recommend or attest to the capabilities of any company or individual listed. Note that currently active certified HUBs will have a status code of "A." All other status codes indicate that a vendor is inactive or not a HUB.

Pollard Banknote has read, understands, and appreciates the information included in this section of the RFP.

5.5.4.

Please refer to the HUB/CMBL Directory Instructions and HUB Vendor Reference Lists under the HUB/CMBL tab of this RFP to locate potential HUB Subcontractors.

Pollard Banknote confirms that we have referred to the HUB/CMBL Directory Instructions and HUB Vendor Reference Lists under the HUB/CMBL tab of the RFP to locate potential HUB Subcontractors.

5.6. Post-Contract Award

5.6.1. Notification of Subcontractors

Following Contract Award, the Successful Proposer must provide notice to all subcontractors (HUBs and Non-HUBs) of their selection for the awarded Contract. The Successful Proposer is also required to provide a copy of each notice to the agency's HUB Coordinator for the Contract no later than ten (10) Working Days after the Contract is awarded. Proposers should refer to Section 4 of the HSP form for additional information about this requirement.

Pollard Banknote has read, understands, and will comply with the requirements included in this section of the RFP. Following Contract Award, we will provide notice to all subcontractors (HUBs and Non-HUBs) of our selection for the awarded Contract. We will also provide a copy of each notice to the agency's HUB Coordinator for the Contract no later than ten (10) Working Days after the Contract is awarded.

5.6.2. HSP Changes

Following Contract Award, any proposed changes to the HSP must be submitted, in writing, by the Successful Proposer to the Texas Lottery for prior review and must be approved by the Texas Lottery in writing before becoming effective under the Contract.

Pollard Banknote has read, understands, and will comply with the requirements included in this section of the RFP. Following Contract Award, we will submit any proposed changes to the HSP to the Texas Lottery for prior review and written approval by the Texas Lottery before it becomes effective under the Contract.

5.6.3. HSP Reporting

Following Contract Award, if the Successful Proposer is subcontracting, the Successful Proposer shall maintain business records documenting compliance with the HSP and shall submit a monthly compliance report in the format required by the Texas Lottery. The monthly compliance report shall be submitted to the Texas Lottery by the 10th of the following month or on the date requested by the agency's HUB Coordinator or his/her designee. The submission of the monthly compliance report is required as a condition of payment.

Pollard Banknote has read, understands, and will comply with the requirements included in this section of the RFP. Pollard Banknote currently provides the Texas Lottery with monthly compliance reports in the format required by the Texas Lottery. Upon contract award, we will continue to provide these reports.

This page intentionally left blank.

6. TEXAS LOTTERY'S OBJECTIVES, GOALS AND EXPECTATIONS

6.1. Overview

Part 6 of this RFP contains the Texas Lottery's objectives, goals and expectations for this procurement. Parts 7 and 8 comprise the Scope of Services for any Contract resulting from this RFP.

Pollard Banknote has read, understands, and appreciates the information detailed in this section of the RFP.

6.2. Texas Lottery Objective

The Texas Lottery's objective is to maximize revenue to the State of Texas through the selection of "industry best" games and those consistent with the Texas Lottery's current product mix and scratch ticket strategy. The Texas Lottery evaluates games based on a variety of criteria including, but not limited to, sales performance, ticket theme, play style, planned start date and overall fit within the overall scratch ticket portfolio and budget authority. Using these criteria and others, the Texas Lottery also includes branded, proprietary or licensed games which it believes present the best opportunity for maximizing ticket sales and generating revenue for the State.

Pollard Banknote understands, accepts, and appreciates the information provided in this section of the RFP.

Pollard Banknote is focused on creating outstanding games, which includes many innovations that have transformed the lottery industry. Throughout our more than 37 years in the scratch ticket business, we have brought some of the most revolutionary and revenue-generating product innovations to the industry, such as our Scratch FX® product line, our proven translucent marking system—the lottery industry's first and most successful—and Fusion™ innovations like PlayBook® and Double Play®. Some of these innovations, including Scratch FX®, Scratch FXtra™, and Clear Play™, to name a few, have helped drive the Texas Lottery scratch ticket sales over the years.

Games like the *X The Cash* family of games featuring stunning fluorescent (Neon) ink and our patented Scratch FX®; *Casino Millions*, with an eye-catching Scratch FXtra™ hologram; and *25 Days of Winning*, utilizing Pollard Banknote's patented Clear Play™ innovation, have contributed to record sales and returns to the State of Texas.

Over the next contract period, Brad Thompson and Jennifer Wankling will continue to support the Texas Lottery in its objective of bringing "industry best" games—consistent with the Texas Lottery's current product mix and scratch ticket strategy—to market. This includes helping the Texas Lottery identify the most cost-effective, reliable, market-oriented solutions that offer the best value to the State, and identify innovations that meet Texas Lottery requirements, maximize

revenue to the state of Texas, and are clearly within the statutory authority of the Texas Lottery.

Brad and Jennifer will always keep the Texas Lottery apprised with the latest innovations, industry trends, best practices, and winning strategies, as they have been doing during the tenure of the current contract. This is done during the Texas Lottery's Annual Game Planning session, which Brad and Jennifer attend each year, most recently in December of 2021. While attendance at recent Annual Game Planning sessions were virtual, we look forward to joining the Lottery in-person as COVID-19 restrictions allow. Should a new licensed game or innovation develop between Annual Game Planning sessions, Brad and Jennifer will book an ad-hoc meeting to present the information to the Texas Lottery.

In order to develop game recommendations to present to the Texas Lottery at the Annual Game Planning sessions, Brad and Jennifer start by gathering information about the Texas Lottery's specific goals and objectives for the coming fiscal year. They will then leverage Pollard Banknote's SMART® tool and industry insights available to identify game opportunities, winning strategies, and innovations best suited for the Texas Lottery. Based on our in-depth knowledge of the Texas market, we create then customized ticket art to be presented to the Texas Lottery at the Annual Game Planning session.

On the following pages, we have described our approach to innovation and our dedicated to creating industry-best games.

POLLARD BANKNOTE: A LEADER IN INNOVATION

Over its storied history, Pollard Banknote has forged a reputation as the lottery industry's top innovator. Pollard Banknote conceives and produces the newest, most sophisticated and most exciting revenue-generating lottery products that are enjoyed by scratch ticket players worldwide. The ability and inclination to innovate has been a part of the company's culture since it made its first foray into the scratch ticket business close to four decades ago and continues to be at the forefront of its approach to business. We believe the best innovations involve bringing together many different people from both Pollard Banknote and our lottery partners to solve a complex problem. We are proud that our customers continue to recognize our creativity and appreciate our willingness to think outside the box to help them grow their businesses.

Our clients value the innovative products and solutions we are able to offer them; in fact, at the World Lottery Summit 2018 in Buenos Aires, Argentina, two important Pollard Banknote clients acknowledged us by name when they won awards: Dave Loeb, the recently retired President of Western Canada Lottery Corporation (WCLC), upon receiving the WLA's Guy Simonis Lifetime Achievement Award, and Avi Levy, Scratch tickets Marketing Director, Mifal Hapais, upon receiving the Jean Jorgensen Merit Award for Innovation, a further testament to our positive, collaborative and successful approach to drive sales and revenue through innovation for our lottery customers.

Pollard Banknote innovations have received accolades from the broader print industry, having won several awards at Printing Industries of America (PIA) Premier Print Awards competitions. The PIA's annual Premier Print Awards—the world's most prominent international print competition—recognizes the leading print products in various categories. Among thousands of submissions, Pollard Banknote's innovations, including Clear Play™, Scratch FX®, and Scratch Tab™, have received top honors in various categories.

Pollard Banknote's proven innovations include our translucent marking system which has transformed game categories like Crossword and Bingo into core, high performing games that stand the test of time. Our Scratch FX® products have generated over $32 billion in global retail sales since they were first introduced in 2007; similarly, in total, approximately $1.9 billion in retail sales have been generated by the patented PlayBook® since its first launch. In addition, we continue to redefine scratch ticket products and services with new and exciting embodiments. These products break the mold of traditional tickets with a variety of value-added print features. Our innovation pipeline includes developing a suite of easily recognizable innovative printed products that align with characteristics that have been successful for us in the past; eye-catching, unique, and easy to understand.

Texas Lottery's 25 Days of Winning scratch game featuring Pollard Banknote's Clear Play™ innovation

From a retail perspective, we have refined our expertise in recent years with the goal of serving as a strategic consulting partner to our clients via our Retail Growth team. This team of seasoned industry experts focuses on retail enhancement and optimization, innovative retail-focused tools, including our in-lane ticket options, and a robust selection of sales-driving merchandising solutions from our Schafer Retail Solutions + (SRS+) portfolio, which combines innovative offerings from Schafer Systems and Schafer Systems (UK).

Beyond our print and retail innovations, Pollard Banknote has invested considerable effort into developing non-print products and services designed to help lotteries optimize sales, reinvigorate existing players, and attract new ones, thereby supporting the goal of broadening the player base by developing new channels. Our Space Between™ games reach a new demographic of smartphone and web users, who have played a total of more than 120 million games to date. Pollard Banknote acknowledges that the Texas Lottery is restricted from offering digital lottery products, however, if this should change in the future, we would be pleased to assist the Texas Lottery in successfully navigating this channel over the course of the contract.

Pollard Banknote's culture of innovation, borne out of our entrepreneurial spirit means that we are always ready to make the Texas Lottery's scratch ticket dreams a reality. Our reputation as the industry's innovation leader is demonstrated by numerous successful first-to-market products

that have impacted lottery as a whole. Our clients, including the Texas Lottery, rely on us to develop innovative new products that capture attention at retail and drive sales, and our robust, sophisticated approach to continued innovation ensures that we won't disappoint. This approach is detailed below.

The success of Pollard Banknote's products and services is a by-product of our close working relationship with our customers. It is through this collaboration that we are able to find the most meaningful and innovative solutions. We understand our customers' needs and business objectives and align our development efforts accordingly.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Pollard Banknote's Culture of Innovation

Over the past several years, Pollard Banknote has strengthened its already vibrant culture of innovation by purposefully infusing elements of Innovation Engineering into everything we do.

Our goal is to maintain a continuous cycle of innovation; in fact, at any given time at Pollard Banknote, you will find exciting new products at various stages of development. That means that we are consistently bringing new ideas to market – efficiently and successfully.

To drive our "innovation mindset", we have four formal groups in place that act as engines for our innovation activities:

1. **Product Innovation Team** — Putting Pollard Banknote's culture of innovation into practice, the Product Innovation team focuses on both print and digital products. The team is led by the Vice President, Product Innovation & Development, who is actively involved in three committees:
    - Executive Steering Committee: A subset of Executive members who meet monthly to discuss strategy, direction, and results.
    - Print Innovations Committee: A group that reviews interesting developments within the lottery and gaming industries and other consumer goods industries that can be applied to instant print products. This committee includes members from key technical and operational groups.
    - Digital Innovations Committee: A group specializing in the digital realm that includes members from various departments dedicated to the development and implementation of technology-intensive processes and products.
2. **Special Focus Workgroups** —Dedicated groups that work on bringing well-formulated product concepts to fruition. Many of these product concepts originate from ideation sessions.
3. **Innovation Engineering Project Teams** — Project-specific, cross-functional groups that work from a clearly defined objective, ideating product concepts that meet that objective.
4. **newPlay™ Games** – Our newest innovation-focused working group that focuses on exploring and creating new game play formats and features that lotteries could launch in place of, or as add-ons to, popular formats like match three, key number match, key symbol match, and others.

Pollard Banknote's innovation process to generate and refine ideas into profitable products and services for lotteries is a simple, but multi-phased progression. Ideas for innovations are solicited in many formal and informal exchanges with our clients, employees, and suppliers to encourage innovation via a multi-faceted process with the following elements:

Regular Ideation and Innovation Sessions — Participants from various departments meet to generate new ideas and build on others' partial ideas.

Ongoing Research and Inspiration — Consistent monitoring of the market: lottery, gaming, printing, and other impulse consumer goods industries, as well as monitoring technology, retail and future trends predictions.

Collaboration — Working with our suppliers and clients to explore outside ideas, technologies, and raw materials.

The underlying foundation of our approach to innovation is to enable each and every Pollard Banknote employee to innovate, regardless of their position, experience, or location. We believe that diversity is one of the most important factors for innovation success, which is why every employee is encouraged to communicate their ideas, make suggestions, and get involved in an innovation project.

Attendance at Conferences/Tradeshows

Another important way that Pollard Banknote actively stays apprised of trends in the lottery industry as well as related industries is through attendance at conferences and tradeshows. These include conferences hosted by lottery-specific organizations such as NASPL, La Fleur's, PGRI, EL, WLA, and APLA.

Pollard Banknote acknowledges that there are valuable learning opportunities from outside of the lottery industry. Pollard Banknote attends DRUPA, the largest international trade fair in the printing sphere that takes place in Germany every four years. For inspiration and information, we also attend conferences and tradeshows that focus on packaging and labelling innovations. Our attendance at these events exemplifies our commitment to incorporating state-of-the-art technologies and working towards continuously improving our printing platform.

In addition, Pollard Banknote has participated in the annual National Association of Convenience Stores (NACS) Southwest Fuel & Convenience Expo and GlobalShop—both opportunities to join industry thought leaders to gain insight into upcoming retail trends and evolving consumer behaviour.

As a result of the growing importance of digital offerings in the lottery realm, we are increasingly sending team members to premier internet gaming events such as the Global Interactive Gaming Summit and Expo (GiGse), ICE Totally Gaming, and the Game Developers Conference (GDC).

Pollard Banknote's Dedicated Account Services Team will share relevant information gleaned at conferences and seminars with Texas Lottery, particularly when the Texas Lottery is unable to attend.

Player-Driven Innovation

Lotteries are faced with a multitude of challenges that are unique to this industry; constant innovation remains the best way to generate new methods of engaging players and respond to an evolving retail landscape. That is why the player is at the forefront of every innovation activity

Pollard Banknote engages in. The retail customer is changing; in order to address their needs, the lottery industry must respond accordingly.

In today's competitive retail environment, we believe that three requirements must be met to lead to a customer purchase:

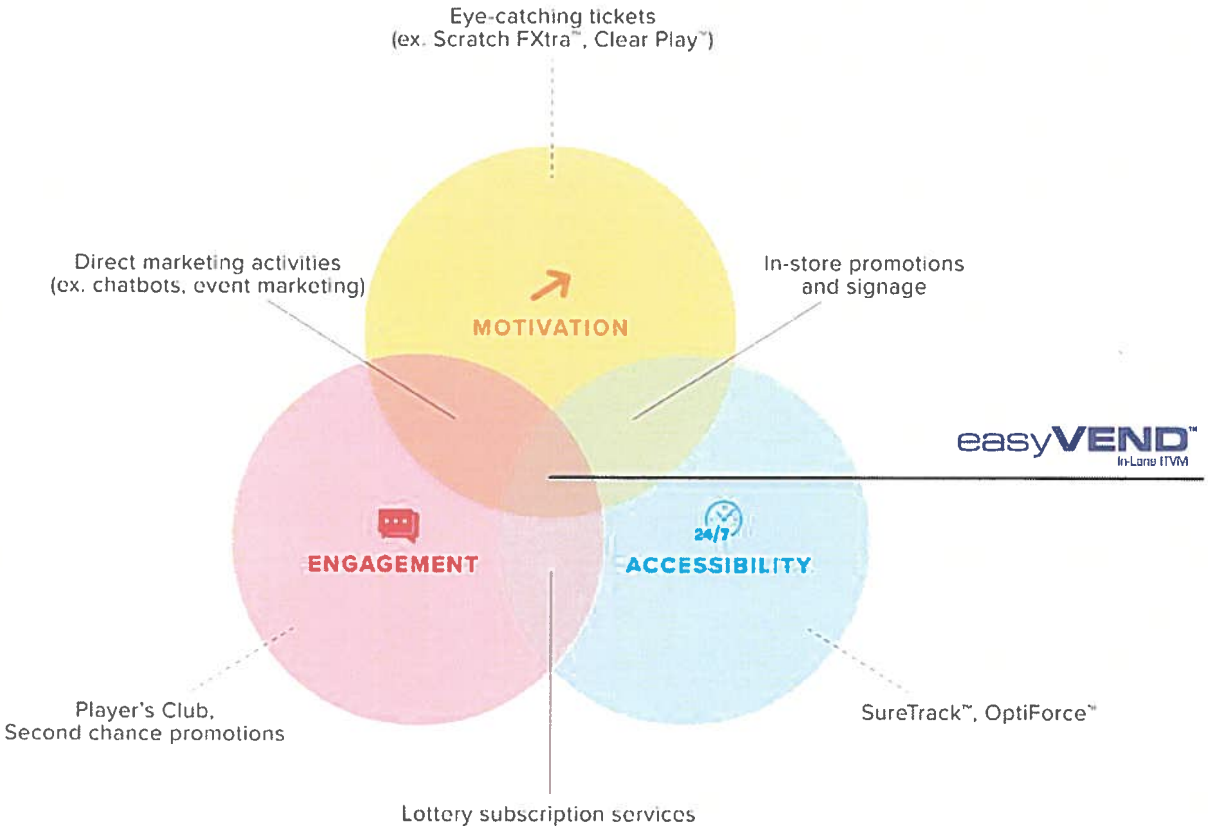
1. **Motivation:** A consumer is motivated by some sort of trigger in their environment. Potential triggers include eye-catching graphics, video content, or effective merchandising.

2. **Engagement:** Beyond the initial motivation, engagement with the consumer is needed to encourage initial and repeat purchases. Retaining interest is key and is made possible through well-designed games and prize structures, compelling digital add-ons, second chance opportunities, and players clubs.

3. **Accessibility:** Because of the impulse nature of instant game purchases, widespread availability of the lottery's products and convenience are critical for consumers. Retailer support is fostered through intuitive products, compelling POS effective merchandising methods and retailer incentives. Opening up new channels of distribution to match consumer shopping patterns is also critical.

Many of the most recent developments in our industry involve a blend of at least two of these three customer purchase requirements. Direct marketing, including the use of chatbots and event marketing activities, involves *motivation* and *engagement*, because the marketing activities serve as a trigger to the player, prompting them to interact with the lottery in new and exciting ways. In-store promotions and signage provide a trigger to *motivate* the player to make a purchase from the *available* selection of lottery products. A lottery subscription service involves *engagement* and *accessibility*, as the player actively subscribes to receive products from the lottery on a regular basis, and those products are delivered directly to the player's home or email account. When the Virginia Lottery launched its enhanced subscriptions service (eSubs) service with NeoPollard Interactive in 2015, it chose the "future-proof" electronic model over a traditional direct mail subscription service, recognizing its players' increasingly evident preference for online services.

We use the Venn diagram, pictured below, to assess our current product offerings and marketing activities against the three requirements. Where gaps occur, we work to develop focused solutions to include for consideration in our product development roadmap that will strengthen our lottery clients' offerings and/or approach. The discussion that results often drives final inclusion or not in our roadmap, ultimately shaping our innovation activities, as our clients share their challenges, successes, and vision with us.



Pollard Banknote's Innovation Methodology

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

6.3. Texas Lottery Goals and Expectations

6.3.1.

In working toward its objective to maximize revenue to the State of Texas through the selection of "industry best" games and those consistent with the Texas Lottery's current product mix and scratch ticket strategy, the Texas Lottery believes that utilizing multiple vendors for scratch ticket manufacturing and services promotes competition, optimizes vendor performance and enhances business resumption capabilities.

Pollard Banknote understands, accepts, and appreciates the information provided in this section of the RFP.

6.3.2.

The Texas Lottery desires to select multiple Successful Proposers that demonstrate superior technical quality and service and that offer competitive pricing.

Pollard Banknote understands, accepts, and appreciates the information provided in this section of the RFP.

6.3.3.

The Texas Lottery, through negotiations with all Apparent Successful Proposers, desires to establish common prices for the goods/services included in the Base Price and certain Specified Options as identified in the Sealed Cost Proposal (Attachment H).

Pollard Banknote understands, accepts, and appreciates the information provided in this section of the RFP.

6.3.4.

As an incentive to accept the common prices established by the Texas Lottery and at the agency's sole discretion, Successful Proposers may be offered an opportunity to produce a comparable number of games for a set period (as determined by the Texas Lottery in its sole discretion) following Contract Award. The Texas Lottery, in its sole discretion, will determine the quantity and volume of ticket production awarded to each Successful Proposer and expressly reserves the right to cancel or increase game orders consistent with the considerations in Sections 1.1.7 and 1.1.8, together with other factors including, but not limited to, technical quality and customer service; however, the Texas Lottery does not intend to establish comparability by price point, ticket size, print quantities and other similar factors.

Pollard Banknote understands, accepts, and appreciates the information provided in this section of the RFP.

6.3.5.

Any Proposer(s) that rejects the Texas Lottery's common prices still may be awarded a Contract in the Lottery's sole discretion, principally to allow the Texas Lottery to use the Proposer's proprietary printing process(es) and licensed game inventory –but is not assured a certain number of games.

Pollard Banknote understands, accepts, and appreciates the information provided in this section of the RFP.

6.4. Innovation and Creativity

6.4.1.

The Texas Lottery does not intend to limit the creativity of interested parties or preclude contracted vendors from bringing forward new products or product enhancements during the life of the Contract. The Texas Lottery continually evaluates operations to determine the most cost-effective, reliable, market-oriented solutions that offer the best value to the State, and to identify innovations that 1) meet Texas Lottery requirements, 2) maximize revenue to the state of Texas, and 3) are clearly within the statutory authority of the Texas Lottery. Throughout the Contract term, the Successful Proposer shall promptly notify the Texas Lottery of changes, service/product enhancements, new product offerings, and innovations that were not available at the time of Contract Award and not required under another Contract provision. The Texas Lottery makes no commitment to quantity or timing for acquisition or deployment of such changes, service/product enhancements, new product offerings, or innovations. However, should the Texas Lottery determine any such changes, service/product enhancements, new product offerings, or innovations are of potential value to the State(and meet the aforementioned criteria), the Texas Lottery and the Successful Proposer shall meet in good faith to mutually develop and agree on detailed specifications, prices, terms, and conditions for the deployment of such items, including incorporating any associated cost in the Base Price, if appropriate. All proposed innovations must be authorized by Texas law, and do not include video lottery, casino gaming, internet-based lottery sales, fantasy sports, or any other activities not authorized by law.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. We are always happy to share changes, product/service enhancements, and new product offerings that were not available at the time of Contract Award with the Texas Lottery.

7. SCRATCH TICKET GAME DEVELOPMENT

7.1. Staffing

At a minimum, the Successful Proposer must provide the positions required under Section 4.2 of this RFP for the Texas Lottery account. If any staff proposed under Section 4.2 change during the term of any Contract resulting from this RFP, the Successful Proposer shall replace such staff with staff comparable in experience and training. That replacement shall be made subject to the Texas Lottery's approval. The Successful Proposer shall provide the resume of the person who is proposed to be hired or placed on the Texas Lottery's Account Team and shall receive written approval from the Texas Lottery prior to the person working on the account.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. As detailed in our response to **4.2.**, we have assigned staff to each of the five required positions. Should any of our staff listed under **4.2.** change during the term of any Contract resulting from this RFP, Pollard Banknote will replace such staff with staff comparable in experience and training, subject to the Texas Lottery's approval. Pollard Banknote will provide the resume of the person who is proposed to be hired or placed on the Texas Lottery's Account Services Team, and will receive written approval from the Texas Lottery prior to the person working on the account.

7.2. Game Planning

7.2.1.

Game planning services support will be required of the Successful Proposer. The Successful Proposer shall work closely with the Texas Lottery to identify scratch ticket games that meet the criteria and requirements of the Texas Lottery. The Successful Proposer shall provide suggested game designs for inclusion in the plan. At a minimum, the Successful Proposer shall provide:

1) *Recommendations for each price point and theme, including the game name and play style, together with an album of representative tickets produced by the Successful Proposer. The recommendations should be made for tickets that are considered "industry best", have had positive responses in focus testing, have strong sales performance in other jurisdictions, and/or have indexed well in comparison with other games. Recommendations should be supported by trend and data analysis.*

2) *Game Development Services to include but not be limited to graphic design, game design, artwork, prize structures and play style.*

In addition, newly developed ticket design concepts without prior sales history may be presented to the Texas Lottery for consideration.

Pollard Banknote understands, accepts, and will comply with the requirement detailed in this section of the RFP. Pollard Banknote will continue to provide game development services support to the Texas Lottery, working closely with the Texas Lottery to identify scratch ticket games that meet its criteria and requirements.

At a minimum, Pollard Banknote will provide:

1) Recommendations for each price point and theme, including the game name and play style, together with an album of representative tickets considered "industry best", have had positive responses in focus testing, have strong sales performance in other jurisdictions, and have indexed well in comparison with other games. Recommendations will be supported by trend and data analysis.

2) Game Development Services will include, but not be limited to, graphic design, game design, artwork, prize structures, and play style.

Over the past two decades, we have participated in many Annual Game Planning sessions to support the Texas Lottery and its goals. During the next contract period, Brad Thompson and Jennifer Wankling will continue bringing "industry best" games—in addition to newly developed ticket design concepts without prior sales history—to the Texas Lottery at the Annual Game Planning session, which they most recently attended virtually in December 2021.

To come up with game recommendations for the Texas Lottery, Brad and Jennifer follow a Marketing Strategy Development Process that seamlessly melds into the Texas Lottery's overall process, with a focus on the Texas Lottery's game development and planning needs. Our process can be applied to any marketing deliverable for the Texas Lottery, including the preparation for Annual Game Planning sessions.

As described throughout our response, Brad and Jennifer have a deep understanding of the Texas market and have access to a plethora of industry information and insights. Leveraging this knowledge, they will start this process by gathering information about the Texas Lottery's specific goals and objectives for the upcoming fiscal year, followed by conducting an analysis of the Texas Lottery's situation to identify gaps and opportunities in order to bring forward a selection of "industry best" games and winning strategies, consistent with Texas Lottery's current product mix and scratch ticket strategy.

This process ensures all recommendations made by Brad and Jennifer meet the criteria and requirements of the Texas Lottery and maximize revenue for the state of Texas.

7.2.2.

The Texas Lottery works directly with the Texas Lottery Operations and Services vendor (currently IGT Texas) in the development of its comprehensive Scratch Ticket Game Plan. The comprehensive Scratch Ticket Game Plan will identify all elements of the games to be introduced, including the deadline to receive working papers, launch date, price point, top prize, theme, and print quantity. The Scratch Ticket Game Plan will be provided to the Successful Proposer and updated as deemed necessary by the Texas Lottery. The Texas Lottery shall make all final decisions regarding the selection and inclusion of scratch ticket games in the Game Plan.

Pollard Banknote has read, understands, and appreciates the information provided in this section of the RFP.

7.2.3.

At the request of the Texas Lottery, the Successful Proposer may be required to attend marketing planning meetings and commission meetings at the Texas Lottery headquarters or virtually.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. Over the course of previous contracts, Pollard Banknote representatives have typically visited the Texas Lottery headquarters two to three times per year for a variety of meetings, including those for game planning, focus groups, HUB and commission meetings. In more recent years, travel restrictions due to the COVID-19 pandemic have prevented our team from being at the Texas Lottery's headquarters in person, however we have been able to participate virtually. We look forward to continuing to attend and participate in meetings, virtually and/or in-person as restrictions allow, as required by the Texas Lottery.

7.3. Individual Scratch Ticket Game Development Schedule

7.3.1.

For those games within a Fiscal Year Scratch Ticket Game Plan, it is the expectation of the Texas Lottery that each Successful Proposer designated to produce their games will prepare and deliver draft working papers according to the deadline noted in the Scratch Ticket Game Plan for each game.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. For each Texas Lottery game designated to Pollard Banknote, we will prepare and deliver draft Game Specifications (Working Papers) according to the deadline noted in the Scratch Ticket Game Plan for each game. We have provided additional information about our Game Specifications (Working Papers) process below.

GAME SPECIFICATIONS (WORKING PAPERS)

Pollard Banknote's previous Game Specifications (Working Papers) process was tested and revised over the course of the thousands of games we printed over the past 37 years. This established process has worked well for us and has provided a strong base upon which to optimize our review process using our Enterprise Resource Planning (ERP) solution. ERP facilitates the integration of all internal information systems, instantaneously tracks manufacturing processes, ensures single source data input, and allows for a real-time picture of the manufacturing process and complex reporting.

Erika Kasper, Account Executive, will create draft Game Specifications (Working Papers) by entering all relevant information into the ERP. In addition to the ticket design (wireframe, front covered and uncovered, back, and sample ticket back) and prize structure, this document precisely communicates product quality requirements, play format, along with post-manufacturing requirements and deliverables for both the Texas Lottery and our Manufacturing group.

As a means of quality control, manufacturing of the Texas Lottery's games will not commence until the Game Specifications (Working Papers) have been officially signed-off by the Texas Lottery.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

This page intentionally left blank.

Erika Kasper will discuss each change with all relevant SMEs. If a SME foresees potential issues with the change, Erika will communicate the SME's concerns or questions to the Texas Lottery. Once the relevant Pollard Banknote SMEs and the Texas Lottery have both approved the change, Erika will make the change in ERP and highlight the change. Again, the internal SMEs must sign-off on the change. The Texas Lottery will then receive revised Game Specifications (Working Papers) for review and approval. Once the Texas Lottery has approved the revised Game Specifications (Working Papers), the document is marked as "Executed."

Once approved by the Texas Lottery, Pollard Banknote will upload a PDF of the executed Game Specifications (Working Papers) to the Texas Lottery's Scratch Working Paper Automation Program (SWAP).

7.3.2.

Upon request, each Successful Proposer shall provide the total estimated cost for their games listed in the Scratch Ticket Game Plan.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. Upon request, Pollard Banknote will provide the total estimated cost for our games listed in the Scratch Ticket Game Plan.

7.3.3.

Upon request, each Successful Proposer shall provide draft artwork and prize structure for games not included in the Scratch Ticket Game Plan to the Texas Lottery within five (5) Working Days from the request. These games may subsequently be added to the Scratch Ticket Game Plan and will follow the required deadlines in the Scratch Ticket Game Plan.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. Upon request, Pollard Banknote will provide draft artwork and prize structure for games not included in the Scratch Ticket Game Plan to the Texas Lottery within five working days from the request. We understand that these games may subsequently be added to the Scratch Ticket Game Plan and will follow the required deadlines in the Scratch Ticket Game Plan.

7.3.4.

The Texas Lottery must review and approve all artwork (scratch ticket and pack insert) and prize structures prior to the Successful Proposer providing draft working papers to the Texas Lottery.

Pollard Banknote will ensure that prior to providing draft Game Specifications (Working Papers) to the Texas Lottery, the Texas Lottery will review and approve all artwork and prize structures.

Please refer to **Stage 2: Game Design and Development** within **Appendix 3: Manufacturing at Pollard Banknote** for additional information on our processes related to artwork development

and reviews. For the Evaluation Committee's consideration, we have provided supplementary information on Pollard Banknote's process for developing prize structures.

PRIZE STRUCTURES

Pollard Banknote has all of the resources on hand to develop the prize structures required by the Texas Lottery.

When it comes to developing a prize structure for the Texas Lottery, Pollard Banknote will always recommend the best possible prize structures to maximize instant game sales and net revenue. From the market research Pollard Banknote has conducted within Maryland and other jurisdictions, we've learned that players generally consider a winning experience to be five to ten times the scratch ticket's price. This is important information to consider when building prize structures to emphasize memorable prizes in order to maximize the likelihood of player "chatter" or "bragging" about winning. Players who have a winning experience are much more likely to play that game again in the future and broadcast their excitement to friends and family.

As required, we will guarantee that each pack of tickets is produced based on randomization of all prizes. Pollard Banknote will also propose the various levels of prizes and the combination of wins available in the game, the probability of winning prizes, the numbers of winners, and the cost of such prizes.

Additionally, while we will put forward winning strategies each and every time within our proposed prize structure, the Texas Lottery will always have the opportunity to make changes, if required. Our very detailed Game Specifications (Working Papers) process ensures that we only produce the game according to the prize structure that has been approved by the Texas Lottery.

Prize Structure Development

Pollard Banknote has vast expertise in developing prize structures for our clients. Our Dedicated Account Services Team will ensure internal analysis and review of any such prize structure before it is sent to Texas Lottery for approval.

The responsibility for writing this innovative software—and the related verification software—resides with the talented programmers in our Game Generation group. Our programmers have acquired enviable skill sets generating the variable data that goes into hundreds of games and billions of tickets year after year.

Our meticulous attention to detail and expertise in understanding playability has resulted in an approach to game programming that is unmatched in the industry.

Part of our commitment means ensuring that an effective non-winning experience is part of the programming, so that game outcomes enhance/extend the player's experience. We know the "near-win" feeling creates excitement and coffee-break chatter of the prize that almost was.

Together with some of our customers, Pollard Banknote has developed a methodology that addresses the use and placement of prize amounts and play symbols—and strictly controls the placement of these symbols to ensure that the player senses a winning experience as often as possible. This brings a new sophistication to the playability of the game.

During creation of game data, validation software is executed to produce a prize structure summary stating the number of winners in each prize level. The prize structure summary ensures the end of production prize structure is accurately stated. This is then verified against the prize structure provided in the Game Specifications (Working Papers). Pollard Banknote's random prize distribution software has been utilized under various prize structure configurations for thousands of games for dozens of clients around the world.

Pollard Banknote has a six-step process for generating and producing the prize structure for a scratch ticket that ensures the randomization of game data, control of prize payout, and ease of winning ticket validation. Details about this process can be found in our response to **8.6. Randomization**.

The narrative below describes in detail aspects of the prize structure review capabilities we offer and regularly perform for our lottery clients.

Prize Structure Review

An often-overlooked area of opportunity, prize structures are typically reused (or slightly tweaked) for new games at the same price point by many lotteries. Pollard Banknote believes that optimizing prize structures to create as many memorable prizes—prizes that motivate winners to tell their friends and family members—will make instant scratch games more entertaining for players and ultimately generate more sales and revenues.

Pollard Banknote's Insights & Analytics team has a wealth of combined experience analysing lottery prize structures to ensure games are optimized to drive sales and provide an exciting experience for players. Upon Contract award, we will analyze the Texas Lottery's prize structures, compare them to those of top performing lotteries, and provide recommendations supported by data.

We will leverage our internal SMART® Prize Structure Analysis Tool which serves as the best tool in the industry to examine and compare prize structures between games. Combining this tool with our experience conducting in-depth prize structure reviews for lotteries around the world makes us an ideal partner to provide prize structure analysis for the Texas Lottery.

Our prize structure tool contains thousands of prize structures from across the world, allowing our team to quickly compare prize structure distributions to see information such as, how a lottery's prize structures have changed over time, how the lottery compares to other jurisdictions, and how games of a similar game type (e.g., a Crossword game) compare to the same type in other jurisdictions.

Once we have gathered enough information to understand a lottery's unique situation and any constraints, we are able to use this information, combined with the findings of our prize structure tool, to recommend strategies to optimize the prize structure. We work closely with lotteries to identify their situation and discuss which recommendations can be implemented.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

7.3.5.

The Successful Proposer shall provide accurate and complete draft working papers that are free of errors for the Texas Lottery's review. The Texas Lottery conducts a thorough review of draft working papers. This may result in multiple rounds of review and requested changes. When the Texas Lottery has completed a review and provided requested changes, the Successful Proposer must provide the next version of working papers to the Texas Lottery within two (2) Working Days. If the Successful Proposer believes that any of the Texas Lottery's requested changes would not be beneficial or appropriate, the Successful Proposer must contact the Texas Lottery to discuss the concern. The Successful Proposer must deliver tickets to the Texas Lottery's warehouse no later than the delivery date specified in the final executed working papers.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. Pollard Banknote will provide accurate and complete draft Game Specifications (Working Papers) that are free of errors for the Texas Lottery's review, and understands that due to the Texas Lottery's thorough review of draft Game Specifications (Working Papers), multiple rounds of requested changes may result. Once the Texas Lottery has completed the review and has provided requested changes, Pollard Banknote will provide final Game Specifications (Working Papers) to the Texas Lottery within two (2) working days. We confirm that if any of the Texas Lottery's requested changes would not be beneficial or appropriate, we will contact the Texas Lottery to discuss the concern. Further, we will deliver tickets to the Texas Lottery's warehouse no later than the delivery date specified in the final executed Game Specifications (Working Papers).

7.3.6.

Post Executed Changes. Any changes to the final executed working papers must be in writing and approved by the Executive Director or his designee. Post executed changes must be executed by the Texas Lottery Executive Director or his designee prior to production of the game.

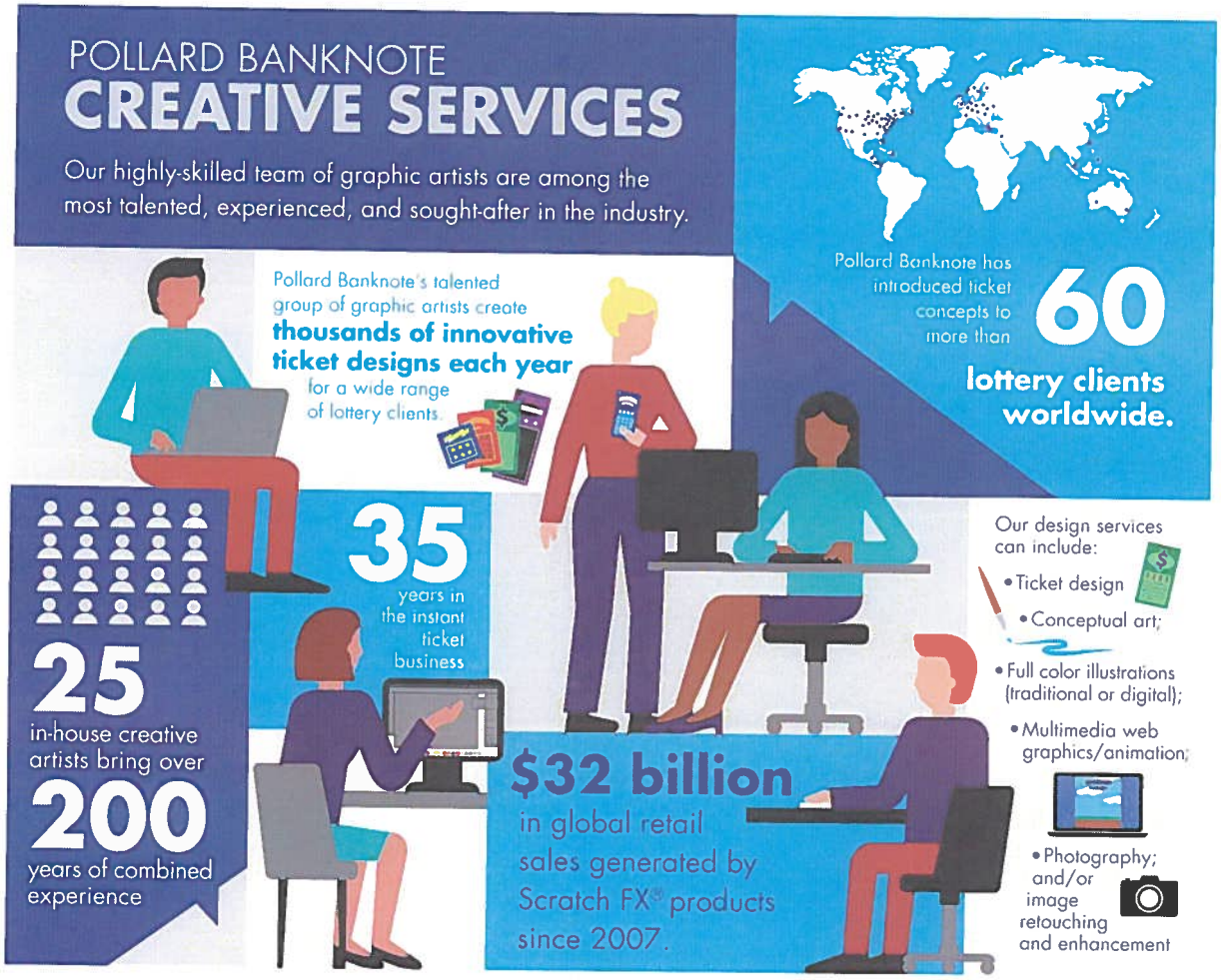
Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. Pollard Banknote will ensure that any changes to the final executed Game Specifications (Working Papers) will be done in writing and will be submitted to the Texas Lottery for approved by the Executive Director or designee. Further, any post executed changes which affect ticket production will be executed by the Texas Lottery Executive Director or designee prior to production of the game.

7.4. Creative Game Design

The Successful Proposer shall provide creative game and graphic design of scratch ticket games including mechanical artwork and specifications of the game ticket layout consistent with Texas Lottery security requirements and methods.

Pollard Banknote will provide creative game and graphic design of scratch ticket games, including mechanical artwork and specifications of the game ticket layout consistent with the Texas Lottery security requirement and methods. On the following pages, we have provided a detailed narrative on our creative design services. In addition, please refer to **Stage 2: Game Design and Development** in **Appendix 3: Manufacturing at Pollard Banknote** for more information on our game design process.

CREATIVE DESIGN OF LOTTERY GAMES



Pollard Banknote's environment of creativity and imagination fosters the development of fresh and unique ideas, methods, and products. These concepts are then fully realized by leveraging industry knowledge, ticket and market analysis, and learnings from our longstanding relationships with our clients. This all coalesces in the creation of visually stunning, sales-driving scratch ticket designs for our lottery clients.

Not only do we have the resources, capability, and capacity to design and develop new games for the Texas Lottery, our highly-skilled team of graphic artists are among the most talented, experienced, and sought-after in the industry. Whether design ideas are original, based on past market successes, or guided by the Texas Lottery, Pollard Banknote presents fully realized concepts that are developed to enhance the Texas Lottery's existing marketing mix.

To complement our team of graphic artists, we also employ a group specifically dedicated to the ongoing development of new products and innovations. This team is comprised of some of the most seasoned and knowledgeable professionals in the lottery industry and are responsible for many of Pollard Banknote's most successful offerings. They are a testament to our continued commitment to bring new ideas to market and hone our innovation processes to ensure we offer our clients the industry's best products.

Pollard Banknote has proven its ability to introduce creative and innovative ticket concepts to our more than 60 lottery clients worldwide. We approach design and innovation with the goal of broadening playership and growing revenue for good causes. Our industry-leading products can be seen at lottery counters worldwide, each focused on offering value-add features and maximizing engagement for players that translates into incremental sales for our clients. Throughout our nearly 40 years in the scratch ticket business, we have brought some of the most important, revenue-generating product innovations to the industry; from our translucent marking system to Scratch FX®, and range of Fusion™ products.

For instance, many lotteries have achieved unbelievable success using our patented Scratch FX® process. Pollard Banknote's Scratch FX® products have generated over $32 billion in global retail sales since they were first introduced in 2007. To date, 51 lotteries worldwide have launched more than 1,300 Scratch FX® offerings, with Pollard Banknote producing additional games each and every month. Initial launches of Scratch FX® games have sold 41% higher than average games at the same price point.

Similarly, in total, approximately $1.9 billion in retail sales has been generated by the patented Pollard PlayBook® since its first launch. To date, 77 PlayBook® games have been launched in 26 jurisdictions around the world, including in Texas, New York, and California. The added play value of PlayBook® has helped these lotteries increase contributions for good causes, with first-time PlayBook® launches generating 61% higher-than-average sales compared to other games at the same price point.

For the Evaluation Committee's review, we have provided a selection of some of Pollard Banknote's most creative scratch ticket designs featuring a range of product innovations, themes, and play styles in our **Instant Inspiration** ticket and design portfolio.

Strong & Experienced Team

A self-contained and highly skilled department of over 90 Game Management & Design professionals, including both graphic artists and technical artists, at our Winnipeg headquarters (with additional Game Management & Design staff at our other facilities) provides full creative design and technical art services. This Game Management & Design team works closely together in an open environment that encourages communication and interaction.

Creative Services

Pollard Banknote's 25 in-house creative artists combined bring over 200 years of experience to our clients. Our artists are responsible for the creation of the Texas Lottery's scratch ticket designs and illustrations and work closely with technical members of our Game Management & Design department on the development of new themes and games, as well as provide consultation services to the marketing team and clients.

Leading this team is Dean Van De Walle, Director, Creative Art. With over 25 years of graphic design experience, Dean's expertise drives the creative direction of design concepts, ensuring high quality new game concepts, as well as efficiency and accuracy. He fulfills a role similar to that of an art director at an ad agency. Dean works closely with the Sales & Marketing department and Innovations team to develop new game themes and concepts that are both visually pleasing and sales generating. He then ensures that new designs are brought to life in stunning detail by his team of creative artists.

Our artists' formal training and years of "world" experience bring an array of expertise and talent to our clients. Our team ranges from those that have worked in the industry for decades with unmatched expertise to those that are newer to the world of scratch tickets, bringing with them a fresh perspective to elevate our ideas and designs even further. To give the Texas Lottery an idea of the breadth and depth of experience that it will benefit from in working with Pollard Banknote's creative team, we have provided additional detail on a select few of our artists below.

With one of our most experienced artists, Sandra Newransky, assigned to the Texas Lottery Dedicated Account Services Team, the Texas Lottery has access to incredible breadth and depth of experience. For more information on Dean and Sandra, please refer to **4.2.2**.

Sandra Newransky, Creative Artist

Sandra Newransky, Creative Artist, and an almost 30-year veteran at Pollard Banknote, studied design at the University of Valparaíso, Chile. After moving to Canada, Sandra enrolled at Red River College in the Advertising Art program.

Sandra has produced a variety of scratch tickets, folded cards, laminated products, and licensed games for customers all over the world. She works closely with technical members of our Game Management & Design department on the development of new themes and games, and provides consultation service to the marketing team and clients.

Pierre Lavoie, Creative Artist

Another seasoned Creative Artist, Pierre Lavoie, has been with Pollard Banknote for over 30 years. Pierre received a Bachelor of Arts degree from Saint-Boniface College and graduated with honors from Red River College's Graphic Design program.

As a Senior Graphic Artist, Pierre offers decades of experience in lottery scratch ticket design. His vision, initiative, and extensive history collaborating with numerous lotteries combine to make him ideally suited to represent Pollard Banknote's artistic and creative efforts.

He later returned to Red River to teach graphic design software and a variety of related courses. Pierre was also entrusted with creating a five-week "Basics in Mac" course developed specifically to serve as a prerequisite for all their graphic design computer software courses. Pierre has been involved in new product development and innovation, and as a senior artist, he serves as a special consultant for ticket design and product innovation.

Tess Vincent, Creative Artist, is a talented and established artist who has produced original, eye-catching designs for a variety of lottery products. With over 12 years of design experience and a Bachelor of Fine Arts (Hons.) degree from the University of Manitoba, Tess manages scratch ticket artwork development for a number of Pollard Banknote's lottery partners around the world.

Tess works closely with our Sales & Marketing and Digital Engagement teams and plays a critical in role in bringing Pollard Banknote's brand to life. Accordingly, Tess consistently delivers high-quality, attention-grabbing designs for a variety of marketing projects, including assets in support of our company's appearances at trade shows, as well as managing digital content for Pollard Banknote's corporate web presence.

As part of Pollard Banknote's in-house Creative Services team for over 11 years, Marie Devaney has worked with numerous lotteries to deliver both eye-catching scratch ticket designs and engaging digital content. Leveraging her extensive background in illustration and motion graphics, she plays a pivotal role working alongside our Innovations group to bring the latest concepts in ticket design to life, such as Pollard Banknote's Scratch FXtra™ print innovation.

Most recently, Marie has collaborated with a number of Pollard Banknote's lottery partners to deliver engaging digital content across all delivery formats. For example, she has worked closely with our Digital Engagement team to create compelling promotional content in support our player loyalty solutions in Vermont and Kansas. She has also designed engaging digital games for several lotteries, including *Holiday Treasures* for the Western Canada Lottery Corporation and *Wild Time* for the Michigan Lottery.

Another one of our talented Creative Artists, Russel Gomez offers over nine years of Graphic Design experience and specializes in creating engaging digital experiences for our lottery partners, including 2D and 3D graphic design, exciting interactive gameplay, and alluring content for Pollard Banknote's player loyalty solutions. During his tenure at Pollard Banknote, Russel has worked on a wide range of digital initiatives, including the redesign of the Kansas Lottery's PlayOn® loyalty club website, as well as digital games for the Arizona Lottery and North Carolina Education Lottery (NCEL).

As a graduate of Red River College's Digital Media Design in 3D Animation program, Russel offers many years of experience as a freelance concept artist and illustrator for independent game companies, which he draws on to bring fresh ideas and perspectives to all his digital projects.

Each of our creative artists brings individual talents and creativity to his/her position that helps ensure designs remain fresh and market-appropriate. We achieve the best creative approaches to ticket design by bringing the 'outside' into Pollard Banknote through application of current design trends to the lottery space and by fostering a positive and collaborative work environment.

Our Approach to Creative Design

At Pollard Banknote, we appreciate that scratch tickets are predominantly an impulse item. They must catch the eye of frequent and potential players and a ticket's graphics greatly influence the impulse purchase pattern. We take great pride in often being acknowledged as offering the most striking designs available in the industry and will make every effort to provide the Texas Lottery's players with engaging, stylish designs that quickly capture and hold their attention.

Pollard Banknote fully understands how the creative and visual design aspects of a game must integrate with security standards and the technical requirements of our printing processes to create a successful, impactful and attention grabbing scratch ticket. Honed over the production of thousands of games and billions of tickets, our game design and development workflow is well established.

Pollard Banknote's talented group of graphic artists create thousands of innovative and aesthetically appealing ticket designs each year for a wide range of lottery clients. These range from original designs for live tickets, art for focus group sessions, instant game support materials, and designs for research and development initiatives.

Our artists begin any ticket design with a strong understanding of graphic design, printing and marketing principles, familiarity with the conventions of effective lottery tickets and the willingness to try new ideas. Both our marketing representatives and artists are well aware that each lottery jurisdiction is unique and always strive to understand the intricacies of each client. Drawing on this knowledge, we propose designs that incorporate uniquely local preferences, from color choices to game themes. Appropriate design choices, of course, can be informed by focus group artwork, collaboration with the Texas Lottery's marketing staff, and any relevant insights gained through game-planning activities. We consider the design process as an iterative one, and our clients speak highly of our ability to quickly and efficiently develop art that suits their market.

In any arrangement, our design services can include:

- Conceptual art,
- Ticket design;
- Full color illustrations (traditional or digital);
- Multimedia web graphics/animation;
- Digital photography;

- Stock photography; and/or
- Image retouching and enhancement

The Texas Lottery's Dedicated Account Services Team will also utilize our proprietary data mining tool, SMART®, which tracks the sales information and attributes of over 42,000 games, 39,000 ticket images, and over five million data points from lotteries to recommend high performing games from other jurisdictions that may appeal to the Texas market. Please see section **4.1.6.** for more detail on SMART®.

In short, Pollard Banknote will work closely with the Texas Lottery to transform our ticket concepts into successful instant games in the Texas Market.

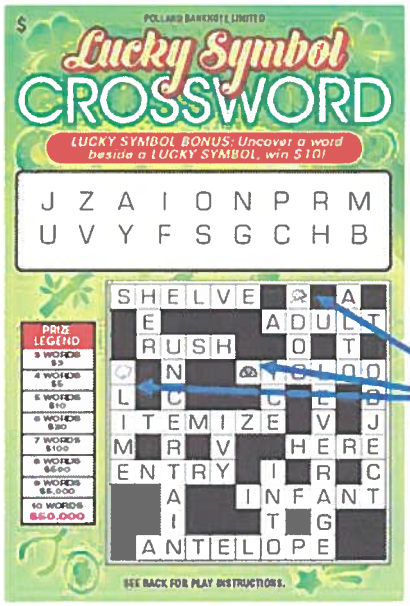
For more detailed information on our game design and development processes, please see **Stage 2: Game Design and Development** in **Appendix 3: Manufacturing at Pollard Banknote.**

Diverse Themes and Entertaining Play Styles

At Pollard Banknote, we understand that new and unique play styles are a great way to infuse diversity into a scratch ticket portfolio to keep players excited and engaged with a Lottery's offerings. Pollard Banknote is able to deliver a broad range of themes and play styles. Our portfolio of games covers popular scratch ticket themes, such as gems, metals/gold, cash, casino/gaming, numbers, whimsical, sports, and seasonal. We offer play styles that range from simple, such as reveal the symbol and key number matches, to complex extended play games and games with multiple play areas. Frogger is an example of a complicated, yet familiar play style that mimics the video game.

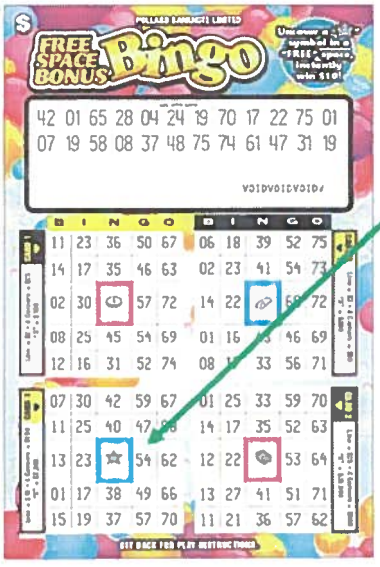
In addition, with a mission to regularly create new play formats for scratch games that are easy for players to understand and fun to play, we assembled a cross-functional group of employees, led by a member of our innovation team to introduce our new portfolio of newPLAY™ games. Utilizing our internal innovations methods to develop new play concepts, this team considers not only industry trends and player preferences, but also wider external factors, including trends in other industries, the world of entertainment, developments in consumer packaged goods, and a multitude of other influences. The team meets several times annually, producing numerous new concepts each year that are then refined and tested before reaching the market. Below, we have provided a small sample of concepts we have developed for Crossword, Bingo and other extended play styles. We would be pleased to show more of these concepts with the Texas Lottery upon request.

Lucky Symbol Crossword



Uncover a word beside a lucky symbol, win $10!

Free Space Bingo



Uncover a "STAR" symbol in a "FREE" space, instantly win $10

High Striker

Reveal both NUMBERS in the same LEVEL, win the corresponding prize

Pollard Banknote's ongoing dedication to providing players with unique and engaging play formats is further evidenced in the development of its Space Between™ channel—a market that exists between brick-and-mortar retail activity and the purchase of lottery products over the internet. These products that break the mold of traditional tickets with value-added, web-based and mobile social media elements that are sure to reinvigorate existing players and entice new players. Please refer to **8.35.** under the heading **Digital Innovation** for more information on our range of Space Between™ offerings.

Unique Game Symbols

Play symbols and fonts are a design element of any scratch ticket. To ensure maximum player satisfaction, it is paramount that the game play area and related play symbols match the expectations created by the ticket graphics. This often calls for very creative and unique play symbols. Please refer to **8.3.6.** under the heading **Game Symbols** for more information on our game symbols and font generation.

Scratch tickets in All Shapes and Sizes

Pollard Banknote is capable of printing ticket sizes to practically any specification desired by the Texas Lottery. We have printed scratch tickets as small as small as 2" x 2.05" and as large as 8" x 24".

For over 20 years Pollard Banknote has led the industry in the quantity of large format games produced. For samples and additional information on all of our large format ticket concepts ideas,

including PlayBook®, Big Ticket, and Jumbo Pop 'n' Play™, please see our **Instant Inspiration** ticket and design portfolio.

Pollard Banknote was the first printer with the capability to print a wide variety of die-cut shapes, and we're still the leader today in the variety and complexity of shapes available. Through considerable research and development efforts and experience, we've mastered the technology necessary to produce sophisticated die-cut shapes that are highly vendible and compatible with each client's dispensers and ITVMs.

Capitalizing on Design Trends

Artists at Pollard Banknote readily absorb influences of fine art and commercial art, popular culture, and any other visual sources that might spark innovative ticket ideas and result in visually stunning products.

In particular, we understand that in order to respond to consumers' ever-increasing demand for innovative scratch ticket designs, we must stay ahead of the curve by keeping abreast of the latest trends in and outside of the lottery industry. This includes consumer goods packaging, product branding and overall design trends that can be leveraged to help our clients meet ever-changing preferences and expectations and give current and potential players exciting products that they'll be instantly drawn to.

Pollard Banknote's creative artists have drawn inspiration from a number of trends in recent years to develop products that enhance lotteries' scratch ticket portfolios. For example, we have observed that one of the most enticing ways to make product move from the display to the consumers' hands is through the allure of premium packaging such as the vibrant sheen of precious metals like silver and gold, or a lush contrasting finish. Pollard Banknote products such as Scratch FX® and Gloss FX™ effectively fill this demand in the scratch ticket market by adorning tickets with a glitzy sparkle and shine or a luxurious combination of gloss and matte varnish.

Inspiration: Handcrafted Goods

In a world full of mass-produced consumer goods, many people are seeking products that are handcrafted and made in limited quantities, or at least give this impression. Pollard Banknote's Eco Scratch ReNew™ paper stock was launched as a way to bring the unique, personalized feeling of this trend to scratch ticket portfolios. Eco Scratch ReNew™ recreates that classic brown kraft paper look consumers have come to love. This unique look resonates across demographics and lotteries report that consumers are instinctively drawn to the whimsical, handmade designs.

Iowa Lottery's Holiday Season Bingo and Western Canada Lottery Corporation's Lucky Loot

Inspiration: Simplicity

Minnesota Lottery's 7 Series and Honey Money

Retail customers are constantly surrounded by the noise and clutter of flashy ads and competing messages. Simplicity, by contrast, comes off as honest and sincere, and is a breath of fresh air for consumers. Recent trends in simplicity include limited shapes and colors which are carefully chosen to clearly convey an essential message. Pollard Banknote tickets featuring clean, uncluttered designs appeal to players overwhelmed by information and choice. Sleek, sophisticated designs pop with gloss/matte contrast, or against a rustic vintage brown paper stock.

Inspiration: Nostalgia

It is undeniable that what is old is new again. Nostalgia is trending. Triggering consumers' desire for nostalgia has become an increasingly popular approach that spans industries; it is used in design to create a positive association by appealing to customers with emotion and sentimentality. As such, Pollard Banknote has worked with video game licensors to create scratch tickets branded with beloved retro names like Frogger, Tetris® and PAC-MAN®, and most recently, GALAGA™. Tickets that can also be further enhanced with the use of retro neon inks, and vintage designs.

Virginia Lottery's PAC-MAN™ and Idaho Lottery's Frogger

Inspiration: Modern Pastel

Our most recent design inspiration is making a big splash—from home décor to automotive, from graphics and new media design to fashion, pastels are HOT! Design trend-watchers around the world are taking note of the emerging popularity of a modern pastel palette. Cool pastel colors offer a fresh and sophisticated look that stands out in the retail environment. Pollard Banknote's design and innovations team recognized the potential of pastels for the scratch tickets market and created concept art to wow lottery players. Their designs range from ice cream sweet to high-octane edgy and pair perfectly with our patented Scratch FX® for an extra pop of visual impact. We've included samples from our new Pure Pastel line in our **Instant Inspiration** ticket portfolio, which accompanied our Proposal.

The pastel trend in fashion, home products, and packaged goods

Pollard Banknote's new line of Pure Pastel scratch tickets, paired with Scratch FX®

As these examples demonstrate, we constantly strive to ensure we explore every opportunity to bring lotteries products and designs that will resonate with players based on successes from within the industry and beyond.

7.5. Graphic Capabilities & Data Transfer

7.5.1.

To provide for timely graphic design and approval of artwork, it is necessary for the Successful Proposer to maintain compatibility and efficient communication with the Texas Lottery. The Successful Proposer shall be required to archive the final artwork for each scratch ticket game for the duration of the Contract.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. To provide for timely graphic design and approval of artwork, Pollard Banknote will maintain compatibility and efficient communication with the Texas Lottery throughout the contract. We will continue to archive the final artwork for each scratch ticket game for the duration of the Contract.

7.5.2.

The Successful Proposer must either use compatible software or provide software to transmit data, to the Texas Lottery's specifications, to exchange artwork files and other files with the Texas Lottery. The cost to acquire or upgrade the application software shall be the responsibility of the Successful Proposer and shall not be included in the Proposal. The Successful Proposer must utilize the Texas Lottery's Scratch Workflow Automation Program (SWAP) to securely transmit working paper versions and issues. The Successful Proposer will be provided with technical specifications and access for SWAP.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. As a Successful Proposer, Pollard Banknote will continue to use compatible software as per the Texas Lottery's specifications, to exchange artwork files and other files with the Texas Lottery. We confirm we will also continue to utilize the Texas Lottery's Scratch Working Paper Automation Program (SWAP) to securely transmit Game Specifications (Working Papers) versions and comments.

7.6. Artwork

7.6.1.

Upon execution of the final working papers for each game, the Successful Proposer must provide color artwork in electronic format including an unscratched version of the ticket, a scratched version of the ticket revealing a top prize winning combination of play symbols, and the back of the ticket which includes the UPC code, and all other elements specified in the final working papers and/or approved Customer Specifications Document. This artwork must be provided within three (3) Working Days of the execution of the final working papers. Artwork must be provided in an Adobe Illustrator file with all font information converted to outline, and linked files provided in a Photoshop TIF file.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. Pollard Banknote confirms that upon execution of each game, we will provide color artwork in electronic format including an unscratched version of the ticket, a scratched version of the ticket revealing a top prize winning combination of play symbols, and the back of the ticket which includes the UPC code, and all other elements specified in the final Game Specifications (Working Papers) and/or approved Customer Specifications Document. We will also provide artwork within three (3) Working Days of the execution of the final Game Specifications (Working Papers), in an Adobe Illustrator file with all font information converted to online, and in a Photoshop TIF file.

7.6.2.

The Successful Proposer shall provide images of the approved artwork from the executed working papers to be used to support each scratch ticket game produced. The size and format of the image will be indicated in the working papers for each game or in the approved Customer Specifications Document. The Texas Lottery may also request the layered artwork files for product marketing support.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. Pollard Banknote will provide images of the approved artwork from the executed Game Specifications (Working Papers) to be used to support each scratch ticket game produced. The size and the format of the image will be indicated in the Game Specifications (Working Papers) for each game or in the approved customer specifications documents. We will also provide the layered artwork files for product marketing support if requested by the Texas Lottery.

7.7. Production Schedule Report

The Successful Proposer shall be required to develop and provide to specified Texas Lottery staff a weekly report that provides current updates on production schedules for all games, including, at a minimum:

a) *Game number*

b) *Game name*

c) *Ticket quantity*

d) *Ticket size*

e) *Pack size*

f) *Scheduled press date*

g) *Scheduled ship date*

h) *Scheduled delivery date*

i) *Number of trucks for delivery*

j) *Date of shipment of test packs to the Texas Lottery's testing vendor.*

The dates listed on the production schedule report are for planning purposes only. In the event of any conflict or contradiction between or among the dates listed on the production schedule report and the deliverables schedule in the executed working papers, the working papers will control.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. As is currently done, Pollard Banknote will provide a weekly report to designated Texas Lottery staff. The report will include current updates on production schedules for all games including, at minimum, the game number, game name, ticket quantity, ticket size, pack size, scheduled press date, scheduled ship date, scheduled delivery date, number of trucks for delivery, and the date of shipment of test packs to the Texas Lottery's testing vendor.

We understand that in the event of any conflict or contradiction between or among the dates listed on the production schedule report and the deliverables schedule in the Game Specifications (Working Papers), the Game Specifications (Working Papers) will supersede the production schedule report.

We have provided an image of a sample production schedule report for the Evaluation Committee's review below.

POLLARD banknote limited

TEXAS LOTTERY

TEXAS LOTTERY
PRODUCTION AND DELIVERY SCHEDULE
(Updated March 4, 2022)

GM #	Secure Shield	Game Name	Status	QTY	Size	Pack Size	Sched. Print	Test Packs Ship	Sched. Ship	# of Trucks	Delivery to Austin	Texas Launch
2392	Yes	777 Slots	Executed	9.12MM	4x4	125	Printed	Feb 4/22	Mar 5/22	2	Mar 8/22	May 16/22
2428	Yes	Bingo Times 20	Executed	23.04MM	4x8	75	Printed	Feb 28/22	Mar 12/22	8	Mar 15/22	Core
2394	Yes	$5,000 Frenzy	Executed	19.08MM	4x2.4	150	Mar 19-20/22	Mar 20/22	April 1/22	2	April 4/22	May 2/22
2395	Yes	$200,000 Frenzy	Executed	18.00MM	4x8	75	Mar 18-19/22	Mar 22/22	April 1/22	6	April 4/22	May 2/22
2396	Yes	$500,000 Frenzy	Executed	11.28MM	4x10	50	Mar 11-15/22	Mar 16/22	April 1/22	6	April 4/22	May 2/22
2397	Yes	$1,000,000 Frenzy	Executed	6.60MM	4x10	75	Mar 15-17/22	Mar 17/22	April 1/22	4	April 4/22	May 2/22
2400	Yes	$20 Million Supreme	Executed	10.20MM	4x12	15	April 1-2/22	April 2/22	Apr 15/22	5	Apr 18/22	May 16/22
2438	Yes	$1,000,000 Crossword	Executed	19.08MM	4x12	25	April 29/22	April 30/22	May 13/22	10	May 16/22	Core
2404	Yes	Sizzling Hot $100,000	TLC Draft	7.2MM	4x8	75	May 6-8/22	May 7-9/22	May 20/22	3	May 23/22	June 20/22
2406	Yes	Hit $200,000!	TLC Draft	7.2MM	4x8	75	May 13-15/22	May 18/22	June 3/22	3	June 6/22	July 5/22
2427	Yes	Classic Bingo	TLC Draft	30MM	4x6	125	June 4-7/22	June 12/22	June 24/22	8	June 27/22	Core
2415	Yes	Cowboys	TLC Draft	9.72MM	4x8	75	June 20-22/22	June 30/22	July 15/22	TBD	July 18/22	Aug 15/22
2443	Yes	10X Lucky	Art & PS	10.08MM	4x4	125	June 8-10/22	July 15/22	Aug 19/33	TBD	Aug 22/22	Sept 19/22

7.8. Working Papers

7.8.1.

Working papers for each scratch ticket game will be generated by the Successful Proposer in a format approved by the Texas Lottery. Executed working papers must be complete and free of any errors. Production of any scratch ticket game will not proceed until the Texas Lottery Executive Director or their designee approves and executes the final working papers and the working papers are executed by the Successful Proposer. Any changes made after the execution of working papers must be approved through the execution of a post executed change and signed by the Texas Lottery Executive Director or designee. Scratch ticket game development schedules will be established by the Texas Lottery and working papers executed in order to facilitate an orderly process for the production and delivery of scratch ticket games. The Texas Lottery reserves the right to cease production of any executed game that has not been printed yet. The Successful Proposer may invoice the Texas Lottery for actual costs incurred up to the cancellation date; the Texas Lottery agrees to pay such costs up to a maximum of $4,000 per game.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. Pollard Banknote will generate Game Specifications (Working Papers) each scratch ticket game in a format approved by the Texas Lottery.

Pollard Banknote confirms that executed Game Specifications (Working Papers) will be complete and free of errors.

Production of any scratch ticket game will not proceed until the Texas Lottery Executive Director or designee executes the final Game Specifications (Working Papers). Any changes made after the execution of Game Specifications (Working Papers) will be approved through the execution of a post executed change and signed by the Texas Lottery Executive Director or designee.

Scratch ticket game development schedules will be established by the Texas Lottery and Game Specifications (Working Papers) executed in order to facilitate an orderly process for the production and delivery of scratch ticket games.

We understand that the Texas Lottery reserves the right to cease production of any executed game that has not been printed yet and that the Texas Lottery may be invoiced for actual costs incurred up to the cancellation date, up to a maximum of $4,000 per game.

Please refer to **7.3.1.** and **Stage 2: Game Design and Development** in **Appendix 3: Manufacturing at Pollard Banknote** for additional information regarding Game Specifications (Working Papers).

7.8.2.

Working papers for each Texas Lottery scratch ticket game will at a minimum include, but not be limited to, specifications for the following:

a) *Game name, number, date and version.*

b) *Color version of ticket, covered, uncovered and overlay at 100% and for tickets under 5", at a larger resolution for legibility purposes.*

c) *Back of ticket at 100% and for tickets under 5", at a larger resolution for legibility purposes.*

d) *Ticket size and paper stock to be used.*

e) *Universal Product Code (UPC) number, which is unique to each game.*

f) *Placement of bar code on uncovered ticket.*

g) *Front display colors, overprint colors, and security tint colors.*

h) *Description of play style.*

i) *Quantity ordered.*

j) *Orientation of ticket front and back, and press layout configuration.*

k) *Pack size and configuration.*

l) *Prize structure including: game name, number, date and version, ticket price point, production quantity, percent of prize payout, net revenue generated, each tier level for prizes and play action indicating how each tier is won, odds per prize level, overall odds of*

winning any prize in the game and consolidated odds if there is more than one (1) way to win a prize, winners per pack and per pool, prize cost and percent of prize fund dedicated to each prize level, and percent of prize fund dedicated to low-, mid-and high-tier prize levels, designation of low, G-tier (if included), mid-and high-tier prizes, Guaranteed Low-End Prize Structure (GLEPS) for each pack of tickets -broken out into a minimum of four (4) different GLEPS patterns and number of winners per pack. Prize structure may include information pertaining to prizes awarded via promotional second-chance drawings, if applicable. Prize structure may be required to show a statement that all top prizes and combinations of prizes totaling the top prize are guaranteed.

m) *Ticket layout for front and back imaging.*

n) *Description of location and/or float of the validation number, bar code and UPC code.*

o) *Detail of all actual size of legends, play spots, captions, numbers/symbols, and prize spots*

p) *Programming parameters or constraints as directed by the Texas Lottery.*

q) *Deliverables schedule.*

r) *Order and price confirmation page. (The Texas Lottery SWAP system will provide electronic means for sign-off approval by the Texas Lottery.)*

s) *Color ink details, including proposed options such as varnish, tints, metallic inks, fluorescent inks, etc.*

t) *Any other production requirements, including but not limited to holographic material applications, alternative ticket stock, hologram applications, etc.*

u) *As required, licensed property documentation, promotion details, non-cash prize details, etc.*

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. We will develop Game Specifications (Working Papers) that include all the specifications listed in (a) through (u). Since 2013, we have produced over 350 games for the Texas Lottery, with corresponding Game Specifications (Working Papers) for each.

For more information on our Game Specifications (Working Papers) please refer to **7.3.1.** and **8.17.1.**

7.9. Customer Specifications Document

Each game must adhere to the requirements detailed in the Customer Specifications Document and the executed working papers. The Customer Specifications Document must be complete and free of any errors.

Pollard Banknote understands and will ensure that each game must adhere to the requirements detailed in the Customer Specification document and the executed Game Specifications (Working Papers). Customer Specifications documents will be complete and free of any errors. Pollard Banknote is currently using Customer Specifications for Scratch Ticket Games Revision 27.0, dated November 1, 2019.

CUSTOMER SPECIFICATIONS

The Texas Lottery's static requirements are included in the Customer Specifications and therefore do not need to be in the Game Specifications (Working Papers) for every game. In the Game Specifications (Working Papers), the Customer Specifications document is referenced in the by name, version, and date.

This results in Game Specifications (Working Papers) that concentrate mainly on the variable pieces of information that are needed for a specific game (e.g., prize structure, artwork designs, schedule, game play restrictions). The Customer Specifications document ensures consistency and quality across games and reduces the possibility of errors during Game Specifications (Working Papers) development. In addition, it reduces the Texas Lottery's time and resource requirements for the review of each game's specifications, since the Customer Specifications are reviewed and approved only once.

Pollard Banknote has also made efforts to standardize game parameters for a lottery's common game styles. Our standardized game parameters are derived from tried, tested, and true games that have proven themselves as winners across a wide variety of lotteries. These standardized game parameters represent Pollard Banknote's collective wisdom over years in the scratch ticket industry. Pollard Banknote has developed standardized game parameters for numerous play styles, including, for example, symbol reveal, key number match, Bingo, Crossword, and beat the dealer. The Texas Lottery can benefit from our vast history of perfecting the player experience in terms of variety and specific characteristics of game play.

For those games that utilize a game style that has been made into a standard, Erika Kasper will reference that standard or include/attach the standard with the Game Specifications (Working Papers) to convey the game play restrictions to the client.

The executed Game Specifications (Working Papers) provide our Game Generation department with the approval to begin programming the game and trigger the development of a contract proof.

This page intentionally left blank.

8. SCRATCH TICKET MANUFACTURING AND SERVICES

8.1. Overview of Ticket Manufacturing Methods

Proposers must provide a detailed description of the methods to be employed in the manufacturing of tickets. Each of the major manufacturing steps must be identified and described. The Texas Lottery is committed to ensuring the highest standards of security and integrity are incorporated in its products. Proposers should provide details regarding security procedures and controls.

Like the Texas Lottery, Pollard Banknote is committed to ensuring the highest standards of security and integrity are incorporated into our products. On the following pages, we have provided a summary of our nine-stage manufacturing process which provides detailed overview of the methods employed in the manufacturing of our tickets. Each of the major manufacturing steps have been identified and described in **Appendix 3: Manufacturing at Pollard Banknote** to avoid repetition with our response to other requirements in this RFP. In addition, please refer to **8.9.1.** for further details regarding security procedures and controls.

MANUFACTURING OF SCRATCH TICKETS: AN OVERVIEW

Pollard Banknote employs a nine (9)-stage process for manufacturing scratch tickets. Strict controls are maintained throughout each stage of production to ensure security, accountability, and quality. Our production system is a well-established and customer-approved process that results in secure scratch tickets of the highest quality.

This formalized, structured production process allows virtually any game and ticket design to be brought to life—from standard tickets, to our vast offerings within the extended play category, to our patented Scratch FX® and Fusion® products. Additionally, we are capable of printing ticket sizes to practically any specification desired by the Texas Lottery. We have printed scratch tickets as small as 1 ⅞" x 2 ⅞" and as large as 7½" x 22". The largest ticket we have printed on behalf of the Texas Lottery to date is its 12" x 12" *$1,000,000 Big Money*.

Our efficient production, combined with our tickets' industry-renowned aesthetic appeal and scratch-off quality makes Pollard Banknote the right choice for the Texas Lottery.

The following narrative details the steps we take in producing our scratch tickets.

Pre-Production

Before production begins on the Texas Lottery's scratch tickets, raw materials are thoroughly inspected and game concepts are developed and reviewed with various departments within the company to ensure all requirements are met.

Stage 1. Raw Materials Inspection

The first step in attaining our goal of producing the highest quality scratch tickets is ensuring that raw materials from our suppliers meet stringent quality standards. Suppliers must be dependable, as their products are critical to the security and performance of our customers' products.

All of Pollard Banknote's "quality-critical" suppliers (all paper stock suppliers and ink suppliers) must be ISO 9001:2015 certified (manufacturing and raw materials supplier level of certification) or permit an onsite audit conducted by our certified auditors to ensure they meet the Quality Management System standards set by Pollard Banknote. Even our ISO-certified suppliers are occasionally subjected to Pollard Banknote's on-site audits.

Pollard Banknote's on-site assessment process involves a team of trained auditors conducting a comprehensive review of the suppliers' quality management system and manufacturing processes. The audit assesses an assortment of critical elements to determine conformance to the ISO 9001:2015 Quality System requirements.

Prior to a shipment of any raw materials, the supplier provides a Certificate of Analysis (confirmation that their product has been internally analyzed and meets the specifications required) and samples of the material for Pollard Banknote's review. The information included in the Certificate of Analysis is different for each type of material. For instance, for scratch-off coatings, the certificate confirms that the material meets our standards for colors, viscosity, opacity, blacklight evaluation, and scratchability.

Scrutiny of our suppliers does not stop with the receipt of a Certificate of Analysis. Our Lab staff compares the details of the supplier's analysis against pre-approved specifications for that material. Random testing of selected samples is also conducted to ensure the certification level is met.

For more detailed information on how Pollard Banknote qualifies suppliers, and inspects raw materials to ensure they are of the highest quality, please refer to **Stage 1: Raw Materials Inspection** in **Appendix 3: Manufacturing at Pollard Banknote.**

Stage 2. Game Design and Development

Pollard Banknote fully understands how the creative and visual design aspects of a game must integrate with security standards and the technical requirements of our printing processes to create a successful scratch ticket.

Honed over the production of thousands of games and billions of tickets, our game design and development workflow is well established. It draws input from both our Marketing and Pre-Press staff, who work closely with the Texas Lottery and efficiently takes on such critical tasks as the development of a game's prize structure and Game Specification (Working Papers). Game ideas

reflect our understanding of design, printing, and marketing principles, as well as the lottery industry and a client's unique market and business operations

As per **7.3.6.** of the RFP, we understand that any changes to the final executed Game Specifications (Working Papers) will be in writing and approved by the Executive Director or his designee. Also, post executed changes which affect ticket production will be executed by the Texas Lottery Executive Director or his designee prior to production of the game.

A self-contained and highly skilled department of over 65 Game Management & Design professionals, including both Graphic Designers and Technical Artists, provides full creative design and technical art services. Playing a separate role is the Game Planner—the individual who advances the process from game conception to the final press proof by mapping out every game's production requirements. For the Texas Lottery, Game Planners Leanne Toms and Renée Hogan will coordinate the Texas Lottery's design and production requirements and act as an internal liaison to ensure consistent communication and quality throughout the design and production of a ticket.

During this stage of the production process, Pollard Banknote will also develop a Contract Proof. This proof is laminated on the actual ticket stock and is the closest simulation of the final product prior to it actually running on the press. For the Texas Lottery, Pollard Banknote provides two contract proofs during the process: the first accompanying the draft Game Specifications (Working Papers), and the second proof when the Game Specifications (Working Papers) are marked "executed".

For more comprehensive overview of the design process, including the multiple checkpoints for reviews and approvals that occur to ensure that a design conforms to manufacturing and security requirements, please refer to **Stage 2: Game Design and Development** in **Appendix 3: Manufacturing at Pollard Banknote.**

Production

The next phase is the actual printing of the ticket. This phase encompasses stages three through six within Pollard Banknote's Production Process.

Stage 3. Application of Security Coatings

In Stage 3, security coatings are printed onto card stock in order to secure the data areas in preparation for variable data imaging. These security coatings ensure that the security level of scratch tickets printed on card stock is the same as the level for tickets printed on foil stock.

If foil stock is used, we apply a game data receptive coating in order to ensure that the variable data imaging will be as legible as possible.

We have supplied security tints for many of our customers' tickets printed on card stock. Pollard Banknote can provide a range of security tint colors (as required in **8.3.22.**, we have provided samples of available security tint colors). Additionally, we offer a clear security coating with fluorescent properties that can detect tampering when placed under a black light. This security tint is a popular choice for our customers due to its marketing and sales advantages as it continues to offer tamper detection while minimizing distractions from the readability of the play data.

Stage 4. Variable Data Imaging

START OF CONFIDENTIAL, PROPRIETARY AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY AND TRADE SECRET INFORMATION

Stage 5. Application of Security Varnish and Scratch-off Layers

Pollard Banknote has established a stringent set of standards for all of our coatings, materials, and inks—including our varnish, and security and scratch-off layers, which are printed over the game data, in preparation for the application of the graphic inks. To ensure that the raw materials are able to withstand environmental elements and meet our requirements for quality and security, our internal laboratory conducts a variety of tests based on Pollard Banknote's Security Evaluation Standards. These standards meet or exceed the standards of external laboratories. We duplicate the tests conducted by these laboratories and develop our own testing and approval methods.

The varnish, security, and scratch-off layers are applied via separate stations prior to the graphics being applied. Each application is cured or dried using an energy-curing source (e.g., UV light) or forced-air gas ovens in preparation for the application of the next layer. The drying process changes depending on whether the inks are energy curable or conventional air-dried inks or coatings.

A varnish with protective and release properties is applied over the data and specific application is dependent on the substrate used (i.e., card or foil stock). After the varnish is applied, the security scratch-off is printed, followed by layers of white, readying the ticket for the application of the graphic inks.

For more details on our varnish and scratch-off material, please refer to **Stage 5: Application of Security Varnish and Scratch-off Layers** in **Appendix 3: Manufacturing at Pollard Banknote.**

Stage 6. Application of Graphic Inks

In this stage of production, tickets undergo the application of all graphic colors to ensure maximum visibility and player interest when displayed at retail. Graphics are printed directly on the ticket stock or on top of the scratch-off layers in the game data areas. We offer the highest possible quality graphics in both cases, thereby ensuring that games are extremely marketable.

A wide variety of overprint designs can be used, including text and/or artistic graphics. Graphics applied over the scratch-off coating offer a clean edge to the perimeters of the play area and enhance the ticket's aesthetics. Graphics are typically printed using one or more colors, each being either solid or screened, depending on the complexity of the design.

Our production flexibility allows Pollard Banknote's clients to market virtually any type of ticket. A wide range of press options, combined with the knowledge of our experienced design and production staff, allow Pollard Banknote to offer an array of graphic design options including the Texas Lottery's requirements of five (5) front display colors (including one full bleed color) and one (1) color on the ticket back. Depending on specific design, additional options may be available. Our Game Planners and Account Representatives are thoroughly familiar with all

possible color combinations, so the Texas Lottery can be confident that the full array of possibilities is presented on a routine basis.

With all of these options—and the thousands of possibilities that CMYK/four-color printing affords—the design possibilities are nearly endless and the production of a ticket that is both aesthetically appealing and secure is assured.

In addition, graphics printing is performed with inks that safeguard against compromise of the game data coverings. Solvents used in various compromise methods cause distortion of, or damage to, our inks. These features enhance the security of the tickets by making invasion techniques ineffective or easily detected.

For additional information on this stage of scratch ticket production, including detailed game and design security and press run specifics, please refer to **Stage 6: Application of Graphic Inks** in **Appendix 3: Manufacturing at Pollard Banknote.**

Finishing

The final three (3) stages of our production process describe how we void non-conforming packs, and package and deliver the finished tickets to our clients.

Stage 7. Inspection

Pollard Banknote's dedication to producing tickets of unsurpassed quality requires commitment throughout the production process. We will match as precisely as possible, within standard industry printing tolerances, the signed-off proofs and provide playable, secure, and error-free games. To achieve this, we have set up our systems to continually monitor and check quality throughout every stage of production.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

All games will be balanced according to the Texas Lottery's requirements. For a full description of our packaging process, please refer to **Stage 8: Packaging** in **Appendix 3: Manufacturing at Pollard Banknote.**

Stage 9. Shipping

Shipping requirements are listed in the Game Specifications (Working Papers) and/or the Customer Specifications document and our shipping personnel ensures that every single requirement documented is satisfactorily addressed.

It is our responsibility to ensure that the Texas Lottery receives the product problem-free. In preparation for shipping, cartons are sealed and placed on pallets. The pallet is stretch-wrapped and stored in a secure area while awaiting shipment. After the pallets are stretch-wrapped and bound, labels detailing their contents are affixed to the pallets.

Shipping of all finished goods is conducted under secure conditions with staff in attendance at all times. Trucks are loaded and unloaded by our own Shipping and Receiving staff; drivers do not have access to either the loading bays or the production areas.

The loading bays are equipped with an electronically controlled trap system that precludes opening doors between the production areas and loading bays when the outside shipping or receiving doors are open. The loading bays are camera-monitored, and the resultant recordings remain on file for six (6) months.

A Shipping Manifest is maintained such that, when the pallet loading is complete, the manifest listing all tickets to be shipped is checked and placed with the tickets. The Carrier Representative and our Shipping Representative sign the seal number listed on the Master Packing List. The seal will only be broken in the presence of a designated Lottery employee.

Pollard Banknote only uses established, high quality transport companies. Deliveries are made in exclusive use trucks that are consistently tracked so Pollard Banknote personnel can follow the truck's progress from point of origin to destination. Bonded drivers deliver the loads, and packages are prepared to avoid any problems during shipping.

All loads are fully insured. Pollard Banknote assumes the ownership, risk, and responsibility for the safety and security of the tickets until the tickets are delivered and accepted by the customer. Our personnel handle all aspects of the shipping process, working closely with the designated Freight Forwarder. The Pollard Banknote shipping personnel will notify the customer of all information regarding shipping and delivery. The information is sent by email.

For additional information on shipping procedures please refer to **Stage 9: Shipping** in **Appendix 3: Manufacturing at Pollard Banknote.**

8.2. Manufacturing Specifications

The Successful Proposer must manufacture individual game tickets that meet the following minimum requirements.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. We have provided responses to each of the following minimum requirements.

8.3. Ticket Stock

Tickets may be printed on various stocks, including but not limited to: 10 point virgin/recyclable coated two (2) sides, 10 point stock coated one (1) side and foil laminate one (1) side, 10 point stock coated one (1) side and holographic laminate one (1) side. All ticket stock must not curl, separate, or be easily split.

All products provided by the Successful Proposer under the Contract must conform to the Texas Lottery's requirements. In addition, if required by the Texas Lottery, the Successful Proposer must produce proof to the Texas Lottery's satisfaction that its ticket stock meets the guidelines specified in this RFP.

Requirements for ticket stock may vary per game and will be specified by the Texas Lottery in the executed working papers.

The Texas Lottery, in its sole discretion, reserves the right to modify ticket stock requirements at any time during the Contract with notice to the Successful Proposer. All tickets produced by the Successful Proposer under the Contract must be compatible with the ticket dispensing systems utilized now or in the future by the Texas Lottery.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote confirms that tickets will be printed on various stocks, including but not limited to 10 point virgin/recyclable coated two (2) sides; 10 point stock coated one (1) side and foil laminate one (1) side; and 10 point stock coated one (1) side and holographic laminate one (1) side, featuring our Scratch FX® innovation. Ticket stock used for Texas Lottery games will not curl, separate, or be easily split.

All products that Pollard Banknote provides under the Contract will conform to the Texas Lottery's requirements. Upon request, we will produce proof to the Texas Lottery's satisfaction that its ticket stock meets the guidelines specified in this RFP.

We understand that ticket stock requirements may vary per game and will be specified by the Texas Lottery in the executed Game Specifications (Working Papers).

All tickets produced by Pollard Banknote under the Contract will be compatible with the ticket dispensing systems utilized now or in the future by the Texas Lottery. Please refer to **8.3.5. Perforations** for detailed information on how Pollard Banknote will ensure tickets are compatible with the Texas Lottery's ticket dispensing system.

For the Evaluation Committee's consideration, we have including additional information regarding scratch ticket stock at Pollard Banknote.

Scratch Ticket Card Stock

Pollard Banknote's card stock for scratch tickets is recyclable and environmentally friendly. Our secure card stock is the result of a proprietary process that involves applying various solvent-and water-resistant coatings onto a clay-coated board. This process converts stock from a standard coated board into a secure lottery ticket stock.

In addition to the base stock (10 point virgin/recyclable, C2S), we can offer:

- Pollard Banknote provides a paper board with a coating on both sides of the sheet. This stock is virgin board and does not have any post-consumer recycled content. It is fully recyclable and biodegradable when exposed to natural elements, such as air and water. Available calipers include 8-, 10-, and 12-point C1S stock, and 10- and 12-point C2S stock.
- Post-Consumer Waste (PCW) card stock containing 10% PCW content (applied to any caliper).
- 100 lb paper stock, coated and recycled, free sheet grade stock with satin or gloss coating available.

An alternative eighty (80) pound coated stock is also available, separate from the proprietary process described above. This stock is a coated ground wood paper designed to provide a smooth, glossy consistent printing surface with strong ink holdout and optical characteristics. It is fully recyclable and biodegradable when exposed to natural elements such as air and water.

Certified and approved raw materials ready for use at our Ypsilanti, Michigan manufacturing facility

Foil Stock

Pollard Banknote's foil products consist of a thin-gauged aluminium foil laminated to either a cover weight board with a single clay coating on one side of the sheet or laminated to the uncoated side of the board to allow for printing of scratch-off on both sides. For foil stock, we offer:

- 8-point foil stock C1S
- 10-point foil stock C1S
- 12-point foil stock C1S

Holographic Stock

Pollard Banknote offers Scratch FX® as our holographic stock. Pollard Banknote's patented Scratch FX® innovation—an industry first—makes scratch tickets sparkle and shine, creating a vibrancy and excitement that cuts through retail clutter. The look—created by a cold foil process—has a visual impact that is above and beyond any other product, outshining foil, holographic foil, and metallic inks. This stunning feature can be applied to both the display and scratch-off areas of a ticket, giving it glitter and glitz that is sure to catch the eye of new and existing players across a wide spectrum of demographics, optimizing the impulse-buy environment and driving sales. The Texas Lottery has already had success with this sparkling innovation, which boasts a visual impact that is superior to foil, holographic foil, and metallic inks.

Please refer to information provided in **8.35.** under the heading **Print Innovations** for more details on Scratch FX®. Below we have described three products that are a part of our family of Scratch FX® offerings.

Pollard Banknote offers Scratch FX® as our holographic stock (please see **Offered Options** in our **Cost Proposal** for pricing).

Spectrum Scratch FX®

Pollard Banknote's continuing quest to create uniquely compelling products has resulted in a notable enhancement to the company's exclusive Scratch FX® process: Spectrum Scratch FX®. This advancement involves four-color printing overtop of cold foil. The ability to print any desired color onto Scratch FX® means that Pollard Banknote can successfully mimic the look of colored and/or multi-colored holographic foil thereby allowing for more elaborate designs. In addition, in contrast to our competitors' offerings, Pollard Banknote is able to offer this effect *anywhere* on the ticket, either on the display areas *and/or* on the overprints, thereby allowing all of the most important features of the design to be highlighted, without restrictions.

Max FX™

Take your scratch tickets to the MAX with Pollard Banknote's new MAX FX™! Utilizing Pollard Banknote's patented Scratch FX® process, MAX FX™ applies this shimmering metallic effect to more than 75% of the ticket face, making it stand out from any other ticket available in the market today.

Glitter FX™

Show your players the light with our new Glitter FX™—the perfect shimmering addition to scratch tickets. Glitter FX™ and its light-reflecting vibrancy add glitzy flair to scratch ticket graphics, mimicking colorful confetti, the cool sheen of snow, twinkling sparkles or sleek sequins—even a starry, starry night! Or ramp up the glamor of gem-themed tickets with a glimmer that will never fade away.

Additional Innovative Substrates and Print Features

Clear Play™: Our Clear Plastic Substrate

An exciting alternative to card or foil stock is Clear Play™, Pollard Banknote's transparent substrate. Transparency is a hot trend in art and design, and consumer packaging. While clear bottles and jars are not new items in the consumer goods industry, the usage of transparent packaging is growing, and with proven sales boosting power. Now the lottery industry can leverage the allure of transparency.

Eco Scratch ReNew™: Ecofriendly Stock

Our Eco Scratch ReNew™ stock is recyclable, made of 100% recycled fibre (with a minimum of 35% post-consumer waste), and offers the look and feel of kraft paper on one side. Pollard Banknote has produced more than 25 games featuring either Eco Scratch ReNew™ or Eco Scratch™ (our previous kraft stock) for lotteries worldwide.

Ticket Stock Testing

Card Stock. For card stocks, our laboratory randomly tests the material for attributes including:

- Fluorescence
- Moisture content
- Basis weight
- Caliper
- Opacity
- Holdout (absorbency)
- Tensile strength
- Elongation
- Fold number

Card stocks also undergo a wax pick test.

Foil Stock. For foil stocks, the laboratory will measure such characteristics as:

- Dyne level
- Coating weight
- Moisture content

- Caliper
- Foil adhesion to paper
- Coating adhesion

Foil stocks also undergo a blister test and blacklight evaluation.

There is an application of a water-based primer to the foil surface to prevent oxidation of the foil and to promote adhesion of the graphic inks. The board product is a virgin board and does not have any post-consumer recycled content.

For more information on how Pollard Banknote selects ticket stock, please see **Stage 1: Raw Materials Inspection** within **Appendix 3: Manufacturing at Pollard Banknote.**

8.3.1. Pack Insert Pieces

Except as otherwise specified by the Texas Lottery, the Successful Proposer shall be required to provide one (1) Pack Insert piece which shall be included in each shrink-wrapped pack of tickets. The size of the Pack Insert piece is based upon the size of the ticket dispenser. Currently the dispenser sizes require a 4" x 4", 4" x 8" or 4" x 12" Pack Insert piece.

An additional 500 Pack Inserts must be delivered two (2) weeks prior to ticket delivery. The Pack Inserts must be printed on front and back according to Texas Lottery specifications as indicated in the working papers for a specific game. The working papers must include sample draft artwork of the Pack Insert.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Unless otherwise specified, Pollard Banknote will provide one (1) Pack Insert piece which shall be included in each shrink-wrapped pack of tickets. We understand that the size of the Pack insert will be based upon the size of the ticket dispenser; currently, the dispenser sizes require a 4" x 4", 4" x 8", or 4" x 12" Pack Insert piece.

An additional 500 Pack Inserts will be delivered two (2) weeks prior to ticket delivery. The Pack Inserts will be printed on front and back according to Texas Lottery specifications as indicated in the Game Specifications (Working Papers) for a specific game. The Game Specifications (Working Papers) will include sample draft artwork of the Pack Insert.

8.3.2. Retail Samples (Voids)

At the Texas Lottery's request, the Successful Proposer may be required to supply approximately one thousand (1,000) (depending upon pack size) voided, non-winning ticket samples delivered in full pack quantities of actual size tickets for each game produced with quantities as detailed in the Customer Specifications Document. Such tickets shall have the word "VOID" printed prominently on the back of the ticket. The word VOID will also replace the ticket number on the front of the ticket. All void samples must be shrink-wrapped in pack sizes equal to those of the actual game. The number of retail (void) samples to be produced is subject to change at the Texas Lottery's sole discretion during the Contract period, based on the use of these samples in the field.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

At the Texas Lottery's request, Pollard Banknote will supply the required number of 1,000 voided, non-winning ticket samples delivered in full pack quantities of actual size tickets for each game produced with quantities as detailed in the Customer Specification Document. Such tickets will have the word "VOID" printed prominently on the back of the ticket, and the word VOID will also replace the ticket number on the front of the ticket. All void samples will be shrink-wrapped in pack sizes equal to those of the actual game. We understand that the number of retail (void) samples to be produced is subject to change at the Texas Lottery's sole discretion.

For example, we recently provided more than 1,000 voided, non-winning ticket samples to the Texas Lottery for *30th Anniversary* (#2391), *Lucky* (#2382), *$200,000,000 Cash Blowout* (#2378), and *Super Crossword* (#2425).

8.3.3. Ticket and Pack Sizes

The Successful Proposer shall be required to produce tickets and packs in various sizes. Ticket and pack size (number of tickets per pack) will vary and will be determined by the Texas Lottery on a game-by-game basis and will be specified in the executed working papers. Ticket and pack sizes may be modified at the Texas Lottery's sole discretion and will be specified in the executed working papers.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

We are capable of producing packs of virtually any size required by our clients—in fact, we have produced packs as small as five (5) tickets and as large as 500 tickets. We understand that ticket and pack size will vary and be determined by the Texas Lottery on a game-by-game basis, as specified in the executed Game Specifications (Working Papers), and further that ticket and pack sizes may be modified by the Texas Lottery. Please see below for additional information about Pollard Banknote's ticket size capabilities.

Ticket Specifications and Available Options

Ticket specifications (i.e., the number of ticket pack and sizes, etc.) are listed in the Game Specifications (Working Papers) as they are developed. Ticket specifications determine which press and cylinder size will be used and the size of the tickets determines how the tickets will be configured on the printing plates.

Pollard Banknote is able to produce practically any ticket size. The number of tickets contained on one "sheet" is determined by the size of the cylinder and the size of the ticket. For example, a 24" diameter cylinder (24" across the web width) could print nine 8" x 8" tickets, twenty-four 6" x 4" tickets, seventy-two 4" x 2" tickets or seventy-seven 2.18" x 3.2" tickets. We have a multitude of cylinder sizes available and a large number of color options available, which allows Pollard Banknote's clients to market virtually any type of ticket. The design possibilities are nearly endless, ensuring the manufacturing of a ticket that is both aesthetically appealing and secure.

8.3.4. Ticket Orientation

The Texas Lottery will require tickets to be printed in either horizontal or vertical formats.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote understands that the Texas Lottery will require tickets to be printed in horizontal and vertical formats and confirms that we are capable of satisfying this requirement. For example, the Texas Lottery's recent *X the Cash* family printed by Pollard Banknote and featuring our patented Scratch FX® innovation included tickets in both horizontal format ($1 *10X the Cash*) and vertical format ($3 *30X the Cash*, $5 *50X the Cash*, $10 *100X the Cash* and $20 *200X the Cash*)

8.3.5. Perforations

Perforations must be placed on the side equal to the width of the dispenser for the ticket regardless of the vertical or horizontal format. Current dispenser widths are 4", 8" and 12". Typically, the 4" size is used unless otherwise requested by the Texas Lottery.

The perforations between tickets must be deep enough, and must contain adequate space between perforations, to allow retailers and/or self-service vending machines to separate the tickets without damage. However, the perforations must not be so deep as to allow unintentional detachment of the tickets during normal handling or dispensing.

Pollard Banknote understands and will comply with the requirements listed in this section of the RFP.

Perforations will be placed on the side equal to the width of the dispenser for the ticket, regardless of the vertical or horizontal format. Perforations will be deep enough, and will contain

adequate space between perforations, to allow retailers and/or self-service vending machines to separate the tickets without damage, while not being so deep as to allow unintentional detachment. We have provided additional information below regarding perforations.

Perforations and Ticket Dispensing Performance

Pollard Banknote takes a number of steps to ensure the performance and quality of our perforations on both regular fold and fan-fold positions. We maintain an inventory of both standard perforation blades as well as a variety of custom perforation blades. Pollard Banknote typically applies perforations ranging from 10 to 16 teeth per inch. Each type of perforation has different hold strengths. We also have great flexibility in the perforation location on tickets. We can provide perforations on the long side of vertical or horizontal tickets.

Pollard Banknote's management and technical staff are constantly looking for ways to improve our ability to provide what we are known for worldwide—the highest quality instant lottery tickets. Our pursuit of perfect perforations is no exception. We know that non-performing perforations result in downtime and frustrations by player and retailer alike.

During production, manufacturing personnel are responsible for maintaining the established standard for perforation quality by monitoring the applied pressure and the quality of the perforation blade. The presses are equipped with hydraulic pressure gauges that monitor both sides of the cylinder. The gauges also give us a visual check that pressure is maintained throughout the roll.

Once tickets have been perforated, Lab personnel take live tickets that have been voided to test the burst strength of the perforations.

If a customer's tickets are dispensed, as is the case throughout Texas, our Labs house various dispensers and our tickets are tested within them in-house to ensure vendability (i.e., that the tickets don't tear while being vended or pre-break inside the dispenser).

For Texas, our Labs routinely perform standardized testing procedures with respect to vendability in Scratch ticket Vending Machines (ITVMs) and Scratch ticket Dispensers (ITDs) to ensure that ticket performance remains consistent, including:

- ITVM Vendability Test (various models)
- ITD Dispensing Test of Finished Product (includes various models such as Schafer Systems-produced PlayBook® dispensers)

Using an optical gauge, the Lab staff also confirms that the specification for tooth count (number of cuts per inch), as outlined in the Game Specifications (Working Papers), has been sufficiently met.

8.3.6. Font Generation

All imaged data (computer controlled) or graphic fonts (display printing) produced by the Successful Proposer for Texas Lottery scratch tickets --whether the data or fonts are standard, customized or licensed --must be approved by the Texas Lottery. The Successful Proposer shall be required to provide the Texas Lottery with samples of all imaged fonts and symbols that are available for use on tickets. In addition, the Successful Proposer shall be required to create any imaged data or graphic fonts, whether or not provided as samples, as specified in the executed working papers.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

All imaged data (computer controlled) or graphic fonts (display printing) we produce for Texas Lottery scratch tickets, whether the data or fonts are standard, customized or licensed, will be approved by the Texas Lottery. As the Successful Proposer, we would be happy to provide the Texas Lottery our full font library upon request, and further, we will create any imaged data or graphic fonts as specified in the executed Game Specifications (Working Papers). Please see additional information below regarding our capabilities in game fonts and symbols.

GAME SYMBOLS

Pollard Banknote understands that lotteries need to be able to customize the play symbols on their tickets. To ensure maximum player satisfaction, it is paramount that the game play area and related play symbols match the expectations created by the ticket graphics. This often calls for very creative and unique play symbols. Pollard Banknote has developed the ability to produce virtually any type of game data image (font). All font images are custom-built to accommodate the game's play mechanics, no matter how involved. These fonts have given our customers tremendous latitude in game design and have allowed for the launch of truly exciting instant games.

Pollard Banknote has virtually no limitation in regard to its capability to offer the Texas Lottery game symbols in a variety of type styles, sizes, and colors for use in ticket production.

Tickets incorporating our multi-color imaging printing advancement facilitate visually stunning tickets with easy to reference prize legends and appealing multi-color symbols once scratched.

Our manufacturing personnel have tested and approved red, yellow, blue, and green ink in addition to black for printing play symbols/fonts for multi-color imaging. Any combination of up to four colors is possible to print—symbols can be made up of multiple colors or have multiple different single-color symbols such as all black and all red symbols for a playing card theme game, for example. The color variation can reinforce the ticket's theme established with the base graphics.

Pollard Banknote's Image Development Group (IDG) creates the fonts (game symbols, as well as all other variable-imaged data) that are merged with the variable game data to create the variable image files for the high-speed Kodak Versamark imager. Symbols can also be created from samples of tickets produced for other lotteries, from tickets produced by other lottery ticket suppliers, or from our existing font library, which is available to the Texas Lottery upon request.

We can image virtually any font that can be computer-scanned. This means we mix fonts, image more complex fonts (e.g., playing cards, special money symbols), and/or produce fonts in different colors. There are few restrictions in terms of shape, size, or position (i.e., horizontal, vertical, angled, rotated, etc.) as long as the original image can be properly scanned.

If a lottery requests specific fonts, the artwork may be provided electronically, or images may be provided on paper to be scanned.

A font schedule is built, and a sample ticket with a list of the possible font characters is provided to the customer for signed approval. Once approved, an image job is created using the fonts and positioning information shown on the approved sample ticket.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

8.3.7. Imaged Data

The game data will include, but not be limited to the following items: symbols, legends, captions, ticket numbers, pack numbers, validation numbers, and standard bar codes. These must be printed using a computer-controlled imaging printer. Imaged data must meet the following requirements:

Pollard Banknote has read, understands, and will comply with the requirements in this section of the RFP. We confirm we will use a computer controlled imaging printer (specifically, one of our Kodak Versamark imagers) to print all game data, including (but not limited to): symbols, legends, captions, ticket numbers, pack numbers, validation numbers, and standard bar codes.

a) *printed in black or colored ink approved by the Texas Lottery on the display printing side.*

On the display printing side, Pollard Banknote confirms it will print in black or colored ink approved by the Texas Lottery.

b) *uniformly positioned and aligned on the tickets, unless otherwise specified in the executed working papers to prevent potential pick-out problems associated with said positioning and alignment.*

Pollard Banknote confirms that imaged data will be uniformly positioned and aligned on tickets, unless otherwise specified in the executed Game Specifications (Working Papers), to prevent potential pick-out problems associated with said positioning and alignment.

c) *the imaged symbols must be printed clearly, easily readable and distinguishable, and the images shall not bleed, be distorted or smeared.*

Pollard Banknote confirms that imaged data will be printed clearly, easily readable and distinguishable, and that the images will not bleed, be distorted, or smeared.

d) *accompanied by appropriate captions and legends for play and prize symbols to provide redundancy for security reasons, to prevent consumer disputes and/or to preserve alignment between play and prize symbols and their relative position on the ticket. Captions and legends must spell out or abbreviate the play and prize symbols in smaller font size than the actual play and prize symbols, in a different but recognizable format. The captions and legends used in each game must be specified in the executed working papers and agreed to by the Texas Lottery.*

Pollard Banknote confirms that imaged data will be accompanied by appropriate captions and legends for play and prize symbols to provide redundancy for security reasons, to prevent consumer disputes and/or to preserve alignment between play and prize position on the ticket.

Captions and legends will spell out or abbreviate the play and prize symbols in type smaller than the play and prize symbols themselves in a different but recognizable form. The captions and legends that will be used in each game will be specified in the executed Game Specifications (Working Papers) and agreed to by the Texas Lottery.

e) no scratch ticket will contain more game data than authorized in the executed working papers.

Pollard Banknote confirms that no scratch ticket will contain more game data than authorized in the executed Game Specifications (Working Papers).

f) all game data must meet Texas Lottery security guidelines as specified in this RFP and as may be required during the Contract term with respect to compromise and resistance to alteration.

Pollard Banknote confirms that all game data will meet Texas Lottery security guidelines as specified in this RFP and as required during the Contract with respect to compromise and resistance to alteration.

Please refer to **8.5.2.** under the heading **Anti-Counterfeiting Security** for more information on the processes we undertake to prevent compromise and alterations to the imaged data.

g) the imaged data must not be damaged to a degree where the imaging is made illegible in the course of removing the scratch ticket coating, using normal pressure. The protective coating/seal coat must remain intact. In addition, after removal of the scratch ticket coating, by application of any commonly-occurring solvent, perspiration, saliva, water, soft drinks, coffee, etc., and then moderate rubbing (a minimum of ten (10) strokes) with a tissue, cotton swab or other soft object, the imaged data must remain readable.

Pollard Banknote confirms that we will produce the Texas Lottery's tickets in such a manner that the imaged data will not be damaged and will remain legible during removal of the scratch ticket coating, using normal pressure. The protective coating/seal coat will remain intact. In addition, we confirm that the imaged data will remain readable if the ticket encounters any commonly-occurring solvent, perspiration, saliva, water, soft drinks, coffee, etc., followed by moderate rubbing of a minimum of 10 strokes with a tissue, cotton swab, or other soft object.

h) each and every imaged symbol on the front of the ticket must be completely covered by scratch ticket coating with the exception of the quality control inspection window(s) on each ticket. Additionally, an exception to this requirement is granted for any game where the imaging is duplicated on the security coating, visible through translucent security coating or any other process so players know where to scratch.

Pollard Banknote confirms that, excluding for the exception detailed in this requirement, we will produce the Texas Lottery's tickets in such a manner that each and every imaged symbol on the front of the ticket is completely covered by scratch ticket coating.

i) *any and all imaging must meet the requirements as specified in the executed working papers regardless of design, ticket size and press layout.*

Pollard Banknote confirms that any and all imaging undertaken for Texas Lottery games will meet the requirements as specified in the executed Game Specifications (Working Papers) regardless of design, ticket size and press layout. For the Evaluation Committee's consideration, we have included additional information about imaged data ink integrity.

Imaged Data Ink Integrity

Pollard Banknote's inks do not smear, run, or stain under normal handling, nor are they chemically or dermatologically irritating. Our inks are designed to show damage when they come into contact with water and common solvents. The inks we employ for the printing of tickets are of such a nature that there is no "offsetting" from the front of tickets to the back of tickets on an adjacent page and vice versa.

Before using a new ink or varnish in our manufacturing process, our laboratory checks its integrity and its ability to perform properly. As an assurance that the product has been analyzed for our purposes, our suppliers provide Certificates of Analysis with all inks and varnishes. In addition to the initial testing, Pollard Banknote conducts random tests of inks and varnishes to ensure compliance to specifications.

The ink used for variable data imaging are tested for characteristics like color integrity, viscosity, opacity, and compatibility to combinations of other inks and stocks and reactions to different solvents.

8.3.8. Game Pack Numbers

Each pack of tickets within a game must be identified with a unique consecutive and non-duplicating pack number (except for omissions that occur in production) for use in controlling ticket distribution, retailer inventory and accounting. Game and pack numbers must appear on the back of the ticket above the bar code image.

Pollard Banknote confirms that each pack of tickets within a game will be identified with a unique consecutive and non-duplicating pack number (with the exception of omissions that occur in production) for use in controlling ticket distribution, retailer inventory, and accounting. Game and pack numbers will appear on the back of the ticket above the bar code image. For the Evaluation Committee's consideration, we have provided additional information about our processes for ensuring pack numbers are consecutive and non-duplicated.

TICKET AND PACK NUMBERING

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

For more information on production procedures Pollard Banknote has in place to ensure individual, consecutive ticket numbers appear on all tickets, that no ticket numbers are missing, and that there are no breaks, discontinuities, or duplication of ticket numbering within a pack, please see **Stage 8: Packaging** in **Appendix 3: Manufacturing at Pollard Banknote.**

8.3.9. Ticket Numbers

Each ticket within a pack must display a unique sequential number and reverse ticket count such that the ticket count left in the pack is to be included as part of the ticket number. For example, numbering will begin on a 250 ticket pack with 001(250), 002(249) . . . 250(001). The ticket numbers must be consecutive and non-duplicating in the pack and no omissions are allowed within the pack. Ticket numbers must appear on the back of the ticket and must follow the game and pack number printed above the bar code.

In addition, a quality control inspection window must be placed on the front of all tickets. Some printing processes may require more than one (1) ticket window. This window must contain the three-digit ticket number as printed on the back of the ticket. Proposers must document the procedures used to assure that ticket numbers are consecutive and must not appear more than one (1) time per pack.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

For any Texas Lottery game we produce, each ticket within a pack will display a unique sequential number and reverse ticket count, such that the ticket count left in the pack will be included as part of the ticket number. We will ensure the ticket numbers will be consecutive and non-duplicating with no omissions within any pack. Ticket numbers will be placed on the back of the ticket and will follow the game and pack number printed above the bar code.

In addition, a quality control inspection window will be placed on the front of all tickets, with multiple ticket windows, as required. The window will contain the three-digit ticket number as printed on the back of the ticket.

For information about the procedures we use to ensure that ticket numbers are consecutive and will not appear more than one (1) time per pack, please refer to our response to **8.3.8**.

8.3.10. Validation Number

A unique "validation" number will be imaged on the front of the ticket. The format of the validation number will be detailed in the Customer Specifications Document. This validation number must be covered with a scratch ticket coating and must meet the requirements of the Texas Lottery. The location of the validation number will be at the approval of the Texas Lottery.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. Any Texas Lottery games we produce will have a unique "validation" number imaged on the front of the ticket as per the format detailed in the Customer Specifications document. This validation number will be covered with a scratch ticket coating and will meet the requirements of the Texas Lottery. The location of the validation number will be at the approval of the Texas Lottery.

We have included additional details below on our processes related to validation numbers.

Validation Numbers

To protect against the improper payment of altered winning tickets, each ticket is printed with a unique validation number. The validation number, which is variably imaged, can appear in the play area or in a separate "VOID IF REMOVED" box, at the discretion of the Texas Lottery. Each option provides ample security to guard against anti-alteration attempts.

Many of the validation systems used by lotteries have matured to keyless type systems, including the Texas Lottery. These bar codes contain the necessary information to validate the ticket as a winner or nonwinner by checking with the lottery system in real-time.

Validation algorithms protect against tampering, counterfeiting, and improper payment of prizes by providing a one-to-one correlation between the ticket validation number and the lottery game data. This ensures absolute security against fraud, cut-and-paste techniques, and other ticket alteration attempts.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Software, as well as game data, fonts, and the imaging files ultimately used to image variable data, all undergo separate reviews throughout their development by various groups.

Please note that more information can be found within our fulsome response to **8.9.1.**, under the heading **Game Data Security.**

8.3.11. Validation Algorithm

The Successful Proposer must use the low-tier algorithm the Texas Lottery currently has in use, subject to change/revision during the Contract term in the Texas Lottery's sole discretion. The Texas Lottery Operations and Services vendor (currently IGT Texas) will provide the software code to the Successful Proposer. The Successful Proposer must provide a compatible mid/high-tier algorithm within two (2) Days of Contract execution if the algorithm has changed or the Successful Proposer has not recently done business with the Texas Lottery. Otherwise, the Successful Proposer must use the mid/high-tier algorithm provided by the Texas Lottery.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote currently uses the IGT mid/high-tier algorithm provided by the Texas Lottery. We confirm that we can comply with the two (2) day turnaround in the event the algorithm changes, however, for the Evaluation Committee's review, we have provided a detailed description of our experience and expertise providing validation algorithms.

Validation Algorithm

We can develop and provide customized algorithms to any online supplier for integration with their system. The following is a list of lotteries where we have supplied the scratch ticket validation algorithm:

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

When Pollard Banknote begins working with a new customer, or in the event an established algorithm changes, the first item on the agenda is establishing the algorithm requirements and the format of the validation/inventory files. In order to ensure compatibility with the Texas Lottery's systems initially, Pollard Banknote develops Game Specifications (Working Papers) for the test game through consultation with the Texas Lottery. These Game Specifications (Working Papers) are signed off by Pollard Banknote and the Texas Lottery just like a live game. We then program the test game and produce a number of laser-printed test tickets (complete with ticket prize amount or a non-winner indicator), bar code, agent codes, validation number, and a human readable version of the bar code in order to test game logic.

These test tickets and associated validation/inventory files are sent to the Texas Lottery for final approval in the Texas Lottery's preferred format—typically an electronic transfer, but other methods are possible. Typically, during this time the Game Specifications (Working Papers) for the first live game are also being prepared. However, the first live game is not printed until the Texas Lottery issues its final approval of the test game. Upon successful testing results with the Texas Lottery, Pollard Banknote's programming team "locks" the software specific to the Texas Lottery into controlled software repositories for use in all future live games, ensuring consistent, quality results.

8.3.12. Back of Ticket Bar Codes

Each ticket must contain a bar code imaged on the back of the ticket. The bar code will consist of a game ID, the pack number, and the individual ticket number. The Successful Proposer must place the bar code in a location suitable for reading by the validation equipment used by the Texas Lottery. If any restrictions on placement apply, the Proposer must state such restrictions in its Proposal. The bar code will have a quiet zone at each end. The format of the bar code will be detailed in the Customer Specifications Document. The bar code must meet ANSI specifications, achieve a first-time read rate of 95%, achieve a third-time read rate of 99% and be printed to Texas Lottery specifications. The Successful Proposer must be able to support standard bar codes.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote confirms that each ticket will contain a bar code imaged on the back of the ticket, that the bar code will consist of a game ID, the pack number, and the individual ticket number, and that The Successful Proposer must place the bar code in a location suitable for reading by the validation equipment used by the Texas Lottery. We confirm that if any restrictions on placement apply, the Proposer must state such restrictions in its Proposal. Further, we confirm that the bar code will have a quiet zone at each end, and that the format of the bar code will be detailed in the Customer Specifications Document. Pollard Banknote confirms that the bar code will meet ANSI specifications, achieve a first-time read rate of 95%, achieve a third-time read rate of 99%, be printed to Texas Lottery specifications, and that the Successful Proposer will be able to support standard bar codes.

BARCODING

Bar codes are imaged by our Kodak Versamark imaging systems at the same time as the variable game data. Pollard Banknote is fully capable of printing bar codes under the scratch-off area, as well as any required bar codes on the front or back of the tickets, in any format and in any location specified by the Texas Lottery.

Pollard Banknote can support any keyless validation system the Texas Lottery chooses to employ, and has the ability to print bar codes to any specification required, including height or length, and

will ensure that all bar codes comply with the standards set by the Texas Lottery. We have developed the capability of reducing the height of the bar code, allowing the Texas Lottery to put more information or graphics onto the ticket. We have the ability to produce a variety of bar code formats, including interleaved 2 of 5, PDF-417, Data Matrix, Code 39, and QR codes.

Currently for the Texas Lottery, Pollard Banknote prints a 26-digit PDF 417 bar code (under scratch-off) on the front of all Texas Lottery scratch tickets, as well as a 14-digit interleaved 2 of 5bar code on the back of the ticket.

Pollard Banknote has successfully manufactured tickets with bar codes under scratch-off material for every NASPL client we print for.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

8.3.13. PDF 417 Bar Codes

The Successful Proposer shall be required to print PDF 417 or other bar codes in the play area for all Texas Lottery scratch tickets. The addition of this bar code to the ticket design will be at no additional cost to the Texas Lottery. The bar codes shall comply with the standards agreed to by the Texas Lottery.

Pollard Banknote confirms that we will print PDF 417 or other bar codes in the play area for all Texas Lottery scratch tickets, at no additional cost to the Texas Lottery. These bar codes will comply with the standards agreed to by the Texas Lottery.

For more information on bar codes, please refer to **8.3.12.**

8.3.14. Universal Product Codes (UPC)

UPC bar codes must be printed on the back of all scratch tickets as specified in the executed working papers and the Customer Specifications Document.

Pollard Banknote confirms that UPC bar codes will be printed on the back of all scratch tickets as specified in the executed Game Specifications (Working Papers) and the Customer Specifications document.

For the Evaluation Committee's review, we have included additional information below on our capabilities and experience regarding UPCs.

UNIVERSAL PRODUCT CODE (UPC) BAR CODES

Pollard Banknote treats the UPC as a graphic element. A game's UPC is created by our Game Management & Design department based on customer specifications outlined in the Executed Game Specifications (Working Papers) and is printed at the same time as the rest of the graphics.

The software used to create UPC graphics, called MBC4, produces accurate and precise bar codes that adhere to the official guidelines for each bar code type. The UPC data is entered into the MBC4 software, which generates the bar code, and outputs it as an Adobe Illustrator file. The software validates the last numerical check-digit in the code (often the last check digit is not provided, but instead mathematically derived by an algorithm from the other digits in the sequence input).

Once the bar code is generated, it is then placed into the ticket art and positioned according to customer specifications, including 'quiet space' requirements. In addition, the UPC will also be positioned to ensure that it is not too close to the ticket bar code and will not interfere with bar code scanning.

While Pollard Banknote does not have any limitations with respect to its ability to produce UPC bar codes and is capable of printing bar codes to any specification required, including height or

length, we can provide recommendations based on our years of experience producing bar codes on scratch tickets. For instance, bar codes are typically printed black on white and scaled down to approximately 80% size due to the limited amount of space on a scratch ticket. Our vast experience has shown us that bar codes scaled down further than 80% can have issues with scanner readability.

Pollard Banknote has several procedures in place to confirm our ability to offer consistently reliable UPCs. Once the UPC is placed and the ticket art is complete, it then goes to Design Proofreading, who scan a 1200 dpi laser print of the code to confirm proper content and readability. The Design Proofreaders have access to a handheld bar code scanner that ensure the code scans correctly, and that the bars match the human readable numbers while also matching the information provided by the customer and documented in the Executed Game Specifications (Working Papers).

Even if the customer provides their own art for a UPC, we will always recreate the code with our own software as it outputs bar codes that are specifically calibrated for our print processes.

As another additional means of quality assurance, once the final art is approved and the manufacturing files are ready for press, the Manufacturing Proofreaders scan the UPC on the "all-up inkjet proof" using the hand-scanner in the Lab. The Lab uses Webscan software—the technology leader in bar code verification, recognized industry-wide as the gold standard—to confirm print quality and decodability.

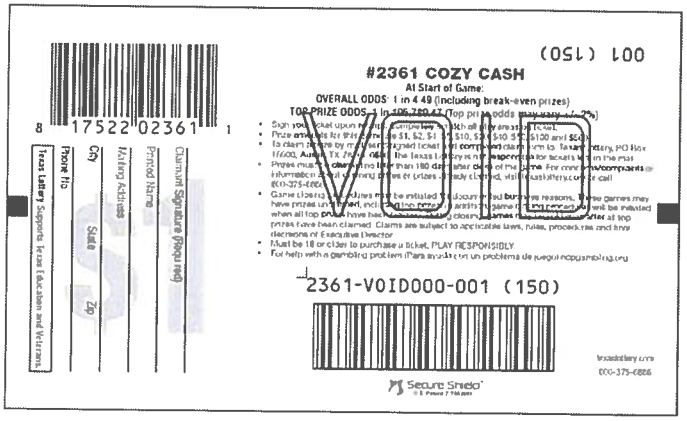
All of our bar codes will satisfy both and the ANSI Bar Code Print Quality Guidelines and relevant ISO/IEC specifications and standards. Additionally, Pollard Banknote is capable of providing bar code technology solutions established as NASPL standards and best practices.

The Texas Lottery can be assured that quality assurance continues through the live press run—a sample of the printed ticket is taken to our Lab and the UPC is scanned for print quality and readability.

8.3.15. Screened Price Point

The price point of each scratch ticket game must be screened on the back of the ticket in no more than a 25% screen of the same ink color as the ticket back.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.



Each instant scratch game Pollard Banknote produces will have the price point screened on the back of the ticket in no more than a 25% screen of the same ink color as the ticket back.

To demonstrate our compliance with this requirement, the figure to the right shows the screened price point from the Texas Lottery's *Cozy Cash* game (#2361), printed by Pollard Banknote and as shown in the game's executed Game Specifications (Working Papers).

8.3.16. Scratch Ticket Coating

The scratch ticket coating must be opaque and of such quality as to maintain the security of the ticket symbols and validation information. (Refer to Section 8.27.1 regarding security expectations.) The border between the scratch surface and the uncovered portion of the ticket must be sharp and even, i.e., the scratch ticket coating may not "drip" onto the display printing. The scratch ticket coating must be smooth and regular to the touch.

The scratch ticket coating must be readily removable with a reasonable degree of resistance when scratched with commonly used items (scrapers, knives, keys, coins, etc.). After the scratch ticket coating is removed, significant residue must not be present. Scratch ticket coating must remain readily removable for a minimum shelf life of thirty-six (36) months under normal warehouse conditions. The scratch ticket coating must be non-toxic and not irritating to the skin. It must cover the play area and overlay into the display area.

The design of the overprint must be such that virtually all of the scratch ticket coating is covered by an overprint color (either a "Full" or "Screened Down" intensity). The overprint must extend up to or beyond the edges of the play area onto the paper, foil or holographic and must be regular so that the consumer may easily detect any irregularities in the ticket.

Any and all scratch ticket coating areas must meet the requirements as specified in the executed working papers regardless of design, ticket size and press layout.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote confirms that the scratch ticket coating will be opaque and of such quality as to maintain the security of the ticket symbols and validation information. The border between the scratch surface and the uncovered portion of the ticket will be sharp and even, i.e., the scratch ticket coating will not "drip" onto the display printing, and the scratch ticket coating must be smooth and regular to the touch.

Pollard Banknote confirms that the scratch ticket coating will be readily removable with a reasonable degree of resistance when scratched with commonly used items (scrapers, knives, keys, coins, etc.). After the scratch ticket coating is removed, significant residue will not be present and scratch ticket coating will remain readily removable for a minimum shelf life of thirty-six (36) months under normal warehouse conditions. The scratch ticket coating will be non-toxic and not irritating to the skin and it will cover the play area and overlay into the display area.

Pollard Banknote confirms that the design of the overprint will be such that virtually all of the scratch ticket coating is covered by an overprint color (either a "Full" or "Screened Down" intensity). The overprint will extend up to or beyond the edges of the play area onto the paper, foil or holographic and will be regular so that the consumer may easily detect any irregularities in

the ticket. Any and all scratch ticket coating areas will meet the requirements as specified in the executed working papers regardless of design, ticket size and press layout.

SCRATCH-OFF MATERIAL

Pollard Banknote's scratch-off material consists of a smooth substance easily removed by scratching and is of a quality that will maintain the security of the ticket symbols and the validation number.

The scratch-off material is an elastomeric material that fragments without dusting using normal scratch-off techniques. It is smooth and regular to the touch, free of voids and scratches, and prevents game data from being identified with or without magnification. Every active play symbol will be completely covered by the scratch-off covering material.

Scratch tickets and games produced by Pollard Banknote will remain in merchantable state, if stored under normal warehouse conditions, typical handling, and usage, for a minimum of 36 months after delivery to the Texas Lottery.

Pollard Banknote's scratch-off material will not irritate or stain the skin or cause harm to clothing under normal usage conditions. The various inks we use in the manufacturing of the Texas Lottery's tickets will be custom developed to meet our exacting requirements.

To ensure that the varnish and scratch-off inks are performing to our high standards and meet client requirements, finished tickets from every roll are analyzed by our Lab for security and salability features. Operators are also inspecting tickets on each roll for characteristics such as opacity and varnish registration. The lab archives finished tickets from each roll. This logging allows for a very robust investigation process in case a future detailed review is needed. If a ticket does not meet our standards, then a Lab Inspection Report is issued ordering the affected product to be removed and destroyed, or placed in quarantine for further review.

8.3.17. Protective Coating/Seal Coat

The game data under the opaque scratch ticket coating must be covered by a transparent coating in a manner such that the symbols are protected when the consumer rubs off the scratch ticket coating. If the seal coat is removed, it must exhibit evidence of tampering and be non-repairable.

Pollard Banknote confirms that the game data under the opaque scratch ticket coating will be covered by a transparent coating in a manner such that the symbols are protected when the consumer rubs off the scratch ticket coating. If the seal coat is removed, it will exhibit evidence of tampering and be nonrepairable.

For the Evaluation Committee's review, we have provided supplementary information on Pollard Banknote's security coatings.

PROTECTIVE COATING

Following the imaging of the game data, Pollard Banknote will apply a protective coating of glossy varnish over the play areas and, upon the Texas Lottery's request, over the pack and ticket number on the ticket. The integrity, adhesion, and barrier characteristics of the varnish prevent liquids, solvents, and vapors from attacking the game data. The varnish ensures the tickets cannot be smeared or compromised by any chemical, environmental, mechanical or other known method of invasion.

The varnish component consists of either a clear or color tinted ultraviolet (radiation) curable resinous material that cures to a 100% solid film with virtually no volatile organic components (VOCs) released into the atmosphere. The varnish application provides both security against compromise and protection to the game imaging inks. Tinted varnish provides additional security against attempts at data alteration.

Of dual benefit, the varnishes are formulated to enhance the color and appearance of the graphics. The following table itemizes Pollard Banknote's standards regarding our use of protective coatings:

STANDARD REQUIREMENTS PROTECTIVE COATINGS	
REQUIREMENT	**BENEFIT**
Ultraviolet curing	• Enhances resistance to chemicals and vapors. • Provides environmental benefits, such as ultraviolet curing. • Eliminates the emission of volatile organic compounds (VOCs) into the atmosphere.
Glossy appearance	• Improves appearance of graphics. • Enhances perceived value of tickets.
Scratch-off material release properties	• Applying normal pressure provides for ease in removing scratch-off material applied on top.
Protection of variable game data	• Prevents accidental scratching of play symbols and chemical invasion.

8.3.18. Display Printing

Display colors on the front of the ticket must be printed using either four-color process or spot colors or both. Spot colors may be specified by the Texas Lottery as PMS (Pantone® Matching System) colors or equivalents. One (1) color must be available for printing on the back of the ticket. The Successful Proposer is required to employ the necessary production processes in order to produce the game tickets as represented in the executed working papers.

Inks must be of such nature that there is no "offsetting" or picking from the front of tickets to the back of tickets on an adjacent page, and vice versa.

Subject to normal printing trade tolerances and practices, the display printing must be properly registered.

Pollard Banknote understands, accepts, and will comply with the requirements listed in this section of the RFP.

We will ensure that display printing on the front of the ticket is performed using four (4) process colors and/or spot colors. We understand that the Texas Lottery may specify spot colors as PMS (Pantone Matching System) colors or equivalents. One color will be available for printing on the back of the ticket.

Inks will be of such nature that there is no "offsetting" or picking from the front of tickets to the back of tickets on an adjacent page, and vice versa. Subject to normal printing trade tolerances and practices, the display printing will be properly registered.

For the Evaluation Committee's review, we have provided supplementary information on Pollard Banknote's color options.

Display Color Options

Our production flexibility allows Pollard Banknote's clients to market virtually any type of ticket. A wide range of press options, combined with the knowledge of our experienced design and production staff, allow Pollard Banknote to offer an array of graphic design options including the Texas Lottery's requirements of five (5) front display colors, with one (1) display color being a full bleed, one (1) back color, and three (3) overprint colors. Depending on the ticket features, additional color options may be available. Our Game Planners and Account Representatives, including Jennifer Wankling, Erika Kasper, Melanie Mateychuk, Leanne Toms and Renée Hogan, are thoroughly familiar with all possible color combinations, so the Texas Lottery can be confident that the full array of possibilities is presented on a routine basis.

With all of these options—and the thousands of possibilities that CMYK/four-color printing affords—the design possibilities are nearly endless.

Please refer to **Stage 6: Application of Graphic Inks** in **Appendix 3: Manufacturing at Pollard Banknote** for more information.

Inks

Pollard Banknote uses water-based inks that swell or bleed with tampering. Our inks consist of a mixture of resins, dyes, and pigments that remain of low viscosity until application. As with scratch-off inks, when the graphic ink is applied, it is put through a curing process that removes the water/moisture and leaves behind a color layer over the scratch off.

Pollard Banknote mixes all ink in-house using our own formula library to match industry standards. Our in-house capabilities provide the Texas Lottery with an unsurpassed flexibility in ticket design and an accurate reproduction of the desired colors on the press. It also means we are not dependent on local suppliers to deliver on short notice. Our proprietary energy-cured varnish, scratch-off, inks, and application methods prevent compromise through all known methods of invasion. For more information on ticket security, please see **8.9.1.**

8.3.19. Overprint

The overprint colors must be printed on top of the scratch ticket coating. The overprint must consist of an artistic design that covers at least the same dimensions as the scratch ticket coating. The overprint must be well defined, un-blurred and sharp in order to highlight any tampering of the ticket.

Inks must be of such nature that there is no "offsetting" or picking from the front of tickets to the back of tickets on an adjacent page, and vice versa.

Subject to normal printing trade tolerances and practices, the scratch ticket coating and overprint must be properly registered.

Pollard Banknote understands, accepts, and will comply with the requirements listed in this section of the RFP.

Pollard Banknote will print overprint colors on top of the scratch ticket coating. The overprint will consist of an artistic design that covers at least the same dimensions as the scratch ticket coating. The overprint will be well defined, un-blurred, and sharp, in order to highlight any tampering of the ticket.

The inks used will be of such nature that there is no “offsetting” or picking from the front of tickets to the back of tickets on an adjacent page, and vice versa. Further, subject to normal trade tolerances and practices, the scratch ticket coating and overprint will be properly registered.

Please refer to Stage 6: Application of Graphic Inks in **Appendix 3: Manufacturing at Pollard Banknote** for additional information.

Spectrum Printing Process

With our Spectrum printing process, graphics to be printed on top of the game data areas that have been secured with varnish, security layers, and white, can be designed as blended colors in addition to standard solid colors. Blending colors makes possible an even larger array of visually attractive graphic designs on the scratch-off.

Pollard Banknote's Spectrum printing process allows us to draw shapes and motifs in different color values and mix these colors to create a multitude of additional colors on top of the game data areas. This technique has enabled Pollard Banknote to print tickets that "pop" at retail by including dynamic, eye-catching designs, including crisp and clear scratch-off four-color process photos.

Pollard Banknote's Spectrum printing process is the best in the industry in terms of the ability to bring complex, detailed graphics on top of the scratch-off material to life.

8.3.20. Ink Colors

The Successful Proposer must be able to produce a total of up to ten (10) colors projected to be five (5) front display colors, with one (1) display color being a full bleed, one (1) back color, three (3) overprint colors and one (1) ultraviolet ink for benday patterns. When using a four-color process method of printing one (1) design across the display graphics and the overprint area, colors must be consistent from one surface to the other, i.e., the same ink used for display and overprint colors. The printing method (or process) must be approved by the Texas Lottery.

Pollard Banknote has the ability to produce a total of up to ten (10) colors projected to be five (5) front display colors, with one (1) display color being a full bleed, one (1) back color, three (3) overprint colors and one (1) ultraviolet ink for benday patterns. When using a four-color process method of printing one (1) design across the display graphics and the overprint area, colors will be consistent from one surface to the other.

We understand that the printing method (or process) will be approved by the Texas Lottery. The Texas Lottery last visited and approved our Ypsilanti manufacturing facility on July 18, 2019, our Winnipeg manufacturing facility on July 19, 2019, and our Sault Ste. Marie facility on May 18, 2017.

Please refer to **8.3.18** and **Stage 6: Application of Graphic Inks** in **Appendix 3: Manufacturing at Pollard Banknote** for more information.

8.3.21. Benday Patterns

The benday patterns used for all games must be printed in a configuration approved by the Texas Lottery. Unless previously authorized by the Texas Lottery, the benday pattern must be printed using the maximum number of patterns used based on the number of tickets across the web and the number of repeats on the press in each game. The use of ultraviolet or fluorescent inks that are visible only under a specialized light source are required to print the benday pattern. Benday patterns must cross every symbol and prize and must be applied in such a manner as to cause detection if an alteration has taken place.

Pollard Banknote understands, accepts, and will comply with the requirements listed in this section of the RFP.

Benday patterns used for all games will be printed in a configuration approved by the Texas Lottery. The benday patterns will be printed using the maximum number of patterns used based on the number of tickets across the web and the number of repeats on the press in each game. Ultraviolet or fluorescent inks used to print the benday pattern will be visible only under a specialized light source. Benday patterns will cross every symbol and prize, and will be applied in such a manner as to cause detection if an alteration has taken place.

For the Evaluation Committee's consideration, we have included additional information regarding benday patterns at Pollard Banknote.

BENDAY PATTERNS

Pollard Banknote currently uses ultraviolet or fluorescent bendays in the production of Texas Lottery games. Benday patterns are part of the design of the ticket and are printed at the same time as graphics. The number of unique patterns possible in the design depends on ticket size and the number of tickets being printed across the web. As well, the color of the benday should be tied into the design of the ticket. There are limited colors that are effective in the function of the benday patterns. If none of these colors are present in the graphic design of the ticket, it may be necessary to use a separate station to print the benday in the necessary color. Additionally, with the selective floating of imaged data, the number of unique benday-to-play data combinations can be dramatically increased and each play symbol can be intersected by at least one benday line.

Benday patterns make cut and paste attempts much more difficult and readily visible. These patterns are designed to stop short of the edge of the play area, exposing any cut lines used in cut and paste attempts.

All variable play data is printed over a benday security pattern. The pattern will be highly visible but will not interfere with the reading of game play data.

8.3.22. Security Tint or Primer

Each game must include a security tint in the play area on either or both the lily pad or seal coat which provides security against color copying. The design must be such that removal or tampering of the lily pad and/or seal coat will exhibit evidence of tampering. Security tints are required regardless of paper stock or printing process. The color tint used will be agreed upon by the Texas Lottery and the Successful Proposer and specified in the executed working papers. If the Successful Proposer believes that any of the Texas Lottery's requested changes would not be beneficial or appropriate, the Successful Proposer must contact the Texas Lottery to discuss the concern. Proposers must submit sample draw-downs of all security tint colors available on specified paper stock at the time of submission of response to this RFP, with a breakdown of the components that make up each color (e.g., white lily pad and yellow security tint).

Pollard Banknote understands, accepts, and will comply with the requirements in this section of the RFP.

We understand that, regardless of paper stock or printing process, the Texas Lottery requires a security tint in the play area—either on the lily pad and/or within the sealcoat—in order to provide extra security against color copying. Pollard Banknote understands that the Texas Lottery will determine the color tint used and specified in the executed Game Specifications (Working Papers).

We have included sample ticket draw-downs of all security tint colors approved (provided in the clear zip envelope following this page), including a breakdown of the components that make up each color.

GAME NAME	GAME NUMBER	COLOR COMPONENTS	PAPER STOCK
$50,000 Poker	2357	White, 30% yellow screen	Foil
777	2347	White, 20% pink screen	Foil
Texas Edition Bucks & Trucks	2366	White, 20% green screen	Foil
Cozy Cash	2361	Black lilypads, white lilypads, tinted yellow lilypad	Card
Cowboys	2323	Black lilypads, white lilypads, tinted pink lilypad	Card
Texas Cash	2370	Black lilypads, white lilypads, tinted green lilypad	Card

This page intentionally left blank.

8.4. Omissions

8.4.1.

If any part of a pack fails to meet the quality requirements specified in this RFP, the entire pack must be omitted. Omitted packs must be reflected in the validation and inventory media, and the Successful Proposer shall provide an independently audited report showing the disposition of all omitted tickets. Actual packs omitted must be pulled from the shipping cartons and not delivered to the Texas Lottery. Proposers must provide a detailed overview of the system used to track omitted packs, including, but not limited to, the use of automation, audit tools, etc.

Pollard Banknote understands that if any part of a pack fails to meet the quality requirements specified in this RFP, the entire pack will be omitted. Omitted packs will be reflected in the validation and inventory media, and we will provide an independently audited report showing the disposition of all omitted tickets. Actual packs omitted will be pulled from the shipping cartons and not delivered to the Texas Lottery.

We provide details about the following key components of the systems used to identify and track omitted packs, as well as information on all of Pollard Banknote's quality control systems, in our response to **8.17.1.**:

- Vision Inspection System
- Electronic Lab Inspection Reporting
- Work Center Voider System
- Book (Pack) Tracking System
- Void Banking
- Carton Contents Verification System

8.4.2.

The number of omitted packs must not result in a variation unacceptable under Section 8.8 (Prize Guarantees) between the End of Production Prize Structure and the executed working papers prize structure as specified in this RFP.

Pollard Banknote has numerous procedures and technologies that play a role in tracking omitted packs and ensuring that omitted packs are not delivered to the Texas Lottery. Pollard Banknote confirms that the number of omitted packs will not result in a variation unacceptable under **8.8.** between the end of production prize structure and the executed Game Specifications (Working Papers) prize structure.

For detailed information on our prize structure reporting protocols and processes, please refer to our response to **8.20.**

8.5. Scratch Ticket Coating Quality

8.5.1.

Neither winning tickets nor non-winning tickets shall be recognizable from any characteristic of the ticket other than by the symbols concealed by the scratch ticket coating or other exposing material.

Pollard Banknote confirms that neither winning tickets nor non-winning tickets will be recognizable from any characteristic of the ticket other than by the symbols concealed by the scratch ticket coating or other exposing material.

The win status assigned to tickets is done randomly and independently from any other elements of the ticket data programming or physical printing.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

8.5.2.

To maximize the security and integrity of the game and to maximize consumer confidence in the game, the Texas Lottery deems it essential to minimize the possibility of tampering. Ticket design must be such that tampering or attempts to tamper are evident. Accordingly, visible scratches, holes or pitting in the scratch ticket coating that expose any portion of the underlying ticket stock (whether or not any portion of the imaged symbols are exposed) may be cause for the Texas Lottery's rejection of games produced by the Successful Proposer.

Pollard Banknote understands the importance of maximizing the security and integrity of the game and maximizing consumer confidence in the game. We confirm that ticket design will be such that tampering or attempts at tamper are evident. Further, we understand that any visible scratches, holes, or pitting in the scratch ticket coating that expose any portion of the underlying ticket stock may be cause for the Texas Lottery's rejection of or games produced by the Successful Proposer.

To provide the Texas Lottery with the most comprehensive information on our security procedures for minimizing tampering, please see the following narratives:

- Game Design Security
- Anti-Counterfeiting Security
- Game Development and Manufacturing Security

GAME DESIGN SECURITY

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

ANTI-COUNTERFEITING SECURITY

Pollard Banknote's scratch tickets are created with advanced anti-counterfeiting and validation security features, which minimize and prevent successful attempts at compromise.

Our Labs play a vital, ongoing role in security throughout ticket manufacturing. They ensure that the built-in security features of our tickets protect them from ever being compromised. The Labs do this by performing an exhaustive variety of experiments on the printed tickets to ensure the performance of these security features.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

In addition, if the presses are running 24 hours a day, the Lab will operate on the same schedule to accommodate testing of all rolls of games produced.

Any research and development trials are tested at the site of production, followed by a repeat of these tests in Winnipeg.

GAME DEVELOPMENT AND MANUFACTURING SECURITY

Security is intrinsic in all aspects of Pollard Banknote's game development and manufacturing processes. As such, in order to provide the Evaluation Committee with the best overall assessment of our security in this regard, we have provided a brief discussion of the various processes involved in the development of a secure scratch ticket, and the interrelated security protocols that are in place.

Raw Materials

The use of quality materials and the method of construction are essential to producing a ticket that is invasion-resistant.

At Pollard Banknote, manufacturing of a secure scratch ticket starts with the integrity of the raw materials, which must meet our standards for security. Our labs perform preliminary evaluations on all raw material and printing samples before our official acceptance of the material shipment from suppliers.

Thereafter, our laboratory conducts and documents the results of nearly 40 evaluation tests for the raw materials and printing that comprise our tickets. Please refer to **Stage 1: Raw Material Inspection of our Manufacturing Process,** which can be found in **Appendix 3: Manufacturing at Pollard Banknote**, for additional information on how raw materials are tested.

Prior to the start-up of manufacturing, we follow a number of ISO-controlled procedures to ensure product integrity is maintained at each stage of our manufacturing process.

Separations and Plates

We have strict controls in place for this critical stage of manufacturing. We produce all color separations and plates within our secure facilities or at secure suppliers.

Flexographic plates are not reused once a press run is complete. These plates are made of a soft, flexible, UV-sensitive photopolymer material that is damaged upon removal from the cylinder after a press run. These plates are discarded into an adjacent bin for secure shredding. Our facilities include industrial shredding equipment, which shred this and other material into a residual mass small enough to render impossible any potential security concerns.

Game Data and Programming

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Variable Data Imaging

The printing of variable game data is done securely with computer-controlled Kodak Versamark imagers. The imaging file data is read by the Kodak Versamark imagers that apply ink directly to specially treated, secure areas of the stock.

As described in more detail in our **Game Data Security** section below within our response to **8.9.1.**, Computer Operations personnel in our Winnipeg facility only have access to software tasks in our application as part of a "blind" process. One such software task is the creation of imager files. The separate logical computer environment, and our proprietary game development workflow, the latter being governed by our Thales-Vormetric Data Security Platform, ensures the security of the creation of the live data. Together the processes, policies and platform ensure that the status of the winning tickets is unavailable to anyone within Pollard Banknote.

Files are made available to the Imager Operator once proper approvals are in place. Files on the server include certain characteristics that secure the data, and this information is encrypted using Data Encryption Standard (DES) encryption. Files written in a proprietary format are only available by signing a non-disclosure agreement with Kodak (the manufacturer of the imaging hardware). Once created, they may only be run on a Pollard Banknote Kodak Versamark imager, due to the encryption and key required to decrypt.

The computer software used to create the image files has built in security commands that analyze the information created. The imager software that merges fonts and game data together to create an imaging file has a unique document identifier. All of our imagers are equipped with the security version of MPC4 software that tracks the documents and files which does not allow for re-running of any documents within an imager file.

For security purposes, printing units are also physically separated behind locked doors with limited, password-protected card access.

Computer Operations systems in Winnipeg are connected via a private network to the secure imager file servers in each imaging facility. This network also provides a dedicated T-1 line for data transfers between our headquarters in Winnipeg and our Ypsilanti facility. Pollard Banknote does not share this line with any other users and controls access at all ends.

Protecting Live Data

We employ measures to ensure absolute security after game data has been imaged onto stock and before play areas are covered with scratch-off material. Only operators of the imager have access to the imaging portion of the press.

As paper rolls are fed through the presses, only void or blank stock is ever viewable to the human eye. The presses are up to printing speed by the time stock with live data is visible. At this speed, data passes the human eye too quickly to be considered viewable/insecure.

Live data is not viewed, stored, or distributed any earlier in our manufacturing process, or any more frequently than necessary.

Ticket Inspection

An inline Vision Inspection System is in place following the application of overprints and immediately prior to folding. This industry-exclusive system inspects printed repeats of tickets and identifies defective tickets by pack number, helping Pollard Banknote deliver a consistently inspected product to our customers.

This proprietary system is more accurate and consistent than human inspection and is installed at all of our scratch ticket facilities. We are the only printer that inspects each and every ticket in the run, ensuring the quality of what we deliver to our customers by:

- Searching for small print blemishes (specs and scratches, for example).
- Monitoring registration of base graphics and overprint elements.
- Monitoring color consistency.
- Searching for missing data or varnish.

- Providing immediate feedback to the press operators.

The system tracks and generates reports for tickets in the sequence that the tickets will go into packs. The system does this by reading bar codes. The advantage is that the system is reviewing tickets in the sequence that they will actually be folded, packaged and, ultimately, shipped to the customer.

By allowing good packs to pass through to packaging and rejecting bad packs, the final result and benefit of our Vision Inspection System is that it eliminates defective tickets from ever reaching the marketplace.

Data Storage Security

Pollard Banknote maintains two sites with similar computer equipment for data generation and imaging that can produce tickets within a short timeframe. All data files and software programs/components are backed-up, encrypted, and sent to an off-site storage facility on a weekly basis.

Our primary data center is located off-site with a third-party service provider, Equinix, ensuring that if one of our production plants faces a disaster, data files will remain secure. Located in Winnipeg, but geographically separate from Pollard Banknote facilities, the data center is not subject to seismic events such as earthquakes and is located above the flood plain. It is logically connected to Pollard Banknote by redundant fiber optic rings. This facility is an Uptime Institute Tier III certified data centre, incorporating redundant facilities including power, generators, cooling, and fire suppression. CCTV video cameras are in place throughout the data center including video archiving and security systems are on UPS backup. The data center is staffed by security and network operations staff on a 24/7, 365 days-a-year basis.

The data center is SOC (Service Organization Controls)-certified and is audited by independent third-party auditors on an annual basis to maintain CSAE 3416 Type II standard, and has also obtained the CSAE 3416 SOC1 report. Pollard Banknote receives and reviews these annual SOC reports.

Access to Pollard Banknote's equipment in the data center follows Pollard Banknote's internal security processes for managing access. Access to the data center is authorized through a service ticket and controlled through multi-factor authentication, including card and biometrics. Cages hosting Pollard Banknote equipment are physically secured.

Please see our responses within **8.9.1.** for additional information on logical data access controls.

Secure Validation Files

Files of winning validation numbers are encrypted and supplied to the customer for each game. These validation files identify winning tickets by validation number and prize amount. No location information is supplied to the customer. Without the necessary computer files, there is nothing in the validation number that identifies a ticket as a winner or a non-winner. For more information on **Game Data Security** in general, please see our response to **8.9.1.** under **Industry-Leading Information Security**.

Most of our clients, including Texas, receive this game information via our secure file transfer protocol (SFTP) server. Each file stored on the server is signed and encrypted with Lottery-specific PGP public keys. The files are subsequently retrieved from Pollard Banknote's server by authorized Lottery staff—via FTP transfer with 128-bit encrypted data transfer—using a pre-shared certificate we've physically supplied via a disk (or other means), allowing us to be 100% in control of who is connecting to us. Without this certificate, our server would not communicate with any of our clients.

8.5.3.

The Successful Proposer must make a continuous and best effort to ensure that the risk of ticket or game compromise is minimized.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote is committed to making a continuous and best effort to ensure that the risk of ticket or game compromise is minimized.

Staying Current with Protocols

Pollard Banknote is continuously investigating the latest opportunities and technologies that can improve our processes and overall security of the products we produce for our lottery customers. To stay abreast of the latest protocols and technologies, we attend anti-fraud conferences, and constantly evaluate the latest forensic journals, scientific journals, and media sources to identify new equipment/methods that can be used to compromise tickets, as well as equipment and methods to detect and prevent such fraud.

We work closely with our clients to evaluate any concerns they notice in the market, and work alongside lotteries to develop countermeasures that ensure the absolute security of the product.

If a new method of comprising a ticket is identified, we obtain the necessary equipment required to evaluate the risk. We then evaluate whether the test for that particular compromise method should be added to our regular testing protocol.

For details on our ongoing efforts at ensuring game security, please refer to **8.5.2**.

8.6. Randomization

8.6.1.

The odds of winning any prize of any level on a given ticket must not vary from the odds of winning that prize as stated in the final approved prize structure by reason of deficiencies of randomization including, without limitation, by virtue of the ticket's location in its pack, shipping box, pool, or game; or by virtue of the contents (whether exposed or covered with scratch ticket coating) of any other ticket in the same pack, shipping box, or pool.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote confirms that the odds of winning any prize of any level on a given ticket will not vary from the odds of winning that prize as stated in the final approved prize structure by reason of deficiencies of randomization including, without limitation, by virtue of the ticket's location in its pack, shipping box, pool, or game; or by virtue of the contents (whether exposed or covered with scratch ticket coating) of any other ticket in the same pack, shipping box, or pool.

RANDOMIZATION

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Please note that more information about our randomization processes can be found within our fulsome response to **8.9.1.**, under the heading **Game Data Security.**

8.6.2.

High-tier winners must be randomly distributed within the pools of tickets or the game as a whole as specified by the Texas Lottery in the executed working papers. The size of said pools must be agreed to by the Texas Lottery and the Successful Proposer.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

We will randomly distribute high-tier winners within the pools of tickets or within the game as a whole, as specified in the executed Game Specifications (Working Papers). We understand that the pool size must be agreed upon by the Texas Lottery and Pollard Banknote.

Please refer to **8.6.1.** for additional information regarding randomization.

8.6.3.

The Successful Proposer must be able to limit the number of consecutive non-winning tickets in a pack. The maximum number of consecutive non-winning tickets within a pack will be specified in the executed working papers by the Texas Lottery.

Pollard Banknote confirms that we are able to limit the number of consecutive non-winning tickets in a pack. The maximum number of consecutive non-winning tickets within a pack will be specified in the executed Game Specifications (Working Papers) by the Texas Lottery.

The winning ticket distribution, and the consecutive non-win requirements, originates from the prize distribution module incorporated into the D Gen application. All prize distribution is randomized and based on seeds supplied to the underlying random number generator within the Computer Operations environment.

The prize distribution module places winners and consecutive non-winning streaks in a completely randomized manner. The module calculates and determines the relative proportion of times a completely random distribution would have zero consecutive non-winning tickets, one consecutive non-winning ticket, two consecutive non-winning tickets, etc.

As an example, the executed Game Specifications (Working Papers) for *$500 Frenzy* (#2319), includes programming parameters that state, "No consecutive string of non-winning tickets within a pack will be greater than seven (7), which is two (2) times the overall odds for this game rounded down to the nearest whole number."

Please see Game Data Security in **8.9.1.** for information on game data and programming security.

8.6.4.

The Texas Lottery reserves the right to inspect the methodology and implementation of such randomization on its own or with the aid of an independent consultant at any time. In accordance with the Texas Public Information Act and State Lottery Act, any information gathered throughout this process will be held in confidence by the Texas Lottery and/or its representative.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

We understand that the Texas Lottery has the right to inspect the methodology and implementation of randomization on their own, or by utilizing an independent consultant at any time. In addition, we understand that, in accordance with the Texas Public Information Act and State Lottery Act, any information gathered throughout this process will be held in confidence by the Texas Lottery and/or its representative.

As noted in **8.6.1.**, Pollard Banknote's random number generator recently obtained third-party certification from GLI (Gaming Laboratories International).

8.7. Guaranteed Low End Prize Structures (GLEPS)

Each pack of tickets must contain a guaranteed dollar value of low-tier prizes as specified by the Texas Lottery in the executed working papers. A minimum of four (4) different configurations of low-tier prizes must be equally and randomly incorporated in each pool and throughout all pools in the game. The different ways to win a low-tier prize within a GLEPS configuration will be randomly placed within a pack of tickets. Each configuration must have the same total dollar value of low-tier winners when mathematically possible, but each will have varying numbers of winners of various denominations. Low-tier is currently defined as a prize value of $24.99 or less. For higher price point games that do not contain low-tier or adequate low-tier prizes, a comparable structure for lower value prizes will be required as specified by the Texas Lottery in the executed working papers and/or the Customer Specifications Document. These are currently referred to as G-tier prizes. The low-tier and G-tier values will be defined in the Customer Specifications Document and executed working papers.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote has all of the resources necessary to develop the prize structures required by the Texas Lottery.

Each pack of tickets produced for the Texas Lottery will contain a guaranteed dollar value of low-tier prizes as specified by the Texas Lottery in the executed Game Specifications (Working Papers).

A minimum of four (4) different configurations of low-tier prizes will be equally and randomly incorporated in each pool and throughout all pools in the game. The different ways to win a low-tier prize (currently defined as a prize value of $24.99 or less) within a GLEPS configuration will be randomly placed within a pack of tickets. Each configuration will have the same total dollar value of low-tier winners when mathematically possible, but each will have varying numbers of winners of various denominations.

For higher price point games that do not contain low-tier or adequate low-tier prizes, a comparable structure for lower value prizes will be required as specified by the Texas Lottery in the executed Game Specifications (Working Papers) and/or the Customer Specifications Document. We understand that these are currently referred to as G-tier prizes. The low-tier and G-tier values will be defined in the Customer Specifications document and executed Game Specifications (Working Papers).

For example, as per the executed Game Specifications (Working Papers) for Rose Gold Riches (#2273), this game had six (6) different configurations of low-tier prizes (A, B, C, D, E, and F), each of which add up to the same total dollar value ($150), but with variation in the number of winners and in various denominations.

For the Evaluation Committee's consideration, we have included additional information about game generation and manufacturing procedures for GLEPS below.

Game Generation and Manufacturing Procedures for GLEPS

Pollard Banknote has a long history and broad knowledge of employing GLEPS for a number of Lottery clients around the world. We currently utilize GLEPS to provide prize structures for 23 U.S. lotteries, including the Texas Lottery. In addition, we work with 28 international lotteries that utilize GLEPS, and three international lotteries that use a variation of GLEPS called MLEPS (Minimum Low End Prize Structure). Through a very robust and flexible Game Generation system, Pollard Banknote has demonstrated the ability to adapt to the specific needs and requirements of the Texas Lottery when it comes to guaranteed low-end prize structures (GLEPS).

Games will be produced using the GLEPS method of winning ticket dispersion and randomization, such that each pack of scratch tickets produced for a game will contain the same total value of low-tier winning tickets, but each will have varying numbers of winners of various denominations. Multiple configurations of low-tier prizes will be incorporated at random into packs of tickets.

On a game to game basis, the GLEPS are created in conjunction with and at the same time as the overall prize structure itself so as to be sure both the prize structure and the GLEPS requirements are met and the results of both are mutually beneficial to the desire of maximizing instant game sales and net revenue for the Texas Lottery. The GLEPS and prize structure, as approved by the Texas Lottery, are entered and configured into our Game Generation software on a game to game basis and therefore subject to all the checks and balances of our rigorous data programming

processes and verifications, including audits, in order to guarantee accuracy and compliance in the imaged data on the press line and ultimately the final shipped tickets.

More specifically, the various GLEPS types (TYPE A, TYPE B, TYPE C, etc.) are assigned randomly from pack to pack, meeting the overall required proportions per pool exactly. The assignment of GLEPS type to a pack is fully randomized such that it is impossible to predict the type relative to any other pack. The GLEPS prizes within each pack are also randomized independently in the order in which prizes may appear and their ticket number location. The only constraint on the randomness of the prize placement within a pack is the adherence to any consecutive non-winning tickets requirements the Texas Lottery may require.

For more information on game data randomization and game balancing, please see **8.6.1.** and **8.4.1.**, respectively.

Marketing Expertise for GLEPS Development

Brad Thompson and Jennifer Wankling have nearly 35 years of combined experience with the Texas market and therefore have a vast knowledge of the players. The GLEPS are designed to guarantee players' desires are met to generate churn, chatter, and excitement amongst players and retailers to help bolster sales. For each game, these needs are incorporated into the development of the prize structure and are guaranteed for the purpose of meeting the needs of the target market for each particular game. In this regard, retailers are guaranteed to sell these dictated winning amounts in their locations, creating chatter, and excitement and more sales.

It is typical to have at least four GLEPS configurations per game, equally distributed throughout the order but as indicated, Pollard Banknote can certainly adapt to any game specific needs the Texas Lottery may identify.

8.8. Prize Guarantees

The Successful Proposer shall be required to submit a standard audit letter by a certified public accounting firm relating to game production within two (2) weeks prior to the delivery of each game. The Successful Proposer must guarantee the following:

1) *Winning tickets are distributed with no discernible pattern throughout the entire population.*

2) *Unless otherwise agreed to in the working papers, ticket quantities will be guaranteed within ±2% from the quantity stated in the executed working papers, and all prize levels will be guaranteed within ±2% of the percentage of prize fund within the final executed prize structure from the executed working papers proportionate to actual quantity shipped. Overall prize payout will be within ± .005 (1/2 percent).Prize Payout tolerance example: 65.00%payout converts to a decimal of .6500. The ± .005 tolerance would allow for a range of .645 to .655 which converts to a percentage of 64.50% to 65.50%.*

3) *Overall odds of the game should not vary more than ± .0005 (1/20 percent) from the final executed prize structure from the executed working papers.*

4) *Top or other tier-level prizes that are specified in the executed working papers as a guaranteed quantity will be verified and guaranteed in the End of Production Prize Structure for the game produced.*

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

We confirm that MNP, a certified public accounting firm, will provide a letter within two weeks prior to delivery of the game that includes the verifications listed in points (1) through (4) of this section.

8.9. Security Specifications

8.9.1.

It is intended that all sections of this RFP have implied the essential need for security, though such may not be explicitly stated. The Proposal must make clear and specify the precautions, safeguards, inspections, reporting and other measures that will attend the entire program and its parts.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Security is paramount to everything we do at Pollard Banknote; on the following pages, we have provided detailed information on Pollard Banknote's security program, including an introductory overview, followed by specific narratives on:

- Unparalleled Physical Security
- Industry-Leading Information Security
- Ticket Storage and Delivery Security
- Secure Instant Ticket Destruction

In addition, please refer to **8.5.2.** for more information on **Game Design Security**, **Anti-Counterfeiting Security**, and **Game Development and Manufacturing Security**.

SECURITY AT POLLARD BANKNOTE: AN OVERVIEW

As a secure printer since 1974, Pollard Banknote knows what it takes to manufacture and deliver scratch tickets that meet the Texas Lottery's security standards. Pollard Banknote has developed industry-leading security procedures, methods, strategies, an unrivalled internal control system, and a sophisticated approach to detecting and preventing fraud. Our security plan is not static; it is constantly evolving to take advantage of improving technology and practices.

At Pollard Banknote, our approach to security is uncompromising, and consists of integrated layers of design, people, and systems. Security is intrinsic in every aspect of our operations, with rigorous controls in place that start with the hiring and training of employees and extend to the selection of raw materials through to delivery of the final product.

Security at Pollard Banknote is divided into two main categories, each representing very important priorities within our organization. Physical security, which includes our facilities and the manufacturing process, is led by our Director, Corporate Security, Larry Levasseur. Larry oversees our team of Security Officers, who collectively are responsible for the safety and security of our people and products.

We are also vigilant with respect to our approach to information security, which includes industry-leading security practices and technology. We meet the highest-level standards, and ensure our approach protects our customers' data. Led by our Director of Information Security, Patrick Hoger, we follow internationally recognized IT security standards, as demonstrated by our ISO 27001 certification, as well as lottery industry security standards, demonstrated by our WLA Security Control Standard (WLA SCS) certification. We meet, and in many cases exceed, the highest levels of industry accepted security measures for our systems, infrastructure, and data communication.

Our security-minded approach is embedded in everything that we do and focuses on the people, process, and supporting technology, along with the intersections of these three pillars. In the sections that follow, we highlight critical aspects of security at Pollard Banknote, including our certifications and policies; physical security; information systems security; and security at every step of our manufacturing process, including game design, validation, anti-counterfeiting, and ticket storage and delivery.

Security Certifications

ISO 27001

Pollard Banknote's Information Security Management System (ISMS) is certified to the ISO 27001:2013 standard.

ISO 27001 is an internationally-recognized standard established by the International Organization for Standardization (ISO). The standard specifies a set of comprehensive security controls and ensures security best practices and a managed approach to information protection—including risk, governance, and compliance. This standard is used to certify that a company's ISMS protects sensitive information of both the company and its customers.

The British Standards Institution (BSI), an independent third-party evaluator and certifier of management systems, performed the initial rigorous certification audit in December 2013. To maintain certification, Pollard Banknote undergoes internal and external independent audits of its adherence to its documented ISMS policies. These audits confirm that each applicable business practice is carried out in alignment with the comprehensive ISO 27001 certification standard. BSI performs the rigorous full recertification audit every three years, most recently in October 2019, as well as surveillance audits annually in the intervening years.

Our ISO 27001 certification covers the management of information security for the generation and handling of game data, printing and packaging of scratch tickets, application and development and maintenance activities within Digital Solutions and Lottery Management Services, and iLottery customer support services. A copy of our certification is included in **Appendix 1: Corporate Certifications**.

WLA Security Control Standard: 2016 Certification

To further ensure the security of our products and operations, Pollard Banknote also holds a WLA Security Control Standard: 2016 certification. The WLA SCS—the lottery industry's only internationally recognized security certification—is designed to assist the lottery sector in obtaining a level of security controls that meet industry-accepted best practices and enable an increased reliance on the integrity of lottery operations. This standard consists of two main components. The first part builds on the requirements of ISO 27001, with 23 additional controls related to generally accepted information security practices. The second part consists of more than 100 lottery and gaming-specific security, integrity, and risk management controls.

Pollard Banknote's certification covers the management of information security for the generation and handling of game data, printing and packaging of scratch tickets, and iLottery customer support services. BSI also performs our annual WLA recertification audits.

We have included a copy of our WLA-SCS certification in **Appendix 1: Corporate Certifications**.

Note that while our current certification is audited to the 2016 standard, Pollard Banknote will be certifying to the WLA-SCS:2020 standard in fall of 2022, which aligns with our next ISO 27001 recertification.

Physical Security Management

Oversight of our entire physical security system falls within Pollard Banknote's Security Management department—led by Larry Levasseur, Pollard Banknote's Director, Corporate Security. Reporting directly to the Executive Vice President, Operations, Larry is responsible for maintaining and improving security. This includes development and enforcement of physical and manufacturing security, and the documentation of procedures and manuals.

Larry Levasseur, Director, Corporate Security, Pollard Banknote.

Based at our Corporate Headquarters in Winnipeg, Larry conducts at least four annual visits to each of the Pollard Banknote facilities to review security practices. To ensure our security processes are maintained during the COVID-19 pandemic we have had several audits since March of 2020 that have been facilitated through on-line tools such as Teams, Skype, Zoom, and other platforms. Over the past couple of years, we have also started upgrading our security cameras which allows us to view our other locations remotely.

Larry brings a wealth of experience in corporate security and public policing to Pollard Banknote. With more than 20 years with the Winnipeg Police Service, he has also held positions as a Security

and Investigations Advisor, and Manager of Client Security Services and Senior Investigator with Manitoba Telecom Services.

Larry is a Certified Protection Professional (CPP), a designation certified under ASIS (American Society for Industrial Security) International, the world's largest association for security management professionals. It is the most widely respected premier designation in the security industry today, recognized worldwide as setting the standard for professional excellence and providing objective proof of security knowledge and experience. ASIS International requirements are very demanding, held only by a distinguished group of security professionals capable of meeting the rigorous education and work experience requirements. Larry's CPP certification demonstrates knowledge and experience in all areas of security management and is ANSI (American National Standards Institute) accredited, which ensures a high standard of qualification.

Larry serves as Vice President of the Association of Certified Forensic Investigators of Canada—a non-profit organization for professionals who provide fraud prevention, detection, and investigation services to the public, governments, and employers. In 2015, Larry also became a voting member of the Committee for Security Gaming Integrity which serves the fairness, integrity, security and honesty of gaming by the recognition of industry technical, regulatory and protocol standards.

Larry is also the recipient of several law enforcement awards including the Manitoba Attorney General's Award for Excellence in Law Enforcement and the Canadian Banks' Law Enforcement Award. He regularly attends the NASPL Professional Development Seminar to meet with Security Directors and discuss all relevant security issues and concerns.

Security Officers

Larry leads a team of Security Officers that includes former, well-experienced police officers who continue to receive regular training and participate in industry-related seminars to ensure the highest level of sensitivity to security concerns. Having decades of experience in law enforcement and security, all Security Officers at Pollard Banknote are members of ASIS International—the most decorated organization for security professionals with more than 33,000 members worldwide.

Officers receive training and attend seminars within the company, and receive external training as well. They also attend local and international educational events, including the annual ASIS Seminar.

Some of the other specific courses and seminars our Security personnel have attended are:

- Corporate Security and Loss Prevention
- Transportation of Hazardous Materials

- Transportation of Hazardous Goods—Air
- Transportation Security
- ASIS Annual Seminar
- CPR/First Aid, Fire Marshall Seminar
- Contractor Safety
- Access Controls
- Alarm Systems
- Incident Reporting—Software
- Numerous software courses (including Key Control and Access Control)
- Counterfeit Detection
- Security for Sales Persons
- Bomb Threats and Response
- IPAM Computer Security Seminar

- NASPL Security Directors Seminars

Our security personnel stay informed through journals including *Security Management* (U.S.), *Canadian Security* (Canada), *Intersec* (Great Britain), and many other industry journals. They also draw on a library of reference packs, including the *Protection of Assets Manual*, *Fundamentals of Criminal Investigation* (Charles O'Hara and Gregory O'Hara), which is widely acknowledged as the authoritative text on the subject of criminal investigation, *Workplace Violence Prevention—A Practical Guide*, and *Corporate Emergency Management*.

Prospective Security Officers are rigidly screened during the hiring process. On the job, they operate according to a well-defined set of procedures. Our corporate Security Officer's Manual documents activities and expected standards. The Manual deals with security objectives and details policy on a range of subjects. These subjects include attendance, chain of command, performance evaluation, appearance, equipment, alarm response, arrests, confidentiality, crime scenes, impaired employees, bomb threats, interior patrols, logs, and terminations.

Security Officers conduct regular inspection tours throughout our facilities, as well as certain monthly and quarterly checks. They also perform a range of daily security duties. An officer's duties and checks include mandatory guard tour checks, employee checks on shift change, arming and disarming alarms according to a time schedule (if alarm is not automatic), a video check (described later), a check of the access system (including reconciliation of invalid attempts), and checks of panic alarms, door alarms, fire devices, door locks and similar devices.

Many tasks, including employee intake, employee termination, key issue, and access assignment, are governed by check sheets. These check sheets are kept on file for each employee, and require sign-off from Human Resources, Security, and IT. In addition to the check sheets maintained by

Human Resources, Security also keeps a check sheet for each employee which records access codes and permissions.

As part of our ongoing mission to leverage leading technology to strengthen our procedures, Pollard Banknote employs ServiceNow to ensure the data we store is secure and managed effectively. ServiceNow is a leading data management and security platform that allows us to keep track of everything from employee records and access controls to operational documentation.

Our Security Officers are equipped with two-way radios and/or cell phones at all times. If a security concern occurs, the officer on duty follows procedures defined in the Security Manual and (if necessary) initiates immediate contact with our Director, Corporate Security, Larry Levasseur. If security personnel determine the security concern could impact a client, the Director also speaks to the designated marketing/service representative(s) within our company assigned to the customer.

We use Incident Management software to record and track all security activity. The Security Officer(s) and/or the Director, Corporate Security reviews these records on a continual basis.

Employee Security

At Pollard Banknote, every employee in every department is continually educated in the importance and principles of maintaining a secure environment.

New employees undergo a criminal record check on local and national (American and Canadian) systems upon intake. We employ Sterling BackCheck to conduct international checks, including background checks on individuals who have recently immigrated to North America. Criminal records are rechecked on an employee's second and fifth service anniversaries, and every five years thereafter. As well, all new employees are required to sign a non-disclosure agreement prior to the start of employment, whereby each employee agrees not to disclose any confidential or proprietary information about Pollard Banknote or their clients, unless authorized to do so.

Every new Pollard Banknote employee is required to attend an orientation session on their first day with the organization. At the session, each employee receives—and must sign for—a handbook containing security regulations. In addition, new employees are trained by a Security Officer who provides comprehensive security training of our facilities, processes, and products. Afterwards, each employee is required to sign an acknowledgement agreeing to adhere to our strict procedures to ensure the security of our products.

To ensure that no unauthorized persons have access to our facilities at any time, if employment is terminated, the on-duty Security Officer will:

- Immediately deactivate the employee's access card.
- Ensure return of access card and all company property.

- Ensure all necessary security codes are changed or eliminated.
- Inform employee that the non-disclosure agreement remains in effect.
- Provide close escort of employee until off the property.

- Ensure notification of all appropriate personnel.

Once the employee's access card has been deactivated, the employee will not be able to gain entrance into the building without prior approval of the Plant Manager and a security escort.

Security Officers conduct access audits quarterly. This consists of reviewing, with respective supervisors and the plant manager, access given to individual employees to assure that the access is appropriate for that employee. No access levels are changed without prior written approval of the Director, Corporate Security, or the Security Manager.

UNPARALLELED PHYSICAL SECURITY

Pollard Banknote's scratch ticket printing facilities meet stringent security standards by design. Advanced access control measures, including intrusion alarms and the use of CCTV, proactive fire suppression systems, secure equipment enclosures, and specialized security rooms all contribute to the overall security of each Pollard Banknote facility. All of our facilities are monitored 24/7, 365 days each year from our main offices in Winnipeg, Manitoba, and Ypsilanti, Michigan, providing a robust security presence at all times.

Location and Design

Pollard Banknote's scratch ticket facilities meet stringent security standards. Location and design are no exception.

Each Pollard Banknote facility is in an industrial park, adjacent other low-risk industries. As well, each facility is located in smaller, urban centers. No Pollard Banknote facility is in an area with a high crime rate. In addition, the exterior of our facilities (including each staff parking lot and all building entrances) is protected against intrusion by exterior cameras and continuous surveillance via security patrols.

All Pollard Banknote facility sites can withstand any natural disaster that may occur due to the geographical area. For example, our facility in Ypsilanti, Michigan, is protected against potential tornado damage, and our corporate headquarters in Winnipeg, Manitoba, is located above the flood plain of the Red River.

The reliability of local services (i.e., electricity, natural gas, water, sewage, etc.) is another important benefit of our site selections. The electric and telephone services that enter our buildings underground are monitored regularly to ensure service problems do not occur. Gas lines are also reinforced to prevent accidental disruption of service. Power outage occurrences are infrequent and short-lived.

For instance, DTE Energy—the local provider of electrical power to our facility in Ypsilanti—is fully operational 99% of the time. Similarly, Manitoba Hydro provides electrical power at our corporate headquarters and is fully operational 99.97% of the time.

All computer systems and operations areas are housed within internal walls and behind multiple locked doors to ensure continuity of service during all but the most extreme events. All critical IT infrastructure is housed at Equinix in Winnipeg, Manitoba, so in the unlikely event of a serious incident at our Winnipeg manufacturing facility, we could remain fully operational from an IT/administrative perspective. This assurance of continuously operational local services and full resource availability is another reason lotteries can trust Pollard Banknote to deliver optimal performance.

Access into all buildings is only available at two locations: an employee entrance and an office entrance. We describe both in the following section.

Access Control

Our sophisticated access control practices ensure that no unauthorized person ever gains entrance to any of our facilities. Due to these practices in action, Pollard Banknote has never experienced a break-in.

Access is controlled by means of facility design, encrypted key card control, human intervention, and established procedures. Access is defined by job description; for example, a finishing employee can access the finishing area, but not the Lab. Key activities in the production of instant games are not only physically separate, but electronically separate, as well. For example, our Game Generation and Computer Operations groups are separate from one another within our facility. These groups are also separated from the groups responsible for creating fonts and auditing game data. Segregated and separate computer networks make it practically impossible for any individuals to gain access to data or information for which they do not have access privilege.

Electronic access control begins at exterior entrances. This control also governs entry to internal, restricted areas that house imagers for printing variable data, quality control activities, our in-house lab, and all other sensitive areas.

All Pollard Banknote sites employ digital proximity card access systems with security cards manufactured by HID, the premier manufacturer of contactless access control cards and readers for the security industry. All card readers and control boards utilize battery backup to ensure exterior doors are secure and interior doors operate normally, even during a power failure.

To ensure the security of critical spaces in our facilities, we have also added the further protection of dual authentication readers and, in some cases, biometric scanners, which rely on fingerprints for access. These measures provide an extra layer of access control and guarantees

no unauthorized people are able to enter sensitive areas such as the network room, the reconstruction room, or the Computer Operations and Game Generation areas.

Corporate Policy dictates the initial and ongoing general access of our employees, which is recorded electronically and on check sheets that become part of an employee's personnel record. In addition to the check sheets maintained by Human Resources, Security also keeps a check sheet for each employee which records access codes and permissions.

Employees receive access only to the areas they must be in to perform their daily job tasks. Each access card displays the employee's photograph, along with their name and position, and a unique bar code. The employee also sets an internal multi-digit personal identification number (PIN) that corresponds to the card.

All employees entering the manufacturing area of our facilities adhere to the following procedure:

1. An employee enters through an exterior door leading to a vestibule.
2. Once in the vestibule, an employee must present and scan their access card to a card reader.
3. They then enter their unique multi-digit PIN.
4. If correct, this unlocks a door the employee can pass through to a steel floor-to-ceiling turnstile.
5. The employee again presents their access card to a card reader, releasing the turnstile for a one-third rotation. This allows enough space for only one person, preventing a second individual from simultaneously entering the facility with them.

An exit turnstile linked to the entrance turnstile is used to leave the manufacturing area of our facilities. It will not allow exiting by any individual who has not entered through the same turnstile correctly, employing what is commonly referred to as anti-pass back technology.

The office entrance has an exterior door, secure with the card access system. This exterior door is unlocked during business hours. The interior vestibule door is also secure with the card access system and remains locked during business hours, with access by card.

When an employee is absent for any extended period, or an access card is lost, the status of their card in the system is immediately changed to a "suspended" status. Once suspended, an access card will not open any door but will trigger an alarm instead.

Any customers visiting our facilities must adhere to the card access procedure as well. They are provided with, and must display, a uniquely designed card that identifies them as visitors. These specialized cards give customers limited access within the facility.

Our Winnipeg, Manitoba, headquarters serves as the Security Operations Center for all of our Canadian locations; our facility in Ypsilanti, Michigan, performs the same function for our U.S. facilities. From these central security offices, our Security Officers monitor and permanently record all card access transactions at our facilities. They can generate reports that identify the activity of an employee during a shift, or identify all activity at a specific reader during a period. They investigate invalid transactions (e.g., an access card presented at a reader to which the employee does not have access) and reconcile them every day. They also receive alerts. For example, doors controlled by card access include "door open" alarms. A door that remains open longer than a set time triggers an alarm on the card access system, sounding a buzzer at the door.

The key card access management is controlled by a computer located at Equinix in Winnipeg, Manitoba. The computer is password-protected in a facility that is staffed and monitored 24/7. Security personnel administer all changes to access levels, timed openings, and investigative reports.

Regarding physical key access, we take measures to re-key all our buildings at least every five years. The keys themselves are rigidly controlled and managed by our Corporate Security group. Employees must sign and complete documentation for every issued key. Spare keys remain in a secure box within the Security Office. Keys are not issued to any lock secured by card access.

Visitor Management

At all Pollard Banknote facilities, visitors are registered and tracked via iLobby, an electronic visitor management system. The system is configured to meet the legal and security requirements of our organization by expediently guiding each visitor to the facility through a standard process that includes the collection of identifying information, the issuance of photo identification cards upon approval of entry, and employee email notifications to let internal staff know their visitor has arrived.

The system kiosk is positioned in the front vestibule of the building. Upon entering the building, the visitor is greeted by a receptionist and asked to register electronically to gain entry. The visitor enters their information on the system's iPad, including their full name, organization, and reason for their visit (for example, "contractor" or "making a delivery"); they are then presented with Pollard Banknote's Visitor Guidelines, which they are asked to read and sign on-screen. The system then takes their photo and uses it to create a unique visitor ID card which also includes the individual's name; while on-site, the visitor is required to wear the card as identification, serving to enhance security throughout the facility. Prior to leaving the building, the visitor signs out using the same system. Visitor records, including photos, are kept electronically indefinitely, allowing our security team to access visitor history and create reports at any time.

Intrusion Alarms

Pollard Banknote facilities are extensively alarmed for intrusion detection. Our system separates facilities into work zones so that one zone (e.g., the office) can be armed while another (e.g., manufacturing) is occupied and functioning. Control pads are situated throughout buildings at access points, reception, and the security office.

Our system provides 24/7 coverage. Employees requiring off-hours access are issued an alarm code in the form of a PIN. This allows them to disarm the alarm only in the area in which they work. Only security personnel possess alarm codes capable of disarming all alarms.

Alarm devices include:

- Glass breakage detectors
- Motion detectors
- Photoelectric beams
- Pendant panic alarms
- Trailer alarms
- Door contacts

These devices are wired to panels connected to an alarm monitoring agency by dedicated phone line. This line is monitored regularly and will trigger an alarm if it is disturbed or severed. All these devices are also on access points, and are designed to activate prior to entry into any of our buildings. Once active, a local alarm sounds and notifies the central alarm monitoring station. Our personnel can check a control pad for the source of the alarm and investigate while the alarm monitoring agency notifies police and confirms the alarm with security. All devices are checked regularly.

Computer server rooms are further protected with high/low temperature detectors.

Closed Circuit Television (CCTV)

All entry/exit points and restricted areas, as well as the general facility, are under constant surveillance. Camera output feeds back to each Security Operations Center, where Security Officers monitor cameras individually, sequentially, and on split screens.

To continually boost the effectiveness of our security surveillance system, we regularly upgrade our intricate camera systems and digital video recorders across all our facilities.

We store surveillance data for a minimum of 30 days. Our DVR equipment affords a number of advantages for security, including superior images, a considerable amount of recording time, and powerful archiving and searching functions. These are not simply ease-of-use features, but are practical advantages if and when investigating a security concern.

Fire Suppression

All facilities include a vigorous fire suppression system. This system includes:

- Smoke detectors
- Heat detectors
- Flow alarms in the standpipes
- Pull stations throughout each building

In the event of an alarm, the fire department is automatically notified, and horns and strobe lights are activated in the building. Fire alarms are tested every month and the entire fire suppression system undergoes annual inspection.

We designate Fire Marshals at each facility to help with evacuations. Fire Marshals receive training in cardiopulmonary resuscitation, first aid, use of fire extinguishers and the fire evacuation plan. Fire drills take place at least twice a year. Each site has an appropriate number of fire extinguishers.

This system includes battery backup to ensure operation in the event of a power failure.

Flood Prevention and Detection

All facilities are maintained to ensure that there is proper drainage around the full perimeter of the building, including all downspouts. Our Security Officer ensure that all external drainage systems are fully functional during regular security patrols of the building perimeter.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

INDUSTRY-LEADING INFORMATION SECURITY

Guiding Principles Applied to Information Security

Pollard Banknote's approach to information security is second to none in the industry. Information security is pervasive throughout the organization and we are fully committed to creating a 'security aware' culture within the entire organization. We apply guiding principles to ensure that our information security program supports the fundamental integrity of all the tickets and services that we deliver to the Texas Lottery. We understand that information security both underpins and enhances our corporate brands; ultimately, players and non-players need to trust the brand and all that it stands for in order to either remain loyal to it and continue to play or to give it a try, both of which are fundamental to continued growth.

Our guiding principles ensure that information security is a core element of our corporate governance. The governance structure includes a Security Steering Committee that meets regularly to ensure our focus on core aspects of our information security program such as IT Management, Physical Security, Risk Management and Regulatory & Compliance issues never wavers. Additionally, a focus on information security is an inherent part of our IT architecture and a key component of all of our operational and management processes; the focus is pervasive throughout the organization and clearly demonstrated in all aspects of what we do. We embed generally accepted best practices within our ISMS (Information Security Management System), apply appropriate protection to information to protect its integrity at all times, and leverage a

control framework aligned with ISO 27001. Continuous reassessment of our security posture and a re-investment into security controls is second nature at Pollard Banknote; we fully understand the evolving needs of the business and our lottery customers.

The Three Pillars of our ISMS

Our ISMS is built on the three key pillars of People, Process and Technology, described in turn below.

People: We ensure that the IT Security team and supporting resources have the skills and training to support a sustainable security program and that everyone understands their respective role in protecting information assets. We have the appropriate personnel and industry-recognized certifications to underscore to our clients that we are committed to staying abreast of industry best practices. These include having an Information Security team, led by our Director of Information Security, Patrick Hoger, who is a Certified Information Systems Security Professional (CISSP), and industry certifications such as CISA, CISM, and CRISC. Patrick is responsible for developing and executing our information security program.

Patrick Hoger, Director of Information Security

Process: We have the appropriate corporate governance structures in place including not only the appropriate executive focus and related committee, but also relevant policies and defined standards based on industry standard benchmarking (CIS benchmarks) for baseline security standards.

Technology: We are fully committed to and execute our program with industry-leading technology based on a layered security approach. We provide the appropriate monitoring mechanism using some of the most advanced tools available.

ITIL Standards

As further testament to our commitment to excellence in service delivery, customer service, and a robust approach to ensuring information security, Pollard Banknote is committed to following industry standards, including Information Technology Infrastructure Library (ITIL)-based business practices that align IT services with its business needs. ITIL's five core volumes cover each stage of the IT Service Management (ITSM) lifecycle and describe various processes and procedures that can be leveraged to implement and measure IT practices. Pollard Banknote follows an ITIL-based approach for change management, incident management, and request management. We leverage ServiceNow as our tool of choice for IT management – which allows us to leverage powerful workflow and documentation and reporting processes to support a variety of needs. We are also committed to certifying appropriate members of our staff to ITIL standards.

Approach to Information Security

There are many areas of information security which are vital to supporting our lottery clients, including network, operational, and system security, which are explained in more detail below.

Network Security

Pollard Banknote takes a controlled approach to protecting systems critical to our business from outside threats. Any system that has the potential to be exposed to external threats is reviewed and approved before it is allowed to connect to any other systems. Computer areas critical to the manufacturing process do not allow connections out to the internet or any connections initiated from the outside world.

Information security involves the protection of information assets against known and perceived risks. 'Information assets' in this context includes both information itself in the form of computer data, written materials, knowledge/know-how etc., and the IT systems, networks, other electronic devices and storage media used to store, process and communicate it.

Pollard Banknote uses firewalls to control network traffic—both within the business and on all external network accesses. The firewalls use state-full packet tracking and, by default, deny all traffic. Firewall changes are controlled, and any exceptions are reviewed by our IT and Information Security departments. Groups involved in game programming activities are located at separate, restricted-access locations within our Winnipeg facility. We do this to preclude the possibility (and even the appearance) that individuals might have access to inappropriate combinations of sensitive information. Sharing privileges for data-related electronic files are similarly restricted.

All internal and external network access company-wide is controlled by Pollard Banknote's Information Systems department. All incoming and outgoing network access is denied by default and is only enabled once a risk assessment has been performed.

Operational Security

In order to protect our systems and data, Pollard Banknote has employed an operational security model with stringent change management, least access, segregation of duties, and Threat & Vulnerability management. In addition to operational procedures many automated systems and tools are in place to protect data company-wide. These systems include, but are not limited to:

TPIA §552.101/§466.022 **TPIA §552.101/§552.139**

TPIA §552.101/§466.022 TPIA §552.101/§552.139

System Security

The controlled approach to systems security taken by Pollard Banknote not only protects our operations from potential threats, but it also ensures that our client's data is secure and protected when transferred between any of our facilities. All access to administration functions on critical systems within Pollard Banknote is controlled by our IT department. By default, all users are denied Administrator access and are restricted in what they can change on our systems. All changes to systems need to be approved and are documented. Systems in various areas within Pollard Banknote are segregated and information is limited to be available only where needed.

Pollard Banknote ensures security of our systems by employing secure, hardened baseline systems using the In addition, regular review and scanning of the systems ensures that vulnerabilities are continuously monitored and addressed by applying the latest patches and/or updates. TPIA §552.101/§466.022 TPIA §552.101/§552.139

User Rights and Clearance Processes

Physical and logical access to all Pollard Banknote systems and infrastructure is strictly controlled to ensure security and integrity at all times. These controls apply to our facilities, data centers, and computer systems. Access is granted using role-based access controls whereby the role within the organization is aligned to the specific access (such as system access, file permissions, card access, etc.) required for each employee's position. As part of the ISO 27001 requirement, access reviews are performed on a regular basis. Administrator access is reviewed even more frequently, as our IT Security team receives real-time notification on any account changes to administrator groups.

Pollard Banknote has predefined, specific work flows in place based on active directory groups that are configured to meet the needs of the business process. Key access controls include:

- Accounts are verified before granting access;
- Accounts are locked/disabled following too many incorrect login attempts;
- Administrators have access to user activity;

- Developers do not have access to live systems and can only access areas relevant to their responsibilities;
- All sensitive data is encrypted both in transit and at rest.

Consistent with role-based access, we apply the principle of least privilege to ensure that access rights for employees are restricted to only those resources that are absolutely required to perform job-related duties at the lowest clearance level. This ensures that an employee does not gain access to systems, devices, applications, or processes that they would not normally need to access or use in the course of performing their normal job responsibilities.

Confidentiality Standards for Suppliers and Other Third Parties

Because of the sensitive nature of our business, Pollard Banknote ensures that several procedures are in place to protect the confidentiality of both our organization and our clients as it relates to any third parties and suppliers we interact with.

Pollard Banknote's Third Party & Supplier Relationship Policy ensures that information security requirements must be documented, communicated, reviewed, and approved by Pedro Melo, our Executive Vice President, Information Technology & Digital, prior to entering into any supplier relationship where information security may be impacted. In order to avoid misunderstanding, arrangements involving third party access to Pollard Banknote information assets or facilities must be governed by legally-binding contracts defining (where relevant):

- Each service, along with verifiable criteria plus the associated procedures for monitoring, reporting, and resolving unsatisfactory performance (e.g. problem notification, resolution and escalation, and possibly business continuity arrangements);
- Terms such as 'third party', 'access', 'employee' or 'user', 'monitoring' etc. (e.g. whether the third party has Pollard Banknote's permission to transfer their access rights to subcontractors or other business partners);
- Controls relating to the particular access arrangements such as:
    - Compliance 'in letter and in spirit' with Pollard Banknote's Information Security Policy Manual and the associated security standards, procedures and guidelines, or else accredited certification against ISO/IEC 27002 or an equivalent standard deemed sufficient to protect Pollard Banknote's information assets against information security risks;
    - Permitted access mechanisms, methods and/or routes;
    - Processes for authorizing, reviewing, and revoking user access rights and privileges, and for maintaining an up-to-date auditable list of authorized users (if these are in fact managed by the third party);

- Storage, issue/distribution, use and return of authentication passwords, security tokens/key-cards, access badges etc., preventing their use by parties outside the agreement;
- Physical protection of sensitive and/or valuable Pollard Banknote information assets (especially confidentiality/non-disclosure clauses and other controls covering confidential or secret information);
- Controls to protect against malicious software;
- Arrangements for reporting, notification, and investigation of security incidents;
- Making authorized users/administrators explicitly aware of their responsibilities to comply with the information security controls and their contractual or legal obligations through education and training, documented methods, procedures, and policies.

Game Data Security

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TICKET STORAGE AND DELIVERY SECURITY

Pollard Banknote has secure storage areas for our scratch tickets, which are located within our facility based on their stage in our manufacturing process. These areas are locked, restricted-access rooms requiring card key for entry, and are constantly monitored under CCTV surveillance. This secure area is constructed of reinforced cinder blocks with a single overhead door. This door is on an interior wall in the warehouse. It is opened by a proximity card/reader with greatly restricted access. To reach this door, an employee must pass through a minimum of two other card access doors with restricted access.

When trucks arrive at Pollard Banknote to transport a load, the driver is allowed into an area adjacent to the shipping bay. The driver's license is photocopied and the driver receives the bill of lading. The driver is not allowed into the building.

Tickets shipped from any Pollard Banknote facility only depart in "exclusive-use" trucks. The trucks are equipped with Global Positioning System (GPS) tracking so that Pollard Banknote security personnel can follow progress from point of origin to destination, including time of departure and time of arrival. Trucks are permitted to stop only for weigh scales, fueling, and personal necessity. If the truck does stop for any reason, the driver must contact our 24-hour security number. Our Security Officers are alerted of any unusual activity during transport, including, but not limited to, departure from the planned route, unscheduled stops, and if the container has been opened.

All incoming and outgoing shipments are off loaded or loaded by Pollard Banknote employees. Trailers and containers are opened and inspected as they arrive into the shipping bay. Prior to loading outgoing shipments, the trailers or containers are inspected.

Loading bays feature an electronically controlled trap system that precludes opening doors between the manufacturing areas and loading bays when the outside shipping or receiving doors are open. This area is under CCTV surveillance. A manual override key system allows by-pass when necessary.

Pollard Banknote employees load the truck and photograph the entire contents of the trailer or container. The load is then sealed by Pollard Banknote employees who install a high-security bolt or cable seal and a uniquely numbered Pollard Banknote seal. The seal is to be broken only in the presence of a designated Lottery employee.

We provide a shipping manifest to the appropriate Lottery personnel at the time of delivery or sooner. The customer receives notification before the shipment leaves our facility. We also forward the truck's seal number to the Texas Lottery's designated personnel.

On a regular basis, all proximity card access rights are scrutinized by Corporate Security in consultation with the Warehouse & Logistics Manager to ensure that card access rights are current, required, and authorized. Additionally, there are a total of seven cameras dedicated to this physical area and the processes that take place there are recorded 24 hours a day. It should be noted that live feeds of these cameras are monitored from a central guard station within the facility and the area is subject to regular foot patrols by Pollard Banknote uniformed security guards.

In conclusion, these multiple layers of physical security merge to meet or exceed the Texas Lottery's security standards and requirements related to shipping and delivery.

C-TPAT Certification

Pollard Banknote maintains a security profile that has the approval of the United States Customs, and Border Protection Agency (CBP)—the largest federal law enforcement agency of the United States Department of Homeland Security—and we are certified under the Customs-Trade Partnership Against Terrorism (C-TPAT) initiative.

This certification is most relevant to the Texas Lottery if our backup plant in Winnipeg, Canada, were to be used for production of its scratch tickets. While this is unlikely, we believe C-TPAT certification is important for the purpose of contingency planning. It also further supports our commitment to the integrity of our products and our reputation in the industry.

Although the primary purpose for C-TPAT certification is to ensure the integrity of security practices and communicate and verify the security guidelines of business partners within the supply chain for imports into the U.S., Pollard Banknote extends C-TPAT compliant security procedures to scratch tickets produced in all of our plants.

For the Evaluation Committee's consideration, we have included our C-TPAT Certification in **Appendix 1: Corporate Certifications.**

SECURE INSTANT TICKET DESTRUCTION

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

8.9.2.

The Proposer must demonstrate the capability and integrity required to maintain constant vigilance against any breach of security. Failure to meet or to maintain security standards acceptable to the Texas Lottery maybe grounds for Contract termination.

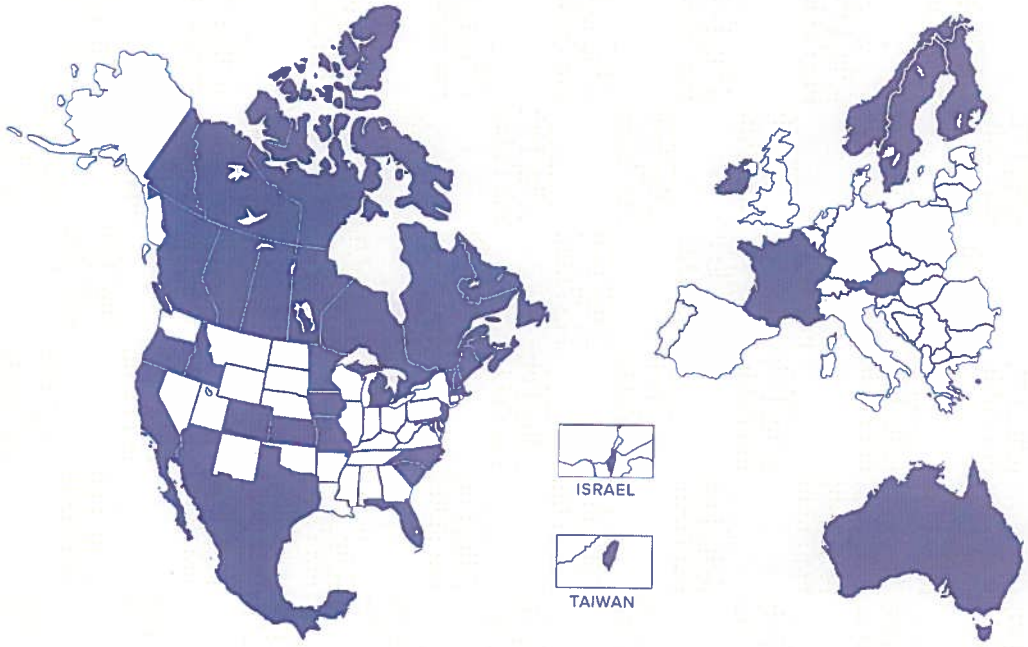
Pollard Banknote understands and accepts this requirement as detailed in this section of the RFP. As described in detail in **8.9.1.**, security is at the forefront of every aspect of our business in order to maintain constant vigilance against any breach of security.

Pollard Banknote maintains security standards across all aspects of our business that meet or exceed those of lotteries around the world. Many lotteries belonging to the North American Association of State and Provincial Lotteries (NASPL) and the World Lottery Association (WLA) have approved our security program.

We benefit from the insights of security professionals from across the world who conduct numerous, thorough reviews of every component of our company's security design, and we have benefited from acting upon many of their insights (see graphic below).

This includes an independent audit conducted regularly by MNP, a large, full-service accounting, auditing and business advisory firm in Canada, with almost 800 partners and 5,000 team members. Following this audit, in which MNP scrutinizes all components of our manufacturing environment's security, the organization provides us with a report assessing our program.

A SECURITY PROGRAM REVIEWED BY **EXPERTS AROUND THE WORLD**



Since 2002, security specialists from lotteries, gaming organizations, and regulatory agencies from across the world (denoted in dark blue) have reviewed and contributed by making recommendations to strengthen Pollard Banknote's security program.

Our approach to security assures our customers of the integrity and security of working with Pollard Banknote. We are always fine-tuning our program to identify and respond to emerging security concerns.

8.10. Ticket Testing Samples

8.10.1.

Together with its Proposal, each Proposer that has not previously printed tickets for the Texas Lottery must submit one thousand (1,000) constructed samples of scratch lottery tickets: five hundred (500) on coated two-side paper stock, five hundred (500) samples on foil stock and five hundred (500) samples on holographic stock. Each Proposer that has not previously printed tickets for the Texas Lottery must provide sample tickets that represent each printing process currently in use (e.g., flexographic, gravure, offset or combination printing). These samples must have all required bar codes on the ticket. The tickets submitted will be used for security testing by the Texas Lottery, and for examination of the appearance and overall quality of the construction of the proposed ticket. Conforming lottery tickets or similar tickets produced for other lotteries will be acceptable. No samples will be accepted other than those produced by the proposed manufacturing process.

Pollard Banknote has been printing tickets for the Texas Lottery since 1999, and since that time, we have printed hundreds of games for the Texas Lottery. Therefore, we have not provided samples as per this requirement.

8.10.2.

Notwithstanding anything herein to the contrary, acceptance of sample tickets as part of a Proposal does not limit or restrict the Texas Lottery's authority to test tickets manufactured and submitted by the Successful Proposer under any Contract resulting from this RFP. Acceptance of sample tickets as part of a Proposal shall not be deemed approval of tickets manufactured under any Contract resulting from this RFP.

Pollard Banknote understands that acceptance of sample tickets as part of a Proposal does not limit or restrict the Texas Lottery's authority to test tickets manufactured and submitted by the Successful Proposer under any Contract resulting from this RFP. Furthermore, Pollard Banknote understands and accepts that acceptance of sample tickets as part of a Proposal shall not be deemed approval of tickets manufactured under any Contract resulting from this RFP.

8.11. Test Game

8.11.1.

Any Successful Proposer that has not previously printed tickets for the Texas Lottery must provide, at no additional cost to the Texas Lottery, a test game that includes the high-tier algorithm, inventory, high-and low-tier validation media and sample tickets and/or bar codes of high-, mid-, low-tier and non-winning tickets to verify compatibility and functionality of information and systems. The Successful Proposer shall develop working papers for the test game. The compatibility and functionality of information and systems must be approved by the Texas Lottery prior to production of the first game under the Contract. The test game must be delivered to the Texas Lottery no later than eight (8) weeks from the date of execution of the Contract resulting from this RFP.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote has developed several test games for the Texas Lottery. Most recently, in the spring of 2021, we developed a test game for the $100 price point, which was provided to the Texas Lottery.

8.11.2.

If at any time the Texas Lottery decides to change ticket, bar code or validation media formats, it shall be the responsibility of the Successful Proposer to provide additional test games at no additional cost to the Texas Lottery.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

If at any time the Texas Lottery decides to change ticket, bar code, or validation media formats, Pollard Banknote, as a Successful Proposer, will provide additional test games at no additional cost to the Texas Lottery.

8.12. Ticket Reconstruction

8.12.1.

Upon request of the Texas Lottery, the Successful Proposer must provide only to authorized Texas Lottery security personnel a report reconstructing the play data of any ticket. The reconstruction may be accomplished by using the game, pack and ticket numbers, validation number or bar code or portions or combinations of those items. The reconstruction report must be submitted by secure electronic transfer or, upon request, by fax and must contain the following information:

1) *The complete game number, pack number, ticket and validation number;*
2) *An indication of whether the ticket was a winning or non-winning ticket;*
3) *and In the case of a winning ticket, the prize amount.*
4) *A representation of the play area as it would have appeared on the actual ticket.*

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

For the Evaluation Committee's consideration, we have included additional information detailing our ticket reconstruction procedures.

TICKET RECONSTRUCTION

In order to reconstruct a scratch ticket, we print a different random validation number on each ticket (used for winning ticket claims validation). The number is also used for the reconstruction of lottery game numbers, letters, or symbols that have become mutilated or unreadable.

Pollard Banknote will reconstruct individual scratch tickets or entire pack of scratch tickets upon request from the Texas Lottery. In instances where consumers have in some way obscured or damaged a ticket validation number, Pollard Banknote's reconstruction system can determine whether the tickets are winners so that the Texas Lottery can pay out rightful prizes. The Texas Lottery can also use our reconstruction system to verify whether tickets are winners in cases where fraudulent activity is suspected. Whatever the reason, Pollard Banknote has systems in place to ensure that the correct prizes are paid.

We can reconstruct a ticket's play area by the pack and ticket number or by the validation number. Our ticket reconstruction modules can only run on one Central Processing Unit (CPU), which is located in our secure Computer Operations environment.

Reconstructions can only take place after authorization from pre-determined, specified Lottery personnel, and are performed by one of four authorized Pollard Banknote front-office employees.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

8.12.2.

The Successful Proposer must maintain an audit log of each ticket reconstructed that will provide the requestor, game/ticket information, date requested, date of reply, non-winning or winning ticket, amount of prize and person responding.

Pollard Banknote confirms that it will maintain an audit log of each ticket reconstructed that will provide the requestor, game/ticket information, date requested, date of reply, non-winning or winning ticket, amount of prize and person responding.

As noted in **8.12.1.**, all reconstructions are logged onto the reconstruction terminal as they are performed. Regular monitoring of these logs ensures that only authorized use and/or attempts have taken place.

8.12.3.

A monthly reconciliation report listing all reconstructions requested by the Texas Lottery shall be provided to the Texas Lottery Security Manager no later than the 10th Day of the following month.

Pollard Banknote confirms that a monthly reconciliation report listing all reconstructions requested by the Texas Lottery will be provided to the Texas Lottery Security Manager no later than the 10th Day of the following month.

8.13. Employee Security

The Successful Proposer must prevent its employees involved in game production and Texas Lottery retailers involved in the sale of scratch tickets from ascertaining or learning the location of winning tickets, and at the Texas Lottery's request, the Successful Proposer shall provide its employee security procedures.

Pollard Banknote prevents employees involved in game production and Texas Lottery retailers involved in the sale of scratch tickets from ascertaining or learning the location of winning tickets.

On the following pages, Pollard Banknote has provided information on the numerous procedures and policies in place to ensure that all those involved in the design, production, distribution or sale of the instant lottery tickets are precluded from ascertaining or learning of the location of winning tickets. At the Texas Lottery's request, the Pollard Banknote would be pleased to provide additional employee security procedure information.

Security is intrinsic in every aspect of our operations and ensuring the integrity of our clients' operations is of the utmost importance to Pollard Banknote. We understand that it is a necessity that our clients have complete confidence that their games cannot and will not ever be compromised. Therefore, Pollard Banknote maintains security standards that meet or exceed those of lotteries around the world and consists of integrated layers of design, people, and systems.

Employee Security

The integrity and character of the people who design, produce, and distribute our products is a top priority for Pollard Banknote, which is why we have extensive measures in place to ensure that we employ the right people. At Pollard Banknote, every employee in every department at Pollard Banknote is continually educated in the importance and principles of maintaining a secure environment. New employees undergo a criminal record check on local and national (American and Canadian) systems upon intake. We employ Sterling BackCheck to conduct international checks, including background checks on individuals who have recently immigrated to North America. Criminal records are rechecked on an employee's second and fifth service anniversaries, and every five years thereafter. As a further measure, we have a policy in place that requires all employees to disclose the details of any unlawful incident in which they have been involved with

law enforcement, allowing for appropriate follow-up from our Security team and subsequent action, based on the nature of the incident.

All new employees are required to sign a non-disclosure agreement prior to the start of employment, whereby each employee agrees not to disclose any confidential or proprietary information about Pollard Banknote or their clients, unless authorized to do so.

In addition to criminal record checks, Pollard Banknote also conducts financial, education and reference checks on all those applying for roles in critical areas of the company, in order to verify credentials and qualifications. Any discrepancies or red flags are followed up on by Security and Human Resources. If further investigation of red flags associated with a potential employee does not result in satisfactory findings, that person will be eliminated from further consideration despite possibly having a clear criminal record check. Candidates for internal promotions to levels of increasing responsibility are also subjected to thorough background checks, including the personal finances as negative findings are often strong indicators of unwanted behaviors.

Finally, Pollard Banknote is subject to over 40 external audits each year. These can range from an informal visit lasting only a couple of hours to in-depth assessments that take place over several days. The latter are extremely thorough and often include a comprehensive background investigation, including criminal, civil and financial reviews, of Pollard Banknote's Executive Management Team and Board of Directors.

Our security plan is not static; it is constantly evolving to take advantage of improving technology and practices. As a standard practice, we have numerous controls in place throughout the development and production of scratch tickets to ensure that the potential for collusion is nearly impossible.

General Principle: Physical and Logical Separation

We have physical and logical security controls that we use to protect data from all unauthorized access. Access to reports containing valuable live game information, such as pack numbers, ticket numbers, validation numbers, and prize amounts is secured within our Computer Operations group, which is separate from all other groups within our facility. This includes separation from the groups responsible for development of data generation software modules, creating fonts and auditing game data. In addition, segregated and separate computer networks make it practically impossible for any individuals to gain access to data or information for which they do not have access privilege. We have paid specific attention to the separation of personnel involved in computer systems from personnel involved in the printing process. All separate areas of the game generation process, both physical and logical, can only be accessed by individuals with the proper security clearance.

Physical Access Control

To ensure the security of critical spaces in our facilities, we have also added the further protection of dual authentication readers and, in some cases, biometric scanners, which rely on fingerprints for access. These measures provide an extra layer of access control and guarantees no unauthorized people are able to enter sensitive areas such as the Computer Operations and Game Generation areas, the network room, or the reconstruction room.

Physical access is determined by job description meaning that employees receive access only to the areas they must be in to perform their daily job tasks. Security conducts a regular review of card access to a particular area or department with the manager to ensure that the access is appropriate and required.

Our Winnipeg, Manitoba, headquarters serves as the Security Operations Center for all of our Canadian locations; our facility in Ypsilanti, Michigan, performs the same function for our U.S. facilities. From these central security offices, our Security Officers monitor and permanently record all card access transactions at all of our facilities, 24 hours a day, seven days a week. They can generate reports that identify the activity of an employee during a shift, or identify all activity at a specific reader during a period. They investigate invalid transactions (e.g., an access card presented at a reader to which the employee does not have access) and reconcile them every day. Reconciliations are conducted with employees in-person to determine why an invalid transaction was attempted and findings are recorded in a written report that is then forwarded the Security Manager for review and escalation, if required.

Logical Access Control

Furthermore, logical controls have been put in place to ensure Game Generation programmers assigned to program the Texas Lottery's games have access only to test (i.e., non-live) game data. During the game generation phase, three programmers have involvement with the development of the software modules: the programmer who wrote the code; the programmer assigned to check the work of the first programmer; and the programmer assigned to double check the work of the first two programmers.

Once the generation software modules move on from the Game Generation environment into the Computer Operations environment, the software is seeded (i.e., re-randomized) so that even the programmers who worked on the software cannot establish the makeup of the live data. Computer Operations data access activities are scripted through application GUI or menu interfaces that perform specific tasks (generating, error checking, imager file creation, balancing, etc.) that does not allow for direct viewing or querying of game data. The data itself is stored on secure servers until it is ready to be used in production. It remains on the servers until the end of final production, at which time the game data is destroyed.

The printing of variable game data is done securely with computer-controlled Kodak Versamark imagers. For security purposes, the imager that prints the variable scratch ticket data is contained within a separate enclosure. The imager enclosure is a restricted-access area, with very limited access controlled by dual authentication card readers. All procedures relating to this area take place under CCTV surveillance. The cameras are installed to observe the edge of the paper and the process, not the data on the ticket. In addition, staff are prohibited from using cellular phones or any media capable of recording data within any Pollard Banknote facility.

We employ measures to ensure absolute security after game data has been imaged onto stock and before play areas are covered with scratch-off material. The data is printed onto the tickets, usually five across the web but this is ticket-size dependent, at about 700 feet per minute, and in the case of a four-inch-wide ticket is equal to approximately 35 tickets per second. At this speed, data passes the human eye too quickly to be considered viewable/insecure. If by chance, an operator was able to look at the web, they would have to view and interpret the data as a winning combination, which can be extremely difficult in many games, as well as view and memorize the pack and ticket number. In addition, they would have to trace that pack through the Texas Lottery's distribution system. Perhaps most importantly though, in our 37 years of producing tickets for lotteries, there has never been an incident or even suggestion that any attempt has been made of this nature. Furthermore, in the event that the press is stopped for any reason, any section of the roll with exposed variable data is voided and removed from the game.

In the few cases where rolls with "live" game data must be removed from the press prior to data being covered with scratch-off material, stock is covered with more than 200 feet of voided or blank stock so that no live data is exposed. These rolls are transferred to a locked, restricted-access area adjacent to the secure imager enclosure. The Imager Operators apply a security seal on each live roll. Any broken security seal is brought to the attention of security personnel, who investigates to determine the reason for the broken seal and takes appropriate action.

Prize Structure Security Processes

Once manufacturing is complete, software modules are utilized that determine which packs need to be removed from the delivery to bring the game into balance. Only those packs that need to be removed and destroyed are communicated to the production floor. These packs—and their association with the prizes within—remain unknown to everyone. Most importantly, all remaining tickets to be shipped to the Texas Lottery have no prize information communicated to anyone. The prize structure details are completely contained within the software module, which performs the balancing.

All activities associated with the final prize structure are confined to our Computer Operations environment and use the "blind" processing technique to accomplish the balancing. Prize balancing occurs within software modules configured with the prize structure requirements of each game. This means prize balancing will have little user interaction other than to launch the program or to communicate setup information.

Any prize information generated and communicated to the Texas Lottery via the validation files—by VIRN or validation number information—is never associated to inventory numbering of any kind. Our Computer Operations unit creates a validation file showing the VIRN and corresponding prize value to the Texas Lottery IT department. Texas Lottery employees therefore have no visible link between the VIRN and any visibly identifying characteristics such as the pack and ticket number.

Finished tickets are stored in fully secure, restricted-access areas of our production facilities while they are packaged, cartoned, and marshaled for shipping.

Reconstruction Security

For lottery operational and security purposes it's vital that a lottery have a process that allows it to check specific data and the winning/non-winning status of any ticket using a tightly controlled process. For example, in instances where consumers have in some way obscured or damaged a ticket validation number, Pollard Banknote's reconstruction system can determine whether the tickets are winners in order for the Texas Lottery to pay out the rightful prizes. The Texas Lottery can also use our reconstruction system to verify whether tickets are winners in cases where fraudulent activity is suspected.

Pollard Banknote can reconstruct a ticket's play area by the pack and ticket number, or by the validation number. Reconstructions can only take place after appropriate written authorization from specified lottery personnel, and are performed by one of four authorized Pollard Banknote employees.

The reconstruction terminal is located in its own secure environment, with restricted, dual authentication and biometric access (i.e., an employee must tap their access card on the card reader and then scan their fingerprint on the biometric scanner before the door unlocks). Only reconstruction staff have access to this area. The reconstruction application is also user-ID and password protected. All reconstruction records are logged into this system as they are performed. The regular monitoring of these logs helps to ensure only authorized users and/or attempts have taken place. In addition to these security measures, the reconstruction environment is monitored by a surveillance camera, which records the actions of all staff while in that environment.

8.14. Security Breach

Upon discovery of any breach of security, especially theft or disappearance of any paper stock, tickets, waste, printing plates, imaged media, program files or the like, the Successful Proposer must immediately notify by telephone the Texas Lottery Security Manager and the Texas Lottery designated contacts in the Customer Specifications Document. The Successful Proposer must promptly follow up with written notification to the Texas Lottery detailing the specifics of the occurrence and what steps have been taken by the Successful Proposer to correct the problem. If a breach of security occurs, the Successful Proposer must provide to the Texas Lottery Security Manager and/or the assigned Texas Lottery Enforcement investigator any and all information and documentation requested during the investigation of the breach. The Texas Lottery will be the sole judge of the adequacy of the steps taken and reserves the right to specify other steps to be taken.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

8.15. Production and Transfer of Game Production Data

In the event that the game tickets are produced at a location different than the production media, the Texas Lottery requires secure transfer of the game production data. Any production media data that is transported via telecommunications must be encrypted and transferred using a method approved by the Texas Lottery.

In the event that the game tickets are produced at a location different than the production media, Pollard Banknote will ensure secure transfer of the game production data and that any production media data that is transported via telecommunications be encrypted and transferred using a method approved by the Texas Lottery.

Operations personnel in our Winnipeg facility run an application to create imager files. This application reads job information from the Operations servers in Winnipeg and creates a number of encrypted imager files on the appropriate plant's secure file server for each customer's game. Operations systems in Winnipeg are connected via a private network to the secure imager file servers in each imaging facility. This network also provides a dedicated T-1 line for data transfers between our headquarters in Winnipeg and our Ypsilanti facility. Pollard Banknote does not share this line with any other users and controls access at all ends.

Files are made available to the Imager Operator once proper approvals are in place. The Operations network is secured so that only Operations application servers and Kodak Versamark imagers may access information on the secure imager file servers. Files on the server include certain characteristics that secure the data, and this information is encrypted using Data Encryption Standard (DES) encryption. Files written in a proprietary format are only available by signing a non-disclosure agreement with Kodak (the manufacturer of the imaging hardware).

Once created, they may only be run on a Pollard Banknote Kodak Versamark imager, due to the encryption and key required to decrypt.

Please refer to **8.9.1.** for additional information.

8.16. Plant and System Security

8.16.1.

The Successful Proposer must understand the overriding importance of security in all phases of design, material procurement, production, transportation, storage, validation and disposition of game tickets.

Pollard Banknote confirms that it understands the overriding importance of security in all phases of design, material procurement, production, transportation, storage, validation and disposition of game tickets. Please refer to **8.9.1.** and **8.5.2.** for additional information on our comprehensive approach to security.

8.16.2.

The Successful Proposer and each Subcontractor, at minimum, must provide the following security measures for each area where game tickets and waste are produced or stored:

1) *Adequate security procedures to prevent unauthorized entry to computer areas, ticket production and storage area(s) through window and door entry points. Locking and alarm devices must secure each critical computer production and storage area (including computer media) through all possible entry points. The Texas Lottery Enforcement Director or designated representative must approve the Successful Proposer's and, if applicable, any Subcontractor's plant security prior to first production under any Contract resulting from this RFP and reserves the right to request changes in plant and system security procedures at any time during the Contract term. The Successful Proposer and its Subcontractors must implement all Texas Lottery-requested modifications prior to production taking place.*

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote understands that the Texas Lottery must approve our manufacturing facility security. Representatives from the Texas Lottery conduct audits of our Winnipeg and Ypsilanti manufacturing facilities on a yearly basis. Sault Ste. Marie was approved by the Texas Lottery in 2017.

Please refer to **8.9.1.** for information on Pollard Banknote's unparalleled physical security, including but not limited to access control, and intrusion alarms.

2) *A visitors' log for all facilities where Texas Lottery scratch tickets are manufactured or stored. A log of the destination and disposition of Texas Lottery imaged material, and omitted tickets by shredding, burning, or dissolving at the Successful Proposer's facility. Such material must not leave the Successful Proposer's facility until it has been processed and is no longer identifiable as Texas Lottery material. The Successful Proposer must use an auditable record system to account for all ticket stock and materials destroyed.*

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

As described in **8.9.1.**, at all Pollard Banknote facilities, visitors are registered and tracked via iLobby, an electronic visitor management system. Visitor records, including photos, are kept electronically indefinitely, allowing our security team to access visitor history and create reports at any time.

Pollard Banknote will maintain a log of the destination and disposition of Texas Lottery imaged material, and omitted tickets by shredding, burning, or dissolving at our facility. Such material will not leave our facility until it has been processed and is no longer identifiable as Texas Lottery material. Specifically, we use special dual shredders, which shred the materials into elements small enough to render impossible any potential security concerns. Furthermore, we will use an auditable record system to account for all ticket stock and materials destroyed.

Representatives from the Texas Lottery review these logs as a part of their yearly audit in Winnipeg, Ypsilanti, and Sault Ste. Marie.

3) *Access to the area where lottery tickets are produced or stored must be approved by the Texas Lottery. A system of identification of such individuals (such as badges, cards, etc.) is required. If the area is part of a larger plant, it must be possible to limit this access and to secure the area outside normal work hours.*

Pollard Banknote understands and will ensure that access to the area where lottery tickets are produced or stored is approved by the Texas Lottery. As mentioned in **8.16.2 (2)**, the Texas Lottery conducts security audits at our manufacturing facilities regularly and therefore is aware of our access control processes and procedures.

Please refer to **8.9.1.** under the heading **Access Control** for additional information on Pollard Banknote's security procedures.

8.16.3.

The Successful Proposer shall notify the Texas Lottery Enforcement Director of any and all significant changes to the plant security.

If chosen as the Successful Proposer, Pollard Banknote confirms we will notify the Texas Lottery Enforcement Director of any and all significant changes to the plant security.

8.16.4.

Unless specifically authorized to be kept for a specific period of time by the Texas Lottery, all production computer generated media must be sanitized by an appropriate method to make data irretrievable at the completion of production of the game(s) for which they were used. Computer generated media not scheduled for erasure at the end of the production run must be kept in a secure manner as specified by the Texas Lottery.

Pollard Banknote understands and accepts that unless specifically authorized to be kept for a specific period of time by the Texas Lottery, all production computer generated media must be sanitized by an appropriate method to make data irretrievable at the completion of production of the game(s) for which they were used. Furthermore, we confirm that computer generated media not scheduled for erasure at the end of the production run must be kept in a secure manner as specified by the Texas Lottery.

8.16.5.

The Successful Proposer must provide an information security plan approved by the Texas Lottery Security Manager, Texas Lottery Information Technology Manager, and the Texas Lottery Information Security Officer detailing the information security, during development and production, of all computer-generated media, software, systems, and any other information designated by the Texas Lottery. This is to include any encryption methods required for validation of winning tickets. Any and all changes to the data security plan must be pre-approved by the Texas Lottery Security Manager, Texas Lottery Information Technology Manager, and the Texas Lottery Information Security Officer. The Information Security Plan must include at a minimum:

1) *INFORMATION SECURITY ORGANIZATION*
2) *ROLES AND RESPONSIBILITIES*
3) *POLICY AND STANDARDS MANAGEMENT*
4) *RISK MANAGEMENT*
5) *INCIDENT RESPONSE*
6) *SECURITY AWARENESS AND TRAINING*
7) *INFORMATION SECURITY PROCEDURES*

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

Most recently, Pollard Banknote provided our Information Security Plan to the Texas Lottery in 2019.

8.16.6.

The Successful Proposer must provide any information security audits and remediation of findings on request to the Texas Lottery Security Manager, Texas Lottery Information Technology Manager and the Texas Lottery Information Security Officer.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote will provide any information security audits and remediation of findings upon request to the Texas Lottery Security Manager, Texas Lottery Information Technology Manager, and the Texas Lottery Information Security Officer.

8.16.7.

The Successful Proposer must provide a Business Continuity Plan to the Texas Lottery Business Continuity Coordinator.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote has previously provided our Business Continuity Plan to the Texas Lottery. Upon request, we will provide the Texas Lottery with an additional copy for its files.

8.16.8.

The Successful Proposer must provide an annual SOC 2Type 2 report or an alternative approved in writing by the Texas Lottery. In compliance with Standards of Attestations Engagement No.16, System and Organizations Controls Report 2, Type 2 (SSAE-16 SOC 2 Type 2) requirements, a complete internal control audit("SOC 2 Audit") shall be conducted annually by an independent certified public accounting firm on any facility producing and storing scratch tickets for the Texas Lottery, including facilities outside of the United States.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote confirms that it will provide an annual SOC 2 Type 2 report or an alternative approved in writing by the Texas Lottery.

8.16.9.

The Texas Lottery's Internal Auditor and Executive Director shall be given a copy of all reports including any management letters issued as a result of the SOC 2 Audit within ten (10) Days of issuance. The first such SOC 2 Audit report shall be provided prior to the production of any scratch tickets for the Texas Lottery under any contract resulting from the RFP.

Pollard Banknote confirms the Texas Lottery's Internal Auditor and Executive Director will be given a copy of all reports including any management letters issued as a result of the SOC 2 Audit within ten (10) Days of issuance. Pollard Banknote confirms that it will provide an annual SOC 2 Type 2 report or an alternative approved in writing by the Texas Lottery. The first such SOC 2 Audit report or alternative audit report will be provided prior to the production of any scratch tickets for the Texas Lottery under any contract resulting from the RFP.

8.16.10.

To the extent any SOC 2 Audit reports provided to the Texas Lottery do not satisfy the Texas Lottery's reporting or audit requirements, the Texas Lottery reserves the right to conduct its own audits.

Pollard Banknote understands and accepts that to the extent any SOC 2 Audit reports or alternative audit reports as approved by the Texas Lottery provided to the Texas Lottery do not satisfy the Texas Lottery's reporting or audit requirements, the Texas Lottery reserves the right to conduct its own audits

8.16.11.

The Successful Proposer must reimburse travel expenses for Texas Lottery staff to inspect printing facilities.

Pollard Banknote will reimburse travel expenses for Texas Lottery staff to inspect printing facilities.

8.17. Pre-Production Certification and Color Proof Approval

8.17.1.

The Texas Lottery incorporates the highest standards of security and integrity and reserves the right to inspect all tickets produced under any Contract to ensure compliance with the RFP specifications.

Pollard Banknote understands that the Texas Lottery incorporates the highest standards of security and integrity and reserves the right to inspect all tickets produced under any Contract to ensure compliance with the RFP specifications.

Like the Texas Lottery, Pollard Banknote also incorporates the highest standards of security and integrity into all facets of its business. On the following pages, Pollard Banknote has provided comprehensive information on its quality control processes, procedures and systems. In addition, please refer to **8.9.1.** and **8.5.2.** for additional information on Pollard Banknote's stringent security controls.

QUALITY AT POLLARD BANKNOTE

With more than 37 years of experience as one of the world's leading scratch ticket suppliers, Pollard Banknote is fully attuned to the stringent quality standards required by the lottery industry. In fact, Pollard Banknote is at the forefront when it comes to establishing measures that translate into producing the most secure, high quality scratch tickets available. Our proven commitment to quality is just one of the many reasons why our diverse clientele trust Pollard Banknote to help them drive sales and net revenues for good causes in their respective jurisdictions.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Ultimately, Pollard Banknote's quality control procedures are second to none when it comes to ensuring that only tickets of high quality reach consumers.

The great emphasis Pollard Banknote places on the delivery of products and services of unsurpassed quality is reflected in the leadership of our Quality, Health, Safety & Environment team. Peter Kovacs, Manager, Corporate Quality & Continuous Improvement, oversees quality control within our organization, and is supported by David Colatriano, Senior Vice President, Manufacturing and Rob Young, Executive Vice President, Operations, who oversee manufacturing operations across all Pollard Banknote facilities.

Peter has over 15 years of experience in manufacturing, focused in the areas of quality and process engineering. He is a certified ISO 9001 and ISO 27001 auditor, and holds a master's degree in Environmental Engineering. Peter and the Quality, Health, Safety & Environment team

ensure that our entire ticket manufacturing process complies with ISO standards and environmental regulations.

Please refer to **4.2.2.** to learn more about the experienced group of manufacturing professionals that will work with the Texas Lottery during the upcoming Contract period.

ISO 9001:2015 Certification

Pollard Banknote's Quality Management System is ISO 9001:2015 certified, which covers aspects of quality management in design, development, production, installation, and servicing procedures. We chose this very stringent category of ISO certification to maximize our quality system procedures in these critical areas. The overriding objectives of Pollard Banknote's ISO certification are to consistently meet or exceed our customers' expectations in terms of product quality and reliability. We continue to work diligently to evolve and improve our current systems, consistently developing innovative methods to ensure we always achieve this objective.

Operating to ISO 9001 standards helps our company to reduce variation in our processes and, consequently, from our tickets. Our management system includes specific procedures for tracking and responding to any non-conformance. The result is that our lottery customers receive the very best products and services from Pollard Banknote each and every time they order a game from us.

A copy of our certification is included in **Appendix 1: Corporate Certifications**.

Pollard Banknote Recognized for Commitment to Quality

Pollard Banknote was the recipient of the 2016 BSI Canada Award of Excellence for Management Systems. BSI Group Canada, Inc. is a division of the world's first National Standards Body and a founding member of the International Organization of Standardization (ISO). The Award of Excellence measures factors such as evaluation of audit performances, quality management systems, and business results.

This award is a testament to Pollard Banknote's commitment to continuous improvement.

> Pollard Banknote consistently demonstrates **CONTINOUS IMPROVEMENT** of **SYSTEMS**, **HEIGHTENED IT SECURITY**, and **ENHANCED SAFETY INITIATIVES**. Quality, security, integrity and process control are extremely important in the lottery ticket production industry and Pollard is **EASILY ABLE** to highlight these features to their **WORLD-WIDE CUSTOMERS** with their **EXTREMELY EFFECTIVE** management system.
>
> *– Anne-Marie Pizzitelli, Marketing Director, BSI Canada*

Pollard Banknote's Preventative and Corrective Action Policy

In accordance with Pollard Banknote's formal Preventative and Corrective Action Policy/Procedure, all preventative and corrective actions required (process and/or product-related) are meticulously documented, logged, reviewed and verified using an online tracking system. Under the ownership of the Vice President, Manufacturing, and approved by the Executive Vice President, Operations, the Preventative and Corrective Action policy aims to identify root causes to problems and ensure they do not occur again in the future.

Action Request System

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

QUALITY AT EVERY STAGE OF MANUFACTURING

Each critical step of our manufacturing process is completed through a series of formal procedures—including inspection for quality and security. These procedures are controlled and made available at each workstation either through our Manufacturing Information System (or MIS, described below) or our corporate intranet. Procedures may be changed as a result of customer requirements, employee suggestions, technological change, or other means, but all formal procedures are reviewed and approved prior to being posted.

The recent implementation of our DiMS! Enterprise Resource Planning (ERP) system (described later in this section) has optimized our quality control processes by streamlining and centralizing Customer Specifications and production information. DiMS! integrates all of our internal information systems, allowing us to instantaneously track production processes, ensuring single source data input, and allowing for complex reporting. Each piece of equipment is integrated into the system, allowing us to immediately and precisely identify the status of any Lottery game, as well as exactly what stage of production it is in at any moment. This enables us to ensure all of our processes are compliant with the exacting needs of our customers.

On the following pages, we have provided an overview of some of the key quality control steps in our manufacturing process.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Game Specifications (Working Papers) Quality Control

Game Specifications (Working Papers) underpin each game produced on our presses. We ensure strict quality control of Game Specifications (Working Papers) with meticulous checks and balances at each stage of the development process, including a scrutinized review from eight subject matter experts (SMEs) who represent all the department responsible for the accuracy of Game Specifications (Working Paper). The chart below details this efficient process.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Quality Control Systems

Each of our quality control systems record data and communicate it back to a central production database. At each phase of production, data can be pulled from or inputted into the database to record and maintain quality at every stage of production. The information accumulated on the central production database is accessible via our Manufacturing Information System (MIS). The MIS also houses the Work Center Voider (WCV) System, which is used by our Manufacturing and Finishing departments to pull, inspect, or void any packs that were flagged during manufacturing or deemed unacceptable.

The following are among the key components of our quality control framework and procedures that govern the quality of tickets throughout the production process.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Independent Manufacturing Facility Audits

At Pollard Banknote, security consists of integrated layers of design, people, and systems. Our security plan is not static; it is constantly evolving to take advantage of improving technology and practices.

One way to ensure our security plan and related technologies meets the most cutting security requirements, we engage an independent auditor, MNP to conduct annual security audits of each of our facilities. Following this audit, in which MNP scrutinizes all components of our manufacturing environment's security, the organization provides us with a report assessing our program. As necessary, we make enhancements as per the report.

Game Auditing

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

External Auditing

Further to these internal audit tests of game data, we employ external auditors to conduct an audit to ensure the game data meets all restrictions specified in the game's Game Specifications (Working Papers). For these external audits, we use MNP—a large, full-service accounting, auditing, and business advisory firm in Canada, with almost 800 partners and 5,000 team members. MNP staff draw on many years of experience to provide continuity for this critical process.

The level of understanding and cooperation between Pollard Banknote and MNP is great; Pollard Banknote provides the access which MNP requires to properly conduct its audits, and MNP staff who perform the audits are familiar with the intricacies of instant lottery ticket production. This highly effective relationship will be in place for any games we produce for the Texas Lottery.

Continuous Improvement

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Enterprise Resource Planning (ERP) Tracking Capabilities

Pollard Banknote's ongoing commitment to accountability and streamlining of our processes are evident in our $4 million investment in an Enterprise Resource Planning (ERP) system implementation designed to automate and integrate the various facets of our business, from order entry to accounts receivable. This consolidation of information and resources results in a write-once read-many view of the manufacturing process, including Kanban functionality for creative design and pre-press, as well as game programming. Incorporating these key functions into the overall manufacturing process provides complete end-to-end visibility for game manufacturing. A full go-live took place in early 2020 (finance, purchasing and inventory have been live since 2016) and anticipate achieving our goal of providing the foundation to scale our manufacturing processes to accommodate and execute additional growth for lottery customers.

For the Texas Lottery, ERP provides quicker and more highly detailed and robust answers to manufacturing workflow questions, and efficient manufacturing of accurate Game Specifications (Working Papers). ERP allows us to have one standardized, yet customizable approach across all clients and internally, across all Sales & Marketing Representatives. With the implementation of ERP, we have begun referring to Working Papers as Game Specifications.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

8.17.2.

The Successful Proposers shall certify the accuracy of the game prize structure, and that all Texas Lottery requirements including any parameters and/or constraints have been met, via email to specified Texas Lottery staff, prior to game production.

Pollard Banknote confirms that we will certify the accuracy of the game prize structure and that all Texas Lottery requirements, including any parameters and/or constraints have been met, via email to specified Texas Lottery staff, prior to game production.

8.17.3.

Upon written request by the Texas Lottery Operations Director, the Successful Proposer shall furnish all of the actual game computer and related program reports to the Texas Lottery prior to production.

Pollard Banknote confirms that upon written request by the Texas Lottery Operations Director, we will furnish all of the actual game computer and related program reports to the Texas Lottery prior to production.

8.17.4.

Upon written request by the Texas Lottery Operations Director, the Successful Proposer also must provide, for each game, an image of the computer-generated printout from the test pools illustrating each of the four (4) GLEP patterns and the reconstruction reports of these packs. Also upon request, the Successful Proposer shall also provide all information pertinent to the test pools, including any summary reports.

Pollard Banknote confirms that upon written request by the Texas Lottery Operations Director, we will provide, for each game, an image of the computer-generated printout from the test pools illustrating each of the four (4) GLEP patterns and the reconstruction reports of these packs. Further, as the Successful Proposer, Pollard Banknote will provide all information pertinent to the test pools, including any summary reports.

8.17.5.

The Successful Proposer shall provide to the Texas Lottery Scratch Ticket Strategy Coordinator a color proof of the ticket image for each game for approval.

Pollard Banknote confirms that we will provide the Texas Lottery Scratch Ticket Strategy Coordinator a color proof of the ticket image for each game for approval.

For the Evaluation Committee's consideration, we have provided a detailed description of our contract proof system below.

Contract Proofing

Following sign-off of the ticket art, Pollard Banknote will develop a contract proof. Pollard Banknote has a reputation for producing the highest-quality and most detailed contract proofs in the industry which provide the closest possible simulation to the final product prior to it running on the press.

Contract proofs are a crucial component of the ticket design process, allowing both the Texas Lottery and Pollard Banknote to review the appearance of a design prior to preparation of plates and the press run. These proofs must be accurate to provide clear communication about color and to avoid the downtime, expenses, and frustration that occur when an unanticipated color discrepancy requires a correction.

The contract proof illustrates how the colors will interact with each other within the graphics. Unlike what standard color copiers can produce, the contract proof indicates how a ticket will react on the press by accounting for color trapping and screen values. Trapping on the press is the ability of ink film to properly accept an overlapping ink film, making it possible to superimpose one color over another. A slight trapping or overlapping of the two is required to avoid a white line between two areas on the printed ticket.

While color laser proofs showing process equivalent colors only are produced by our Creative Artists, trapped contract proofs are produced only by our Technical Artists. Our PDF workflow applies the proper calibration to simulate the end result on the press.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Designs created by our Creative Artists are essentially a snapshot of the ticket. These snapshots advance to our Supervisor, Technical Art Design, who assigns a Technical Artist to edit the design for print. Working side-by-side with the Creative Artist, the Technical Artist is involved from the beginning of any project conceived in-house. The Technical Artist reviews the design with the Game Planner to plan how the job will be trapped to ensure a good fit and register on the press.

While this process is underway, the wireframe goes to our Image Development group for the development of custom game data fonts. We describe this function in more detail in our discussion of **Stage 4: Variable Data Imaging** in **Appendix 3: Manufacturing at Pollard Banknote: An Overview.**

8.17.6.

The Successful Proposer shall not produce any game until the Texas Lottery receives the preproduction certification email, approves the ticket color proof, and authorizes game production.

Pollard Banknote confirms that production of a game will begin only after the Texas Lottery receives the preproduction certification email, approves the ticket color proof, and authorizes game production.

8.18. Production Audit

The Successful Proposer, at its expense, shall engage a qualified and independent certified public accountant to review the procedures and controls employed by the Successful Proposer for each game. The certified public accountant shall render a letter to the Texas Lottery stating the results of the audit performed on the Successful Proposer's production procedures and controls. The procedures for these audits are as follows:

1) *randomly select two (2) pools prepared for printing;*
2) *review the audit program reports for the two (2) pools selected for agreed conformity of such results with the game specifications and prize structure in the final executed working papers, noting any and all exceptions;*
3) *review test data and the audit error report to determine whether the audit program detected errors corresponding to the programming parameters and game specifications, noting any and all exceptions;*
4) *compare the recorded date and time stamp of the audit program used in the performance of the above reports, including updates, to the date and time stamp of the audit program used in the production of the game tickets, noting any and all exceptions;*
5) *review print image data for each possible character image used and determine whether the correct character is set to print, noting any and all exceptions;*
6) *review End of Production Prize Structure and agreed high-tier seeded prizes with the prize structure in the final executed working papers, noting any and all exceptions.*

The Successful Proposer shall provide the following documentation to the Texas Lottery Products Manager prior to the arrival of a printed game at the Texas Lottery warehouse facility:

i. Letter from the certified public accountant stating results of the audit performed.

ii. Executed working papers for the game being audited.

Pollard Banknote confirms that we will, at our expense, engage a qualified and independent certified public accountant to provide an independent analysis of game data and provide supporting documentation to the Texas Lottery Products Manager prior to the arrival of a printed game at the Texas Lottery warehouse facility including a letter from the certified public accountant stating results of the audit performed and the executed Game Specifications (Working Papers) for the game being audited.

8.19. Security Testing Sample Packs

Upon completion of a press run, the Successful Proposer must place live ticket packs in omit status per the Customer Specifications Document or executed working papers and ship via overnight delivery to the Texas Lottery's independent laboratory testing facility and/or directly to the Texas Lottery. Tickets will be tested in accordance with Section 8.26. The ticket packs must not be drilled, stamped or rubbed. Additionally, the Successful Proposer must provide a minimum number of representative packs to reflect samples of the beginning, middle and end of the press run for the game. The Successful Proposer shall be responsible for its own test costs associated with testing not required by the Texas Lottery.

Pollard Banknote confirms that, upon completion of a press run, we will place live ticket packs in omit status per the Customer Specifications Document or executed Game Specifications (Working Papers) and ship via overnight delivery to the Texas Lottery's independent laboratory testing facility and/or directly to the Texas Lottery. The ticket packs will not be drilled, stamped, or rubbed. Additionally, we will provide a minimum number of representative packs to reflect samples of the beginning, middle, and end of the press run for the game, as we currently do. As well, Pollard Banknote will be responsible for its own test costs associated with testing not required by the Texas Lottery. Pollard Banknote is currently following these processes for games produced for the Texas Lottery.

8.20. End of Production Prize Structure

Prior to the arrival of a printed game at the Texas Lottery warehouse facility, the Successful Proposer must submit an End of Production Prize Structure report for the game. This report is a listing of the summary of the prize value in the game by prize level. The End of Production Prize Structure report must be e-mailed as specified by the Texas Lottery with the low and mid/high-tier electronic validation files, and all must be received by the Texas Lottery prior to actual delivery of tickets to the warehouse. The Texas Lottery will review the Successful Proposer's end of game prize structure for each game and if any errors are detected, the Successful Proposer must correct the errors as soon as identified. However, in no event shall the deadline for scratch ticket delivery specified in the executed working papers be extended. Should the End of Production variance cause the odds or other statements on the printed tickets to be incorrect, the Texas Lottery may determine the game to be non-conforming and, in accordance with Section 3.54.25, withhold any amounts due to the Successful Proposer under the Contract.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

We have included additional information below on our prize structure reporting protocols and processes.

END OF PRODUCTION PRIZE STRUCTURE (EOPPS) REPORT

Pollard Banknote makes every effort to customize EOPPS reports to accommodate a lottery's preferences. Given our experience and expertise, we have been tremendously successful over the years in providing reports with formats that incorporate a customer's existing format.

Pollard Banknote executes computer-generated validation software to produce a prize structure summary. Creating a summary using this method results in an EOPPS report that is 100% accurate; since manual data entry is not practiced, there is no possibility of human error. We then compare this report with the prize structure set out in the game's Game Specifications (Working Papers).

Once we have balanced a game, we can ship this report, along with the requisite validation files. This will be supplied to the Texas Lottery via e-mail prior to the Texas Lottery receiving the ticket shipment.

8.21. Packaging

Packaging specifications will be detailed in the Customer Specifications Document or executed working papers. No breaks in packs will be permitted with the exception of properly omitted packs. The number of tickets per pack in a game must be specified in the executed working papers. Partial, broken, miscut or incomplete packs are not acceptable. In addition, the tickets within each pack must be in the numerical sequence prescribed by the Texas Lottery (e.g., 001 to 250; 001 to 125).

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote understands that packaging specifications will be detailed in the Customer Specifications Document or executed Game Specifications (Working Papers). No breaks in packs will occur, with the exception of properly omitted packs. The number of tickets per pack in a game will be specified in the executed Game Specifications (Working Papers). We understand that partial, broken, miscut, or incomplete packs are not acceptable and have multiple checks in place to ensure this does not happen. Lastly, the tickets within each pack will be in the numerical sequence prescribed by the Texas Lottery.

For detailed information on how we ensure pack numbers are consecutive and non-duplicated, please refer to **8.3.9.** In addition, we have provided more information on our packaging procedures below.

Packaging

To ensure that there are no breaks or discontinuities in the ticket numbering, we custom-developed an application capable of accurately detecting books with the incorrect number of

tickets. The shrink-wrap machine has a top-mounted bar code scanner and bottom-mounted camera that scan the top and bottom of each pack as the packs move along the conveyor belt. The scanner reads the top and bottom ticket numbers of every pack being packaged. These ticket numbers are compared against the expected top and bottom ticket numbers to ensure each pack is intact. These scans are retained in our database.

The Packaging Operator is alerted by an audible alarm if any breaks in ticket numbering are detected. This Operator then checks the computer monitor to see where the problem resides.

Each book that scans incorrectly is detailed on an error table, which records the book number, ticket number, Operator's name, date it was packaged, and date the problem was identified. Finishing personnel at the end of the line double-check that the package meets required stringent quality standards. Any errors identified by the cartoning application posted to the screen at the end of the line are addressed. The packaging line is stopped until any problem is resolved.

8.22. Shrink Wrapping

All packs produced must be individually shrink-wrapped in pack sizes determined by the Texas Lottery on a game-by-game basis. Subject to normal printing trade tolerances and practices, the packs of tickets must be properly trimmed and slit. The Texas Lottery requires all ticket packs be wrapped in a manner such that the sealing seam of the pack does not obscure the bar code when packs are scanned. Individual shrink-wrapped packs must be able to withstand normal handling during distribution. Shrink-wrapped packs shall not contain more than a minimal amount of scratch ticket coating, foil or paper residue or other material that falls out upon opening. Shrink-wrapping must remain intact through the shelf life of the game and packs must be assembled in a uniform manner.

Pollard Banknote will ensure that all packs produced are individually shrink-wrapped in pack sizes determined by the Texas Lottery on a game-by-game basis. Subject to normal printing trade tolerances and practices, the packs of tickets will be properly trimmed and slit. Further, all ticket packs will be wrapped in a manner such that the sealing seam of the pack does not obscure the bar code when packs are scanned.

Individual shrink-wrapped packs will be able to withstand normal handling during distribution. Shrink-wrapped packs will not contain more than a minimal amount of scratch ticket coating, foil, or paper residue or other material that falls out upon opening. Lastly, shrink-wrapping will remain intact through the shelf life of the game and packs will be assembled in a uniform manner.

For more information on Pollard Banknote's packaging techniques and procedures, please refer to **Stage 8: Packaging** in **Appendix 3: Manufacturing at Pollard Banknote.**

8.23. Shipping Cartons

8.23.1.

Carton sizes will vary dependent upon ticket sizes as specified in the executed Customer Specifications Document. Shipping carton sizes must be pre-approved by the Texas Lottery.

Pollard Banknote confirms that shipping carton sizes will be pre-approved by the Texas Lottery, and that carton sizes will vary dependent upon ticket sizes as specified in the executed Customer Specifications document.

8.23.2.

Cartons must be consecutively numbered and labeled with a computer-produced label showing game name, game number, shipping carton number, range of pack numbers, omissions (if any) and a bar code showing the game number and beginning and ending pack numbers for the carton. Labels should be color coded by game or an additional color-coded sticker should be placed on the box. The sticker should not obscure the shipping label. There will be "Full Packing" in each shipping carton. If, during the balancing process, a carton contains less than the required number of packs per carton for that game, the omitted pack(s) should be replaced by a cardboard filler. "Full Packing" may vary dependent upon ticket sizes.

Pollard Banknote confirms that cartons will be consecutively numbered and labeled with a computer produced label showing game name, game number, shipping carton number, range of pack numbers, omissions (if any), and a bar code showing the game number and beginning and ending pack numbers for the carton.

Labels will be color coded by game or an additional color-coded sticker placed on the box. The sticker will not obscure the shipping label, and there will be “Full Packing” in each shipping carton.

If, during the balancing process, a carton contains less than the required number of packs per carton for that game, the omitted pack(s) will be replaced with a cardboard filler. We understand that “Full Packing” will vary dependent upon ticket sizes.

8.23.3.

The Successful Proposer shall be required to pack each carton so that the lowest numbered pack of tickets is visible when the carton is opened from the top. The lowest pack number must be in the front left corner and the highest pack number must be in the right back. Packing tape should not obscure the shipping label. Shipping cartons must be numbered starting with 00001. Shipping cartons are to be 275-lb. test.

Pollard Banknote confirms that cartons will be packed such that the lowest numbered pack of tickets is visible when the carton is opened from the top. The lowest pack number will be in the front left corner and the highest pack number will be in the right back. Packing tape will not obscure the shipping label. Shipping cartons will be numbered starting with 00001, and will be 275-lb. test.

For more information on our general packing procedures, please see **Stage 8: Packaging** in **Appendix 3: Manufacturing at Pollard Banknote.**

8.24. Pallets

8.24.1.

Currently, for a 4" x 2.4" ticket, the pallet contains 56-60 cartons. Cartons must be packed with the lowest carton number on the top layer of the pallet, highest carton number on the bottom layer of the pallet. The pallet size must be 48" x 40" and provide four-way entry with bottom boards and center brace to allow a forklift to enter 40" sides. Pallets loaded with tickets must be able to be transported, moved and double stacked without damage to pallets or product. The four corners of the pallet must be stabilized by cardboard brackets, or similar means, running the height of the pallet.

Cartons must be tightly stretch-wrapped and secured to the pallet so not to topple in transit. Carton labels must face outward and must be color-coded by game. The label must be placed on narrow side of carton (packs of tickets inside carton will face label). Pallets must contain bar-coded labels indicating game name, game number, pallet number, range of carton numbers and pack numbers on the pallet. The bar codes must show the game number and the beginning and ending pack number for the pallet. Pallet labels must also be color-coded to match the same color as the carton label. Omits must be legibly written on the pallet label when applicable. Labels must be placed on both 40" sides. Other pallet sizes and configurations may vary dependent upon ticket sizes and must be specified in the executed working papers for each game. The use of pallets other than 48" x 40" must be pre-approved by the Texas Lottery.

Pollard Banknote confirms that pallets will be packed according to the specifications included in this RFP.

8.24.2.

Pallets of finished tickets must be loaded with the lowest numbered pallet in the "nose" of the trailer and the highest numbered pallet at the rear of the trailer. Texas Lottery Commission-required shipping documentation must be placed on the highest numbered pallet at the rear of each trailer. Shipping documentation must be placed in a sealed envelope and labeled "Texas Lottery Commission Shipment Report" or delivered to the Texas Lottery in an alternate method approved by the Texas Lottery. The format of each report must be pre-approved by the Texas Lottery.

Pollard Banknote confirms that finished tickets will be loaded with the lowest numbered pallet in the "nose" of the trailer and the highest numbered pallet at the rear of the trailer. Texas Lottery Commission required shipping documentation will be placed on the highest numbered pallet at the rear of each trailer. Shipping documentation will be placed in a sealed envelope and labeled "Texas Lottery Commission Shipment Report", and the format of each report will be pre-approved by the Texas Lottery.

8.25. Delivery of Tickets to Lottery Warehouse(s)

8.25.1.

After production when the game is ready to be shipped to the Texas Lottery Commission, the Successful Proposer must e-mail a "Shipment Departure Notification" to the Texas Lottery contacts identified in the executed working papers and/or Customer Specifications Document. The "Shipment Departure Notification" must include, at a minimum, the following: date, Successful Proposer name, shipment date and time, expected delivery date and time, game number and name, transportation carrier, trailer number, all seal numbers per trailer, total pallets per trailer, total number of trailers and total number of pallets. The Successful Proposer must provide a primary and secondary contact with name, title, e-mail address and phone number.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

Please refer to **Stage 9: Shipping** in **Appendix 3: Manufacturing at Pollard Banknote** and **8.9.1.** under the heading **Ticket Storage and Delivery Security** for additional information on our shipping procedures.

8.25.2.

All ticket shipments must represent the whole game per the executed working papers. Split shipments of game and validation media will not be accepted unless pre-approved by the Texas Lottery. Deliveries of packaged tickets are to be F.O.B. destination to the Texas Lottery Commission scratch ticket distribution warehouse, Austin, Texas, or such other location(s) in Texas as designated by the Texas Lottery Commission. The Successful Proposer must make continuous and uninterrupted delivery of scratch ticket games, without storage. All scratch ticket games must be transported on a sealed and dedicated vehicle, i.e., no other customer's products may be on board. The seal requirements must be approved by the Texas Lottery Commission. The seal must be broken only by an authorized representative of the Texas Lottery; failure to adhere to this requirement may be grounds for rejection of the entire shipment. Upon discovery of any breach of the truck seal, the Successful Proposer must immediately notify by telephone the Texas Lottery Security Manager and the Texas Lottery designated contacts in the Customer Specifications Document. Each game shipment must include retail void samples. Each trailer delivered must have Texas Lottery Commission shipping documentation on the last pallet loaded on the trailer. The shipping documentation shall consist of two (2) reports: 1) Texas Lottery Commission Shipment Summary Report and 2) Texas Lottery Commission Shipment Detail Report. The Texas Lottery Commission Shipment Summary Report shall include game number and name, date shipped, number of tickets per pack, number of packs per carton, number of tickets per carton, number of pallets per trailer, number of cartons per pallet. The Texas Lottery Commission Shipment Detail Report shall include game number and name, date shipped, pallet number, starting carton number per pallet, ending carton number per pallet, number of packs on pallet, starting pack number per pallet, ending pack number per pallet and total tickets per pallet. At the end of the Texas Lottery Commission Shipment Detail Report, the Successful Proposer must include the total number of packs and the total number of tickets in the shipment.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

For the Evaluation Committee's consideration, we have provided a detailed description of our shipping process below.

Shipping

Shipping requirements are listed in the Game Specifications (Working Papers) for each game. Our shipping personnel will ensure that every single shipping requirement documented in the Game Specifications (Working Papers) is satisfactorily addressed. We offer flexibility and will customize shipping procedures to the customer's wishes, and our Shipping department welcomes input from our customers to ensure that the most suitable methods of shipment are used.

It is our responsibility to ensure that the customer receives the product problem-free. In preparation for shipping, cartons are sealed and placed on pallets. The pallet is stretch-wrapped

and stored in a secure area while awaiting shipment. Cartons will be stacked on pallets designed to suit the method of transportation chosen by the customer.

After the pallets are stretch-wrapped and bound, labels detailing their contents are affixed to the pallets. The labels will show the game name, the from-through carton numbers loaded onto the pallet, and the pallet number for the game.

A Shipping Manifest is maintained such that, when the pallet loading is complete, the manifest listing all tickets to be shipped is checked and placed with the tickets. The Carrier Representative and our Shipping Representative sign the seal number listed on the bill of lading. The seal will only be broken in the presence of a designated Lottery employee.

A bill of lading will include the following information:

- Destination;
- Driver's signature;
- Total number of pallets; and
- Seal numbers

A computer listing is generated that will show a list of books delivered and omitted that corresponds to each carton.

Shipping of all finished goods is conducted under secure conditions with staff in attendance at all times. Pollard Banknote employees load the truck and photograph the entire contents of the trailer or container. The load is then sealed by Pollard Banknote employees who install a high-security bolt or cable and a uniquely numbered Pollard Banknote seal. For the Texas Lottery, truck seals included a seal caution tag that emphasizes that only Lottery personnel can remove the seal. Pollard Banknote's shipping department will email key Texas Lottery Security and Warehouse staff when the shipment departs. The email will include the picture of the contents of the trailer, the cable seal number, combination lock code, tamper seal number, bill of lading, and estimated time of arrival. The seal is to be broken only in the presence of a designated Lottery employee.

Our loading bays are equipped with an electronically controlled trap system that precludes opening doors between the manufacturing areas and loading bays when the outside shipping or receiving doors are open. The loading bays are camera-monitored, and the resultant recordings remain on file for six (6) months.

Pollard Banknote only uses established, high quality transport companies. Deliveries are made in exclusive-use trucks that are consistently tracked so Pollard Banknote personnel can follow the truck's progress from point of origin to destination. Bonded drivers deliver the loads, and packages are prepared to avoid any problems during shipping.

All loads are fully insured. Pollard Banknote assumes the ownership, risk, and responsibility for the safety and security of the tickets throughout manufacturing, delivery, and storage. Our personnel handle all aspects of the shipping process. The Marketing Representative will notify the customer of all information regarding shipping and delivery. The information is sent by telephone and email.

A Shipping Manifest Pre-advise is emailed to the warehouse and to the Texas Lottery at the time of shipment. The Texas Lottery can request to be notified via telephone prior to the tickets' departure from the facility and the truck's seal being forwarded to the Texas Lottery's designated personnel. In addition, shipping documentation consists of the Texas Lottery Commission Shipment Summary Report and the Texas Lottery Commission Shipment Detail Report, as well as the Carton Content and Shipping Manifest, the latter two of which are on CD.

8.25.3.

The Successful Proposer must immediately notify, by e-mail and telephone, the Scratch Ticket Strategy Coordinator, the Scratch Ticket Production Coordinator and the Products Manager of the Texas Lottery of any changes to scheduled delivery dates of scratch ticket games. All changes in scheduled delivery dates must be in writing and pre-approved by the Texas Lottery.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote confirms that as the Successful Proposer, we will immediately notify, by e-mail and telephone, the Scratch Ticket Strategy Coordinator, the Scratch Ticket Production Coordinator and the Products Manager of the Texas Lottery of any changes to scheduled delivery dates of scratch ticket games. We confirm that all changes in scheduled delivery dates must be in writing and pre-approved by the Texas Lottery.

8.26. Scratch Ticket Testing

The Texas Lottery contracts with an independent laboratory to test all scratch ticket games for compliance with quality, security and durability standards set by the Texas Lottery. In the event a scratch ticket game fails testing or is not accepted by the Texas Lottery, all testing costs for any new production run of the same game will be at the Successful Proposer's expense, and the Successful Proposer shall reimburse the Texas Lottery for all test expenses.

Pollard Banknote understands and accepts that the Texas Lottery contracts with an independent laboratory to test all scratch ticket games for compliance with its quality, security, and durability standards. We understand that, in the event a scratch ticket game fails testing or is not accepted by the Texas Lottery, all testing costs for any new production run of the same game will be at Pollard Banknote's expense, and we will reimburse the Texas Lottery for all test expenses.

8.27. Testing Protocols

Scratch tickets are subjected to an array of tests to ensure their security, integrity, and "playability." Tickets are tested for consistency from ticket to ticket and from pack to pack within each game. The Texas Lottery tests all games and reserves the right to require additional tests on any scratch ticket game. The Texas Lottery conducts a series of tests that fall into the categories detailed below.

The Texas Lottery will regularly review the tests and at any time may consider the addition or elimination of one (1) or more tests based on necessity, and/or benefits or effectiveness of substituted methods. Subsequent tests may be developed based upon newly acquired industry information or advancements in ticket technology.

Scratch tickets may be subject to additional tests after initial release as deemed necessary by the Texas Lottery.

Upon Contract Award the Texas Lottery will provide to the Successful Proposer a copy of the scratch ticket testing procedures.

Pollard Banknote has read, understands, and will comply, as required, to the requirements detailed in this section of the RFP. The Texas Lottery has previously provided Pollard Banknote with its scratch testing protocols.

8.27.1. Guidelines for Scratch Ticket Testing

Tickets are tested to determine if they meet the following criteria:

Durability Criteria. Tickets are expected to withstand temperature variations; accidental washing; and exposure to heating appliances commonly found in convenience stores and homes (e.g., microwaves, heat lamps, hot dog cookers, etc.) and still be readily saleable. Proposers shall provide detailed criteria to assess the ticket's ability to withstand likely environmental conditions. Items to consider include, but are not limited to, ink density, scratch ticket coating and scratch ticket paper stock.

Security Criteria (Security Risk). The Texas Lottery strives to limit compromises of the game data by those attempting to pre-determine if tickets are winning tickets. All reasonable measures are taken to ensure the highest quality and most secure ticket is offered for Texas Lottery players. Therefore, tickets must be evaluated to determine what security risk they have. Proposers shall provide detailed criteria to assess attempts at exposing game data which leaves little or no apparent evidence of tampering, but still leaves the ticket in a saleable condition. Criteria to consider should include the amount of time it takes to compromise the ticket data, whether the supplies used are readily available, and the simplicity or complexity of the technique.

Alterability Criteria. Tickets will be evaluated to determine if they are sufficiently secure to withstand attempts to change a non-winning ticket into a redeemable winning ticket and/or increase the prize amount on a winning ticket. Common alteration methods include cut and paste, ink alterations, reproduction and game data removal. The information gathered from the evaluations will be used to improve future game designs.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Below, we have provided detailed information on how tickets are tested to determine if they meet the following criteria outlined in this section.

Durability Criteria

Pollard Banknote-produced scratch tickets and raw materials undergo rigorous testing prior, during, and after production to ensure our high standards of security, integrity and quality are met. These robust tests result in tickets that withstand temperature variations; accidental washing; and exposure to heating appliances commonly found in convenience stores and homes (e.g., microwaves, heat lamps, hot dog cookers, etc.) and are readily saleable.

Testing at Pollard Banknote begins with the raw materials used to produce our scratch tickets. Suppliers must be dependable, as their products are critical to the security and performance of our customers' products. All of Pollard Banknote's "quality-critical" suppliers (all paper stock suppliers and ink suppliers) must be certified to ISO 9001 standard (manufacturing and raw

materials supplier level of certification) or must allow and pass an on-site audit conducted by our certified auditors to ensure they meet the Quality Management System standards set by Pollard Banknote.

After the supplier has been approved, and before any materials are brought into our facility, our in-house laboratory staff confirms with the supplier that they will continually meet our quality requirements for raw materials. Suppliers receive Pollard Banknote's certification requirements for processes and materials used on a press. Our lab details the testing methods that must be used on all raw materials, as well as the performance parameters for the materials being tested.

Prior to a shipment of any raw materials, the supplier provides a Certificate of Analysis (confirmation that their product has been internally analyzed and meets the specifications required) and samples of the material for Pollard Banknote's review. The information included in the Certificate of Analysis is different for each type of material. For instance, for scratch-off coatings, the certificate confirms that the material meets our standards for colors, viscosity, opacity, blacklight evaluation, and scratchability.

Scrutiny of our suppliers does not stop with the receipt of a Certificate of Analysis. Our Lab staff compares the details of the supplier's analysis against pre-approved specifications for that material. Also, the preapproved raw materials undergo lab testing and are run on the print presses before they are ever used for live ticket printing.

Raw material paper tests include fluorescence, caliper, moisture, basis weight, stiffness machine/cross direction, Sheffield Smoothness felt/wire side, GE brightness matte/premium side, IGT blister, dyne level, coin test, steam test, tape test, heat resistance, primer coat steam test, soapy water test.

Ink sample tests include color match, contact bleed characteristics, dye extraction, fluorescence, opacity, color density, viscosity, shear thinning index, conductivity, accelerated latex scratch-off aging, surface resistivity of aqueous overprint inks, thin layer chromatography of ink, dye extraction of security charcoal/black inks.

Varnish tests include appearance, cure speed, density, optical brighteners, and stability gel tests.

For more detailed information on how Pollard Banknote qualifies suppliers, and inspects raw materials to ensure they are of the highest quality, please refer to **Stage 1: Raw Materials Inspection** in **Appendix 3: Manufacturing at Pollard Banknote.**

Security Criteria (Security Risk)

Like the Texas Lottery, Pollard Banknote strives to limit compromises of the game data by those attempting to pre-determine if tickets are winning tickets. We ensure that all reasonable

measures are taken to ensure the highest quality and most secure ticket is offered for Texas Lottery players, evaluating tickets to determine what security risk they have.

Pollard Banknote Labs follows the World Lottery Association Guidelines for Standard Scratchcard Testing (Issued by the WLA Security and Risk Management Committee, March 2008). According to these Guidelines, a compromise that is "completed fairly rapidly and easily (within 5 minutes)", that "involves the use of readily available resources" or that "is easily repeatable and does not require specialized knowledge" is considered a security issue. Other compromise factors that are considered a security risk are a compromise that reveals enough information to determine the winning status of a ticket and a compromise in which a repair leaves the ticket in saleable condition. These threat criteria have all been taken into account in the development of Pollard Banknote's testing protocols. For example, our test tickets are subject to a broad range of household and other easily accessible chemical and solvents such as alcohol (e.g., vodka), bleach, drain cleaners, and hydrogen peroxide.

Our Labs also have their own internal testing guidelines for both live product and research and development testing.

Pollard Banknote Labs will also replicate, perform, and evaluate security, integrity, and quality tests based on specific client testing and the testing conducted by internal lottery labs and external lab(s) used by a lottery. Our testing also takes into consideration specific marketplace conditions (e.g., extreme heat/cold or humidity) and possible or known threats specific to the market. For the Texas Lottery, our Labs follow the Texas Lottery Commission Lottery Operations Division Procedure, Number LO-SE-006, Scratch Ticket Testing, dated December 2, 2015.

All Pollard Banknote-printed Texas Lottery scratch tickets must follow two standards:

- our internal, proprietary Lab Security Requirements that detail requirements for overprint design in relation to hidden imaged data, wireframe bounce for data, font symbol requirements, tint selection, and benday information, in addition to Texas security requirements
- the Pollard Banknote Technical Prepress Design Rules for the Texas Lottery that are based on Pollard Banknote Texas Lottery ticket and standard specifications and internal Pollard Banknote printing requirements.

Alterability Criteria

Pollard Banknote tests our tickets to determine if they are sufficiently secure to withstand attempts to change a non-winning ticket into a redeemable winning ticket and/or increase the prize amount on a winning ticket.

Pollard Banknote prints Texas Lottery tickets to meet and follow the Texas Lottery Commission Lottery Operations Division Procedure, Number LO-SE-006, Scratch Ticket Testing, dated

December 2, 2015, as well as Pollard Banknote internal lab security requirements. Our Labs use the aforementioned procedure to evaluate a ticket's security risk criteria and the five conditions listed for ticket compromise. Based on the scoring system, the testing indicates whether or not a ticket is security risk.

For more information on our processes related to preventing compromise and alteration, please see **8.5.2.** under the heading **Anti-Counterfeiting Security.**

For more information on our processes related to voiding and removing non-conforming packs, please refer to **8.17.1.**

8.27.2.

A summary of the current tests is identified below:

1) *Scratch Ticket Coating Removal Test: Purpose is to determine the amount of force needed to remove the scratch ticket coating.*

2) *Environmental Exposure Tests: Purpose is to determine the durability of the tickets and their susceptibility to compromise following exposures to intense light, heat, humidity, water, and/or steam.*

3) *Washing Test: Purpose is to determine the durability of tickets when exposed to conditions that would simulate "accidental" machine washing.*

4) *Bar Code Measurements and Evaluations: Purpose is to ensure the quality of all bar codes is sufficiently compatible with the electronic equipment that reads the bar code and is not susceptible to compromise. (TLC will provide the Successful Proposer with equipment currently used by Retailers.)*

5) *Micro-scratching: Purpose is to determine if a ticket's play design, overprint layers and protective coatings are capable of preventing determination of winning status by micro-scratching the ticket.*

6) *Chemical Exposure Tests: Purpose is to determine susceptibility to compromise with commonly available chemicals and chemical fumes. The testing should include delamination of the tickets and use of various light sources following exposure.*

7) *Electrostatic/Magnetic Test: Purpose is to determine the potential for compromise of game data after electrical charging or exposures to magnetic sources.*

8) *Mechanical Lift Tests: Purpose is to determine the scratch ticket coating's susceptibility to compromise by lifting and replacing it onto the ticket using tools, sprays or other items.*

9) *Ultraviolet Examination: Purpose is to evaluate the ultraviolet security features that may or may not be present on the ticket.*

10) *Light Source Examinations: Purpose is to assure that the scratch ticket coating provides sufficient protection to prevent decoding game data using the naked eye, an instrument using magnification, and/or various light sources. The testing should include delamination of the ticket.*

11) *Alterations: Purpose is to determine if a ticket's play design is capable of preventing or exposing alteration attempts such as cut and paste, hand alterations, color copy reproduction and computer counterfeiting.*

Pollard Banknote has read, understands, and will comply with the requirements listed in this section of the RFP.

Our Labs play a vital, and ongoing role in security, from concept and design stages and throughout ticket production. They ensure that the built-in security features of our tickets protect them from ever being compromised. The Labs do this by performing an exhaustive variety of tests on the printed tickets to ensure the performance of these security features. For more information on security features built into our ticket designs, please see **8.5.2.** under the heading **Game Design Security**.

In addition to a design review prior to press, our rigorous ticket testing in production covers all of the tests listed in the RFP, categorized into five general methods that are used in attempts to compromise scratch tickets:

- Mechanical methods
- Electrical methods
- Chemical methods
- Optical methods
- Environmental methods

For more information on our processes related to preventing compromise and alteration, please see **8.5.2.** under the heading **Anti-Counterfeiting Security.**

8.28. Non-Confirming Tickets

8.28.1.

If the result of any test or inspection establishes that any ticket(s), pack(s) or the entire game fails to meet the requirements specified in this RFP, the ticket(s), pack(s) or the entire game may be deemed non-conforming by the Texas Lottery and, in accordance with Section 3.54.25, the Texas Lottery may withhold any amounts due to the Successful Proposer under the Contract.

Pollard Banknote understands and accepts that if the result of any test or inspection establishes that any ticket(s), pack(s) or the entire game fails to meet the requirements specified in this RFP, the ticket(s), pack(s) or the entire game may be deemed non-conforming by the Texas Lottery and, in accordance with Section 3.54.25, the Texas Lottery may withhold any amounts due to the Successful Proposer under the Contract.

8.28.2.

If the Successful Proposer makes the recommendation to pull selected packs of nonconforming tickets and the Texas Lottery agrees, the Texas Lottery may assess sanctions for these packs, pursuant to section 3.54.25 of this RFP.

Pollard Banknote understands and accepts that if the Successful Proposer makes the recommendation to pull selected packs of nonconforming tickets and the Texas Lottery agrees, the Texas Lottery may assess sanctions for these packs, pursuant to section 3.54.25 of this RFP.

8.29. Computer System Compatibility

The Successful Proposer must maintain compatibility with the Texas Lottery's and the Texas Lottery Operations and Services vendor's computer systems. Detailed programming specifications, including but not limited to production and validation, will be developed in joint meetings between the Successful Proposer and the Texas Lottery. Programming specifications will be approved by the Texas Lottery before any systems work or programming begins.

Pollard Banknote understands and accepts that the Successful Proposer must maintain compatibility with the Texas Lottery's and the Texas Lottery Operations and Services vendor's computer systems. We understand and accept that detailed programming specifications, including but not limited to production and validation, will be developed in joint meetings between the Successful Proposer and the Texas Lottery, and that programming specifications will be approved by the Texas Lottery before any systems work or programming begins.

8.30. High-Tier Winner Validation Media

Tickets must be manufactured in such a manner that there is no record of any kind, in the validation media, that connects the location of high-tier winning tickets in the game with the exposed pack number on the ticket.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP. Pollard Banknote confirms that tickets will be manufactured in such a manner that there is no record of any kind, in the validation media, that connects the location of high tier winning tickets in the game with the exposed pack number on the ticket.

Files of winning validation numbers are encrypted and supplied to the Texas Lottery for each game. These validation files identify winning tickets by validation number and prize amount. No location information is supplied to the Texas Lottery. Without the necessary computer files, there is nothing in the validation number that identifies a ticket as a winner or a non-winner.

For more information on Pollard Banknote's validation process, please refer to **Stage 4: Variable Data Imaging** in **Appendix 3: Manufacturing at Pollard Banknote.**

8.31. Electronic Data Transfer Process

8.31.1.

The validation files must be transferred using an electronic data transfer process as defined by the Texas Lottery. The Successful Proposer will be provided with the procedures for this electronic data transfer process.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote and the Texas Lottery have established procedures for transferring validation files using an electronic data transfer process. These procedures are detailed in our Customer Specifications Document under the heading "Electronic (SFTP) Data Transfer Process."

8.31.2.

If the electronic data transfer process cannot be completed, the Texas Lottery may request the Successful Proposer provide original validation CD(s) in a sealed container meeting all the requirements in this RFP. The numbers of all single use seals applied must be recorded. The seal information must be sent via encrypted email to the Texas Lottery Operations Security Manager. The seal number must be verified by telephone and encrypted e-mail. All CD's must be delivered as soon as possible by approved courier. If a CD is requested, all validation media (mid/high and low-tier), inventory and balancing reports must be provided on CD or in a format prescribed by the Texas Lottery.

Pollard Banknote understands, accepts, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote confirms that if the electronic data transfer process cannot be completed, as the Successful Proposer, we will provide original validation CD(s) in a sealed container meeting all the requirements in this RFP. We confirm that the numbers of all single use seals applied will be recorded, the seal information will be sent via encrypted email to the Texas Lottery Operations Security Manager, and that the seal number will be verified by telephone and encrypted e-mail. Pollard Banknote confirms that all CD's will be delivered as soon as possible by approved courier, and if a CD is requested, all validation media (mid/high and low-tier), inventory and balancing reports will be provided on CD or in a format prescribed by the Texas Lottery.

8.32. Back-Up Capabilities

The Successful Proposer must have internal and external backup capability that exists for all phases of ticket manufacturing which must ensure delivery of game tickets by the dates specified in the executed working papers.

Pollard Banknote confirms that internal and external backup capability exists for all phases of ticket manufacturing, which ensures the delivery of game tickets by the dates specified in the executed Game Specifications (Working Papers).

Pollard Banknote's manufacturing capabilities reside within five instant scratch ticket press lines and 11 finishing lines across North America. Together, these operations total 385,000 square feet. With approximately 1,300 employees dedicated exclusively to scratch ticket production, we provide versatility, flexibility, and the backup capabilities to deliver the highest quality products, efficiently and on time—even on occasions where the Texas Lottery requires the shortest, most urgent turnaround.

In 2021, we printed approximately 15 billion ESS scratch tickets (equivalent single size or 2" x 4") and, on average, more than 100 distinctive games each month for lotteries worldwide.

Our capacity for 2022 is 21 billion ESS, allowing us to easily accommodate 100% of the Texas Lottery's production needs.

Our extensive manufacturing and human resources are further supported with a comprehensive Business Continuity Plan.

BUSINESS CONTINUITY OVERVIEW

Pollard Banknote has comprehensive contingency plans in place to guide our response to critical events, which may lead to various levels of disruption. Every emergency, such as a contained fire or machine breakdown, is responded to in accordance with the site-specific Emergency Response Plan. When an emergency rises to the level of a short or long-term disaster, the company wide Business Continuity Plan is enacted. These plans work in tandem to protect the Texas Lottery from financial loss in the event that a disaster impacts ticket production.

Guaranteed Delivery in Any Circumstance

Pollard Banknote's Business Continuity Plan considers our capability to manufacture the Texas Lottery's scratch tickets at our facilities in Ypsilanti, Michigan and Winnipeg, Manitoba and provides for the transfer of work to a back-up facility if the designated primary facility is disrupted for any reason. This means that we always have a plant available for ticket production in the case of a disaster. Standardized processes and systems have been implemented company-wide to ensure that we have redundant systems (including servers), as well as consistent training, raw material sources, and platemaking and manufacturing equipment across all facilities. Our standardization guarantees that a smooth transition of production can be achieved if required in an emergency.

Given the full production facilities we currently operate as noted above, plus two facilities used exclusively for finishing in Sault Saint Marie, Ontario and Barrhead, Alberta, we will always have a

facility available to serve the Texas Lottery. In the Texas Lottery's case, our Ypsilanti facility will serve as the primary plant, with our facilities in Winnipeg serving as a backup option.

Ultimately, Pollard Banknote's contingency planning ensures that we can easily meet the Texas Lottery's ticket quantity requirements, and we can continue to do so even if one facility is rendered utterly inoperable for an extended period. While we're sufficiently equipped to mitigate this kind of disaster, never in our history have we encountered this situation.

Emergency Response Plans

Pollard Banknote is committed to preventing emergencies before they happen through continual risk analysis and improvement. However, site-specific Emergency Response Plans are maintained for each facility to address a variety of natural and man-made incidents ranging from supply chain breakdowns and computer network failures, to severe weather and major power outages. The plans contain immediate response steps to ensure safety, prevent further injury, and notify local management teams. Each emergency scenario also outlines the preventive steps taken to mitigate the likelihood of an emergency.

The plans guide local management in the establishment of an emergency operations center and provide them with extensive contact lists (internal, external, executive), floor plans, and maps. As well, every section has a pull-out check sheet recommending a specific series of response activities to the event. The check sheets also promote accurate note taking and ensure that follow up activities are completed. This step enables Pollard Banknote to evaluate every emergency and take steps to continuously improve our processes and reduce the risk of future incidents.

Business Continuity Plan

Pollard Banknote's commitment to our customers to provide quality service is first and foremost. Our company wide Business Continuity Plan provides a framework for our management team to immediately respond to severe unexpected events and to develop a strategic plan of action to continue the delivery of products and/or services during the disruption.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

The following examples highlight a few of the identified risks to production and the actions Pollard Banknote has taken to address and mitigate each threat:

Supply Chain

Pollard Banknote employs a variety of sources to supply scratch ticket materials and equipment across our four manufacturing and finishing facilities, which guarantees we will always have the resources necessary to meet the Texas Lottery's requirements. For our key raw materials, we have established a Primary and a Secondary supplier, so in the event there is a disruption in the

supply chain from one, there is a ready, qualified alternative supply source. In forecasting our paper and foil needs, we typically have more than two months of inventory available. With other key suppliers, we have stocking programs in place on their floor in addition to our inventory to allow for next day delivery of materials and replenishment.

In addition, Pollard Banknote has the option to bring in supplies from one of our other plants. As stated above, Pollard Banknote has two full production facilities and two finishing facilities. Each of these has an extensive inventory of supplies from which a needed item can be couriered for overnight delivery to another facility.

We also maintain an extensive inventory of production critical machine parts. Our manufacturing personnel identify the specific parts that we believe pose a risk to production downtime should they fall into disrepair, which ensures we always have replacements on hand. This includes parts that have a frequent breakdown percentage, as well as parts that require a long lead time to obtain.

In addition, we have established multiple travel lanes and access routes to our facilities, all of which are in well-serviced industrial areas. Pollard Banknote is certified by the U.S. Department of Homeland Security's Customs-Trade Partnership Against Terrorism (C-TPAT) program and only employs freight carriers awarded with the same certification to ensure the most secure transportation of all in-coming and out-going materials possible. We initially received this certification in 2007 and have been re-certified annually since that time. We are proud to note that during our 2019 re-certification, the Homeland Security Auditors placed Pollard Banknote's physical security program in the top three percent based on exceeding their security requirements.

Manufacturing Equipment Maintenance

Pollard Banknote has the in-house capabilities required to address many equipment maintenance issues. Personnel who work on equipment day in and day out, including our long-serving production lead hands and machine-specific subject matter experts, are often most familiar with the workings and idiosyncrasies of that piece of machinery, and are therefore able to perform basic maintenance and immediate troubleshooting. These staff are further supported by our own robust engineering and maintenance department who, while present in the facilities for the majority of the day, are also on call 24/7.

A formal maintenance schedule is in place for each piece of equipment used in our production process. This schedule was developed in accordance with the manufacturers' recommendations and our own experience. To remain ISO compliant, our Maintenance Supervisor ensures that all requirements of this rigid maintenance process are completed on schedule, thereby minimizing production delays caused by machine failure.

In addition to in-house resources, Pollard Banknote holds a range of service agreements with our suppliers. Some suppliers offer online and telephone support, while others offer more extensive service agreements with on-site support. Some suppliers, for example, provide ongoing preventative maintenance service. In the case of operational issues that occur between scheduled maintenance, suppliers either provide onsite response within a guaranteed number of hours (e.g., a supplier representative is guaranteed to arrive within four hours of us contacting them), or offer service that is charged out on an hourly rate. Most suppliers can send out experts who will provide direct maintenance services and/or will provide training to our in-house staff, as needed.

Asset and Technical Vulnerability Management

Pollard Banknote maintains a risk register focused on IT vulnerabilities. Each identified risk is evaluated and a correction or a formal risk acceptance is initiated. Risks are identified based on assets or groups of assets and assigned a risk level by our Security Steering Committee which is made of Director, Information Security (committee chair), Director, Corporate Security, Executive Vice President – Information Technology & Digital, Executive Vice President, Operations, Senior Vice President, Manufacturing, Executive Vice President – Finance / Chief Financial Officer, and Executive Vice President – Legal. The risk register is reviewed regularly, or as new assets are acquired or as processes are initiated. Pollard Banknote attained certification of ISO 27001 compliance in 2013 and has successfully retained this certification through regular audits. All mobile devices, including phones, cameras, laptops, etc. used by Pollard Banknote employees are tagged and electronically tracked by the security department. Pollard Banknote also has robust policy around the use of personal communication devices for all staff.

Emergency Response and Disaster Recovery Specifics

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Upon request, we can provide a sample of our public Business Continuity Plan, which more thoroughly details our sensitivity regarding the critical issue of making sure that any service disruptions do not negatively affect the Texas Lottery.

This page intentionally left blank.

8.33. Specified Options

A Specified Option must be proposed by the Proposer; however, the Texas Lottery does not commit to any quantity or timing for acquisition of a Specified Option. A Proposal may be rejected if a Specified Option is not included.

Pollard Banknote understands and accepts that a Specified Option must be proposed by the Proposer and that the Texas Lottery does not commit to any quantity or timing for acquisition of a Specified Option. Pollard Banknote understands a Proposal may be rejected if a Specified Option is not included.

8.33.1.

As a specified option, the Successful Proposer must be able to provide the following ticket manufacturing options:

1) Reduction for colors less than ten (10)

As per **8.3.20.**, the Texas Lottery requests a total of up to 10 colors (five (5) front display colors, with one (1) display color being a full bleed, one (1) back color, three (3) overprint colors and one (1) ultraviolet ink for benday patterns). Please refer to our sealed **Cost Proposal** for information on a reduction for colors less that ten (10).

2) Fluorescent inks (other than required fluorescent benday)

Pollard Banknote offers a range of striking fluorescent/neon inks that are available for a ticket's base graphics and for the overprint scratch-off material. These inks create a fluorescent effect and accentuate vibrant colors. Our most popular fluorescent/neon inks include Lime Green (pantone 802), Citrus Orange (pantone 804), Coral Red (pantone 805), Bubble Gum Pink (pantone 806), Tennis Ball Green (pantone 809), Mango Orange (pantone 810), and Sunset Pink (pantone 812).

For more information on Pollard Banknote's print innovations, please refer to **8.35.** under the heading **Outstanding Games**.

3) Metallic inks

Pollard Banknote can offer a range of metallic inks that are available for a ticket's base graphics and for the overprint scratch-off material. We can print silver, gold, and other metallic inks. As an alternative to metallic inks, Pollard Banknote can provide our patented Scratch FX® feature. Please see **8.35.** under the heading **Scratch FX®** for more information.

4) Dual color game data imaging - Proposer must specify colors available.

Tickets incorporating our dual color imaging printing advancement facilitate visually stunning tickets with easy to reference prize legends and appealing dual color symbols once scratched. We

have tested and approved **red**, **blue**, **yellow**, and **green** ink in addition to **black** for printing play symbols/fonts for multi-color imaging. The color variation can reinforce the ticket's theme established with the display graphics.

5) Multiple scenes or continuous scene game

Pollard Banknote's multi-scene tickets have sales-enhancing potential. Some players will collect an entire series and/or try their luck on more than one scene. While it is common to have individual scenes on each ticket of a series, we also develop games that consist of a single large scene overlapping several tickets (continuous scene game). This latter option encourages players to purchase multiple tickets to complete the scene.

We work closely with our customers on a game-by-game basis to create vivid games featuring as many scenes as are technically possible. One ticket in a multi-scene game typically has the same specifications (including colors, overprints, fonts, and game mechanics) as another. However, the scene depicted in the display art will vary from one ticket to the next.

6) Color pulsing/color changes within a press run

Pollard Banknote is able to provide the Texas Lottery with color pulses on its tickets. Different display and overprint colors on the same basic design (a common wireframe) are most often used to freshen up a base game. Pulsing has proven successful in reinvigorating a wide variety of games.

7) Full ultraviolet coating

Full UV coating in the display area is an element of design that allows for the ability to provide a glossy finish on the scratch ticket, creating a unique and appealing look.

8) Marking process other than full opaque scratch ticket coating

Pollard Banknote's translucent marking system has been the premier and industry standard marking system for games like Crossword and Bingo for over 25 years, generating billions of dollars for our clients worldwide. Feedback from lotteries and players alike consistently indicates that this marking system offers significantly higher quality and playability for extended play games.

The translucent coat is a scratch-off material that is pigmented to modify the appearance of the underlying base color. Scratching this secondary play area provides a visual distinction that allows the player to easily mark and identify "called" numbers (in the case of a bingo game) that are revealed by scratching the opaque material covering the primary play area. By scratching the translucent layer, the original color of the base graphic color is revealed, providing an excellent contrast and making winning or losing readily evident. This convenient marking system can turn potentially confusing games into games that are easy and fun to play and, consequently, into sales success stories.

9) Cylinder or plate changes before and during production

This involves a lottery-requested feature that requires plates to be changed during game production (that results in press stoppage) to meet customer specifications that affect the ticket colors or design. For example, a lottery orders a pulsed game. The first pulse has a green background (base graphics) and an orange overprint, and the second pulse has a yellow background and a blue overprint. The color changes required for the second pulse would result in plate changes on the press.

10) Multiple games across the web

Pollard Banknote is capable of printing up to four games simultaneously across the web—including those with the same and different prize structures, and games with different price points. Our ability to run multiple games across our printing presses ("across the web") typically affords our customers the benefit of lower costs. Multiple games share fixed set-up costs, thereby eliminating the cost of a separate set-up for each game.

11) Hourly rate for programming test games for software changes

Pollard Banknote has produced numerous test games for clients (including the Texas Lottery) in order to analyze and verify our printing and validation capabilities. Pollard Banknote will use any new parameters and specifications provided by the Texas Lottery to deliver test games after a system change.

12) Holographic Paper Stock

Pollard Banknote can provide scratch ticket printing on holographic ticket stock.

However, for a more cost-effective and profitable solution, we strongly recommend our patented Scratch FX®. The Texas Lottery has already had success with this sparkling innovation from Pollard Banknote, which boasts a visual impact that is superior to foil, holographic foil, and metallic inks. To learn more about Pollard Banknote's innovation achievements to date, including Scratch FX®, please see our response to **8.35. Offered Options** as well as **Appendix 4: Innovation Timeline**.

13) Foil Paper Stock

Pollard Banknote's foil products consist of a thin-gauged aluminum foil laminated to either a cover weight board with a single clay coating on one side of the sheet. There is an application of a water-based primer to the foil surface to prevent oxidation of the foil and to promote adhesion of the graphic inks. The board product is a virgin board and does not have any post-consumer recycled content.

14) Hole Drilling

Pollard Banknote has the ability to drill a hole into tickets for promotional purposes. For example, we have drilled holes into sample PlayBooks®, thereby allowing retailers to hang and display this innovative product.

15) Additional Pack Inserts

Pollard Banknote can provide addition pack inserts beyond what is required per **8.3.1. Pack Insert Pieces**.

16) Special Stock Pack Inserts

Pollard Banknote can provide special stock pack inserts including foil and holographic.

8.33.2. Internet Entry Promotional Second-Chance Drawings

The Texas Lottery may use internet entry promotional second-chance drawings. The Successful Proposer may be required to conduct drawings at Texas Lottery Headquarters or another location, as specified by the Texas Lottery in its sole discretion. The Successful Proposer shall provide and utilize an automated drawing solution/Random Number Generator (RNG) to select winning entries for these drawings. The Successful Proposer shall provide written certification from an independent third party, approved by the Texas Lottery, that the drawing solution/RNG has been tested and certified. The Successful Proposer thereafter shall have the drawing solution/RNG tested and recertified each time updates, if any, are made. Prior to the date of the first internet entry second-chance drawing, the Successful Proposer shall ensure that three (3) drawing solution/RNGs are delivered to the Texas Lottery. The Texas Lottery shall store such drawing solutions/RNGs in a secure room provided by the Texas Lottery and shall provide the Successful Proposer's drawing personnel with access to a drawing solution/RNG upon their arrival to conduct each drawing. The Texas Lottery shall return the drawing solution/RNG to the designated secure room for storage between drawings. The Successful Proposer shall provide, at no additional cost to the Texas Lottery, an independent certified public accountant selected by the Successful Proposer to observe and certify each internet entry second-chance drawing. On the day of each internet entry second-chance drawing and under the observation of the independent certified public accountant, the Texas Lottery shall provide the Successful Proposer with a secure internet connection to enable the Successful Proposer to transfer and verify the drawing entry records for the drawing. After the drawing entry records have been transferred via a secure internet connection and verified by the Successful Proposer, the Successful Proposer shall securely transfer the drawing entry records file to the drawing solution/RNG being used for the drawing. In the event that the foregoing method of transferring drawing entry records becomes impracticable (e.g., the electronic file containing the entry records becomes too large to fully download the day of a particular drawing), the parties agree to collaboratively consult on alternative methods for the transfer of drawing entry records. Currently, these services are provided by the Texas Lottery Operations and Services vendor.

The Successful Proposer a) shall develop, maintain and host web pages for internet second-chance entries; b) shall provide customized database management systems including player account management and entry management; c) shall provide real-time entry validation; d) shall provide files of drawing entry records for the Successful Proposer to conduct promotional second-chance drawings as approved by Texas Lottery security; and e) if requested by the Texas Lottery, shall provide geo-location services for in-state address verification of all entries submitted. The Successful Proposer must securely store all electronic internet entries for each drawing and securely transfer the appropriate drawing entry records for the appropriate drawings according to all agreed upon entry deadlines and drawing schedules. Currently, these services are provided by the Texas Lottery Operations and Services vendor.

The Successful Proposer may also be required to provide a web page(s) that outlines the features of each game that offers internet entry promotional second-chance drawings. The web page will include the drawing rules and regulations and show available prizes and other features for the specific game, including information on claiming prizes and links to related information.

Pollard Banknote understands that per the Texas Lottery's specifications above that the Texas Lottery is looking to this specified option as a contingency in case the primary vendor is unable to perform the functions. Pollard Banknote is fully capable of meeting all of the requirements as noted above.

Pollard Banknote can easily provide the database, player account management and entry management services for all games requiring second-chance drawings. The Texas Lottery would provide the secure room required, which will be the Texas Lottery Headquarters Drawing Studio. The Texas Lottery would provide all video surveillance/recording in the Drawing Studio.

Pollard Banknote's solution includes:

- Responsive website/microsite hosted by Pollard Banknote to collect draw entries based on entering non-winning tickets per business rules, as defined by the Texas Lottery, includes monitoring of the website/microsite for uptime and providing support for popular web browsers;
- geolocation services for each login based on a database verification;
- certified draw system;
- external auditor present at all drawings;
- draw oversight provided at all drawings.

In addition, Pollard Banknote offers more robust loyalty-type solutions than that described above as part of both of our loyalty offerings: gameON™ Second Chance Solution and PlayOn™ Player Engagement Solution. Please see **8.35. Offered Options** for more information.

8.33.3. Other Promotional Drawings

The Texas Lottery may require the Successful Proposer to sponsor a game promotion, or a promotion for a family of games, including a second-chance promotion, that includes drawings other than internet entry drawings that the Successful Proposer will conduct to award prizes. In those promotional drawings, the Successful Proposer shall provide and utilize an automated drawing solution/Random Number Generator (RNG) to select the winning entries. The Successful Proposer shall provide written certification from an independent third party, approved by the Texas Lottery, that the drawing solution/RNG has been tested and certified. The Successful Proposer thereafter shall have the drawing solution/RNG tested and recertified each time updates, if any, are made. Details about the Successful Proposer's promotion, including the prizes to be awarded and the number of drawings and winners, will be set forth in the working papers for the applicable game or family of games. The Successful Proposer shall provide all services for such drawings, including to set up, monitor and support the draw system, at no additional cost to the Texas Lottery.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote understands and accepts that the Texas Lottery may require the Successful Proposer to sponsor a game promotion, or a promotion for a family of games, including a second-chance promotion, that includes drawings other than internet entry drawings that the Successful Proposer will conduct to award prizes. Pollard Banknote confirms that in those promotional drawings, we will provide and utilize an automated drawing solution/Random Number Generator (RNG) to select the winning entries. Pollard Banknote confirms that we will provide written certification from an independent third party, approved by the Texas Lottery, and that the drawing solution/RNG will be tested and certified. We confirm that Pollard Banknote thereafter will have the drawing solution/RNG tested and recertified each time updates, if any, are made. We confirm that details about our promotion, including the prizes to be awarded and the number of drawings and winners, will be set forth in the working papers for the applicable game or family of games. Pollard Banknote will provide all services for such drawings, including to set up, monitor and support the draw system, at no additional cost to the Texas Lottery.

8.33.4. Branded, Proprietary and Licensed Games with Experiential and/or Merchandise Prizes, and Successful Proposer Sponsored Promotions or Contests.

The Texas Lottery may use branded (including personality rights), proprietary or licensed games as part of its game portfolio.

These games may include experiential and/or merchandise prizes or opportunities to participate in Successful Proposer-sponsored promotions or contests. In accordance with the executed working papers, the Texas Lottery may require prize fulfillment, promotional or contest services for any games manufactured by the Successful Proposer.

After Contract Award, for branded (including personality rights), proprietary and licensed games, and Successful Proposer-sponsored promotions or contests, the Successful Proposer shall be required to provide, in writing, to the Texas Lottery the fee amount for each new game within thirty (30) days of acquiring that brand, license or proprietary process. Exclusive pricing rates should be categorized in a cost table based on product strength/recognition and priced accordingly. Proposers shall provide separate tables for licensed games that utilize licensing fees, licensed games that utilize experiential and/or merchandise allocations and licensed games that use a hybrid model (licensing fee + experiential and/or merchandise allocation). Licensed property games, whether utilizing the licensing fee, experiential/merchandise allocation model or hybrid model, shall include print costs and any necessary fulfillment services(including shipping and handling). Proposers should provide any volume discounts.

Further, at the Texas Lottery's request, the Successful Proposer shall attempt to acquire rights to specific branded (including personality rights), proprietary or licensed properties to allow Texas Lottery to use the requested name, likeness and images on Texas Lottery games in Texas only and in connection with game promotions and advertising. The Successful Proposer shall attempt to obtain all rights customary for a licensed property game, including, as an example, any applicable territory restrictions. The Successful Proposer shall prepare written estimates for all licensed agreement costs and must obtain prior written approval from the Texas Lottery before finalizing any agreement. The Texas Lottery may be responsible for payment of all license fees and may reimburse the Successful Proposer for all reasonable agreement costs for specific branded, proprietary, or licensed properties obtained by the Successful Proposer at Texas Lottery's request to be used in Texas only. The Texas Lottery may require the Successful Proposer provide prize fulfillment services for games manufactured by the Successful Proposer in accordance with the executed working papers. Proposers should detail their capabilities in providing such services and submit samples with the Proposal.

Pollard Banknote has read, understands, and will comply with the requirements detailed in this section of the RFP.

Pollard Banknote's licensed property portfolio includes a range of well-recognized brands and features turnkey integrated marketing programs to generate player excitement, and more importantly, word of mouth advertising. Whether trading on universally recognizable brands or created in-house, these products are all designed to provide the Texas Lottery with games that are instantly embraced at retail—and games that often offer players terrific opportunities to participate in second chance draws, web-based interactive games, and the chance to win some truly unique prizes.

Pollard Banknote has been providing fulfillment services to its lottery clients for decades and has the breadth and depth of experience as a trusted partner to industry. Pollard Banknote works with Paying It Forward Associates, LLC ("Paying It Forward"), one of the world's most respected fulfillment companies to provide a comprehensive suite of fulfillment services, including, but not limited to, contacting verified winners on behalf of the Texas Lottery and working with the Texas Lottery on all phases of prizing. From sourcing and purchasing prizes, to warehousing and distribution, the Texas Lottery can be confident that they can trust Pollard Banknote as its partner in this regard. No matter the complexity, lotteries look to Pollard Banknote to represent them in the market and to provide a full range of services.

Pollard Banknote has fulfilled thousands of prize packs, trips, and other experiential prizes to a wide variety of jurisdictions over the last decade, and can be an excellent partner to the Texas Lottery for seamlessly fulfilling packages, while ensuring tight administration and reporting. For example, the Texas Lottery's PAC-MAN® promotional campaign included prize packs co-branded with the Texas Lottery and PAC-MAN®logos. The prize packs, fulfilled by Paying It Forward Associates, LLC, included 2,800 merchandise prize packages, with each prize package including custom, co-branded items rolling such as a luggage bag, karaoke machine, neon clock, fleece blanket, plush pillow, and pixel lamp.

Our merchandise sourcing, warehousing, and distribution package includes the following:

- Sourcing and purchasing merchandise as per the client's request
- Warehousing merchandise
- Merchandise kitting and distribution
- Winner communication included in every merchandise prize pack
- Mailing label preparation
- Shipping
- Customer service support

Although Pollard Banknote utilizes standard implementation practices, the fulfillment process can be modified to meet any of the Texas Lottery's requirements.

POLLARD BANKNOTE'S LICENSED GAME PORTFOLIO

Pollard Banknote's licensed property portfolio includes a range of well-recognized brands and features turnkey integrated marketing programs to generate player excitement, and more importantly, word-of-mouth advertising. Our brands provide the Texas Lottery with games that are instantly embraced at retail—and games that often offer players terrific opportunities to participate in second chance draws, web-based interactive games, and the chance to win some truly unique prizes.

We take a strategic approach to licensed property acquisition, identifying brands with global appeal that can be specifically tailored to selected regions or demographics. As an active member of the International Licensing Industry Merchandisers' Association (LIMA), we network with licensors, manufacturers, retailers, and attorneys to identify brands that strategically fit into the lottery industry.

Targeting Global Brands

When evaluating potential licensed property acquisitions, two key concerns are at the forefront: first, the property must fall under an "entertainment" or "passion" umbrella; second, the property must offer opportunities to create meaningful, memorable promotions. We will only select brands that will drive sales. If either criterion is not addressed, the property under consideration is rejected. Our properties also offer marketing options, like prize giveaways, second-chance drawings, and other promotional opportunities. In addition, each of our licensed brands can be combined with any of our extensive print innovations for maximum appeal.

Our licensed properties are selected to appeal to the existing player, while attracting new players who do not currently purchase lottery products, but are brand loyal. We are excited to share the latest additions to our licensed brands portfolio, which we believe embody the criteria Pollard Banknote's looks for in licensing partners: Atari® and its sub-brands (Asteroids®, Centipede®, Missile Command®, PONG®, and Tempest®), *America's Got Talent*, and Ms.PAC-MAN®. In addition, we recently added Jaws, Hot Stuff and Universal Monsters to our portfolio of licensed games and would be pleased to provide more details regarding each, on request from the Texas Lottery.

Ultimately, Pollard Banknote offers the creative and promotional support required to ensure the success of these licensed games in Texas.

Our licensed game portfolio includes:

For the Texas Lottery, we recommend two great licensed games, each with strong brand recognition and a broad fan base: Corvette® and GALAGA™ (details of the scratch ticket and sample programs follow).

For more information on our Licensed Games, including sample tickets, please see our 'Instant Inspiration' portfolio accompanying this response.

360° Extended Marketing Support

Pollard Banknote has extensive experience in the development and implementation of jurisdiction–specific promotions for instant lottery games, many of which have focused on various licensed offerings. Our preferred approach is to start by tapping into the wealth of knowledge concerning promotions that have worked well in various jurisdictions and then apply this knowledge to assess if it is a good fit with the specific promotion/property/product mix currently under consideration.

In today's fast paced, multi-message world where exposure to media from multiple sources is constant, advertisers need to undertake a broad based media plan that utilizes multiple avenues in order to break through the clutter. Our 360° extended marketing support offers the Texas Lottery a fully integrated, turnkey launch strategy to create the most impact on the Texas Lottery's players. In addition to designing, programming, and printing the themed tickets, Pollard Banknote's turnkey solutions include second chance games, interactive games for brand interaction, retailer promotions, consumer launch events, advertising development, social media campaigns, point of sale materials and 'how -to-play' videos—just to name a few!

Pollard Banknote's promotional events focus on infusing fun and entertainment into a lottery's brand. We can work with the Texas Lottery and, if necessary, with a promotional solutions expert to plan and execute a promotion for a special ticket or licensed game. If possible, we recommend that such an event coincide with a Lottery-sponsored community event.

To give the Texas Lottery a better sense of the full marketing support experience, we present a few examples of our recent experience in the

We recognize that any suggestions for promotional events must be customized to the Texas market, but our unique expertise in this area makes us the perfect fit to provide consultation services to the Texas Lottery.

Pollard Banknote's Licensed Games

For the Evaluation Committee's consideration, we have included a brief description of each licensed brand offered by Pollard Banknote that are available to North American lotteries.

Jaws™

The original summer blockbuster is now available in scratch ticket form. Upon its cinematic debut in 1975, Jaws, backed by its iconic movie poster, became one of the highest grossing movies of all time. This pop-culture stalwart is the perfect vehicle for a fun summer campaign, with countless opportunities for 2nd chance promotions and merchandise tie-ins.

Universal Monsters™ (Dracula™, Frankenstein™, Bride of Frankenstein™, The Mummy™, The Wolf Man™, and Creature from the Black Lagoon™)

Universal Studios created these monsters with distinct personalities and characteristics over seven decades ago, and these larger-than-life characters are still instantly recognizable and synonymous with the horror film genre. Ideal for a multi-scene or Big Ticket™, with numerous possibilities for promotional campaigns and experiential prizing.

Hot Stuff™

Hot Stuff™ - First introduced in 1957 and since adapted into a popular slots-themed game, Hot Stuff™ is a little devil in name only, as he uses his demonic powers to perform good deeds, much to the chagrin of the older devils. Perfect for fire, food, or Valentine's Day-themed scratch tickets!

Frogger

More than four decades after the release of the pop culture classic Frogger video arcade game, interest in the game remains strong in North America and around the world. The Texas Lottery has leveraged the nostalgic appeal of this timeless brand to capture the attention of current players and attract new players who have been introduced to Frogger via digital platforms. Frogger scratch tickets with creative, whimsical graphics, and a second chance draw complete with an engaging, mobile-friendly interactive game will help to continue making this game leap off the shelves!

Tetris®

Tetris® is one of the most popular video games of all time, with hundreds of millions of players worldwide, and loved by people of all ages. Instantly recognizable, easy to play, brightly colored, and altogether enthralling, a Tetris® themed scratch ticket is the perfect fit for any instant game portfolio.

The game is a blast from the past and, for the younger demographic, a part of the present. With more than 10 million games played online and a Facebook following of over 2 million, its presence on social media has helped keep the brand relevant to a broad demographic. Lottery players can play Tetris® the physical ticket, then extend the experience and play online.

PAC-MAN®

Classic video games represent a tried-and-true lottery theme and the bold graphics of PAC-MAN®, combined with play styles that stay true to the original game play mechanics, translate easily into the scratch ticket category and cut through the maze of retail clutter.

Lotteries can be assured that players young and old will instantly recognize this classic brand. In addition, boundless promotional opportunities and interactive components that effectively engage players can help lotteries stir up "PAC-MAN® mania."

Ms.PAC-MAN®

T he fourth highest selling arcade game of all time, has 90% brand recognition and multi-generational appeal, notably among the 22 to 54-year-old demographic! Scratch tickets that feature Ms.PAC-MAN®, Pollard Banknote's stunning ticket art and entertaining gameplay, will stand out at retail and garner the attention of the Texas Lottery's players.

Atari® (PONG®, Asteroids®, Centipede®, Missile Command™, Tempest®)

A pioneer in arcade games and home video game consoles, Atari® spans generations and is known worldwide as the gaming system that helped define the video game industry. With distinctive designs, ground-breaking play formats and global recognition, instants tickets featuring Atari® games are sure to attract a wide range of players, from those that played the games during the 'golden age' of video arcade games, to those that love the retro appeal. Under the Atari® label, Pollard Banknote is pleased to offer PONG®, Asteroids®, Centipede®, Missile Command™, and Tempest®.

PONG®: Released in 1972, PONG®, a table-tennis game featuring two-dimensional graphics, is one of the earliest arcade games to reach commercial success in the video game industry. From arcade cabinet games to the various home versions, PONG® was an outstanding success and is considered by some as one of the most historically significant video games. A reflection of PONG®'s ubiquitous popularity, the game has been featured on top television shows such as That '70s Show, King of the Hill and Saturday Night Live and made an appearance in a TV commercial in which former top ranked U.S. tennis player, Andy Roddick, plays a match against the PONG® in-game paddle.

Asteroids®: In this intergalactic space-themed game, players protect their spaceship by "shooting and destroying" asteroids and flying saucers in their path. Asteroids® was released in 1979 and is regarded as one of Atari®'s most legendary, genre defining games not to mention one of its best-selling games of all time.

Centipede®: Released in 1980 and considered one of the most famous arcade games of its time, Centipede® is an over-the-shoulder style game where the player battles spiders, scorpions, fleas, and, of course, the centipede winning the round after blasting the winding centipede off the screen.

Missile Command™: The player must fight to protect six cities being attacked by incoming endless missile strikes. Missile Command was released in 1980 and is considered a pioneer in the 'golden age' of video arcade games.

Tempest®: Released by Atari® in 1981, Tempest® is a three-dimensional game with the goal to survive as long as possible by eliminating various evil enemies that invade the playing field.

GALAGA™

GALAGA™ is one of the latest retro games to join Pollard Banknote's suite of powerhouse arcade classics, which have proven to be fan favorites with lottery players across North America. GALAGA™ has made a lasting impression on arcade players and pop culture alike based on its popular intergalactic theme and superior game play. In the GALAGA™ universe, players must defend the galaxy from formations of alien forces ready to destroy, collide with, or capture their spaceship. Recognized

by TIME Magazine as one of the best video games of all time, GALAGA™ has truly stood the test of time.

The signature GALAGA™ logo and colorful pixilated icons will surely catch the eyes of gaming enthusiasts and lottery players alike with ticket artwork that mimics the acclaimed GALAGA™ playstyle, with spaceships facing off against insect-like alien invaders.

DIG DUG™

Entice your players with the nostalgic appeal of DIG DUG™—the latest addition to Pollard Banknote's suite of retro brands! A prominent maze-style game since its first release in the early 1980s, DIG DUG™ has been well-received by players for its simple, yet strategic, mechanics. Unlike maze games that came before it, DIG DUG™ allows players to create their own maze in each round. Players direct the main character, DIG DUG™, through the ground to eliminate subterranean monsters by crushing them under boulders or inflating them until they explode.

With an instant game theme featuring DIG DUG™'s amusing characters and entertaining gameplay, enthusiasts and lottery players alike will want to join in the quest to "Crush and inflate!" monsters.

America's Got Talent

A global phenomenon that welcomes acts of any age and any talent, America's Got Talent has aired in more than 180 territories worldwide, while the overall Got Talent format is recognized by Guinness World Records as the Most Successful Reality Television Format in history. America's Got Talent is also the most-watched summer reality series for the past 15 years.

The unrivaled popularity of America's Got Talent makes for a compelling tie-in with instant games. The newest addition to Pollard Banknote's suite of licensed brands will provide lottery clients with the opportunity to introduce new and exciting instant games featuring an influential TV show that is bound to generate buzz among players throughout North America.

the year!

Corvette® Stingray™

The Corvette® Stingray™ represents both beauty and strength, and is a sports car steeped in American tradition. This iconic car is praised for its sculpted exterior, driver-focused interior, brilliant engineering, and superb performance. In 2020, Chevrolet® introduced a completely redesigned Corvette® Stingray™ to much fanfare. The 8th Generation Corvette® has earned major awards such as the North American Car of the Year and the MotorTrend Car of the Year, demonstrating that, after more

than six decades, this luxury sports car continues to garner attention and respect from the industry.

Since 2015, Corvette® has turbo-charged Pollard Banknote's sales driving portfolio of high-profile brands that appeal to existing lottery players and attract new brand-loyal players. In that time, lotteries have revved up their scratch ticket portfolios with Corvette® to great success. Lotteries that have launched Corvette® appreciate the brand's widespread appeal and enthusiasm shown by players and retailers. Promotional events that feature a Corvette® on display generate buzz and excitement, making it easy for players to envision themselves behind the wheel.

Scratch tickets that reflect the speed, power, design, and exhilaration that is the Corvette® Stingray™ will supercharge your instant portfolio! Your lottery can capitalize on the brand's prestige and the ability to offer premium merchandise prizes that will appeal to drivers, automotive enthusiasts, and lottery players alike.

Chevrolet® Silverado®

Pollard Banknote has added one of the most durable, longest lasting full-size trucks on the road to its lineup—Chevrolet Silverado®. Following the 100-year anniversary of Chevy™ Trucks in 2018, Chevrolet launched the 2019 Chevrolet Silverado®—the strongest, most advanced Silverado ever, featuring 50 industry firsts, such as the ability to raise or lower the tailgate with the key fob.

Chevrolet Silverado® delivers strong market awareness and loyal, passionate fans, including Chevrolet's more than 25 million social media followers and offers exciting promotional merchandise, with the truck itself at the top of the list.

Silverado® scratch ticket designs that incorporate Scratch FX®—one of Pollard Banknote's most successful print innovations that adds a metallic shimmer to a ticket—further elevate the brand and garner the attention of the built-in fan base at retail.

As Chevrolet®'s top-selling pickup truck[3] and a consistent top seller in the U.S. market, Silverado® aficionados and lottery players alike will want to 'pick up' scratch tickets featuring this legendary truck!

Hold 'Em Poker

Deal your instant players a winning hand with Hold 'Em Poker! This well-known casino card game's popularity surged due to exposure in films, on television, and on the Internet. Due, in part, to this positive exposure, online poker games are especially popular with the Generation Y demographic.

[3] https://www.huskerchevrolet.com/blog/2018/february/7/what-are-chevy-s-top-3-selling-models.htm, *accessed October 25, 2018*

To further engage players, Pollard Banknote's Hold 'Em Poker tickets can offer an interactive game and a mobile version of the game. The game also lends itself to experiential casino-themed prizing, such as poker sets, VIP trips to Las Vegas or Atlantic City.

Ultimate Getaway

The dream of luxury travel is one of life's most desired experiences, and now with Pollard Banknote's Ultimate Getaway games, players can choose a travel getaway from one of many exciting destinations. A solid performer in focus testing, travel-themed games translate into above average retail sales.

Customized vacations can include (but are not limited to) the Caribbean, Spa and Golf Resorts, Beach Resorts and Island Getaways, 'Shop 'Till You Drop', and Fabulous Las Vegas. Fulfillment of these trips and travel coordination is a full turnkey solution provided by Pollard Banknote. We organize the getaway and lucky scratch ticket players enjoy an ultimate trip of a lifetime. Start packing!

8.33.5. Non-Licensed Games with Experiential and/or Merchandise Prizes, and Successful Proposer Sponsored Promotions or Contests.

At the Texas Lottery's request, for non-licensed games with experiential and/or merchandise prizes and Successful Proposer Sponsored Promotions or Contests, the Successful Proposer shall be required to provide, in writing, to the Texas Lottery the cost of each game within thirty (30) days of finalizing the proposed prize package. The cost table shall identify the total cost for the prizes and the Successful Proposer's charge for any necessary fulfillment services (including shipping and handling). The executed working papers shall include any specific payment schedules and structures for each game or for multiple games, and any prize fulfillment, promotional or contest services. The Texas Lottery may develop suites (families) of non-licensed games that are included in common experiential and/or merchandise prizes, promotions or contests.

Pollard Banknote affirms that we are capable and have experience providing fulfillment for non-licensed games with experiential and/or merchandise prizes, as well as sponsored promotions or contests. Pollard Banknote will provide, in writing, to the Texas Lottery the cost of each game within thirty (30) days of finalizing the proposed prize package; the cost table will identify the total cost for the prizes and our charge for any necessary fulfillment services (including shipping and handling).

The executed Game Specifications (Working Papers) will include any specific payment schedules and structures for each game or multiple games, and any prize fulfillment, promotional, or contest services.

Pollard Banknote has extensive experience in the development and implementation of jurisdiction-specific promotional support for instant games. Our preferred approach is to start by tapping into the wealth of knowledge concerning promotions that have worked well in various jurisdictions and then apply this knowledge to see if it might be a good fit with the specific promotion/property/product mix currently under consideration. Certain proven tenets tend to guide us in developing successful promotions, such as:

- Promotions generally are better understood and received when they apply to a specific project or game.
- Promotions are most effective when they receive active retailer support. The best promotions engage the retailer at several levels—by creating in-store excitement, by generating extra sales and therefore commissions, and perhaps by including prizes that will also generate additional sales or income for the retailer.
- Promotional campaigns have more impact when they are planned as a sequence of events —using multiple media and shifting the focus from one media to another throughout the campaign keeps retailers and players interested.

- Digital components, like interactive games and social media events, can strengthen promotional campaigns.
- One promotion rarely delivers the entire result—it's the before and after planning that makes a promotion more effective.

Our philosophy is to provide a turnkey solution and full-scale program of promotional support (commensurate with the ticket order quantity) with any of our scratch tickets, which is then customized to each lottery and its specific market.

The Texas Lottery can leverage the strong relationships that Pollard Banknote has fostered with various experiential fulfillment partners to offer its players customized, once-in-a-lifetime experiences. Our partners can offer a range of package themes that will excite a broad range of lottery players.

Most recently, Pollard Banknote worked with two experiential fulfillment partners to offer Texas players two experiential prize programs: Alchemy3 for the Big Cedar Lodge Cash Adventure and Atlas Experiences for the Hawaii Dream Getaway. Please see below for more information on these exciting second-chance promotions.

Texas Lottery's Big Cedar Lodge Cash Adventure

When the Texas Lottery introduced its 7s gem-themed family of games—emblazoned with Pollard Banknote's Spectrum Scratch FX®—the tickets offered players another dazzling feature in the form of an exciting second-chance promotion. The Texas Lottery worked with Pollard Banknote to create the Big Cedar Lodge Cash Adventure, providing players with the chance to win a vacation at one of America's premier resorts: Missouri's Big Cedar Lodge.

In addition to a stay at the Big Cedar Lodge, the top prize event was planned to include a private Rascal Flatts concert, a fireworks show, and a choice of one of the various onsite experiences for 400 lucky winners and their guests. Pollard Banknote helped create this highly sought-after customized prize package that excited and engaged players across the state.

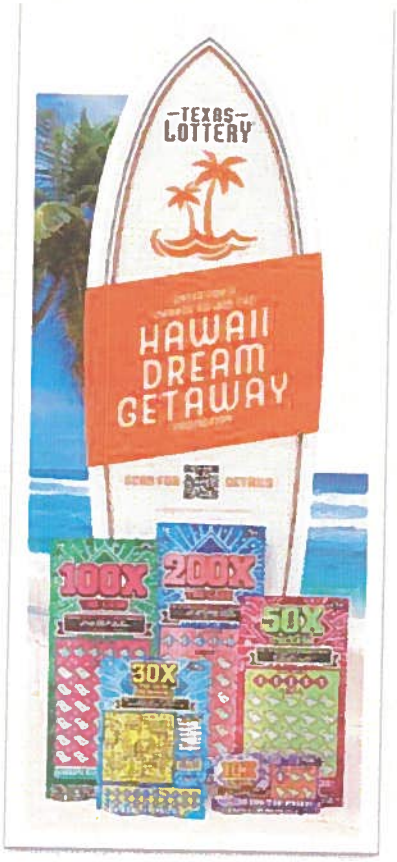
Due to the COVID-19 pandemic, we had to pivot and adjust the promotion, restructuring the event and cancelling the weekend experience that was originally planned for May 2020. We worked closely with the Texas Lottery and our promotion delivery partner to offer winners a comparable Big Cedar Lodge getaway, which winners and their guests could take at their own convenience. A new private concert experience took place in July 2021 in Austin, Texas, with headliner Brad Paisley.

Our ability to change the promotion based on current events demonstrates our flexibility and adaptability in the delivery of great promotions and marketing support in general.

Texas Lottery's Hawaii Dream Getaway

The Texas Lottery chose to follow up the success of its 7s family and Big Cedar Lodge promotion with an exciting new Hawaii Dream Getaway promotion to accompany its X the Cash family of games (FOGs). The family of five tickets kicked off 2021 and sales we tremendous, selling 47% better than all previous Texas editions of the X the Cash family, and 52% better than all other Texas Lottery FOGs after the first ten weeks of sales.

The second chance promotion, supported and coordinated by Pollard Banknote, offered 500 grand prize winners and their guests a VIP experience in Maui, including a six-night stay at a luxury resort, private concert with Darius Rucker, gourmet dining, spending money, and the opportunity to win other VIP activities and excursions on the island. This dream-worthy VIP experience is scheduled to take place in late September 2022.



The Texas Lottery's microsite for its Hawaii Dream Getaway promotion was developed by Pollard Banknote.

8.33.6. Automated Scratch Sales Solution

1) *As a specified option the Successful Proposer must provide either an Automated Scratch Sales Solution or a credit value (as used in this section and in Attachment H Cost Proposal, the Credit).*

On the following pages, Pollard Banknote has provided information on its proposed Automated Scratch Sales Solution.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

TPIA §552.110

END START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

7) *The Credit shall be equal to the cost included in Table 1 of two Scratch Ticket games, with a ticket size of 10"x4", 17 million print run, 25 pack size, including holographic foil stock, two scenes, full UV, continuous 4 color process, and 2 fluorescent inks. The Texas Lottery may apply the Credit to future Scratch Ticket printing services or to other goods and services here under, as determined by the Texas Lottery, at any time over the term of the Contract.*

Pollard Banknote understands and accepts the information outlined in this section of the RFP.

8) *If the Successful Proposer does not propose an Automated Scratch Sales Solution, then in each year of the Four-Year Period the Successful Proposer shall provide the Credit.*

Pollard Banknote understands and accepts the information outlined in this section of the RFP. As described above, Pollard Banknote has proposed its easyVEND™ for the Lottery's Automated Scratch Sales Solution and will not be providing the Credit.

9) *If, for any reason, a proposed Automated Scratch Sales Solution is not deployed, or is only partially deployed, in any month or part of a month during the Four-Year Period, the Successful Proposer shall provide a reimbursement for each unit (of the three thousand (3,000) units) not deployed equal to the unit price in the Cost Proposal. The Texas Lottery may apply reimbursements to future Scratch Ticket printing services or to other goods and services hereunder, as determined by the Texas Lottery, at any time over the term of the Contract. The Texas Lottery and Successful Proposer may mutually agree to apply a reimbursement from a previous Fiscal Year to a planned deployment for an upcoming Fiscal Year.*

Pollard Banknote understands and accepts the information outlined in this section of the RFP.

10) *In the event the Automated Scratch Sales Solution is deployed for more than three thousand (3,000) units for any Fiscal Year or part of a Fiscal Year during the Four-Year Period, the Texas Lottery will pay the applicable rate specified in the Cost Proposal.*

Pollard Banknote understands that in the event the Automated Scratch Sales Solution is deployed for more than three thousand (3,000) units for any Fiscal Year or part of a Fiscal Year during the Four- Year Period, the Texas Lottery will pay the applicable rate specified in the Cost Proposal.

11) *In addition, the Texas Lottery may continue the deployment of the Automated Sales Solution at Retailer locations past the end of the Four-Year Period, and in that event the cost shall be at the applicable rate specified in the Cost Proposal.*

Pollard Banknote understands that the Texas Lottery may continue the deployment of the Automated Sales Solution at Retailer locations past the end of the Four-Year Period, and in that event the cost will be at the applicable rate specified in the Cost Proposal.

12) The Successful Proposer is responsible for maintaining all systems, operations and support for each deployed Automated Scratch Sales Solution, and may contract with the Lottery Operations and Services vendor in Texas or another third-party vendor for such services. The Automated Scratch Sales Solution must be operational 365 days (24/7/365) each year. Failure to maintain operation may result in sanctions being applied in accordance with Section 3.54.31.

Pollard Banknote understands and confirms that it is responsible for maintaining all systems, operations and support for each deployed Automated Scratch Sales Solution, and may contract with the Lottery Operations and Services vendor in Texas or another third-party vendor for such services. Furthermore, we understand and confirm that the Automated Scratch Sales Solution must be operational 365 days (24/7/365) each year and that failure to maintain operation may result in sanctions being applied in accordance with Section 3.54.31.

As noted in 5) above, Pollard Banknote TS will be responsible for maintaining all systems, operations and support for each deployed Automated Scratch Sales Solution. Please refer our response to 5) for more detailed information.

13) At such time as the Texas Lottery transitions to another provider for the Automated Scratch Sales Solution, or a different Solution, the Successful Proposer shall, in good faith and with reasonable cooperation, aid in the transition to any new arrangement and provider, if requested by the Texas Lottery.

Pollard Banknote understands and confirms that, at such time as the Texas Lottery transitions to another provider for the Automated Scratch Sales Solution, or a different Solution, Pollard Banknote will, in good faith and with reasonable cooperation, aid in the transition to any new arrangement and provider, if requested by the Texas Lottery.

This page intentionally left blank.

8.34. Invited Options

An Invited Option is identified as being of specific interest to the Texas Lottery; however, the Texas Lottery makes no commitment to quantity or timing for acquisition. The Proposer is not obligated to include an Invited Option in the Proposal.

As an invited option, Proposers may offer the following scratch ticket manufacturing options:

1) Die-cut tickets

Die-cuts for shaped tickets are applied on the press just after the application of the graphics inks. Pollard Banknote's experience in the industry is second to none in terms of innovative die-cut shapes.

Through considerable research and development efforts and experience, we've mastered the technology necessary to produce sophisticated die-cut shapes. We can develop and print virtually any shape, including hearts, dollar signs, Christmas trees and stockings, juke boxes, footballs, lady bugs, clover leaves, roulette wheels, flower pots, barrels, figure eights, lips, treasure maps, Volkswagen Beetles, corazonadas (four hearts joined to form a flower shape), skillets, and rabbits.

Pollard Banknote produced die-cut tickets for the Texas Lottery including its *Winter Winnings* game (pictured to the right).

2) Additional inserts in each pack of tickets

Pollard Banknote can produce and insert a range of printed materials within ticket packs or cartons. We have the ability to insert unmatched inserts into each shrink-wrapped pack.

3) Pouch Tickets

Pollard Banknote has designed games with pouches since 1988, providing yet another innovative marketing tool to enhance instant games. Pouches can broaden a game's appeal, help move players to higher price points, allow for value-added games, and promote gift giving amongst players.

The types of pouches we offer include:

- Printed Metalized Plastic Pouch (stretched and shiny film on one side adds visual appeal to the front of the pouch)
- Clear Plastic Pouch (crystal clear on both sides to let ticket art shine)

4) Holograms

Pollard Banknote can print scratch tickets featuring holographic designs. Please refer to **8.35. Offered Options** for information on our patented Scratch FX® products.

5) Continuous image four-color process –unbroken graphic image covers entire ticket including rub-off area.

Using Pollard Banknote's spectrum printing process, graphics printed on top of the play areas that have been secured with varnish, security layers, and white, can be designed so that they seamlessly transition from the display graphics. This printing technique makes possible an even larger array of visually attractive graphic designs on the scratch-off, and enables Pollard Banknote to print tickets that "pop" at retail by including dynamic, eye-catching designs on the entire front or a ticket, including four-color process photographic imagery.

6) Four-color process printing on ticket back

Pollard Banknote is fully capable of meeting the Texas Lottery's requirement for four (4) color process printing on the ticket back.

7) One (1) additional color printed on ticket back

As per **8.3.18.** the Texas Lottery requires one (1) back color. Pricing for additional colors printed on the ticket back are included in our sealed Cost Proposal.

8) Stub tickets with horizontal or vertical perforations with or without imaging

Pollard Banknote is fully capable of providing scratch tickets with stubs with or without variable imaging. Imaging for stubs is done at the same time as the rest of the variable data imaging on each ticket. Once a game is printed, the tickets are perforated to create the stub portion of the ticket.

9) Scored tickets

Pollard Banknote can manufacture tickets with a score line.

10) Scented ink

Scented tickets inject fun into the instant scratch game category, freshening their appeal as a novelty item. Pollard Banknote can apply a distinct scent to a scratch ticket that is released with the scratch-off portion of the ticket, adding to its uniqueness and quickly conveying the game's theme. We've printed Mother's Day tickets with a perfume scent, Valentine's Day tickets with a cinnamon scent, Christmas tickets with a peppermint scent, as well as maple syrup and coffee scents. A variety of other scents are available. In 2017, Pollard Banknote printed the Texas Lottery's *Cowboys* game with leather-scented ink.

An Award-Winning Innovation

At the Printing Industries of America 2017 Premier Print Awards, a Pollard Banknote-printed game scented with peppermint received a Certificate of Merit in the "Specialty Inks or Coatings, Fragrances, or 'Invisible' Printing Inks" category. The Western Canada Lottery Corporation's $5 *Candy Cane Cash Times 10* ticket featured scented ink combined with the sheen of Pollard Banknote's patented Scratch FX®.

WCLC's Candy Cane Cash Times 10

11) Break-open tickets with perforated window

Pollard Banknote's patented Pull Tab Plus® gives pull-tab scratch tickets a boost by adding variable imaged data and a bar code to the break-open tabs, giving lotteries full validation capability and 100% accountability of all tickets sold. Please refer to **8.35. Offered Options** for more information.

12) Additional ticket samples

As per **8.3.2** Pollard Banknote will provide approximately one thousand (1,000) sample tickets, and at an additional cost, we will provide additional ticket samples.

13) Four-color game data imaging

In addition to black ink, Pollard Banknote has tested and approved red, yellow, blue, and green inks for game data imaging. Any combination of up to four colors is possible to print. Symbols can be made up of multiple colors or have multiple different single-color symbols, such as all black and all red symbols for a playing card theme game, for example. The color variations can reinforce the ticket's theme established with the display graphics.

14) Pull-tab style tickets

Pollard Banknote offers two pull-tab style ticket options. Please refer to **8.35. Offered Options** for more information on our Scratch™ and Flip Scratch™ products.

15) Large panel break-open tickets

Pollard Banknote's patented Action Pack™ product innovation takes large panel break-open tickets to a new level, integrating the actual ticket into the pouch itself. Two layers of stock laminated together form a pouch that multiplies the capacity for fun! Please refer to **8.35. Offered Options** for more information.

16) Hourly programming for unique game

Pollard Banknote boasts the industry's top game programming capabilities for robust, highly variable games. Charges may apply for the development of new, complex games. Such charges will be discussed with the Texas Lottery prior to working paper sign-off.

17) Merchandise fulfillment for non-licensed property games.

Pollard Banknote has been providing fulfillment services to its lottery clients for decades and has the breadth and depth of experience as a trusted partner to industry. Pollard Banknote has worked with Paying It Forward Associates, LLC ("Paying It Forward"), one of the world's most respected fulfillment companies, to provide a comprehensive suite of fulfillment services including, but not limited to, contacting verified winners on behalf of the lotteries and working with lotteries on all phases of prizing. We have also worked with Bensussen Deutsh & Associates (BDA) to provide fulfillment services, most recently for the Texas Lottery's *Texas Edition Bucks & Trucks Chevrolet® Silverado®* scratch ticket game which launched in early March 2022. From sourcing and purchasing prizes, to warehousing and distribution, the Texas Lottery can be confident that they can trust Pollard Banknote as its partner in this regard. No matter the complexity, lotteries look to Pollard Banknote to represent them in the market and to provide a full range of services.

18) Oversized Tickets

Pollard Banknote has been a leader in creating and printing large format tickets for lotteries all over the world, and our vast expertise in this area means that we can assist the Texas Lottery in designing a range of large format tickets that provide varied and exciting options and added value.

Pollard Banknote's Big Tickets™ are designed to offer players a tremendous amount of play with a mega-sized format. Presented as one giant ticket (measuring 8" wide x 8" long, or more), the amount of play is immediately evident to the player. Some Big Tickets™ are one ticket with multiple play areas, while others offer multiple tickets in one. For the latter, every game within the big ticket contains its own bar code for validation, allowing players to detach and redeem each game separately. These premium tickets can be designed at a variety of price points and have proven to deliver big-time results!

Texas Lottery's $1,000,000 Big Money, measuring 12" by 12"

Big Ticket™ Die-Cut

Bigger is indeed better when you enhance a Big Ticket™ with die-cut features! Players are instantly engaged with its oversized playing surface (7.5" by 8" or more; samples pictured below), and imagination takes over as game play is showcased on countless die-cut shapes and configurations. Shoppers at retail can't resist the larger-than-life game, particularly when enhanced with the Winning Combination™ of Scratch FX® and fluorescent ink (Please refer to the description of Pollard Banknote's Winning Combinations™ for more information).

There's a reason why Pollard Banknote is an industry leader when it comes to creating and printing large format tickets; and now, when you combine any or all of these ticket features, the result is a truly eye-catching product, capturing the attention of players and non-players alike at retail.

Engage your customers by offering a larger, more beautiful playing surface than ever before. Big Ticket™ Die-Cut is the big way to deliver instant games with super-sized playability and unlimited possibilities.

8.35. Offered Options

Recognizing that the lottery industry is dynamic and that technology will change, the Texas Lottery will, on a continuing basis, evaluate the most cost effective, reliable, market oriented and secure operations. The Texas Lottery does not intend to limit the creativity of the Successful Proposer from bringing forward new products or product enhancements not described in the RFP. Proposers are encouraged to describe offered options for other types of ticket manufacturing technology and specialized games.

On the following pages, Pollard Banknote has provided information on additional products and product enhancements not described in the RFP for the Texas Lottery's consideration. Pricing details for all options have been provided in our sealed **Cost Proposal.**

Descriptions of our options have been divided into the following sections:

Outstanding Games

- Print Innovations

Retail Excellence

- In-lane Solutions
- Point-of-Sale Merchandizing Solutions

Digital Innovation

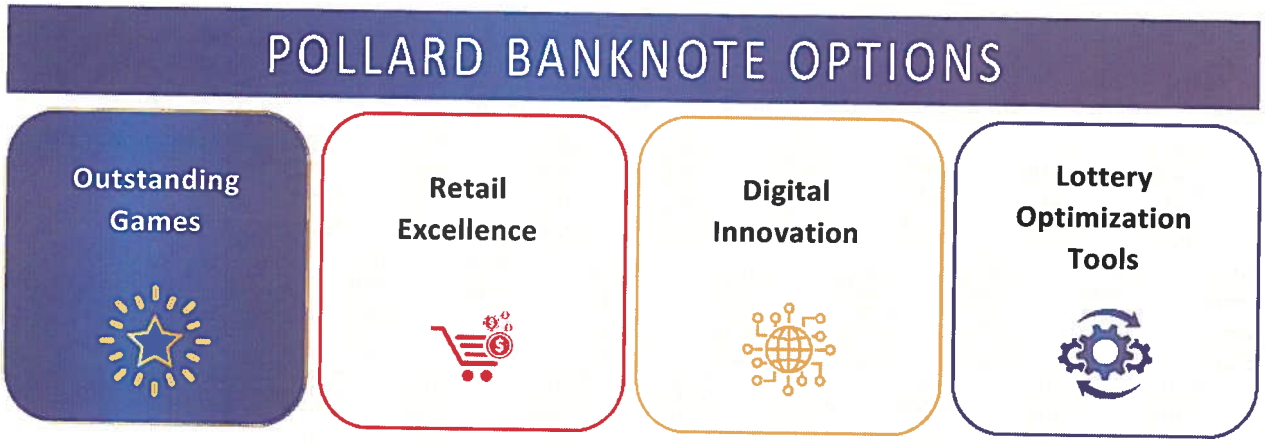
- Interactive Games and Apps
- Loyalty and Engagement Solutions
- Utility and Communication Tools
- Alternative Gaming Channel (iLottery)

Lottery Optimization Tools

- sureTRACK™
- optiFORCE™
- retailerHUB™ Retailer Engagement Portal
- launchPLAN™

Pollard Banknote's three key dimensions for lottery success.

OUTSTANDING GAMES



Print Innovations

Setting new standards in the market for more than three decades, Pollard Banknote's products and services have become synonymous with innovation. As the only vendor who specializes in instant games, our focus has enabled us to push the boundaries of what a "traditional" ticket looks and plays like. Our unique and innovative scratch ticket products ensure a positive, engaging experience that encourages repeat purchase behavior. We have highlighted a number of examples below, including our patented Scratch FX® products, Fusion™ games, Clear Play™, unique folding techniques, specialty inks, Winning Combinations™ and more.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

[4] "Holiday Cheer," NASPL Insight, March/April 2019, pages 61-62.

TPIA §552.110

TPIA §552.110

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TEXAS LOTTERY

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

RFP ATTACHMENT A PROPOSER'S COMMITMENT

Please find Pollard Banknote's completed and signed Proposer's Commitment on the following unnumbered page. This has been signed by Doug Pollard, Co-Chief Executive Officer of Pollard Banknote, who has the authority to contractually bind Pollard Banknote.

This page intentionally left blank.

ATTACHMENT A
PROPOSER'S COMMITMENT

I hereby commit POLLARD BANKNOTE LIMITED

(Company Name)

to provide the goods and services described in the attached Proposal for Scratch Ticket Manufacturing and Services required by the Request for Proposals for the Texas Lottery Commission.

Signature: _____

Title: Co-Chief Executive Officer

Date: March 8, 2022

RFP ATTACHMENT B FINANCIAL COMMITMENT AND RESPONSIBILITY

As per **4.6.2.**, since Pollard Banknote is the sole source of financial resources, we are not required to provide a completed Attachment B.

This page intentionally left blank.

RFP ATTACHMENT C HUB SUBCONTRACTING PLAN

Please refer to our **Historically Underutilized Business (HUB) Subcontracting Plan**, included in a separate binder as per **2.5. Submission of Proposal**.

This page intentionally left blank.

RFP ATTACHMENT D TEXAS GOVERNMENT CODE § 466.155

As per **3.56.1.**, Pollard Banknote has read and is familiar with Texas Government Code § 466.155.

This page intentionally left blank.

RFP ATTACHMENT D-1 BACKGROUND INFORMATION CERTIFICATION

Please find Pollard Banknote's completed and signed the Background Information Certification form. This has been signed by Doug Pollard, Co-Chief Executive Officer of Pollard Banknote, who has the authority to contractually bind Pollard Banknote.

This page intentionally left blank.

ATTACHMENT D-1
BACKGROUND INFORMATION CERTIFICATION

Texas Government Code §466.155

Under Texas Government Code §466.103, the Executive Director of the Texas Lottery Commission may not award a contract for the purchase or lease of facilities, goods or services related to lottery operations to a person who would be denied a license as a sales agent under Texas Government Code §466.155.

POLLARD BANKNOTE LIMITED
(Company Name)

certifies that it has reviewed Texas Government Code §466.155 and that it would not be denied a license as a sales agent under said section.

(signature of person authorized to contractually bind the Proposer)

Douglas Pollard
(printed name)

Co-Chief Executive Officer
(title)

March 8, 2022
(date)

RFP ATTACHMENT E TEXAS LOTTERY COMMISSION VENDOR BACKGROUND INVESTIGATION FORM

If a Successful Proper and if requested by the Texas Lottery, we will complete and provide the following forms within ten (10) Working Days, or as otherwise directed by the Texas Lottery, after the written Announcement is issued:

a. Vendor Background Investigation Form (Attachment E).

b. Certified List of Vendor Principals Form (Attachment E-1).

c. Certified List of Contractually Defined Vendor Principals Form (Attachment E-2).

d. Vendor Employee Background Investigation List (Attachment E-3).

e. Consent to Background Investigation and Release of Personal Information Form (Attachment E-4). A separate form will be completed for each vendor principal included on *Attachment E-2 Certified List of Contractually Defined Vendor Principals Form* and each vendor/Subcontractor employee included on Attachment *E-3 Vendor Employee Background Investigation List.*

This page intentionally left blank.

RFP ATTACHMENT H SEALED COST PROPOSAL

Pollard Banknote has submitted our separate, Sealed Cost Proposal as per **2.10.1.**, included within the original Technical Proposal.

This page intentionally left blank.

In recognition of your commitment to partnership, and in appreciation for joining with us to secure the international supply chain and protect our country's security,

U.S. Customs and Border Protection

is pleased to certify your membership in the

Customs - Trade Partnership Against Terrorism

and to present this certificate to

Pollard Banknote Limited

Importer

March 27, 2007 • Washington, DC

Date of C-TPAT Agreement

Director, C-TPAT / Industry Partnership Programs

bsi.

By Royal Charter

Certificate of Registration

ENVIRONMENTAL MANAGEMENT SYSTEM - ISO 14001:2015

This is to certify that:

Pollard Banknote Limited
140 Otter Street
Winnipeg
Manitoba
R3T 0M8
Canada

Holds Certificate No: **EMS 537457**

and operates an Environmental Management System which complies with the requirements of ISO 14001:2015 for the following scope:

The environmental risks associated with the manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.

For and on behalf of BSI:

Carlos Pitanga, Chief Operating Officer Assurance – Americas

Original Registration Date: 2009-03-03
Latest Revision Date: 2021-02-18

Effective Date: 2021-03-03
Expiry Date: 2024-03-02

...making excellence a habit.™

This certificate remains the property of BSI and shall be returned immediately upon request.
An electronic certificate can be authenticated online. Printed copies can be validated at www.bsigroup.com/ClientDirectory
To be read in conjunction with the scope above or the attached appendix.
Information and Contact: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP. Tel: + 44 345 080 9000
BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.
A Member of the BSI Group of Companies.

Certificate No: **EMS 537457**

Location	Registered Activities
Pollard Banknote Limited 140 Otter Street Winnipeg Manitoba R3T 0M8 Canada	The environmental risks associated with the manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited 6203 46th St. Barrhead Alberta T7N 1K7 Canada	The environmental risks associated with packaging and logistics of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited 775 James L. Hart Pkwy Ypsilanti Michigan 48197 USA	The environmental risks associated with the manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited 45 White Oak Drive East Sault Ste Marie Ontario P6B 4J7 Canada	The environmental risks associated with packaging and logistics of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited Winnipeg Manufacturing Functions 1499 Buffalo Place Winnipeg Manitoba R3T 1L7 Canada	The environmental risks associated with the manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.

Original Registration Date: 2009-03-03
Latest Revision Date: 2021-02-18

Effective Date: 2021-03-03
Expiry Date: 2024-03-02

This certificate remains the property of BSI and shall be returned immediately upon request.
An electronic certificate can be authenticated online. Printed copies can be validated at www.bsigroup.com/ClientDirectory
To be read in conjunction with the scope above or the attached appendix.
Information and Contact: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP. Tel: + 44 345 080 9000
BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.
A Member of the BSI Group of Companies.

Certificate of Registration

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM - ISO 45001:2018

This is to certify that:

Pollard Banknote Limited
140 Otter Street
Winnipeg
Manitoba
R3T 0M8
Canada

Holds Certificate No: **OHS 537458**

and operates an Occupational Health and Safety Management System which complies with the requirements of ISO 45001:2018 for the following scope:

The OHS risks associated with the manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.

For and on behalf of BSI:

Carlos Pitanga, Chief Operating Officer Assurance – Americas

Original Registration Date: 2009-03-03
Latest Revision Date: 2021-02-18

Effective Date: 2021-03-03
Expiry Date: 2024-03-02

...making excellence a habit.™

This certificate remains the property of BSI and shall be returned immediately upon request.
An electronic certificate can be authenticated online. Printed copies can be validated at www.bsigroup.com/ClientDirectory
To be read in conjunction with the scope above or the attached appendix.
Information and Contact: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP. Tel: + 44 345 080 9000
BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.
A Member of the BSI Group of Companies.

Certificate No: **OHS 537458**

Location	Registered Activities
Pollard Banknote Limited 140 Otter Street Winnipeg Manitoba R3T 0M8 Canada	The OHS risks associated with the manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited 6203 46th St. Barrhead Alberta T7N 1K7 Canada	The OHS risks associated with packaging and logistics of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited 775 James L. Hart Pkwy Ypsilanti Michigan 48197 USA	The OHS risks associated with the manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited 45 White Oak Drive East Sault Ste Marie Ontario P6B 4J7 Canada	The OHS risks associated with packaging and logistics of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited Winnipeg Manufacturing Functions 1499 Buffalo Place Winnipeg Manitoba R3T 1L7 Canada	The OHS risks associated with the manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.

Original Registration Date: 2009-03-03
Latest Revision Date: 2021-02-18

Effective Date: 2021-03-03
Expiry Date: 2024-03-02

This certificate remains the property of BSI and shall be returned immediately upon request.
An electronic certificate can be authenticated online. Printed copies can be validated at www.bsigroup.com/ClientDirectory
To be read in conjunction with the scope above or the attached appendix.
Information and Contact: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP. Tel: + 44 345 080 9000
BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.
A Member of the BSI Group of Companies.

NEPCon OÜ hereby confirms that the Chain of Custody system of

Pollard Banknote Limited

140 Otter Street
R3T 0M8 Winnipeg
Manitoba
Canada

has been assessed and certified as meeting the requirements of
FSC-STD-40-003 V2-1; FSC-STD-40-004 V3-0

The certificate is valid from 16-04-2017 to 15-04-2022
Certificate version date: 11-12-2018

Scope of certificate
Certificate type: Multi-Site Chain of Custody

Certificate registration code
NC-COC-005889
(RA-COC-005889)

FSC License Code
FSC-C110667

Laura Terrall Kohler
Director, NEPCon Assurance
Filosoofi 31, Tartu
Estonia

Specific information regarding products and sites is listed in the appendix(es) of this certificate.
The validity and exact scope covered by this certificate shall always be verified at www.info.fsc.org.

FSC™ A000535 | The mark of responsible forestry | www.ic.fsc.org

This certificate itself does not constitute evidence that particular product supplied by the certificate holder is FSC™ certified [or FSC Controlled Wood].

Products offered, shipped or sold by the certificate holder can only be considered covered by the scope of this certificate when the required FSC claim is clearly stated on invoices and shipping documents.
The physical printed certificate remains the property of NEPCon OÜ and shall be returned upon request.

Annex A: Scope of Pollard Banknote Limited FSC™ Chain of Custody Certificate NC-COC-005889 (RA-COC-005889)

(The list below shows products handled by the network of Participating Sites)

Product Type	Trade Name	Output FSC Claims
P8	Printed materials	FSC Mix

This certificate itself does not constitute evidence that particular product supplied by the certificate holder is FSC™ certified [or FSC Controlled Wood]. Products offered, shipped or sold by the certificate holder can only be considered covered by the scope of this certificate when the required FSC claim is clearly stated on invoices and shipping documents.
The physical printed certificate remains the property of NEPCon OÜ and shall be returned upon request.

Annex B: Scope of Pollard Banknote Limited FSC™ Chain of Custody Certificate NC-COC-005889 (RA-COC-005889)

No	Site Name	Address	Sub-code
1	Pollard Banknote	775 James L. Hart Parkway 48197 Ypsilanti Michigan United States	N/A
2	Pollard Banknote Ltd	1499 Buffalo Place R3T 1L7 Winnipeg Manitoba Canada	N/A

This certificate itself does not constitute evidence that particular product supplied by the certificate holder is FSC™ certified [or FSC Controlled Wood]. Products offered, shipped or sold by the certificate holder can only be considered covered by the scope of this certificate when the required FSC claim is clearly stated on invoices and shipping documents.
The physical printed certificate remains the property of NEPCon OÜ and shall be returned upon request.

WORLD LOTTERY ASSOCIATION

WLA

CERTIFICATE
OF ACCREDITATION
WLA Security Control Standard

This is to certify that

Pollard Banknote Limited

1499 Buffalo Place, Winnipeg, Manitoba, R3T 1L7 Canada

has met the criteria established by the

WLA Security Control Standard: 2016

and has been certified by the World Lottery Association*.

This certification stipulates that the requirements of ISO 27001:2013 are met, together with the additional security requirements set forth by the WLA, including the Lottery and Gaming Specific Security and Integrity controls. These WLA security requirements are subject to the following scope:

The management of information security for the generation and handling of game data, printing and packaging of instant tickets, and iLottery customer support services.

Assessment Service Entity: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP, United Kingdom
Initial WLA-SCS certification date: December 9, 2016
Latest WLA-SCS certification issued on: January 2, 2020
Expiry date of the current WLA-SCS certificate: January 1, 2023

Lawrence Lim Swee Lin
WLA SRMC Chair

Luca Esposito Poleo
WLA Executive Director

* The ongoing validity of this certificate is dependent upon the positive outcome of each mandatory annual audit.

CERTIFICATE
OF ACCREDITATION
WLA Security Control Standard

The certified organization holds a valid
ISO 27001:2013 certificate for the following scope:
The management of information security for the generation and handling of game data, printing and packaging of instant tickets, and iLottery customer support services as per Statement of Applicability Dated: October 17, 2019.

ISO 27001:2013 Reference number:
IS 584197

ISO 27001:2013 Certification body:
British Standards Institute (BSI)
6205 Airport Rd #414, Mississauga, ON L4V 1E3

Effective date of the ISO 27001:2013 certificate:
January 2, 2020

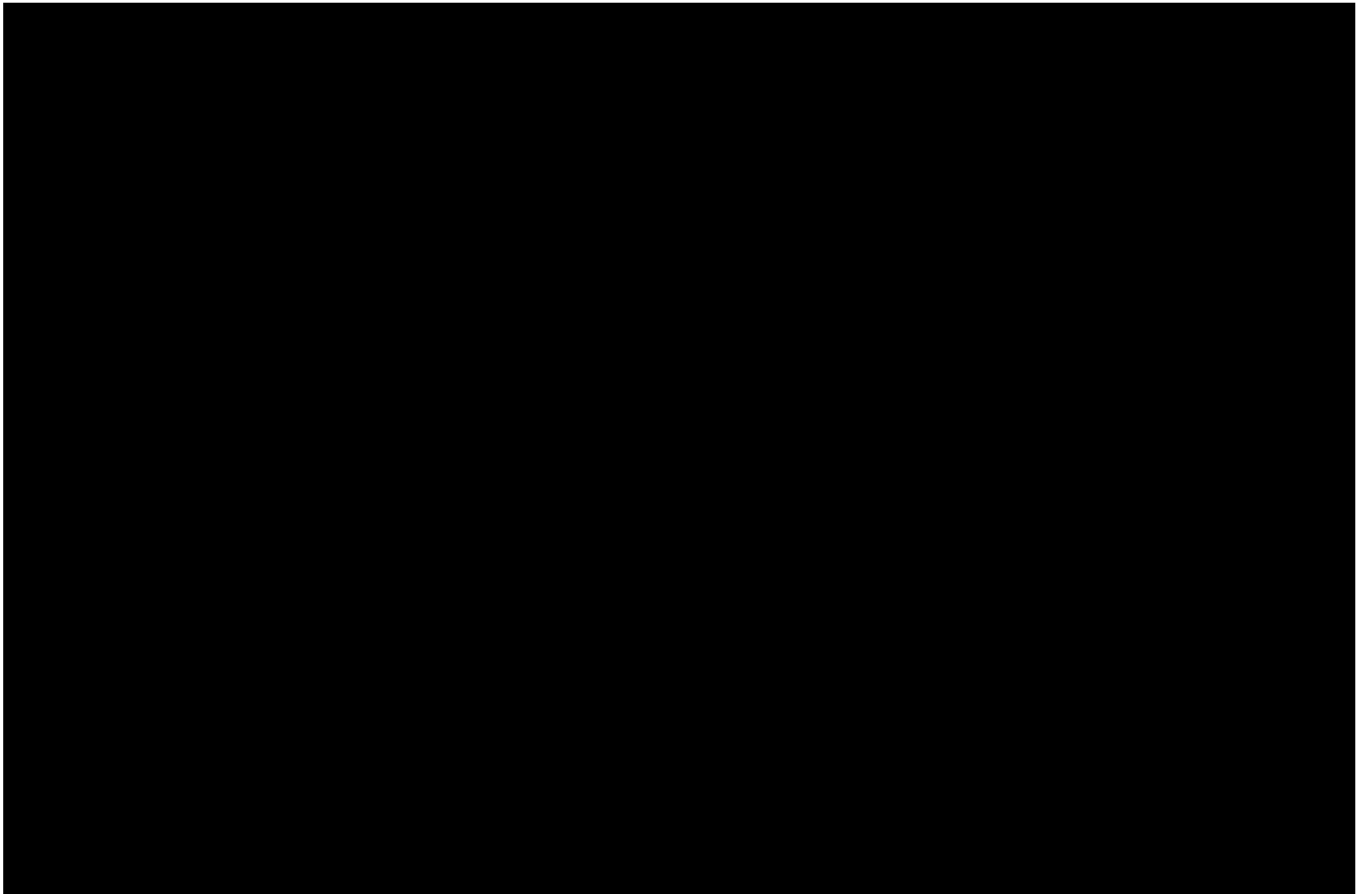
Expiry date of the ISO 27001:2013 certificate:
January 1, 2023

WORLD LOTTERY ASSOCIATION WLA
CERTIFIED
SECURITY CONTROL STANDARD

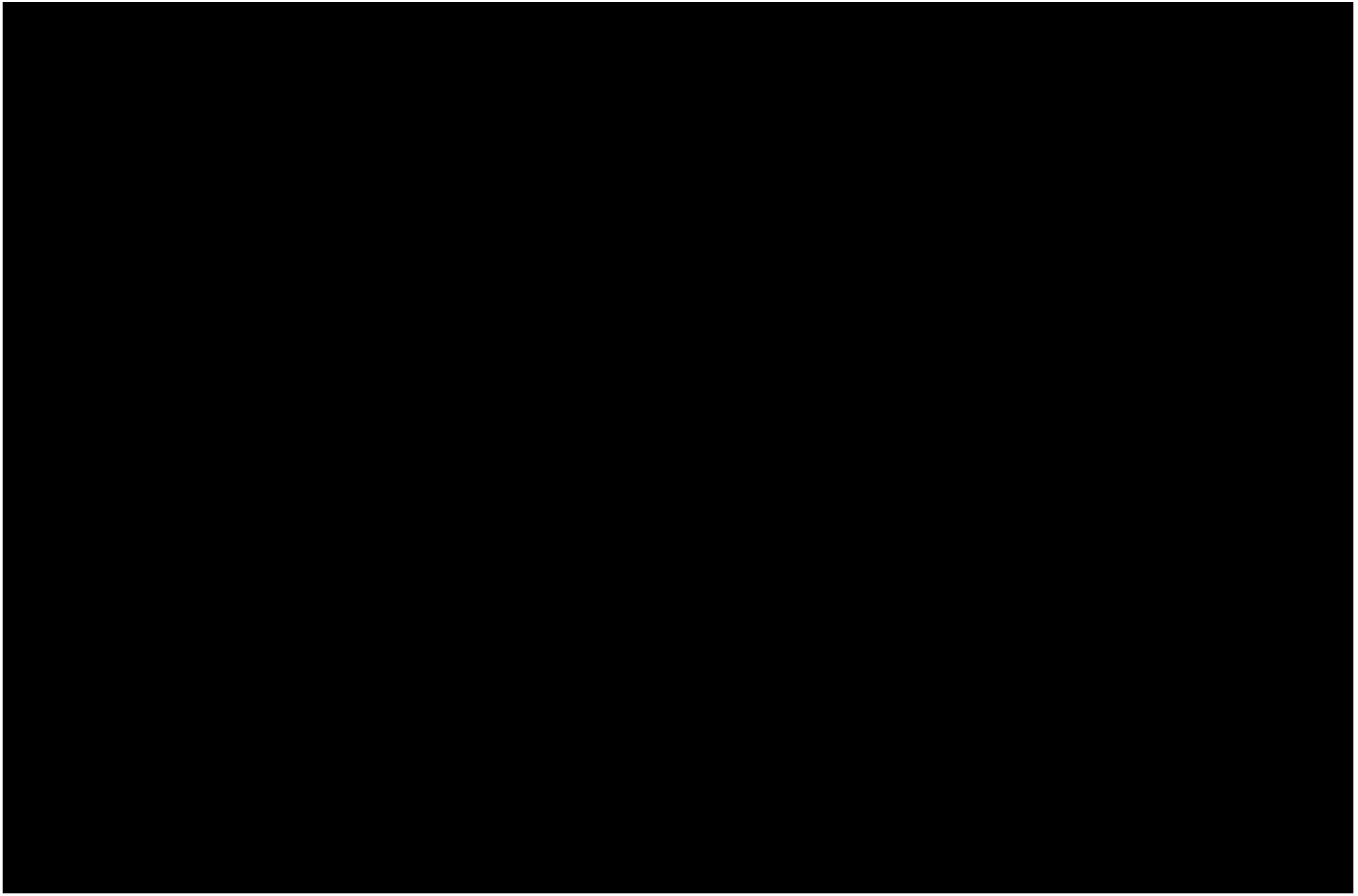
TPIA §552.110

[redacted]

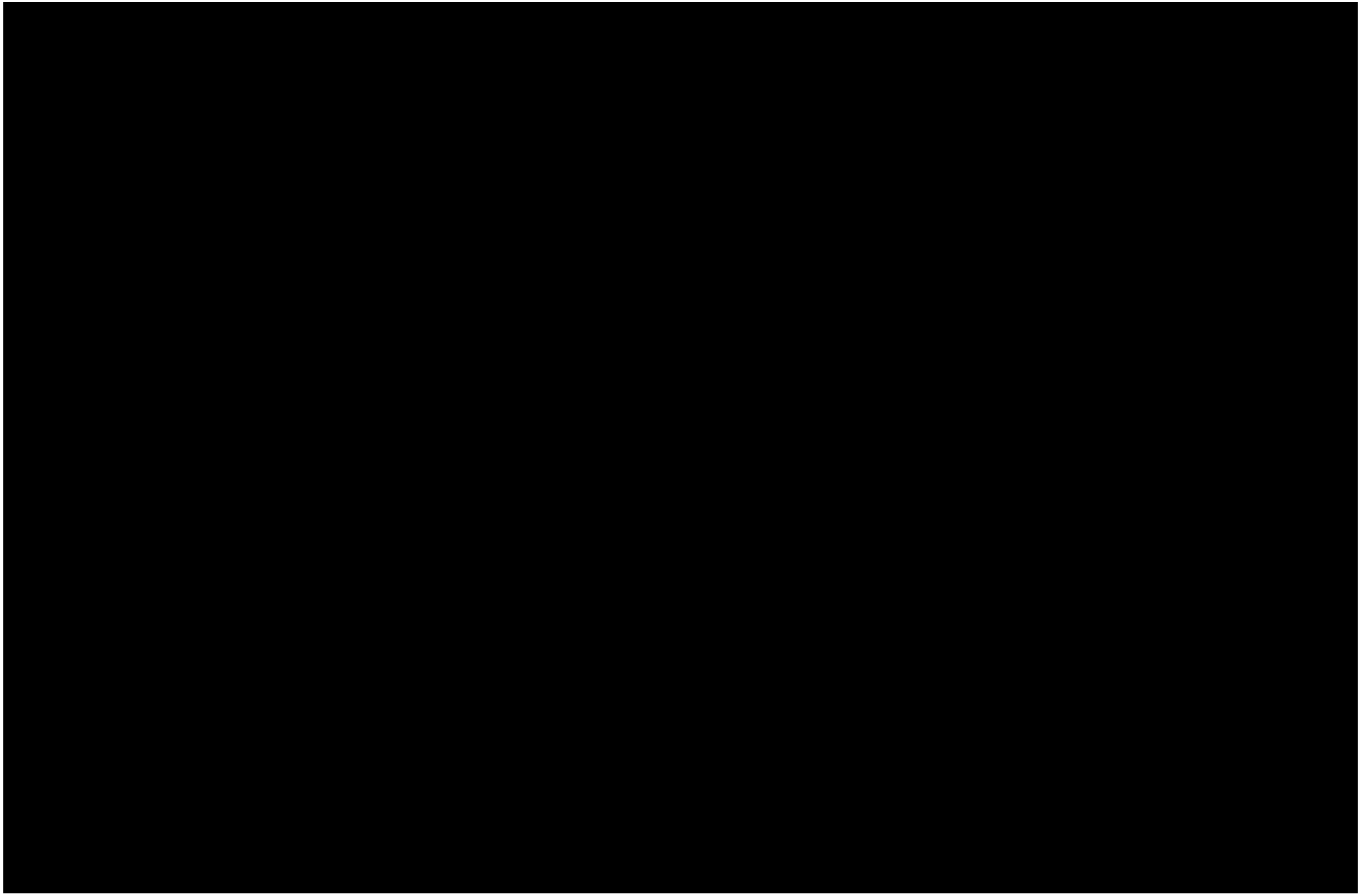
TPIA §552.110



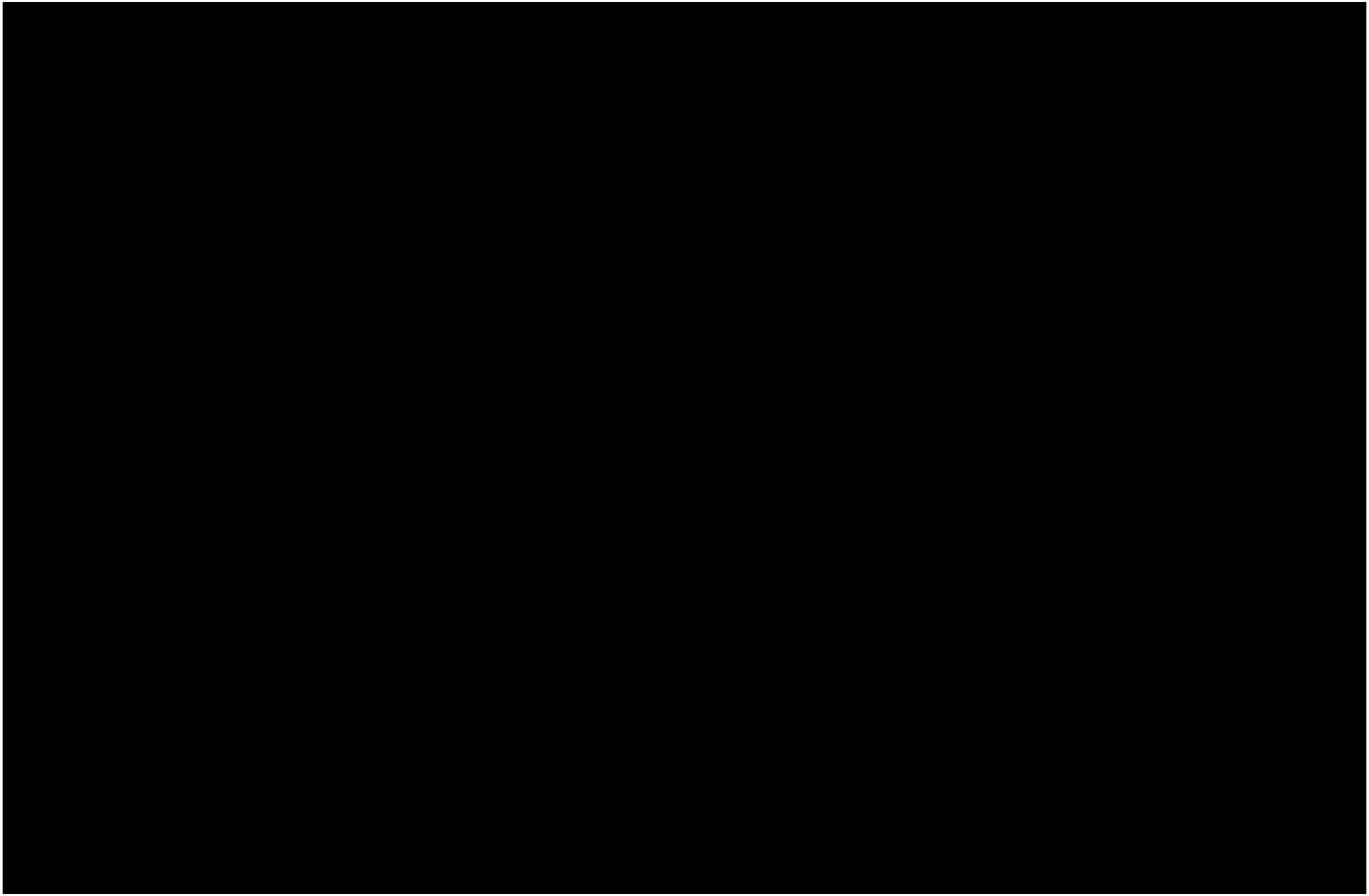
TPIA §552.110



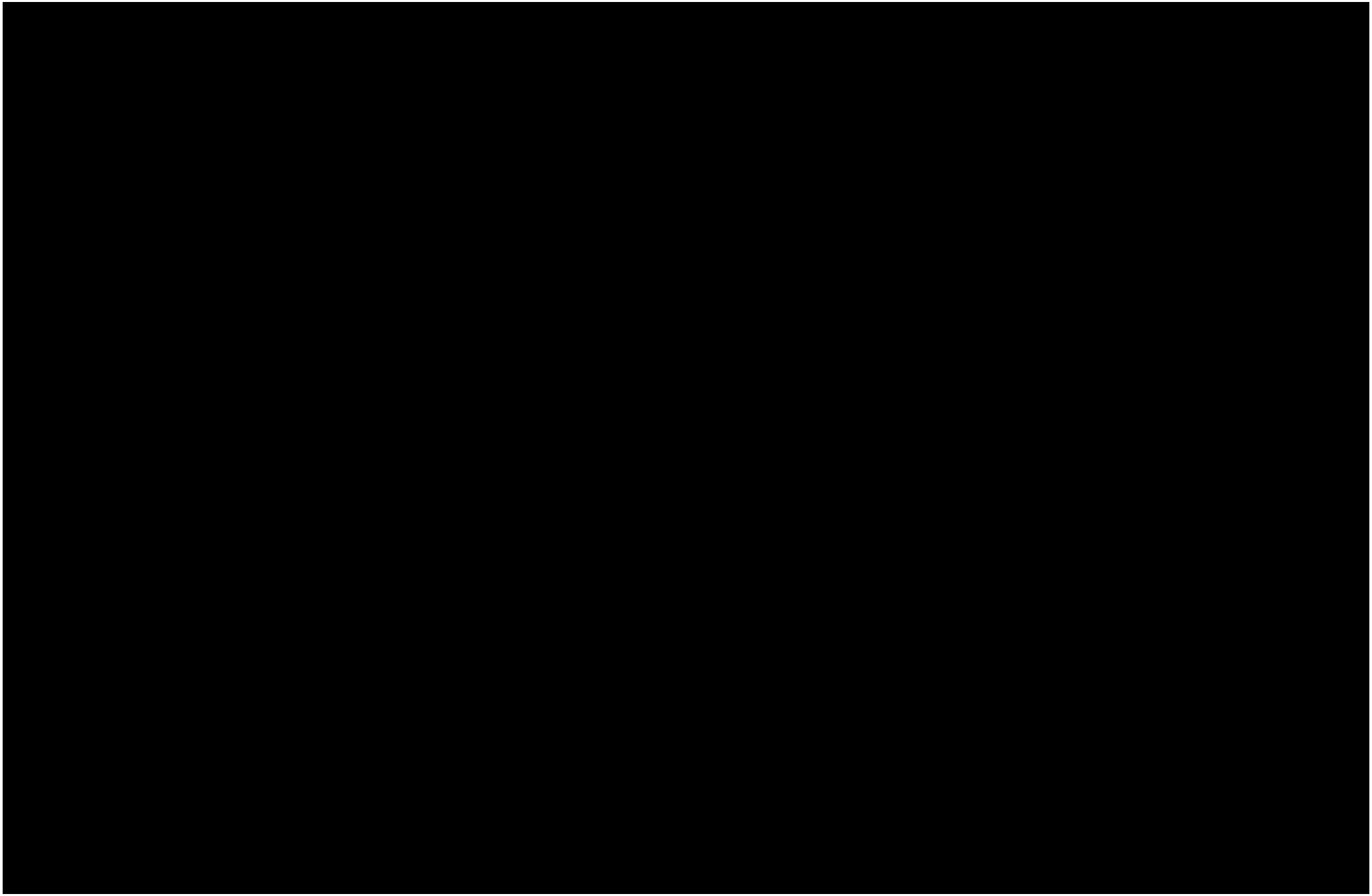
TPIA §552.110



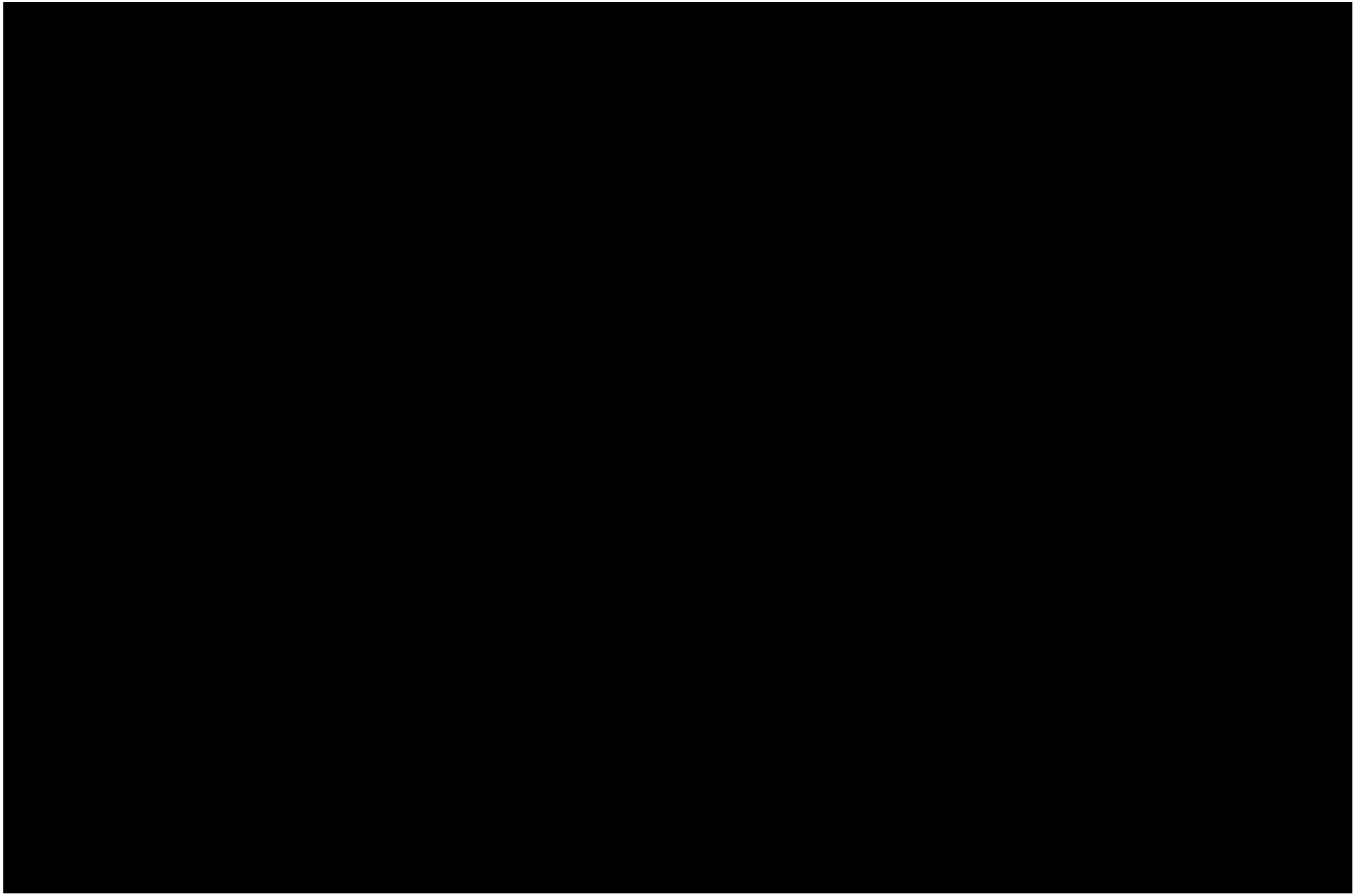
TPIA §552.110



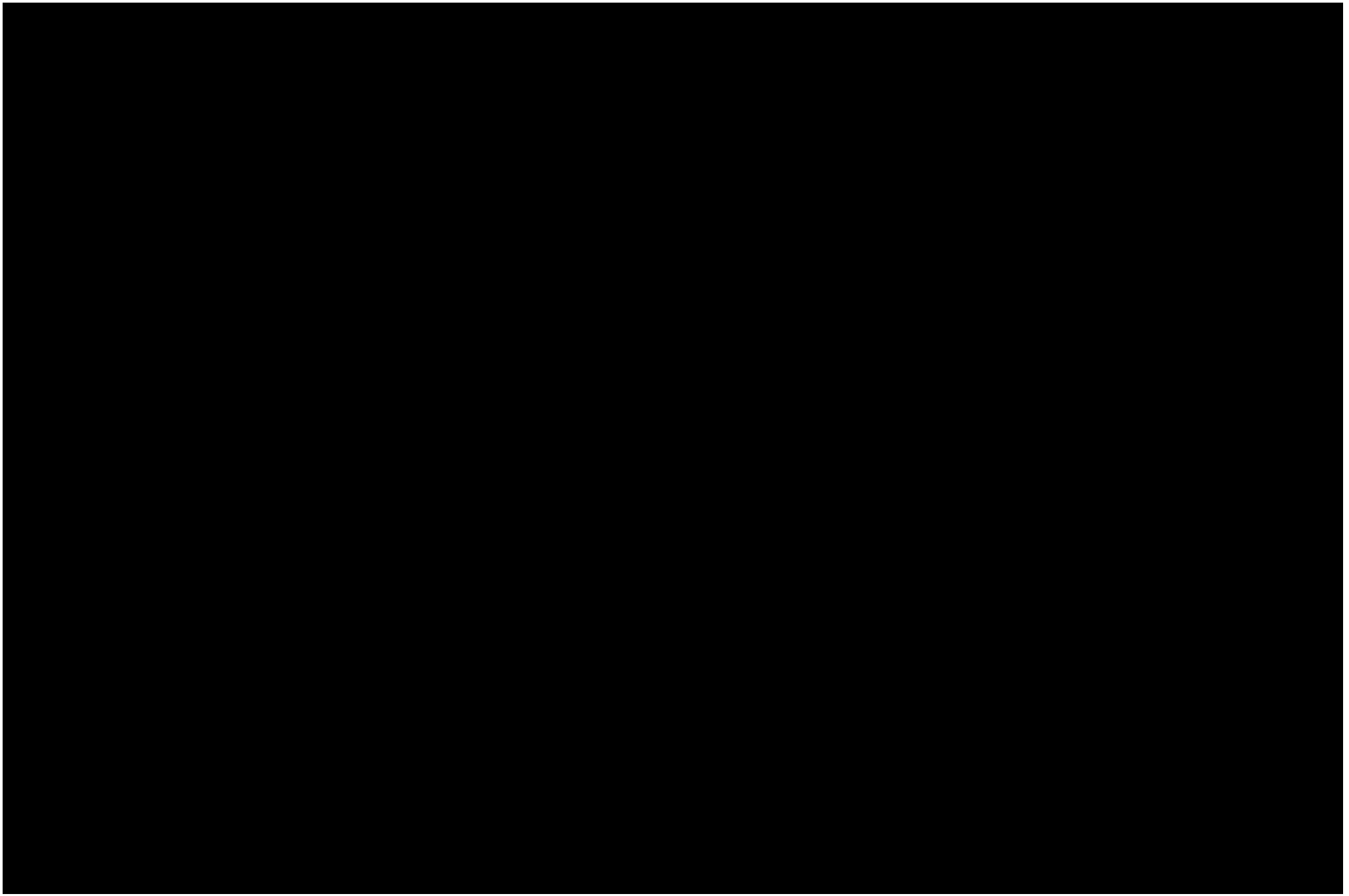
TPIA §552.110



TPIA §552.110



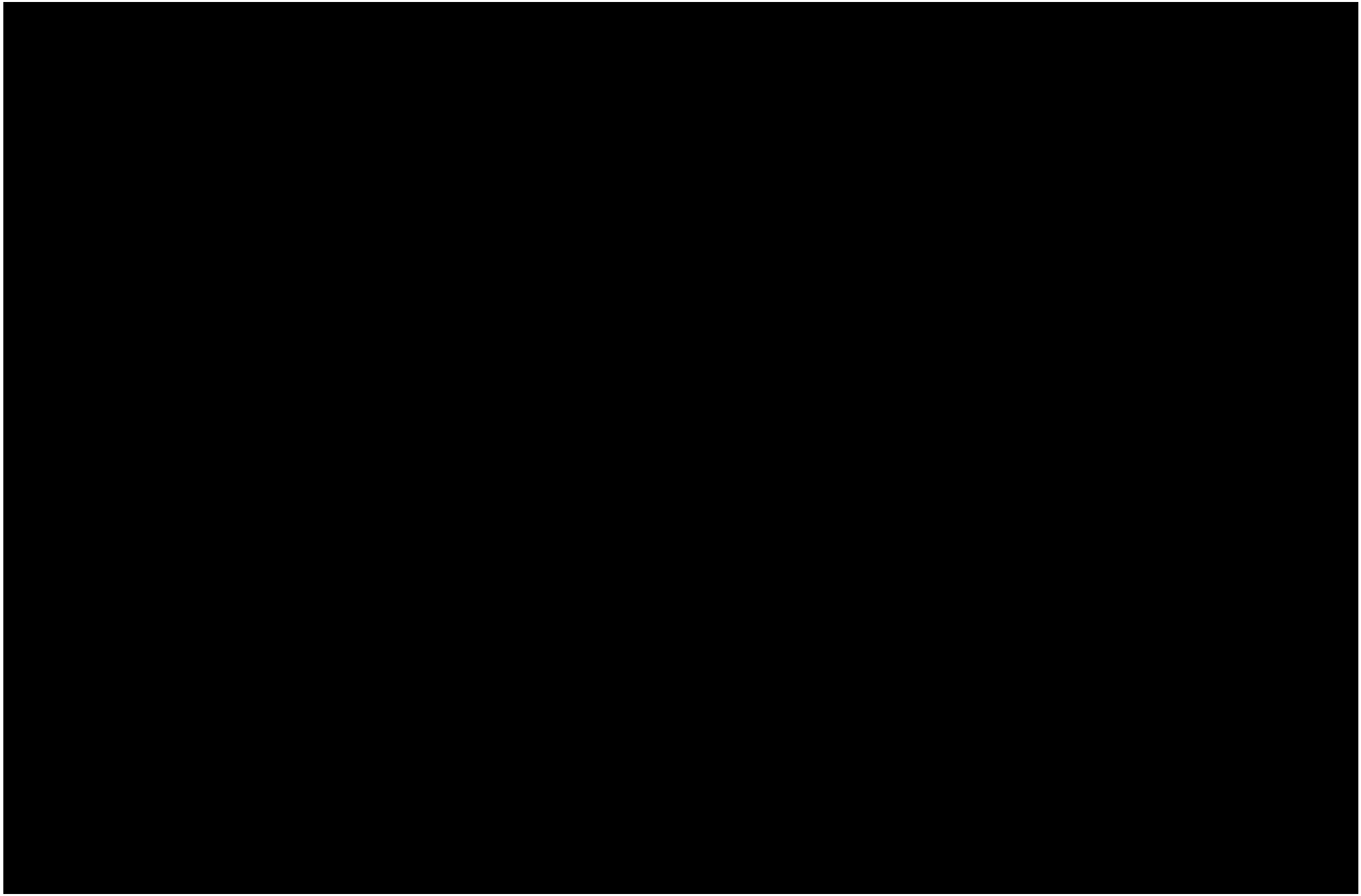
TPIA §552.110



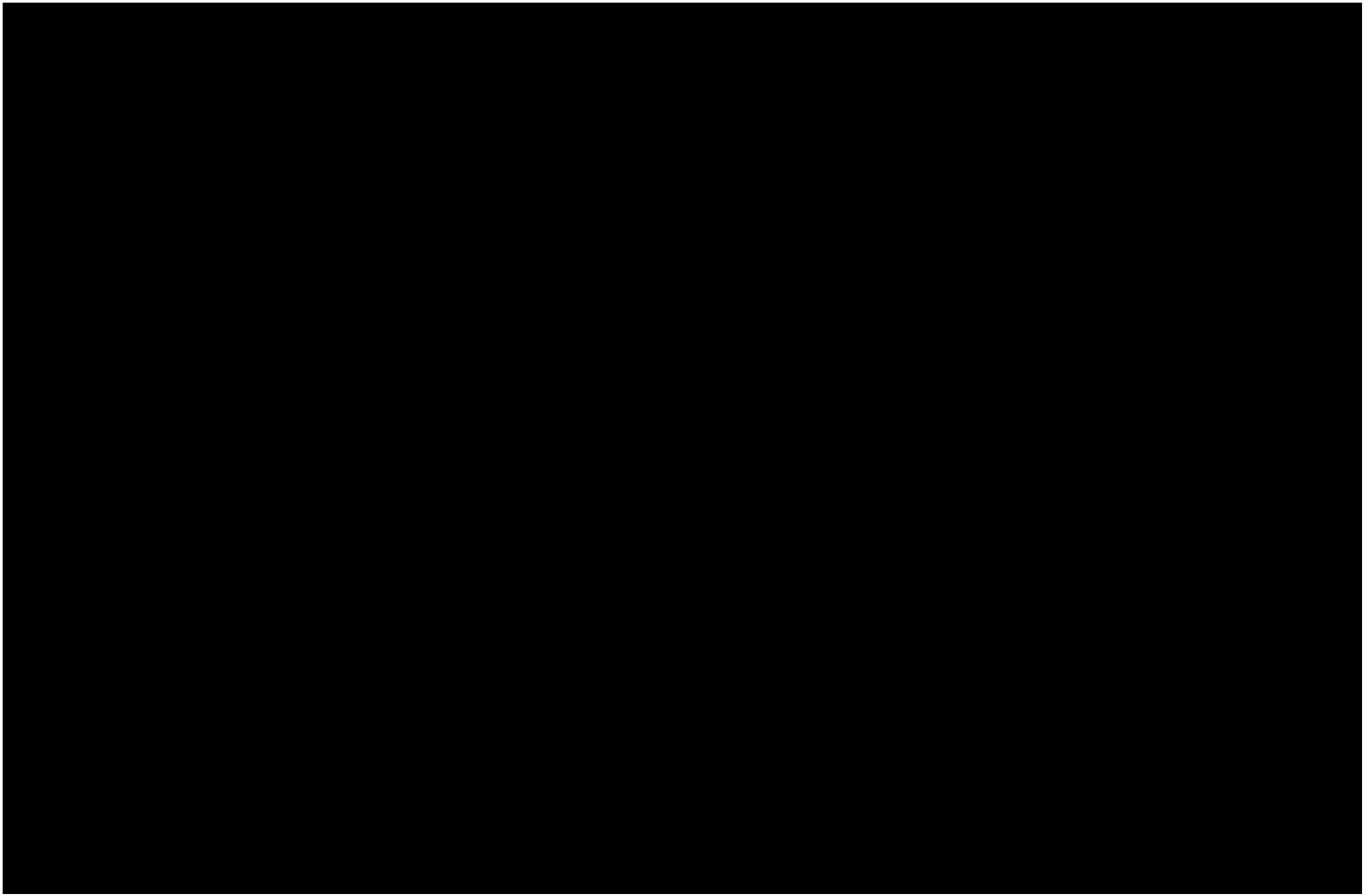
TPIA §552.110

[redacted]

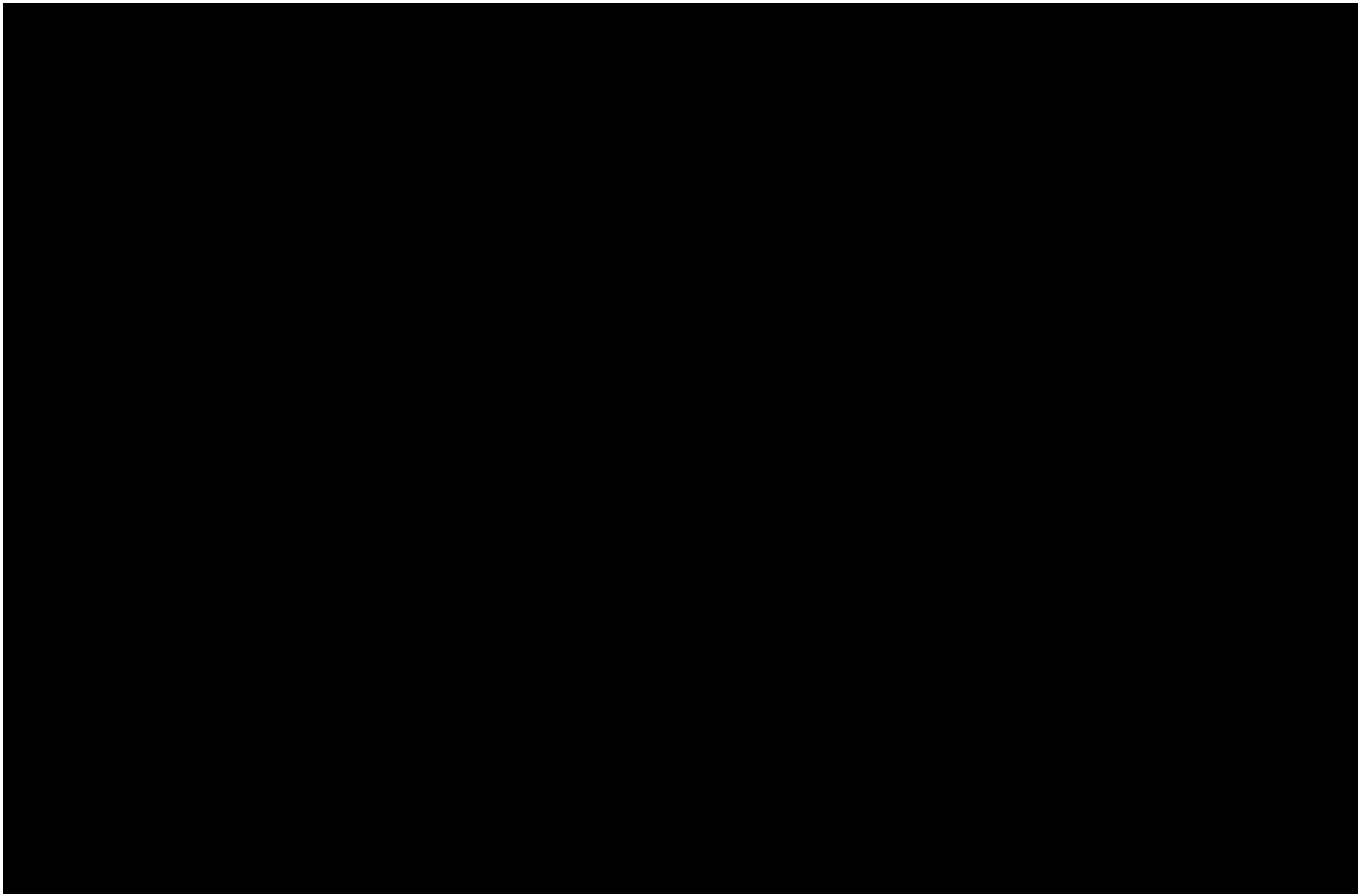
TPIA §552.110



TPIA §552.110



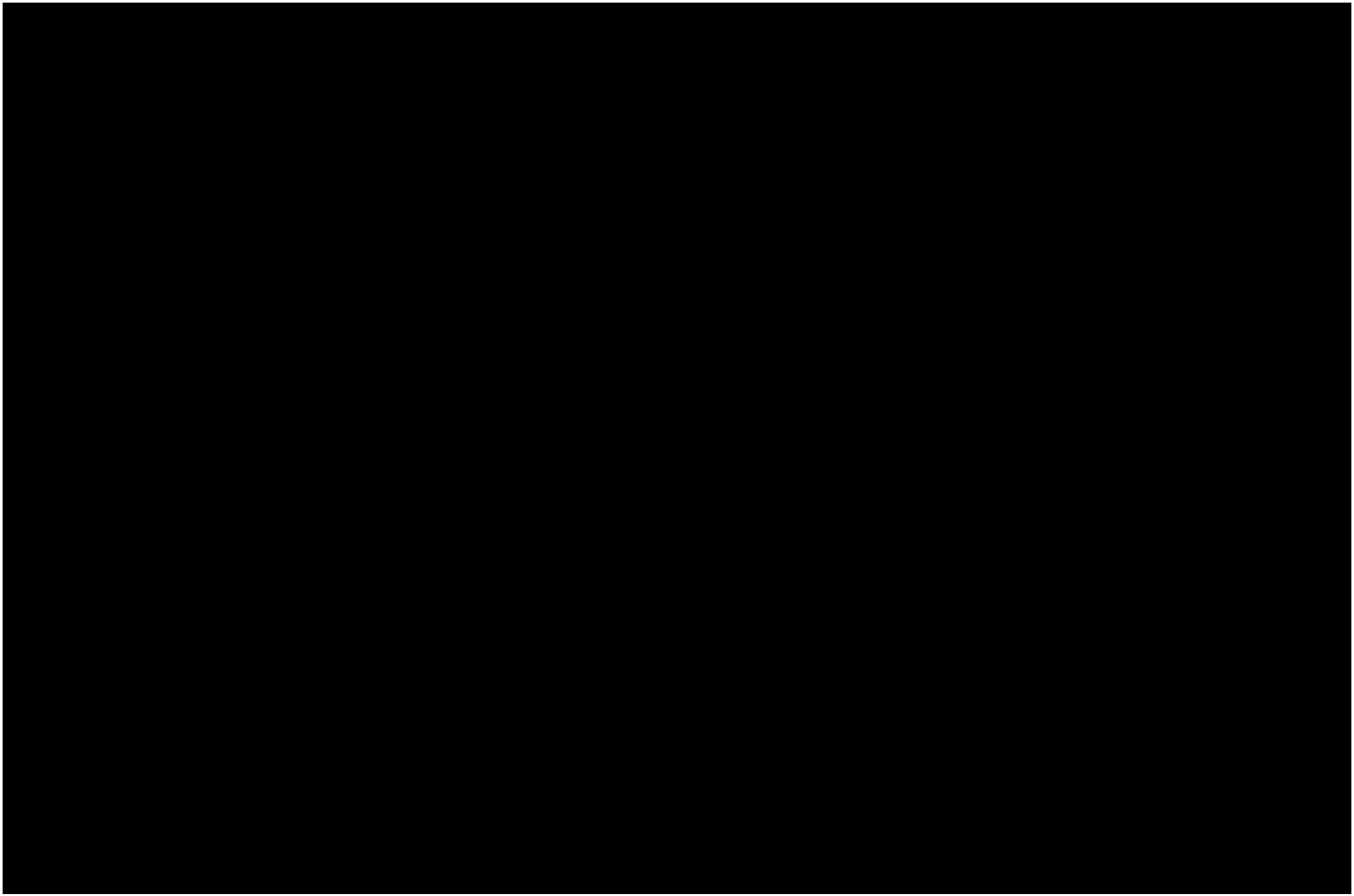
TPIA §552.110



TPIA §552.110

[redacted]

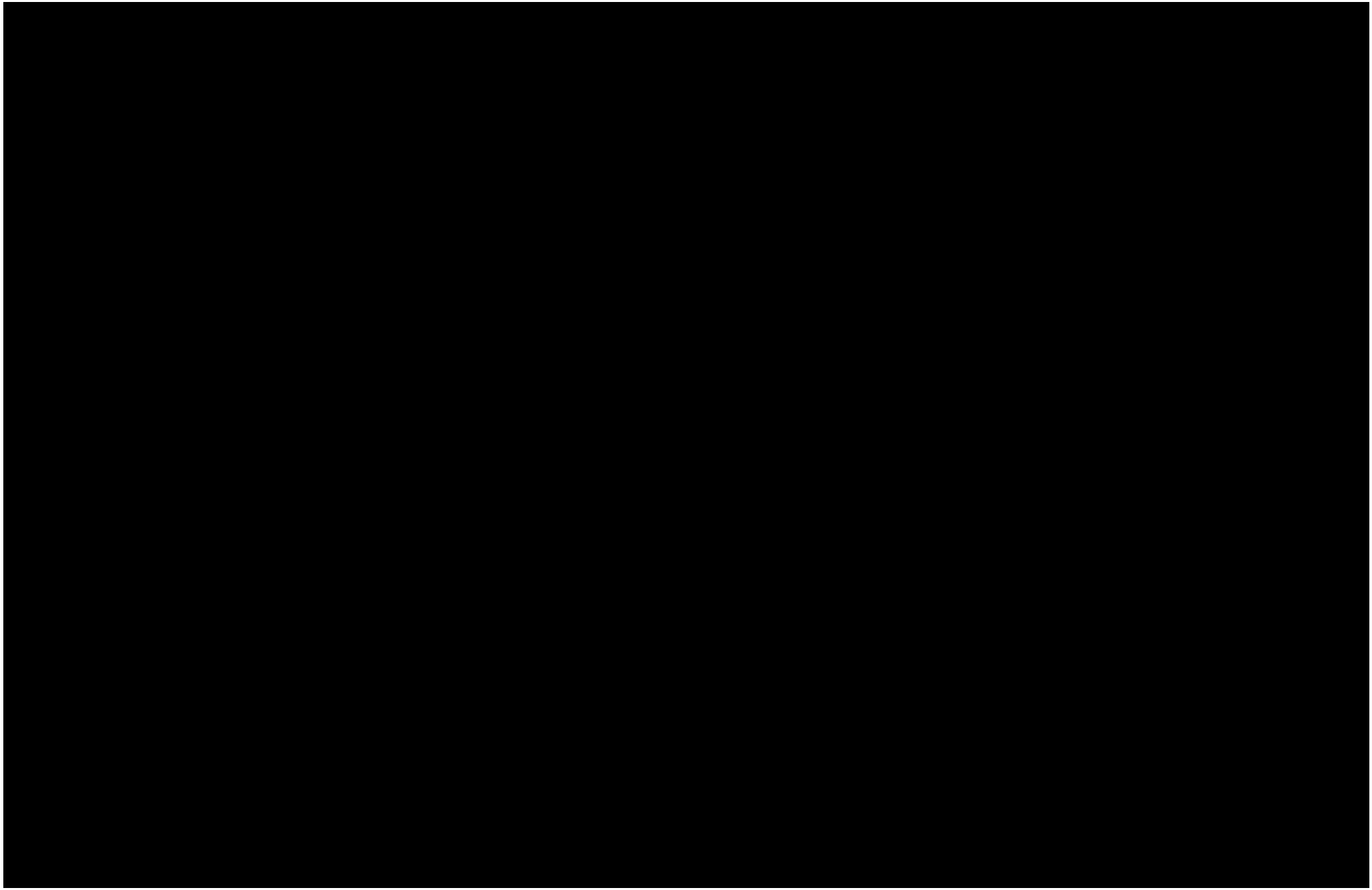
TPIA §552.110



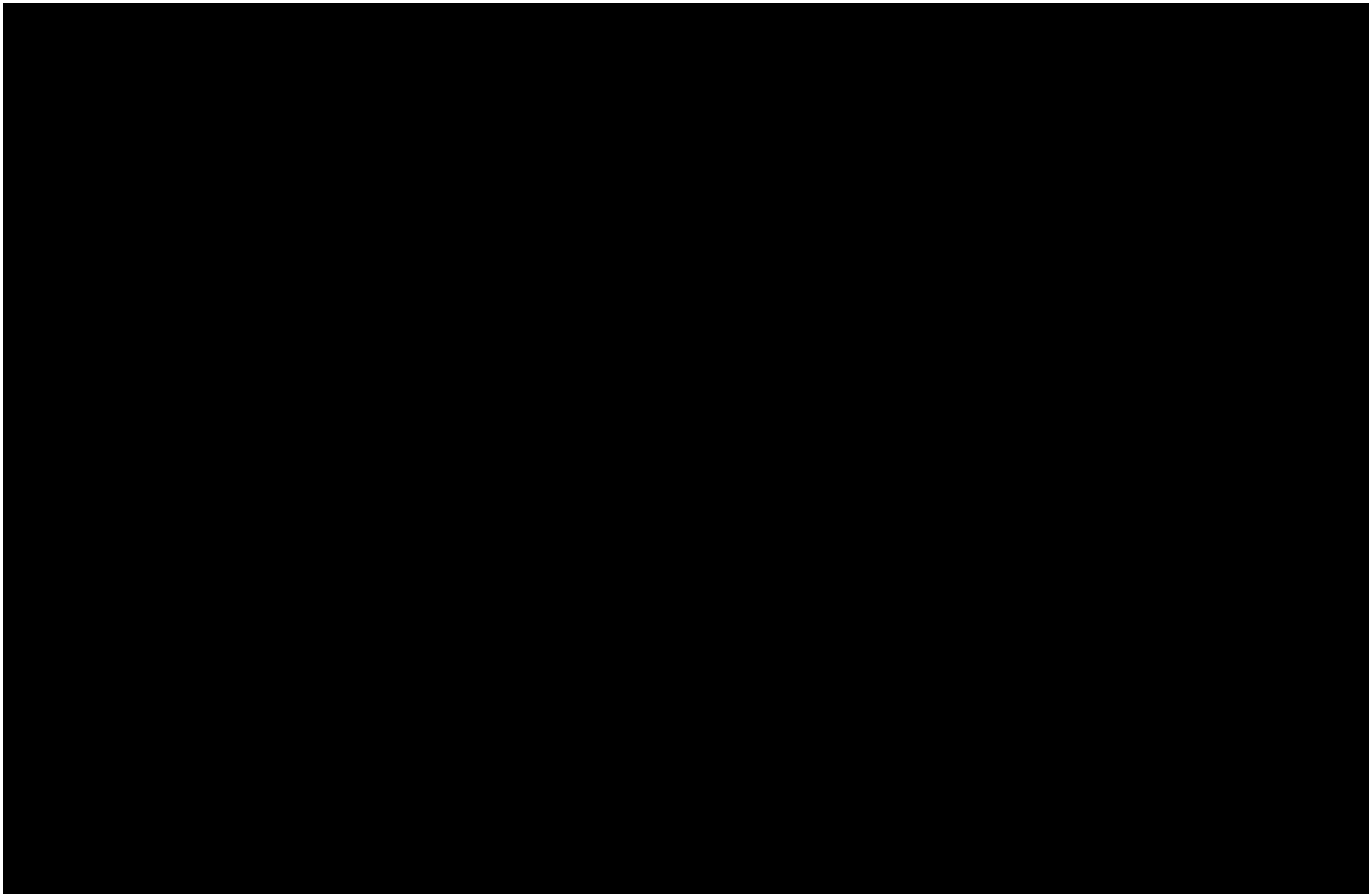
TPIA §552.110

[redacted]

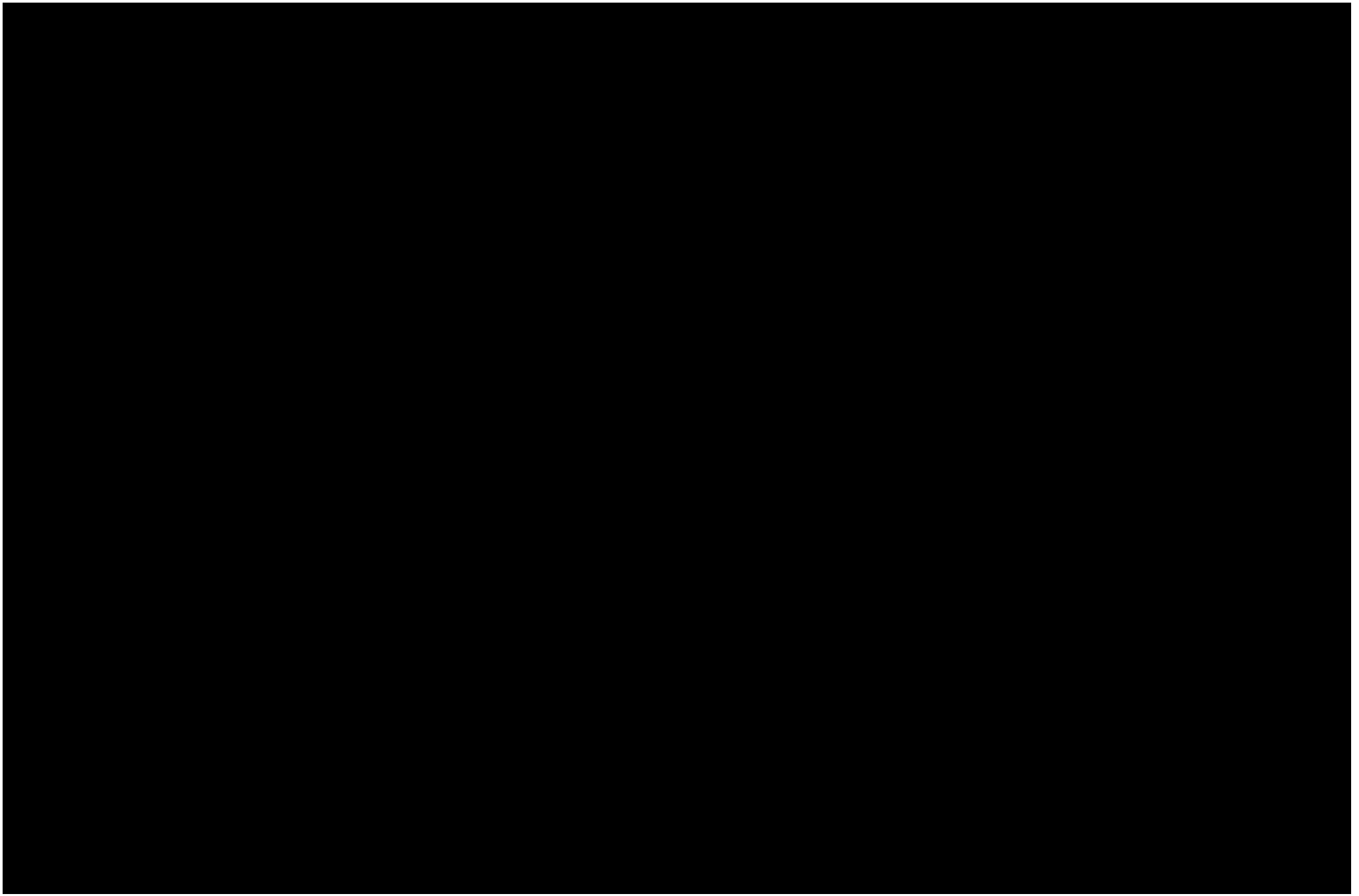
TPIA §552.110



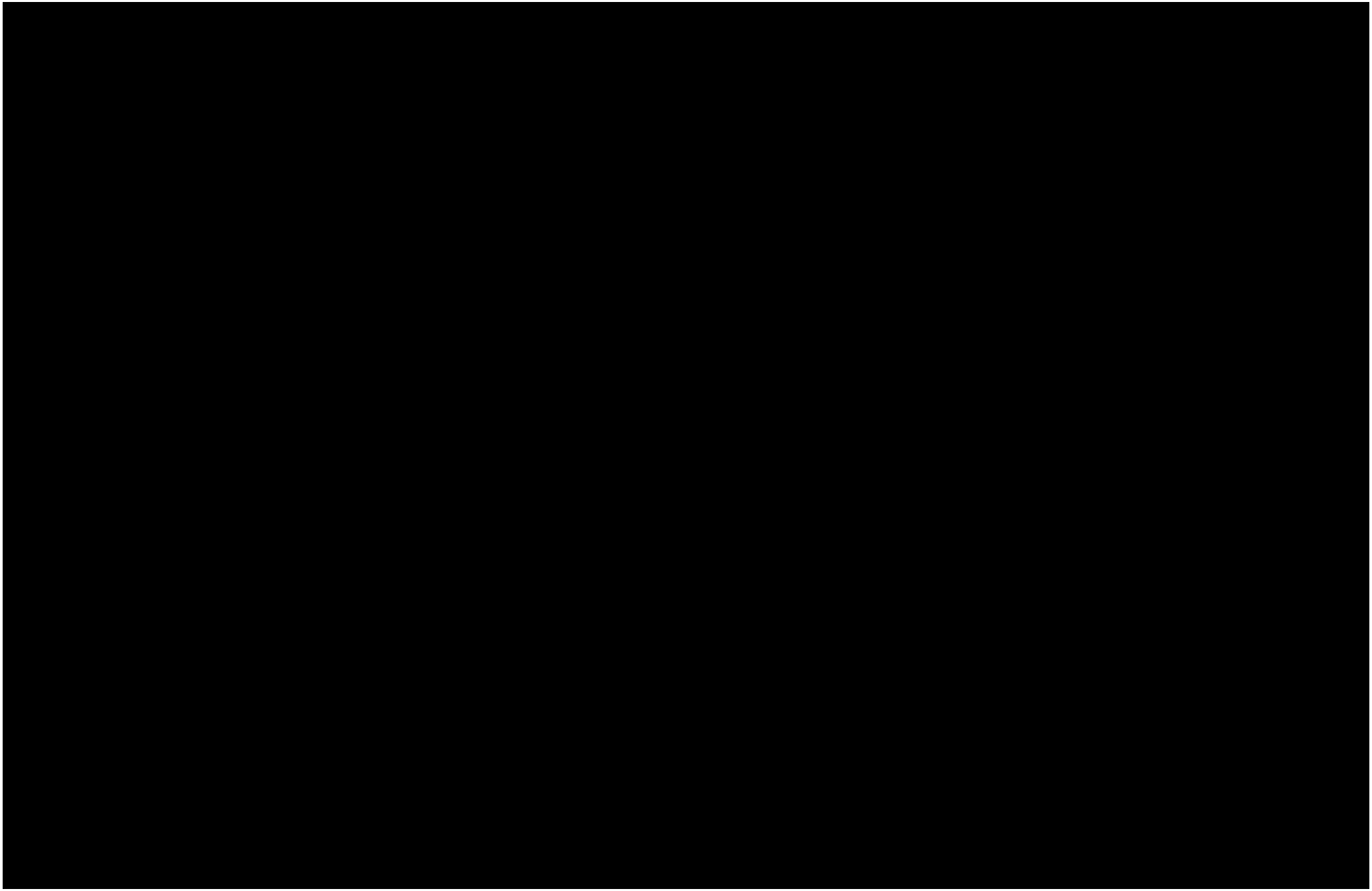
TPIA §552.110



TPIA §552.110



TPIA §552.110



MANUFACTURING AT POLLARD BANKNOTE

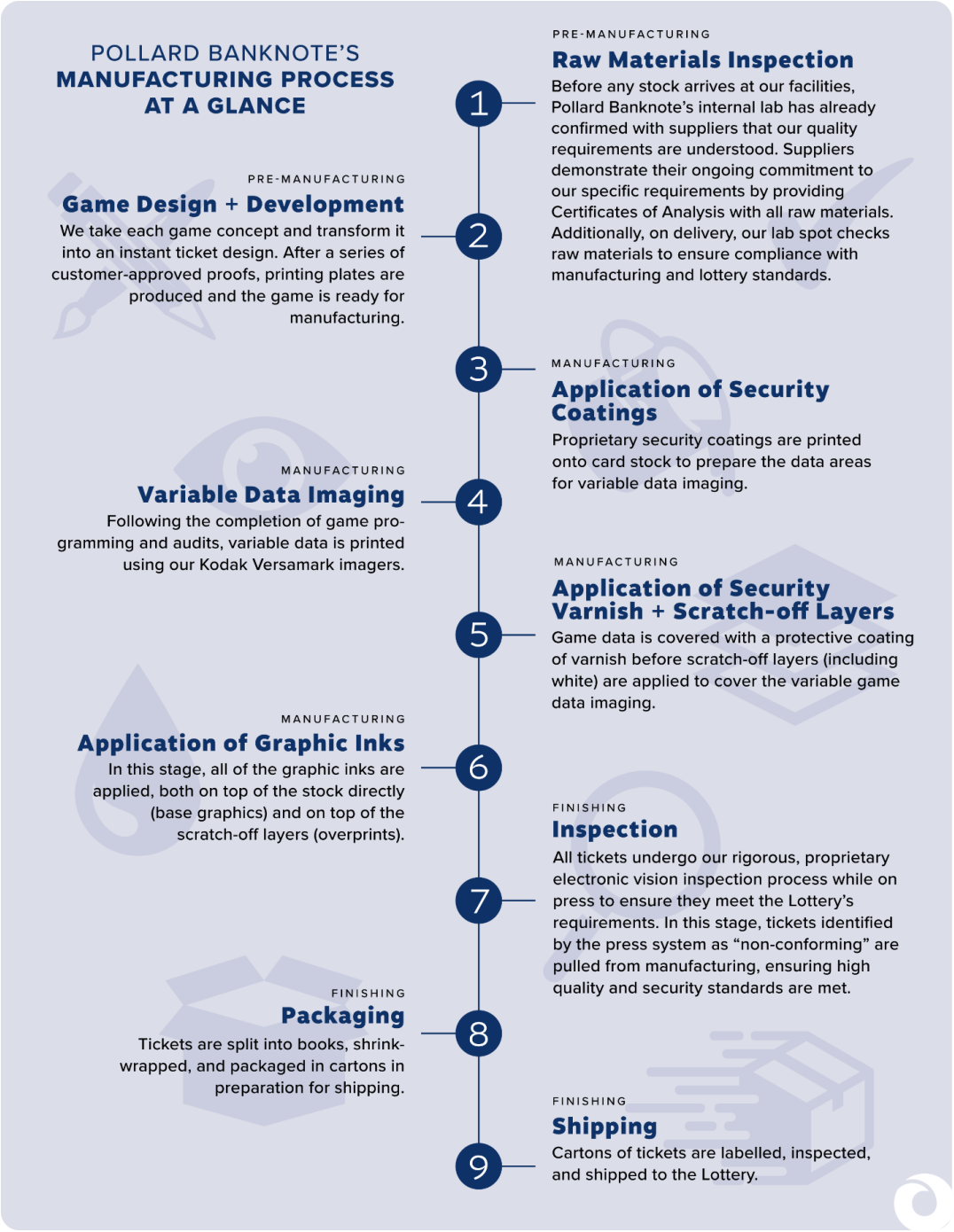
Pollard Banknote employs a nine (9)-stage process to manufacture scratch tickets. Strict controls are maintained throughout each stage of manufacturing to ensure security, accountability, and quality. Our manufacturing system is a well-established and customer-approved process that results in secure scratch tickets of the highest quality.

This formalized, structured manufacturing process allows virtually any game and ticket design to be brought to life—from standard tickets, to our vast offerings within the extended play category, to our patented Scratch FX® and Fusion™ products. Additionally, we are capable of printing ticket sizes to practically any specification desired by the Texas Lottery. We have printed scratch tickets as small as 2'' x 2.05'' and as large as 8'' x 24''. We are also able to print a wide range of color options including up to seven colors on the ticket front, plus up to seven colors on the ticket back. In many cases, depending on exact specifications, more colors are possible. We are capable of producing packs of virtually any size required by our clients—in fact, we have produced packs as small as five (5) tickets and as large as 500 tickets.

Our state-of the-art manufacturing capabilities allow Pollard Banknote to provide our clients with expedient delivery of scratch ticket products. Our efficient manufacturing, combined with our tickets' industry-renowned aesthetic appeal and scratch-off quality, makes Pollard Banknote the right choice for the Texas Lottery.

The TRESU press at our Ypsilanti, Michigan manufacturing facility

POLLARD BANKNOTE'S **MANUFACTURING PROCESS AT A GLANCE**



Creating innovative, eye-catching, high quality tickets that maintain our high standards of security is a multi-stage endeavor. On the following pages, we elaborate on the nine stages that compose our manufacturing process.

Pre-Manufacturing

A number of crucial activities take place prior to printing to ensure the resulting tickets meet our high standards of quality and security. This includes the procurement, inspection, and approval of raw materials (such as ink and stock) and the creative design process.

Stage 1: Raw Materials Inspection

The first step in attaining our goal of producing the highest quality scratch tickets is ensuring that raw materials from our suppliers meet stringent quality standards. Suppliers must be dependable, as their products are critical to the security and performance of our customers' products.

All of Pollard Banknote's "quality-critical" suppliers (all paper stock suppliers and ink suppliers) must be ISO 9001:2015 certified (manufacturing and raw materials supplier level of certification) or permit an on-site audit conducted by our certified auditors to ensure they meet the Quality Management System standards set by Pollard Banknote. Even our ISO-certified suppliers are occasionally subjected to Pollard Banknote's on-site audits.

Pollard Banknote's on-site assessment process involves a team of trained auditors conducting a comprehensive review of the suppliers' quality management system and manufacturing processes. The audit assesses an assortment of critical elements to determine conformance to the ISO 9001:2015 Quality System requirements.

Typically, this assessment consists of three major phases:

- **The Quality System Documentation Review** – A review of the supplier's quality manual to determine compliance with ISO 9001:2015.

- **On-site Audit** – This determines the degree and effectiveness of the quality system at the supplier's manufacturing and support locations.
- **Report** – A review of the findings from the first two phases to confirm supplier conformance to Pollard Banknote requirements and to determine supplier status level.

From this assessment and based on the level of conformance to their quality system, suppliers are graded as either a Certified Supplier, a Conditional Supplier, or they are not accepted as a supplier. It is vital that suppliers understand that the materials we order for each job must meet exacting standards for printability, security, and structural compatibility with all materials used in the process. Suppliers that pass our rigorous evaluation are officially listed as Pollard Banknote-qualified suppliers.

Raw materials can only be purchased from suppliers receiving our stamp of approval. The longstanding relationships we have established with our partners who supply our raw materials highlight their ability to understand our exacting needs for consistently high-quality materials.

Raw Materials Quality Requirements

After the supplier has been approved, and before any materials are brought into our facility, our in-house laboratory staff confirms with the supplier that they will continually meet our quality requirements for raw materials. Suppliers receive Pollard Banknote's certification requirements for processes and materials used on a press. Our lab details the testing methods that must be used on all raw materials, as well as the performance parameters for the materials being tested.

Certified and approved raw materials ready for use at our facility in Winnipeg, Manitoba

Prior to a shipment of any raw materials, the supplier provides a Certificate of Analysis (confirmation that their product has been internally analyzed and meets the specifications required) and samples of the material for Pollard Banknote's review. The information included in the Certificate of Analysis is different for each type of material. For instance, for scratch-off coatings, the certificate confirms that the material meets our standards for color, viscosity, opacity, blacklight evaluation, and scratchability.

All information on the Certificate of Analysis is entered into a Quality Control Database. Likewise, to ensure accuracy of the raw materials used in production, all materials are scanned into this database upon receipt from the supplier. Stocks and inks are then scanned again when production for each game begins. Our enterprise resource planning solution (ERP) automatically checks to ensure that all materials are in compliance with our strict standards. As a safety precaution, the system is configured to automatically flag materials that do not comply. If any of the materials scanned do not match those in the Customer Specifications, an automated alert will notify the press operator to change over to the correct materials for the given production run. Similarly, if a Certificate of Analysis was not scanned into the system alongside the corresponding materials, the system would automatically flag the material and prompt our staff to scan the certificate.

Accurate record keeping is an essential component in understanding a ticket's performance in the marketplace. Pollard Banknote keeps raw material samples provided by the supplier for three (3) years, unless otherwise specified by the Texas Lottery.

Laboratory Testing of Raw Materials

Scrutiny of our suppliers does not stop with the receipt of a Certificate of Analysis. Pollard Banknote's on-site Quality Control laboratory is charged with the task of determining whether raw materials are fit for use. Our laboratory staff compares the details of the supplier's analysis against pre-approved specifications for that material. Random testing of selected samples is also conducted to ensure the certification level is met. The lab is staffed around-the-clock when the facility is operating 24 hours a day.

Typically, the random test results meet the requirements stated in the specification, so the laboratory staff advises shipping to accept the order. On rare occasions, the results of the tests on a raw material suggest that the integrity of the material may not be in compliance with Pollard Banknote's specifications. When this occurs, a more thorough analysis/review is undertaken prior to a decision to accept or reject an order. If the product is rejected, our manufacturing and purchasing departments are advised and the supplier is notified of the problem.

The lab's responsibilities include:

Development of certification guidelines for the manufacturing of raw materials

The guidelines are different for each type of material we use. Card stock must meet minimum and maximum standards in caliper, basis weight, moisture content, opacity, brightness, holdout, and coating adhesion. As well, adhesives, graphic inks, security coatings, and scratch-off coatings must fall between the minimum and maximum standards set for each of those specific products to ensure their performance during manufacturing.

Testing of certified raw material samples prior to acceptance

Pollard Banknote's laboratory staff compares the details of the supplier's Certificate of Analysis (the supplier's confirmation that they have met the product standards we have outlined) against our pre-approved specifications. As well, the laboratory staff performs a variety of tests on random samples to ensure that the certification level has been met.

Accurate record keeping for raw materials' inspection and test results of tickets in manufacturing

Results of all tests—both for raw materials and for tickets—are recorded. Any problem with a ticket during manufacturing is traceable, if necessary, all the way back to the raw materials (i.e., paper stock, ink) used in its manufacture.

Continual training and testing of laboratory personnel

Personnel in each of our in-house laboratories receive regular training to ensure that testing procedures are consistent and are performed correctly. A laboratory is located in each facility. Each lab reports to the main lab in Winnipeg.

The Security Chemist and the Lab Manager have developed tests, with the Security Chemist conducting training of senior laboratory personnel. New procedures in testing are taught by the Lab Manager to the Lab Technicians in each laboratory using a "Train the Trainer" approach.

Training evaluations are conducted in a round-robin testing method. That is, periodically test tickets with known weaknesses are circulated throughout the four labs. Laboratory personnel are expected to examine the test tickets using the standard procedures to uncover the known weaknesses. These evaluations are conducted bi-annually.

The lab ensures quality and consistency of testing between technicians and labs by:

- Providing each lab with Pollard Banknote's Security Manual, which documents all testing procedures;
- Ensuring that all tickets tested are labelled and kept;

- Training all personnel in identical test techniques; all personnel in Pollard Banknote's four laboratories follow the same testing procedures and reporting methods; and
- Ensuring that research and development trials that are tested at the site of manufacturing are also tested at the primary lab in Winnipeg.

Scratch Ticket Stock

Card Stock

As per **8.3. Ticket Stock**, scratch tickets for the Texas Lottery may be printed on various stocks, including but not limited to: 10 point virgin/recyclable coated two (2) sides, 10 point stock coated one (1) side and foil laminate one (1) side, and 10 point stock coated one (1) side and holographic laminate one (1) side. Additional stocks are available.

Pollard Banknote's card stock for scratch tickets is recyclable and environmentally friendly. Our secure card stock is the result of a proprietary process that involves applying various solvent-and water-resistant coatings onto a clay-coated board. This process converts stock from a standard coated board into a secure lottery ticket stock.

This process can be applied to the following paper options:

- Pollard Banknote provides a paper board with a coating on both sides of the sheet. This stock is virgin board and does not have any post-consumer recycled content. It is fully recyclable and biodegradable when exposed to natural elements, such as air and water. Available calipers include 8-, 10-, and 12-point C1S stock, and 10- and 12-point C2S stock.
- Post-Consumer Waste (PCW) card stock containing 10% PCW content (applied to any caliper).
- 100 lb paper stock, coated and recycled, free sheet grade stock with satin or gloss coating available.

Certified and approved raw materials ready for use at our Ypsilanti, Michigan manufacturing facility

An alternative eighty (80) pound coated stock is also available, separate from the proprietary process described above. This stock is a coated ground wood paper designed to provide a smooth, glossy consistent printing surface with strong ink holdout and optical characteristics. It is fully recyclable and biodegradable when exposed to natural elements such as air and water.

Foil Stock

Pollard Banknote's foil products consist of a thin-gauged aluminium foil laminated to either a cover weight board with a single clay coating on one side of the sheet or laminated to the uncoated side of the board to allow for printing of scratch-off on both sides. There is an application of a water-based primer to the foil surface to prevent oxidation of the foil and to promote adhesion of the graphic inks. The board product is a virgin board and does not have any post-consumer recycled content. For foil stock, we offer:

- 8-point foil stock C1S
- 10-point foil stock C1S

- 12-point foil stock C1S

An FSC® foil stock option is available for all of the weight options listed above.

Innovative Substrates and Print Features

Clear Play™: Our Clear Plastic Substrate

An exciting alternative to card or foil stock is Clear Play™, Pollard Banknote's transparent substrate. Transparency is a hot trend in art and design, and consumer packaging. While clear bottles and jars are not new items in the consumer goods industry, the usage of transparent packaging is growing, and with proven sales boosting power. Now the lottery industry can leverage the allure of transparency.

Eco Scratch ReNew™: Ecofriendly Stock

Our Eco Scratch ReNew™ stock is recyclable, made of 100% recycled fibre (with a minimum of 35% post-consumer waste), and offers the look and feel of kraft paper on one side. Pollard Banknote has produced more than 25 games featuring either Eco Scratch ReNew™ or Eco Scratch™ (our previous kraft stock) for lotteries worldwide.

*Scratch FX®**

Pollard Banknote's patented Scratch FX® innovation—an industry first—makes scratch tickets sparkle and shine, creating a vibrancy and excitement that cuts through retail clutter. The look—created by a cold foil process—has a visual impact that is above and beyond any other product, outshining foil, holographic foil, and metallic inks. This stunning feature can be applied to both the display and scratch-off areas of a ticket, giving it glitter and glitz that is sure to catch the eye of new and existing players across a wide spectrum of demographics, optimizing the impulse-buy environment and driving sales. Please refer to information provided in **8.35.** under the heading **Print Innovations** for more details on Scratch FX®. Below we have described four products that are a part of our family of Scratch FX® offerings.

*Spectrum Scratch FX®**

Explore a spectrum of printing opportunities with our Spectrum Scratch FX®. We can print four colors on top of cold foil to match the look of colored holographic foil. Watch how these dazzling tickets sparkle and shine at retail!

** Indicates a process that results in a product similar in appearance to varieties of holographic stock. The scratch ticket industry largely considers these options to be types of stocks.*

*Max FX™**

We simply can't get enough sparkle and shine—and neither can our clients! That's why we shimmer tickets to the MAX with our new MAX FX™ product. We apply our exclusive Scratch FX® technology to the entire face of the ticket. Watch it pop at retail!

*Glitter FX™**

Show your players the light with our new Glitter FX™—the perfect shimmering addition to scratch tickets. Glitter FX™ and its light-reflecting vibrancy add glitzy flair to scratch ticket graphics, mimicking colorful confetti, the cool sheen of snow, twinkling sparkles or sleek sequins—even a starry, starry night! Or ramp up the glamor of gem-themed tickets with a glimmer that will never fade away.

*Scratch FXtra™**

Pollard Banknote is introducing Scratch FXtra™ to our lottery clients—the latest enhancement to Pollard Banknote's innovative Scratch FX® product line.

Scratch FXtra™ offers the design-enhancing placement of a registered holograph and/or a registered Scratch FX® pattern. Visually striking holographs and registered Scratch FX® patterns maximize a ticket's aesthetic impact, making it impossible to miss at retail. The brilliant prismatic effect and vibrant color of holographs are difficult to resist – transforming two-dimensional images into an appealing optical delight.

Ticket Stock Testing

Card Stock. For card stocks, our laboratory randomly tests the material for attributes including:

- Fluorescence
- Moisture content
- Basis weight
- Caliper
- Opacity
- Holdout (absorbency)
- Tensile strength
- Elongation
- Fold number

Card stocks also undergo a wax pick test.

Foil Stock. For foil stocks, the laboratory will measure such characteristics as:

- Dyne level
- Coating weight
- Moisture content
- Caliper
- Foil adhesion to paper
- Coating adhesion

Foil stocks also undergo a blister test and blacklight evaluation.

Inks and Coatings

Graphics Ink

The graphics portions of our tickets (graphics printed over the scratch-off layers and on the base stock) are printed entirely with water-based inks. The inks consist of a mixture of resins, dyes, and pigments that are dried conventionally (using forced air ovens) and provide both the security and the appealing esthetics of our tickets.

Security Coatings (for card stocks only)

The area where the game data is to be imaged is printed with water-based, resinous materials that are formulated to enhance the security of the card stock against compromise.

Game Data Receptive (for foil stock)

A game data receptive coating is printed to provide a high degree of compatibility with imaging inks and other coatings. This coating enhances security and readability and ensures adhesion of ink.

Game Data Imaging

The materials of the ink used on the inkjet imager consist of 97% water with 3% resin and dyes.

Security Varnish

We use an energy-cured varnish to seal the data and to provide good release characteristics. The varnish component consists of either a clear or color-tinted ultraviolet radiation-curable resinous material that cures to a solid film with virtually no VOCs released into the atmosphere. We are

always working to improve the overall chemistry of security varnish, knowing that this varnish greatly helps diminish the likelihood of accidental discovery—and increases the film's properties to act as a functional barrier.

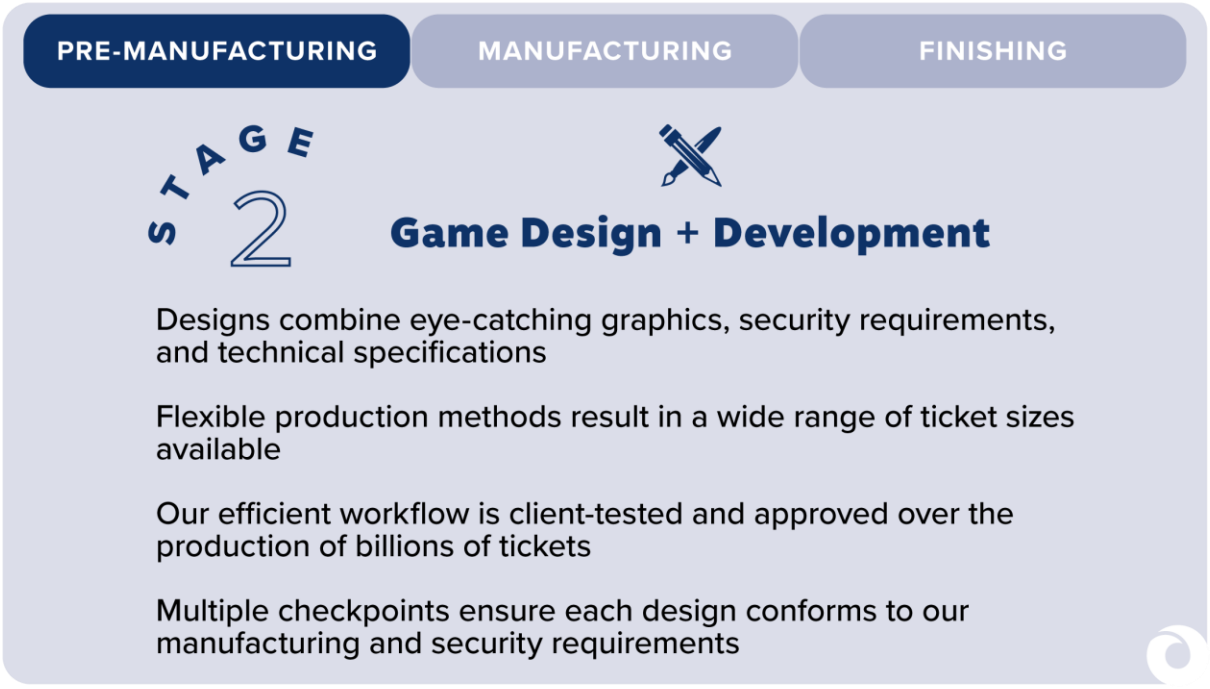
Security Scratch-off Layers

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Stage 2: Game Design & Development

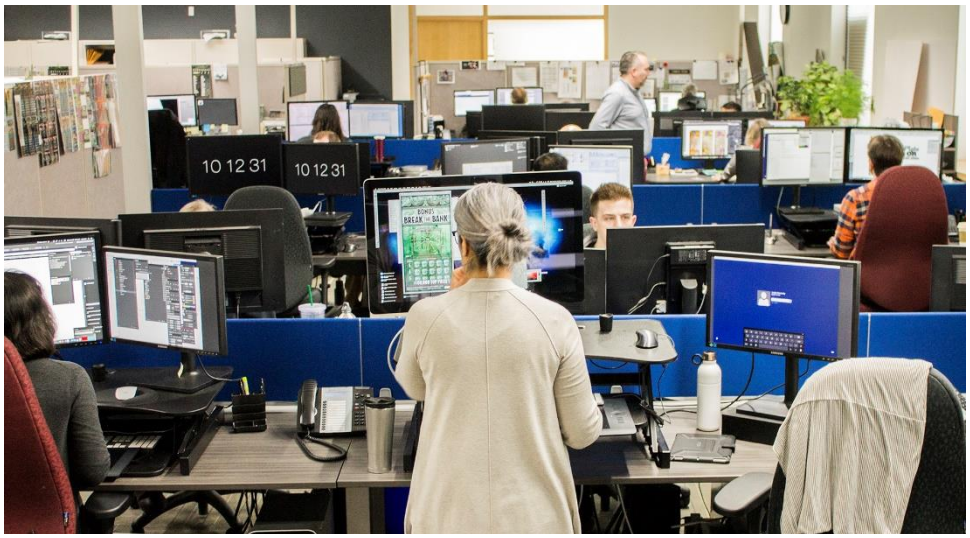


Pollard Banknote fully understands how the creative and visual design aspects of a game must integrate with security standards and the technical requirements of our printing processes to create a successful scratch ticket. A self-contained and highly skilled department of over 90 Game Management & Design professionals at our Winnipeg headquarters (with additional Game Management & Design staff at our other facilities) provides full creative design and technical art services. The department's activities are directed by Dean Van De Walle, Manager, Creative Services, a graphic design professional with 25 years of experience. Dean's expertise drives the creative direction of game concepts, ensuring high quality ticket designs are delivered to our clients efficiently and accurately.

Our Creative Artists and Technical Artists work closely together in an open environment that encourages communication and interaction. Members of our Game Management & Design team understand and are committed to deliver on the Texas Lottery's specific art requirements. For each lottery, our Creative Artists consult with external groups, learn about cultural sensitivities, and take into consideration a lottery's objectives to leverage team efficiency to deliver all components required for successful, creative, high quality, and market-appropriate ticket designs.

If the Texas Lottery is interested in using game designs that have been, in whole or in part, originated by another lottery or another vendor, Pollard Banknote will consult with the appropriate parties to obtain permission to use the art, as applicable. Additionally, if the Texas

Lottery chooses a particular game that we identify as being subject to copyright or trademark by another vendor, or jurisdiction, prior to the execution of Game Specifications (Working Papers), then we will, at the Texas Lottery's discretion, either negotiate an appropriate fee or change the

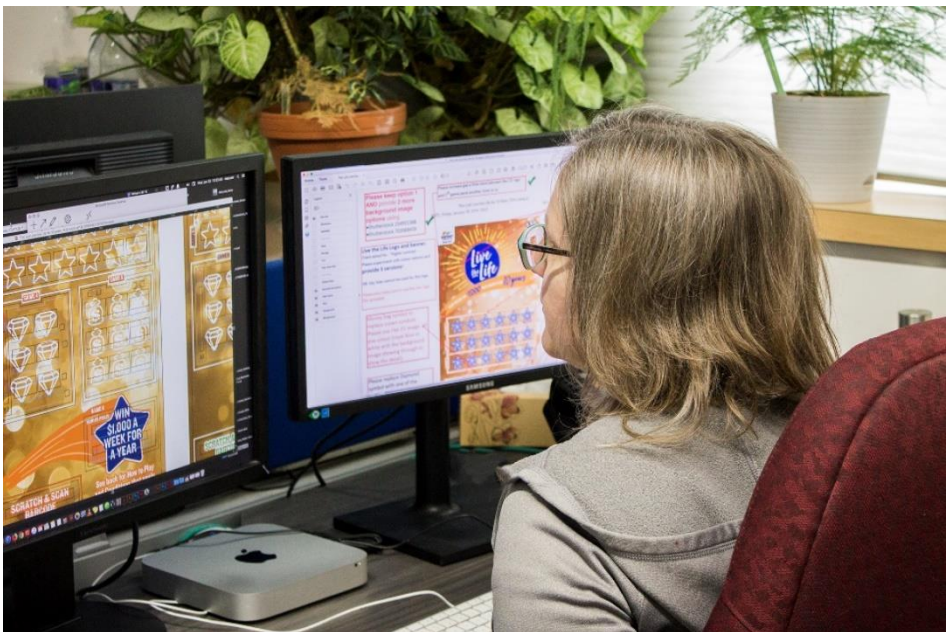


Pollard Banknote's Creative Artists work in an open-concept workspace that encourages collaboration and creativity.

game.

Our artists begin any ticket design with a strong understanding of graphic design, printing and marketing principles, familiarity with the conventions of effective lottery tickets and the willingness to try new ideas. In any arrangement, our design services can include:

- Conceptual art;
- Ticket design;
- Full color illustrations (traditional or digital);
- Multimedia web graphics/animation;
- Digital photography;
- Stock photography; and/or
- Image retouching and enhancement.



A Pollard Banknote Creative Artist balances the visual appeal of an instant ticket with security and technical requirements to create the finished product.

Playing a separate role is the Game Planner—the individual who advances the process from game conception to the final press proof by mapping out every game's manufacturing requirements. The Game Planner is a key position serving the Texas Lottery and we strive to ensure continuity in this position.

Leanne Toms, Game Planner, and Renée Hogan, Supervisor, Game Planning will coordinate the Texas Lottery's design and manufacturing requirements and act as an internal liaison to ensure consistent communication and quality throughout the design and manufacturing of a ticket.

The Game Management & Design department also includes a group of specialists operating within a digital framework who prepare designs for the plating process.

Enterprise Resource Planning (ERP) Tracking Efficiencies

Pollard Banknote's ongoing commitment to accountability and streamlining of our processes are evident in our investment in an enterprise resource planning (ERP) solution. For the Texas Lottery, ERP means quicker and more highly detailed and robust answers to manufacturing workflow questions, and efficient manufacturing of accurate Game Specifications (Working Papers). ERP has allowed us to have one standardized, yet customizable approach across all clients and internally, across the entire Sales & Marketing department. With the implementation of ERP, we have begun referring to Working Papers as Game Specifications.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

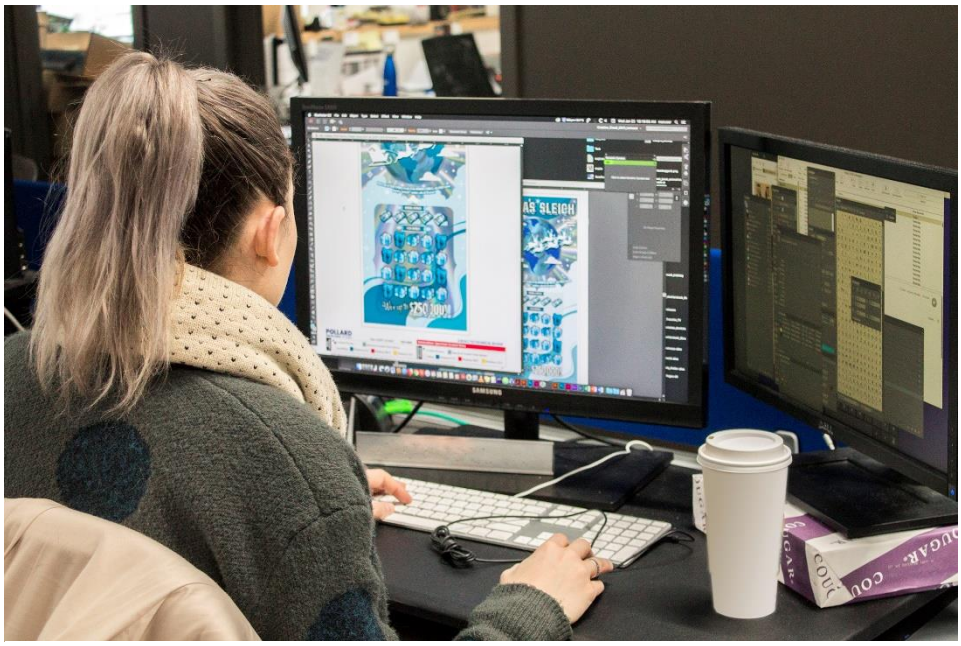
The Design Process

The design process typically begins with a successful game planning session between the Texas Lottery and Pollard Banknote's account representative(s). Following that, agreed upon games details are entered into our DiMS! ERP system and games are customized specifically to run on our printing presses. Jennnifer Wankling, Erika Kasper, and Melanie Mateychuk will work closely with Game Planners Leanne Toms and Renée Hogan throughout the entire game design process.

Leanne and Renée fully understand the opportunities and limitations of scratch ticket printing. It is their responsibility to ensure that all design ideas work well on our presses, and to determine which press is best suited to produce each game.

Erika Kasper will resource Sandra Newransky, Senior Creative Artist, who is part of the Texas Lottery Dedicated Account Services Team regarding ticket artwork. The Texas Lottery will be able to leverage the ease of a consistent resource that is familiar with its market and preferences, along with the power and creativity of an entire team of artists to achieve high-quality, sales-driving ticket designs. It is vitally important for team members involved in the development and manufacturing of games to understand the entire process. This understanding helps ensure efficient manufacturing.

Each of our Creative Artists is an accomplished artist in his/her own right, bringing specific artistic talents, beyond being fully skilled at creating computer-generated artwork. This approach adds complementary styles and skills to our designs across a variety of mediums—such as pencil, pastel, gouache, watercolors, and acrylics. We can draw on any design technique, or combination of techniques, to present a full range of viable design options.



A Pollard Banknote Creative Artist incorporates a lottery's instant ticket ideas and requirements into a cohesive, engaging design.

We also track the performance of existing games from lottery jurisdictions around the world and, as a result, will continually look for opportunities to bring new and interesting game concepts and designs to the Texas Lottery that have proven to be winners in comparable jurisdictions.

Whether the required design ideas are original, based on past market successes, or guided by the Texas Lottery, Pollard Banknote presents fully realized concepts that are developed to enhance the Texas Lottery's existing marketing mix.

Ticket Specifications and Available Options

Ticket specifications (i.e., the number of graphic colors required, ticket size, etc.) are listed in the Game Specifications (Working Papers) as they are developed. Ticket specifications determine which press and cylinder size will be used and the size of the tickets determines how the tickets will be configured on the printing plates.

Pollard Banknote is able to produce practically any ticket size. The number of tickets contained on one “sheet” is determined by the size of the cylinder and the size of the ticket. For example, a 24" diameter cylinder (24" across the web width) could print nine 8" x 8" tickets, twenty-four 6" x 4" tickets, seventy-two 4" x 2" tickets or seventy-seven 2.18" x 3.2" tickets We have a multitude of cylinder sizes available and a large number of color options available, which allows Pollard Banknote’s clients to market virtually any type of ticket. The design possibilities are nearly endless, ensuring the manufacturing of a ticket that is both aesthetically appealing and secure.

For more information on graphic colors, please see **Stage 6: Application of Graphic Inks**.

An instant ticket concept may begin with a pencil sketch, which serves to focus the game theme and overall design.

Creation of a Wireframe and Artistic Rendering

Together, the Game Planner and the designers assigned to the Dedicated Account Services Team create the ticket’s wireframe, which is essentially the skeleton of the ticket. The wireframe is analyzed by the Game Planner and our laboratory, and, once approved, is used as a basis for design.

Once the wireframe and game mechanics are established, the artistic component begins. The initial art medium is sometimes a pencil sketch, which visually focuses the game themes and design, and helps quickly develop a concept. This initial art allows the Texas Lottery to quickly determine the artistic direction. Upon a design’s approval, the pencil sketch is scanned into a computer and used as a template for the computer design.

Next, the Game Planner initiates our Design Review process.

First review: Electronic Ticket Art (Color Print) and Wireframe Design Checklist

Whether the Texas Lottery provides art or Pollard Banknote’s creative team develops a design concept, the design is initially reviewed internally.

The first review of the involves the creation of electronic ticket art and a Wireframe Design Checklist. Within this review, the wireframe, the electronic ticket design with uncovered art, and the electronic illustration with covered art are reviewed.

In addition to Game Planners, these early-stage review meetings include our Technical Artists; our Manufacturing Managers and Supervisors; Lab Services representatives; and other manufacturing management staff—all of whom study the technical feasibility of the design. Marketing Representatives will be kept apprised of any suggestions resulting from the meeting and will ensure the needs of the Texas Lottery and its players will be met if design changes are proposed.

Sandra Newransky, Senior Creative Artist makes final revisions to a ticket design.

The team meets to review and analyze the ticket design electronically, from technical perspectives such as color, register, and press tolerance, and discuss subjects such as how to best print the design. The team ensures the ticket art can be printed while maintaining all necessary security features.

If changes are recommended, the design returns to the Game Planner for assessment. The design is then returned to the Creative Artist to incorporate the necessary changes. All design changes that affect manufacturing or security must be re-submitted during this stage of the Design Review.

We can offer several different security profiles for tickets depending on the Texas Lottery's requirements and local laws. These can differ from ticket to ticket, even within one lottery, so each ticket's security profile will be established early in the Design Review phase. This will prevent the need for changes later on.

Our Design Review Team has more than 200 years of collective experience with game planning, art/design, pre-press, printing, and marketing, for lotteries from across the world. We have the expertise, the creativity, and the practical skills to best turn the Texas Lottery's artistic vision into reality.

Once the electronic illustrations are approved internally, the illustrations are released for customer approval. Artwork can include the unscratched ticket, the scratched ticket, simulated data imaging, the ticket back, overprints, ticket inserts, and any other specific files the Texas Lottery may request.

We will work closely with the Texas Lottery to ensure the design meets its expectations while maintaining printability and meeting security requirements.

Prize Structures

Years of experience and industry knowledge goes into the development of prize structures. Our consultative process leads to better prize distribution and increased playability by ensuring that the appropriate amount and number of prizes are allocated to mid-tier prizing. An art form in and of itself, our seasoned Sales & Marketing personnel have extensive experience in optimizing prize structures, leading to greater marketability and sales.

As determined by the Texas Lottery, Pollard Banknote will create prize structures independently for each game. Prize structures may include cash, merchandise (represented by symbols), free tickets, or a combination thereof.

The responsibility for writing prize structures—and the related verification software—resides with the talented programmers in our Game Generation group. The Programmers in this group have acquired enviable skillsets in generating the variable data that go into hundreds of games and billions of tickets year after year.

The prize structure for each game will be submitted to the Texas Lottery electronically and accompanied by an explanation regarding the various details of running the game. At this time, the Texas Lottery can review the proposed prize structure and indicate any changes or instructions that are required. Pollard Banknote will then produce the game in accordance with this final approved prize structure.

Game Specifications (formerly Working Papers)

Pollard Banknote's previous Game Specifications (Working Papers) process was tested and revised over the course of the thousands of games we printed over the past 37 years. This established process has worked well for us and has provided a strong base upon which to optimize our review process using our Enterprise Resource Planning (ERP) solution. ERP facilitates the integration of all internal information systems, instantaneously tracks manufacturing processes, ensures single

source data input, and allows for a real-time picture of the manufacturing process and complex reporting.

Erika Kasper, Account Executive, will create draft Game Specifications (Working Papers) by entering all relevant information into the ERP. In addition to the ticket design (wireframe, front covered and uncovered, back, and sample ticket back) and prize structure, this document precisely communicates product quality requirements, play format, along with post-manufacturing requirements and deliverables for both the Texas Lottery and our Manufacturing group.

As a means of quality control, manufacturing of the Texas Lottery's games will not commence until the Game Specifications (Working Papers) have been officially signed-off by the Texas Lottery.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

.

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Erika will discuss each change with all relevant SMEs. If a SME foresees potential issues with the change, Erika will communicate the SME's concerns or questions to the Texas Lottery. Once the relevant Pollard Banknote SMEs and the Texas Lottery have both approved the change, Erika will make the change in ERP and highlight the change. Again, the internal SMEs must sign-off on the change. The Texas Lottery will then receive revised Game Specifications (Working Papers) for review and approval. Once the Texas Lottery has approved the revised Game Specifications, the document is marked as "Executed."

Once approved by the Texas Lottery, Pollard Banknote will provide a PDF of the executed Game Specifications (Working Papers).

Client Standard Specifications

Since each Lottery typically has some specifications that apply to all or most games, Pollard Banknote has worked with many of our clients to develop Client Standard Specifications.

The Texas Lottery's static requirements are included in the Client Standard Specifications and therefore do not need to be in the Game Specifications (Working Papers) for every game. In the Game Specifications (Working Papers), the Client Standard Specifications document is referenced in the by name, version, and date.

This results in Game Specifications (Working Papers) that concentrate mainly on the variable pieces of information that are needed for a specific game (e.g., prize structure, artwork designs, schedule, game play restrictions). The Client Standard Specifications document ensures consistency and quality across games and reduces the possibility of errors during Game Specifications (Working Papers) development. In addition, it reduces the Texas Lottery's time and resource requirements for the review of each game's specifications, since the Client Standard Specifications are reviewed and approved only once.

Pollard Banknote has also made efforts to standardize game parameters for a lottery's common game styles. Our standardized game parameters are derived from tried, tested, and true games that have proven themselves as winners across a wide variety of lotteries. These standardized game parameters represent Pollard Banknote's collective wisdom over years in the scratch ticket industry. Pollard Banknote has developed standardized game parameters for numerous play styles, including, for example, symbol reveal, key number match, Bingo, Crossword, and beat the dealer. The Texas Lottery can benefit from our vast history of perfecting the player experience in terms of variety and specific characteristics of game play.

For those games that utilize a game style that has been made into a standard, Erika will reference that standard or include/attach the standard with the Game Specifications (Working Papers) to convey the game play restrictions to the client.

The executed Game Specifications (Working Papers) provide our Game Generation department with the approval to begin programming the game and trigger the development of a contract proof.

Contract Proofing

Pollard Banknote has a reputation for producing the highest-quality and most detailed contract proofs in the industry which provide the closest possible simulation to the final product prior to it running on the press.

Contract proofs are a crucial component of the ticket design process, allowing both the Texas Lottery and Pollard Banknote to review the appearance of a design prior to preparation of plates and the press run. These proofs must be accurate to provide clear communication about color and to avoid the downtime, expenses, and frustration that occur when an unanticipated color discrepancy requires a correction.

The contract proof illustrates how the colors will interact with each other within the graphics. Unlike what standard color copiers can produce, the contract proof indicates how a ticket will react on the press by accounting for color trapping and screen values. Trapping on the press is the ability of ink film to properly accept an overlapping ink film, making it possible to superimpose

one color over another. A slight trapping or overlapping of the two is required to avoid a white line between two areas on the printed ticket.

While color laser proofs showing process equivalent colors only are produced by our Creative Artists, trapped contract proofs are produced only by our Technical Artists. Our PDF workflow applies the proper calibration to simulate the end result on the press.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Designs created by our Creative Artists are essentially a snapshot of the ticket. These snapshots advance to our Supervisor, Technical Art Design, who assigns a Technical Artist to edit the design for print. Working side-by-side with the Creative Artist, the Technical Artist is involved from the beginning of any project conceived in-house. The Technical Artist reviews the design with the Game Planner to plan how the job will be trapped to ensure a good fit and register on the press.

While this process is underway, the wireframe goes to our Image Development group for the development of custom game data fonts. We describe this function in more detail in our discussion of **Stage 4: Variable Data Imaging**.

Color Management for Consistency and Repeatability

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Second Review: Contract Proof

Following the development of the contract proof, it is reviewed internally for technical accuracy by the Game Planner, Technical Artists, and Game Management & Design Proofreaders. After internal approval, contract proofs are provided to the Texas Lottery for review and approval.

We supply electronic files of the approved final artwork in whatever format a customer desires, including Adobe Illustrator, Photoshop, and Acrobat PDF.

Lotteries also have the option of downloading these files from our secure FTP server or having our team upload these files to the Texas Lottery's FTP server, with a prearranged password offering access in both cases.

This stage results in the ticket design needed to assemble the printing plates.

Manufacturing of Printing Plates

Many safeguards ensure that the plates we use for press runs correctly contain all essential ticket elements and nothing else—minimizing re-prints and other plate-related delays and keeping Lottery manufacturing on schedule.

Highly trained specialists create the plate files we use to print all the graphics; both those directly onto the stock and those on top of the security coatings and scratch-off layers, in addition to all those used for the various security layers.

Flexography is used in our printing processes. Advances in flexographic printing have improved color registration and result in highly accurate color reproduction, making it very suitable for lottery ticket production. Flexography is a relief printing process. It affords several major advantages for lottery ticket production, including precise control for applying various coatings, graphics inks and innovative holographic applications

A flexographic press uses a soft, wrap-around photopolymer plate mounted on a printing cylinder and printed onto a web-fed roll stock.

Our digital workflow, including cutting-edge hardware and software, enhances fidelity and adds to our ability to print subtle and more realistic graphics (e.g., clouds and skin tones).

Another benefit of our efficient workflow is faster turnarounds for manufacturing of flexographic plates. With the elimination of color keys, film, and the chemicals necessary to make film, this workflow is also kinder to the environment than other traditional printing methodologies.

Our Technical Art Manufacturing (TAP) department receives a request to prepare electronic manufacturing files and they refer to the signed-off contract proof and the Texas Lottery's manufacturing specifications, which provide the necessary details regarding layout requirements.

The TAP operator will work from the contract proof to create the electronic manufacturing file, thus ensuring that the art file used to create the proof is the same as the one used to make the plates. The wireframe is also used to reference the manufacturing file and ensures that the alignment matches the signed-off material.

The TAP operator creates a 1-up PDF that is reviewed by the Game Planner and the Proofreader. During this review, we create an all up composition. Once the 1-up PDF is approved, the PDF is assigned to the imposition and an all-up proof is created for review. Next, 1-bit TIFFs are created, which are the electronic plating files.

In an effort to continually provide vibrant, dynamic images, and photo likeness for our clients' tickets, Pollard Banknote uses a sophisticated digital Computer-to-Plate (CTP) device to produce flexographic plates for all graphics. The system delivers exceptional consistency, as well as a wider tonal range for flexographic printing and print quality equal to traditional offset printing; the latter being known for the manufacturing of high quality, fine line graphics.

Proofreading

Each and every output created in preparation for the presses is checked and proofread by one of our in-house Production Proofreaders.

Proofreaders must possess a thorough knowledge of our entire manufacturing process. They are tested on their knowledge and proofreading capabilities prior to being hired. The process of proofreading every output ensures that corrections take place along the path to printing and that customer-approved specifications are adhered to in every respect. We maintain a comprehensive chronological record as items are proofread and as corrections are made. We ensure that our Proofreaders have adequate time to proofread each item thoroughly. Any discrepancies are addressed.

To ensure that this critical proofreading exercise is the final measure of the artwork's accuracy, only Proofreaders and/or designated plate-making flexographic staff have the authority to release final plates to press.

Game Design and Development Process Summary

As described throughout this section, Pollard Banknote ensures quality control throughout the game design and development process with checks and balances at each stage, including the Game Specifications (Working Papers) review, which requires close scrutinization of the final game specifications by various departments across the organization.

To summarize the entire process, we have included a detailed graphic overview below, which illustrates the sequence of Pollard Banknote's game design process and denotes which party (the Texas Lottery, Pollard Banknote, or both) is responsible for each step and identifies steps that ensure quality.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

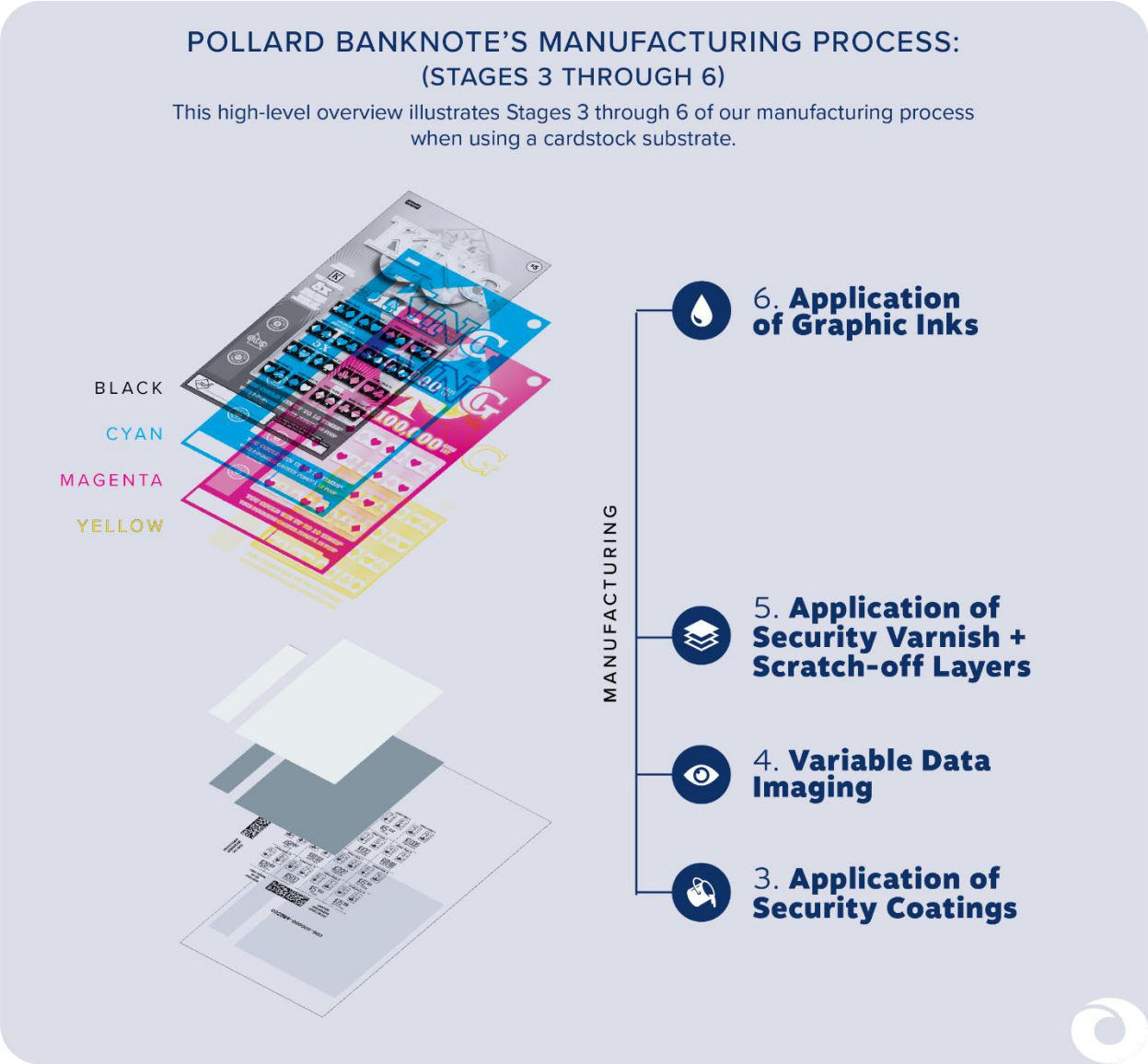
TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

This page intentionally left blank.

Manufacturing

The next phase is the actual printing of the ticket. It encompasses stages three through six within Pollard Banknote's Manufacturing Process.



This page intentionally left blank.

Stage 3: Application of Security Coatings

In **Stage 3**, security coatings are printed onto card stock in order to secure the data areas in preparation for variable data imaging. These security coatings ensure that the security level of scratch tickets printed on card stock is similar to the level of tickets printed on foil stock.

If foil stock is used, although security coatings are not required, we apply a game data receptive coating in order to ensure that the variable data imaging will be as crisp and legible as possible.

We have supplied security tints for many of our customers' tickets printed on card stock. Pollard Banknote can provide a range of security tint colors. Additionally, we offer a clear security coating with fluorescent properties that can detect tampering when placed under a black light. This security tint is a popular choice for our customers due to its marketing and sales advantages as it continues to offer tamper detection while minimizing distractions from the readability of the play data.

This page intentionally left blank.

Stage 4: Variable Data Imaging

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Stage 5: Application of Security Varnish & Scratch-off Layers

Pollard Banknote has established a stringent set of standards for all of our coatings, materials, and inks—including our varnish, and security and scratch-off layers, which are printed over the game data, in preparation for the application of the graphic inks. To ensure that the raw materials are able to withstand environmental elements and meet our requirements for quality and security, our internal laboratory conducts a variety of tests based on Pollard Banknote's Security Evaluation Standards. These standards meet or exceed the standards of external laboratories. We duplicate the tests conducted by these laboratories and develop our own testing and approval methods.

The varnish, security, and scratch-off layers are applied via separate stations prior to the graphics being applied. Each application is cured or dried using an energy-curing source (e.g., UV light) or forced-air gas ovens in preparation for the application of the next layer. The drying process changes depending on whether the inks are energy curable or conventional air-dried inks or coatings.

A varnish with protective and release properties is applied over the data and specific application is dependent on the substrate used (i.e., card or foil stock). After the varnish is applied, the security scratch-off is printed, followed by layers of white, readying the ticket for the application of the graphic inks.

Varnish

Following the imaging of the game data, Pollard Banknote will apply a protective coating of varnish over the play areas and, upon client request, over the pack and ticket number on the ticket. The integrity, adhesion, and barrier characteristics of the varnish prevent liquids, solvents, and vapors from attacking the game data. The varnish ensures the tickets cannot be compromised by any chemical, environmental, mechanical, or other known method of invasion.

Scratch-off Material

Pollard Banknote's scratch-off material consists of a smooth substance easily removed by scratching and is of a quality that will maintain the security of the ticket symbols and the validation number.

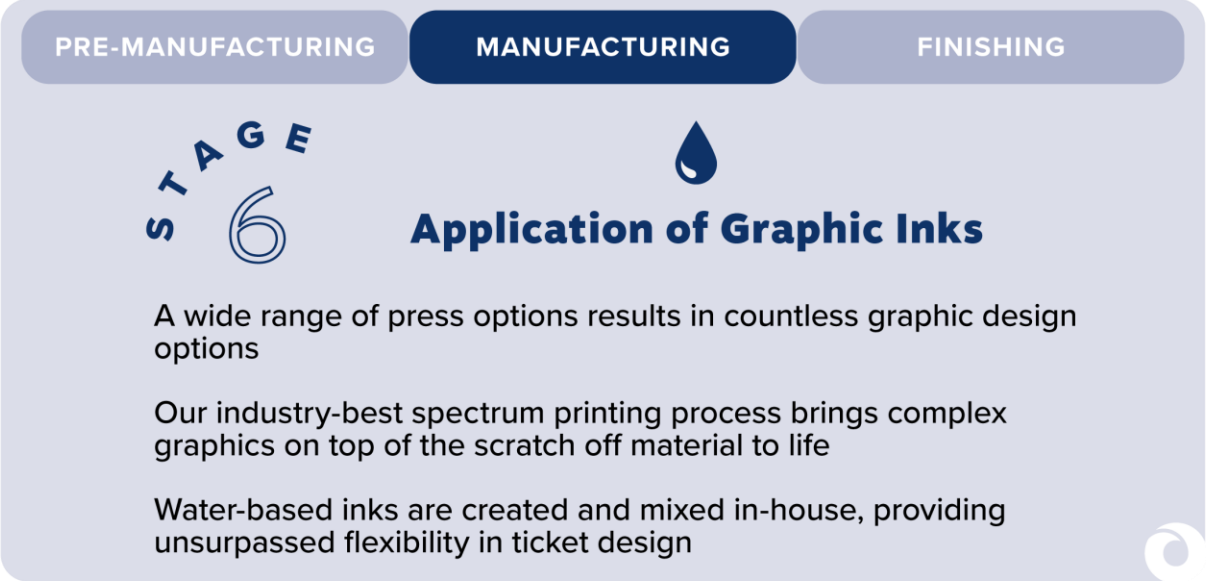
The scratch-off material is an elastomeric material that fragments without dusting using normal scratch-off techniques. It is smooth and regular to the touch, free of voids and scratches, and prevents game data from being identified with or without magnification. Every active play symbol will be completely covered by the scratch-off covering material.

Scratch tickets and games produced by Pollard Banknote will remain in merchantable state, if stored under normal warehouse conditions, typical handling, and usage, for a minimum of 36 months after delivery to the Texas Lottery.

Pollard Banknote's scratch-off material will not irritate or stain the skin or cause harm to clothing under normal usage conditions. The various inks we use in the manufacturing of the Texas Lottery's tickets will be custom developed to meet our exacting requirements.

To ensure that the varnish and scratch-off inks are performing to our high standards and meet client requirements, finished tickets from every roll are analyzed by our Lab for security and salability features. Operators are also inspecting tickets on each roll for characteristics such as opacity and varnish registration. The lab archives finished tickets from each roll. This logging allows for a very robust investigation process in case a future detailed review is needed. If a ticket does not meet our standards, then a Lab Inspection Report is issued ordering the affected product to be removed and destroyed, or placed in quarantine for further review.

Stage 6: Application of Graphic Inks



Scratch tickets are predominantly an impulse item, and they must catch the eye of frequent and potential players. A ticket's graphics greatly influence the impulse purchase pattern, and so our process ensures that each ticket we print will perform as expected. We take great pride in being acknowledged by lotteries as a printer of striking tickets.

In this stage of manufacturing, tickets undergo the application of all graphic colors to ensure maximum visibility and player interest when displayed at retail.

Graphics are printed directly on the ticket stock or on top of the scratch-off layers in the game data areas. We offer the highest possible quality graphics in both cases, thereby ensuring that games are extremely marketable.

A wide variety of overprint designs can be used, including text and/or artistic graphics. Graphics applied over the scratch-off coating offer a clean edge to the perimeters of the play area and enhance the ticket's aesthetics.

Graphics are typically printed using one or more colors, each being either solid or screened, depending on the complexity of the design. In accordance with the design, each station on the press lays down a different color on the ticket until all the graphics are printed.

Color Options

Our manufacturing flexibility allows Pollard Banknote's clients to market virtually any type of ticket. A wide range of press options, combined with the knowledge of our experienced design and manufacturing staff, allow Pollard Banknote to offer an array of graphic design options. All of our Game Planners and Account Representatives are thoroughly familiar with all possible color combinations, so the Texas Lottery can be confident that the full array of possibilities is presented on a routine basis.

With all of these options—and the thousands of possibilities that CMYK/four-color printing affords—the design possibilities are nearly endless and the manufacturing of a ticket that is both aesthetically appealing and secure is assured.

Spectrum Printing Process

With our Spectrum printing process, graphics to be printed on top of the game data areas that have been secured with varnish, security layers, and white, can be designed as blended colors in addition to standard solid colors. Blending colors makes possible an even larger array of visually attractive graphic designs on the scratch-off.

Pollard Banknote's Spectrum printing process allows us to draw shapes and motifs in different color values and mix these colors to create a multitude of additional colors on top of the game data areas. This technique has enabled Pollard Banknote to print tickets that "pop" at retail by including dynamic, eye-catching designs, including crisp and clear scratch-off four-color process photos.

Pollard Banknote's Spectrum printing process is the best in the industry in terms of the ability to bring complex, detailed graphics on top of the scratch-off material to life.

Inks

Pollard Banknote uses water-based inks that swell or bleed with tampering. Our inks consist of a mixture of resins, dyes, and pigments that remain of low viscosity until application. As with scratch-off inks, when the graphic ink is applied, it is put through a curing process that removes the water/moisture and leaves behind a color layer over the scratch off.

Pollard Banknote mixes all ink in-house using our own formula library to match industry standards. Our in-house capabilities provide the Texas Lottery with an unsurpassed flexibility in ticket design and an accurate reproduction of the desired colors on the press. It also means we are not dependent on local suppliers to deliver on short notice. Our proprietary energy-cured varnish, scratch-off, inks, and application methods prevent compromise through all known methods of invasion. For more information on ticket security, please see **8.9.1.**

Multiple Play Areas

In addition to graphically appealing scratch-off overprints, Pollard Banknote has set up its finishing process to accommodate multiple play areas without placement restrictions. Multiple play areas continue to excite players, offering the option to incorporate bonus spots and additional gameplay features.

Game and Design Security

Pollard Banknote appreciates that our customers work very hard to establish and maintain their reputations for providing secure lottery products. We fully understand the negative effects that non-secure tickets have on that reputation. As such, we are committed to producing highly marketable and secure tickets through our robust game programming, laboratory testing, and printing techniques.

During the design stage of a client's tickets, and during our Design Review process, special attention is given to security in areas with graphics printed on top of scratch-off material. We ensure overprint designs incorporate the following security features:

- Virtually all of the scratch-off material is covered by an overprint color to make any attempts to invade the ticket obvious.
- The overprint ink extends beyond the edges of the scratch-off material and into the display area to improve the appearance of the ticket, giving the play area a clean edge, and help it resist invasion using lifting techniques.
- The overprinting is clear, un-blurred, and uniform so that irregularities caused by tampering are easily detected.

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

More information on ticket security can be found in **8.9.1. Security at Pollard Banknote.**

Universal Product Code (UPC) Bar codes

Pollard Banknote treats the UPC as a graphic element. A game's UPC is created by our Game Management & Design department based on customer specifications outlined in the Executed Game Specifications (Working Papers) and is printed at the same time as the rest of the graphics.

The software used to create UPC graphics, called MBC4, produces accurate and precise bar codes that adhere to the official guidelines for each bar code type. The UPC data is entered into the MBC4 software, which generates the bar code, and outputs it as an Adobe Illustrator file. The software validates the last numerical check-digit in the code (often the last check digit is not provided, but instead mathematically derived by an algorithm from the other digits in the sequence input).

Once the bar code is generated, it is then placed into the ticket art and positioned according to customer specifications, including 'quiet space' requirements. In addition, the UPC will also be positioned to ensure that it is not too close to the ticket bar code and will not interfere with bar code scanning.

While Pollard Banknote does not have any limitations with respect to its ability to produce UPC bar codes and is capable of printing bar codes to any specification required, including height or length, we can provide recommendations based on our years of experience producing bar codes

on scratch tickets. For instance, bar codes are typically printed black on white and scaled down to approximately 80% size due to the limited amount of space on a scratch ticket. Our vast experience has shown us that bar codes scaled down further than 80% can have issues with scanner readability.

Pollard Banknote has several procedures in place to confirm our ability to offer consistently reliable UPCs. Once the UPC is placed and the ticket art is complete, it then goes to Design Proofreading, who scan a 1200 dpi laser print of the code to confirm proper content and readability. The Design Proofreaders have access to a handheld bar code scanner that ensure the code scans correctly, and that the bars match the human readable numbers while also matching the information provided by the customer and documented in the Executed Game Specifications (Working Papers).

Even if the customer provides their own art for a UPC, we will always recreate the code with our own software as it outputs bar codes that are specifically calibrated for our print processes.

As another additional means of quality assurance, once the final art is approved and the manufacturing files are ready for press, the Manufacturing Proofreaders scan the UPC on the "all-up inkjet proof" using the hand-scanner in the Lab. The Lab uses Webscan software—the technology leader in bar code verification, recognized industry-wide as the gold standard—to confirm print quality and decodability.

All of our bar codes will satisfy both and the ANSI Bar Code Print Quality Guidelines and relevant ISO/IEC specifications and standards. Additionally, Pollard Banknote is capable of providing bar code technology solutions established as NASPL standards and best practices.

The Texas Lottery can be assured that quality assurance continues through the live press run—a sample of the printed ticket is taken to our Lab and the UPC is scanned for print quality and readability.

This page intentionally left blank.

Finishing

The finishing phase of our manufacturing process encapsulates the final steps up to and including the Texas Lottery's order leaving our facility. This includes our rigorous inspection process to ensure the finished product meets all standards of quality, packaging the product, and shipping.

Stage 7: Inspection

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

Waste Destruction

All voided tickets are shredded within the secure confines of our facilities by Pollard Banknote staff. The shredding room is a monitored, limited-access area. Prior to destroying any tickets, the Shredding Operator reviews the Destruction Sheet and the tickets to be destroyed to ensure that they match. We use special dual shredders, which shred the materials into a residual mass small enough to render impossible any potential security concerns. In addition, all waste connected with scratch game manufacturing (i.e., unused, partially printed stock) is also disposed of in this method. All partially printed stock, omits, or other waste is shredded in our in-house shredder unit.

Stage 8: Packaging

START OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

TPIA §552.110

TPIA §552.110

TPIA §552.110

END OF CONFIDENTIAL, PROPRIETARY, AND TRADE SECRET INFORMATION

This page intentionally left blank.

Stage 9: Shipping

Shipping requirements are listed in the Game Specifications (Working Papers) for each game. Our shipping personnel will ensure that every single shipping requirement documented in the Game Specifications (Working Papers) is satisfactorily addressed. We offer flexibility and will customize shipping procedures to the customer's wishes, and our Shipping department welcomes input from our customers to ensure that the most suitable methods of shipment are used.

It is our responsibility to ensure that the customer receives the product problem-free. In preparation for shipping, cartons are sealed and placed on pallets. The pallet is stretch-wrapped and stored in a secure area while awaiting shipment. Cartons will be stacked on pallets designed to suit the method of transportation chosen by the customer.

After the pallets are stretch-wrapped and bound, labels detailing their contents are affixed to the pallets. The labels will show the game name, the from-through carton numbers loaded onto the pallet, and the pallet number for the game.

A Shipping Manifest is maintained such that, when the pallet loading is complete, the manifest listing all tickets to be shipped is checked and placed with the tickets. The Carrier Representative and our Shipping Representative sign the seal number listed on the bill of lading. The seal will only be broken in the presence of a designated Lottery employee.

A bill of lading will include the following information:

- Destination;
- Driver's signature;

- Total number of pallets; and
- Seal numbers

A computer listing is generated that will show a list of packs delivered and omitted that corresponds to each carton.

Shipping of all finished goods is conducted under secure conditions with staff in attendance at all times. Pollard Banknote employees load the truck and photograph the entire contents of the trailer or container. The load is then sealed by Pollard Banknote employees who install a high-security bolt or cable and a uniquely numbered Pollard Banknote seal. Pollard Banknote's shipping department will email key Texas Lottery Security and Warehouse staff when the shipment departs. The email will include the picture of the contents of the trailer, the cable seal number, combination lock code, tamper seal number, bill of lading, and estimated time of arrival. The seal is to be broken only in the presence of a designated Lottery employee.

Our loading bays are equipped with an electronically controlled trap system that precludes opening doors between the manufacturing areas and loading bays when the outside shipping or receiving doors are open. The loading bays are camera-monitored, and the resultant recordings remain on file for six (6) months.

Pollard Banknote only uses established, high quality transport companies. Deliveries are made in exclusive-use trucks that are consistently tracked so Pollard Banknote personnel can follow the truck's progress from point of origin to destination. Bonded drivers deliver the loads, and packages are prepared to avoid any problems during shipping.

All loads are fully insured. Pollard Banknote assumes the ownership, risk, and responsibility for the safety and security of the tickets throughout manufacturing, delivery, and storage. Our personnel handle all aspects of the shipping process. The Marketing Representative will notify the customer of all information regarding shipping and delivery. The information is sent by telephone and email.

A Shipping Manifest Pre-advise is emailed to the warehouse and to the Texas Lottery at the time of shipment. The Texas Lottery can request to be notified via telephone prior to the tickets' departure from the facility and the truck's seal being forwarded to the Texas Lottery's designated personnel.

Ticket Storage Security

Pollard Banknote has secure storage areas for our game tickets, which are located within our facility based on their stage in our manufacturing process. These areas are locked, restricted-access rooms requiring card key for entry, and are constantly monitored under CCV surveillance.

Finished tickets are stored in fully secure, restricted-access areas of our manufacturing facilities while they are packaged, cartoned, and marshalled for shipping.

Skids of shrink-wrapped product ready for shipment to our customers. Dependent upon customer needs, Pollard Banknote can provide secure in-house warehousing for an extended period of time prior to shipment.

In addition to tickets awaiting shipment, we also store quality control sheets and Electronic Manufacturing Control Logs in these areas. This material is stored as an aid in resolving any questions or discrepancies regarding shipping manifests, pack disposition, or product quality concerns.

bsi.

By Royal Charter

Certificate of Registration

QUALITY MANAGEMENT SYSTEM - ISO 9001:2015

This is to certify that:

Pollard Banknote Limited
140 Otter Street
Winnipeg
Manitoba
R3T 0M8
Canada

Holds Certificate No: **FM 537453**

and operates a Quality Management System which complies with the requirements of ISO 9001:2015 for the following scope:

Design and manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.

For and on behalf of BSI:

Carlos Pitanga, Chief Operating Officer Assurance – Americas

Original Registration Date: 2009-03-03
Latest Revision Date: 2021-02-18

Effective Date: 2021-03-03
Expiry Date: 2024-03-02

...making excellence a habit.™

This certificate remains the property of BSI and shall be returned immediately upon request.
An electronic certificate can be authenticated online. Printed copies can be validated at www.bsigroup.com/ClientDirectory
To be read in conjunction with the scope above or the attached appendix.

Certificate No: **FM 537453**

Location	Registered Activities
Pollard Banknote Limited 140 Otter Street Winnipeg Manitoba R3T 0M8 Canada	Design and manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited 6203 46th St. Barrhead Alberta T7N 1K7 Canada	Packaging and logistics of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited 775 James L. Hart Pkwy Ypsilanti Michigan 48197 USA	Design and manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited 45 White Oak Drive East Sault Ste Marie Ontario P6B 4J7 Canada	Packaging and logistics of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.
Pollard Banknote Limited Winnipeg Manufacturing Functions 1499 Buffalo Place Winnipeg Manitoba R3T 1L7 Canada	Design and manufacture, including packaging and logistics, of scratch-off lottery tickets, pull-tab tickets, commercial games, bus passes, on-line lottery terminal roll-stock and bingo paper.

Original Registration Date: 2009-03-03
Latest Revision Date: 2021-02-18

Effective Date: 2021-03-03
Expiry Date: 2024-03-02

This certificate remains the property of BSI and shall be returned immediately upon request.
An electronic certificate can be authenticated online. Printed copies can be validated at www.bsigroup.com/ClientDirectory
To be read in conjunction with the scope above or the attached appendix.
Information and Contact: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP. Tel: + 44 345 080 9000
BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.

bsi.

By Royal Charter

Certificate of Registration

INFORMATION SECURITY MANAGEMENT SYSTEM - ISO/IEC 27001:2013

This is to certify that:

Pollard Banknote Limited
140 Otter St
Winnipeg
Manitoba
R3T 0M8
Canada

Holds Certificate No: **IS 584197**

and operates an Information Security Management System which complies with the requirements of ISO/IEC 27001:2013 for the following scope:

The management of information security for the generation and handling of game data, printing and packaging of instant tickets, and iLottery customer support services as per Statement of Applicability Dated: September 12, 2018.

For and on behalf of BSI:

Carlos Pitanga, Chief Operating Officer Assurance – Americas

Original Registration Date: 2014-01-02
Latest Revision Date: 2019-12-23

Effective Date: 2020-01-02
Expiry Date: 2023-01-01

...making excellence a habit.™

This certificate remains the property of BSI and shall be returned immediately upon request.
An electronic certificate can be authenticated online. Printed copies can be validated at www.bsigroup.com/ClientDirectory
To be read in conjunction with the scope above or the attached appendix.

Certificate No: **IS 584197**

Location	Registered Activities
Pollard Banknote Limited 1499 Buffalo Place Winnipeg Manitoba R3T 1L7 Canada	The management of information security for the generation and handling of game data, printing and packaging of instant tickets, and iLottery customer support services as per Statement of Applicability Dated September 12, 2018.
Pollard Banknote Limited 6203 46th St. Barrhead Alberta T7N 1K7 Canada	The management of information security for the generation and handling of game data, printing and packaging of instant tickets, and iLottery customer support services as per Statement of Applicability Dated September 12, 2018.
Pollard Banknote Limited 775 James L. Hart Pkwy Ypsilanti Michigan 48197 USA	The management of information security for the generation and handling of game data, printing and packaging of instant tickets, and iLottery customer support services as per Statement of Applicability Dated: September 12, 2018.
Pollard Banknote Limited 45 White Oak Drive East Sault Ste Marie Ontario P6B 4J7 Canada	The management of information security for the generation and handling of game data, printing and packaging of instant tickets, and iLottery customer support services as per Statement of Applicability Dated September 12, 2018.
Pollard Banknote Limited 140 Otter St Winnipeg Manitoba R3T 0M8 Canada	The management of information security for the generation and handling of game data, printing and packaging of instant tickets, and iLottery customer support services as per Statement of Applicability Dated September 12, 2018.
Pollard Banknote Limited (NeoPollard Interactive) 920 N. Fairview 2nd Floor Lansing Michigan 48912 USA	The management of information security for the generation and handling of game data, printing and packaging of instant tickets, and iLottery customer support services as per Statement of Applicability Dated September 12, 2018.

Original Registration Date: 2014-01-02
Latest Revision Date: 2019-12-23

Effective Date: 2020-01-02
Expiry Date: 2023-01-01

This certificate relates to the information security management system, and not to the products or services of the certified organization. The certificate reference number, the mark of the certification body and/or the accreditation mark may not be shown on products or stated in documents regarding products or services. Promotion material, advertisements or other documents showing or referring to this certificate, the trademark of the certification body, or the accreditation mark, must comply with the intention of the certificate. The certificate does not of itself confer immunity on the certified organization from legal obligations.

This certificate remains the property of BSI and shall be returned immediately upon request.
An electronic certificate can be authenticated online. Printed copies can be validated at www.bsigroup.com/ClientDirectory
To be read in conjunction with the scope above or the attached appendix.
Information and Contact: BSI, Kitemark Court, Davy Avenue, Knowlhill, Milton Keynes MK5 8PP. Tel: + 44 345 080 9000
BSI Assurance UK Limited, registered in England under number 7805321 at 389 Chiswick High Road, London W4 4AL, UK.

Consolidated Financial Statements of

POLLARD BANKNOTE LIMITED

Years ended December 31, 2021 and 2020

KPMG LLP
1900 - 360 Main Street
Winnipeg MB
R3C 3Z3

Telephone (204) 957-1770
Fax (204) 957-0808
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Pollard Banknote Limited

Opinion

We have audited the consolidated financial statements of Pollard Banknote Limited (the "Entity"), which comprise the consolidated statements of financial position as at December 31, 2021 and December 31, 2020, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2021 and December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the year ended December 31, 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our auditors' report.

Evaluation of intangible assets acquired in the Next Generation Lotteries AS acquisition

Description of the matter

We draw attention to Notes 2(d), 3(b), 5(c) to the financial statements. On January 14, 2021, the Entity acquired Next Generation Lotteries AS (NGL) for total consideration of $48,745 thousand, which is net of cash acquired and debt assumed.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.

The Entity recorded technology and game library in connection with the NGL transaction (collectively, the "intangible assets"). The acquisition date fair value for the NGL intangible assets was $25,637 thousand. The Entity's significant assumptions used in determining the acquisition date fair value for the intangible assets include:

- projected revenue growth rates;
- projected gross profit;
- the discount rates.

Why the matter is a key audit matter

We identified the evaluation of the acquisition date fair value of the intangible assets acquired in the NGL transactions as a key audit matter. We identified this as a key audit matter because significant auditor judgment was required in evaluating the audit evidence obtained relating to the significant assumptions noted above. The estimated fair value of the intangible assets acquired is sensitive to possible changes to these significant assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

To assess the Entity's projected revenue growth rates and projected gross profit, we compared the assumptions to NGL's historical actual results. We also considered the Entity's revenue synergies and cost savings after integration of NGL with Pollard.

We involved valuation professionals with specialized skills and knowledge, who evaluated the discount rates by comparing them to discount rate ranges that were independently developed using publicly available information for comparable entities.

Evaluation of the goodwill impairment analysis for cash generating units

Description of the matter

We draw attention to Notes 2(d), 3(l) and 10 to the financial statements. The goodwill balance as of December 31, 2021 was $108,175 thousand related to the Lotteries, Charitable gaming, eGaming systems and Retail cash generating units and groups of cash generating units (CGUs). The Entity performs goodwill impairment testing at least on an annual basis. This requires an estimation of the recoverable amount of each CGU based on the greater of the "value in use" or "fair value less costs to sell" of the CGU. The determination of each of these amounts require the Entity to make significant estimates and assumptions which include projected revenue and discount rates.

Why the matter is a key audit matter

We identified the evaluation of the goodwill impairment analysis for the CGUs as a key audit matter. This matter represented an area of significant risk of misstatement given the magnitude of the goodwill balance. This matter required significant auditor judgment in evaluating the results of our audit procedures due to the high degree of estimation uncertainty involved in the Entity's estimates and assumptions.

How the matter was addressed in the audit

The primary procedures we performed to address this key audit matter included the following:

We compared the Entity's historical revenue estimates to actual results to assess the Entity's ability to accurately project revenue assumptions.

We evaluated the Entity's projected revenue assumptions by comparing those assumptions to the Entity's expected growth rates. We took into account changes in conditions and events affecting each CGU to assess the adjustments or lack of adjustments made in arriving at projected revenue.

We involved valuation professionals with specialized skills and knowledge to assist in assessing the discount rates used in the estimated recoverable amounts, by comparing them to discount rate ranges that were independently developed using publicly available information for comparable entities.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.
- the information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2021".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions, as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

The information, other than the financial statements and the auditors' report thereon, included in a document likely to be entitled "Annual Report 2021" is expected to be made available to us after the date of this auditors' report. If, based on the work we will perform on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

KPMG LLP

Chartered Professional Accountants

The engagement partner on the audit resulting in this auditors' report is Austin Abas.

Winnipeg, Canada

March 9, 2022

Pollard Banknote Limited
Consolidated Statements of Financial Position
(*In thousands of Canadian dollars*)

	December 31, 2021	December 31, 2020
Assets		
Current assets		
Cash	$ 3,517	$ 1,888
Restricted cash	19,237	19,058
Accounts receivable	73,351	65,208
Inventories (note 6)	45,008	46,620
Prepaid expenses and deposits	7,576	6,707
Income tax receivable	4,477	338
Total current assets	153,166	139,819
Non-current assets		
Long-term receivables	584	829
Property, plant and equipment (note 7)	104,590	96,396
Equity investment (note 9)	585	881
Goodwill (note 10)	108,175	89,276
Intangible assets (note 11)	94,305	74,146
Deferred income taxes (note 12)	–	3,220
Total non-current assets	308,239	264,748
Total assets	$ 461,405	$ 404,567

Pollard Banknote Limited
Consolidated Statements of Financial Position
(*In thousands of Canadian dollars*)

	December 31, 2021	December 31, 2020
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 81,306	$ 59,433
Dividends payable	1,077	1,028
Income taxes payable	194	4,941
Current portion lease liabilities (note 8)	6,151	5,109
Contract liabilities (note 17)	2,242	379
Total current liabilities	90,970	70,890
Non-current liabilities		
Lease liabilities (note 8)	10,419	11,832
Deferred income taxes (note 12)	11,112	10,690
Long-term debt (note 13)	115,130	131,080
Other non-current liabilities	4,276	1,322
Pension liability (note 14)	22,541	36,370
Total non-current liabilities	163,478	191,294
Shareholders' equity		
Share capital (note 15)	149,849	109,007
Reserves	(1,579)	2,563
Retained earnings	58,687	30,813
Total shareholders' equity	206,957	142,383
Commitments and contingencies (note 16)		
Total liabilities and shareholders' equity	$ 461,405	$ 404,567

See accompanying notes to consolidated financial statements.

On behalf of the Board:

"Dave Brown" Director

"John Pollard" Director

Pollard Banknote Limited
Consolidated Statements of Income
(*In thousands of Canadian dollars, except for share amounts*)

Years ended December 31

		2021		2020
Sales (note 17)	$	459,014	$	414,134
Cost of sales		367,912		323,089
Gross profit		91,102		91,045
Administration		47,214		40,311
Selling		17,538		14,644
Equity investment income (note 9)		(12,336)		(1,587)
Other (income) expenses (note 18)		5,169		(12,364)
Income from operations		33,517		50,041
Finance costs (note 19)		7,234		10,924
Finance income (note 19)		(832)		(7,025)
Income before income taxes		27,115		46,142
Income taxes (note 12)				
Current		14,247		10,955
Deferred (reduction)		(6,833)		1,899
		7,414		12,854
Net income	$	19,701	$	33,288
Net income per share (basic) (note 20)	$	0.74	$	1.30
Net income per share (diluted) (note 20)	$	0.73	$	1.28

See accompanying notes to consolidated financial statements.

Pollard Banknote Limited
Consolidated Statements of Comprehensive Income
(*In thousands of Canadian dollars*)

Years ended December 31

		2021		2020
Net income	$	19,701	$	33,288
Other comprehensive income (loss):				
Items that are or may be reclassified to profit and loss				
Foreign currency translation differences – foreign operations		(4,142)		(3,142)
Items that will never be reclassified to profit and loss				
Defined benefit plans remeasurements, net of income tax (note 12 & note 14)		12,111		(7,649)
Other comprehensive income (loss)		7,969		(10,791)
Comprehensive income	$	27,670	$	22,497

See accompanying notes to consolidated financial statements.

Pollard Banknote Limited
Consolidated Statements of Changes in Equity
(*In thousands of Canadian dollars*)

Year ended December 31, 2021

		Share capital	Translation reserve	Retained earnings	Total equity
Balance at December 31, 2020	$	109,007	2,563	30,813	142,383
Net income		–	–	19,701	19,701
Other comprehensive income (loss)					
Foreign currency translation differences – foreign operations		–	(4,142)	–	(4,142)
Defined benefit plans remeasurements, net of income tax (note 12 & note 14)		–	–	12,111	12,111
Total other comprehensive income (loss)	$	–	(4,142)	12,111	7,969
Total comprehensive income (loss)	$	–	(4,142)	31,812	27,670
Issue of common shares (note 15)	$	32,844	–	(81)	32,763
Issue of common shares related to acquisition of Next Generation Lotteries AS (note 5)		7,998	–	–	7,998
Share based compensation		–	–	449	449
Dividends (note 15)		–	–	(4,306)	(4,306)
Balance at December 31, 2021	$	149,849	(1,579)	58,687	206,957

Year ended December 31, 2020

		Share capital	Translation reserve	Retained earnings	Total equity
Balance at December 31, 2019	$	108,642	5,705	8,937	123,284
Net income		–	–	33,288	33,288
Other comprehensive loss					
Foreign currency translation differences – foreign operations		–	(3,142)	–	(3,142)
Defined benefit plans remeasurements, net of income tax (note 12 & note 14)		–	–	(7,649)	(7,649)
Total other comprehensive loss	$	–	(3,142)	(7,649)	(10,791)
Total comprehensive income (loss)	$	–	(3,142)	25,639	22,497
Issue of common shares (note 15)	$	365	–	(67)	298
Share based compensation		–	–	409	409
Dividends		–	–	(4,105)	(4,105)
Balance at December 31, 2020	$	109,007	2,563	30,813	142,383

See accompanying notes to consolidated financial statements.

Pollard Banknote Limited
Consolidated Statements of Cash Flows
(*In thousands of Canadian dollars*)

Years ended December 31

	2021	2020
Cash increase (decrease)		
Operating activities		
Net income	$ 19,701	$ 33,288
Adjustments		
Income taxes	7,414	12,854
Amortization and depreciation	39,554	31,467
Interest expense	4,980	4,841
Unrealized foreign exchange (gain) loss	251	(1,894)
Equity investment income (note 9)	(12,336)	(1,587)
Pension expense (note 14)	9,947	8,145
Contingent consideration adjustment (note 18)	9,550	(2,137)
Interest paid	(3,539)	(4,713)
Income tax paid	(21,068)	(1,053)
Pension contribution	(7,189)	(8,587)
Change in non-cash operating working capital (note 22)	9,272	(10,973)
	56,537	59,651
Investing activities		
Additions to property, plant and equipment (note 7)	(22,226)	(12,957)
Acquisition of mkodo Limited (note 5)	–	(15,349)
Acquisition of Compliant Gaming, LLC (note 5)	(289)	(24,349)
Acquisition of Next Generation Lotteries AS (note 5)	(38,083)	–
Charitable gaming asset purchase	–	(4,895)
Equity distribution (note 9)	12,613	1,860
Additions to intangible assets (note 11)	(12,604)	(5,978)
	(60,589)	(61,668)
Financing activities		
Proceeds from issue of share capital	32,763	298
Net borrowings (repayments) of long-term debt (note 13)	(15,350)	5,055
Change in other non-current liabilities	90	32
Lease principal payments	(6,227)	(5,098)
Deferred financing charges paid (note 13)	(650)	(128)
Dividends paid	(4,257)	(4,102)
	6,369	(3,943)
Foreign exchange gain (loss) on cash held in foreign currency	(688)	400
Change in cash position	1,629	(5,560)
Cash position, beginning of year	1,888	7,448
Cash position, end of year	$ 3,517	$ 1,888

See accompanying notes to consolidated financial statements.

1. Reporting entity:

Pollard Banknote Limited ("Pollard") was incorporated under the laws of Canada on March 26, 2010. The address of Pollard's registered office is 140 Otter Street, Winnipeg, Manitoba, Canada, R3T 0M8.

The consolidated financial statements of Pollard as at and for the year ended December 31, 2021, comprise Pollard, Pollard's subsidiaries and its interest in other entities. Pollard is primarily involved in the manufacture and sale of lottery and charitable gaming products and solutions.

The controlling entity of Pollard is Pollard Equities Limited ("Equities"), a privately held company. Equities owned approximately 64.3% of Pollard's outstanding shares as at December 31, 2021.

The operations of Next Generation Lotteries AS ("NGL"), acquired during the first quarter of 2021, are included in the consolidated financial statements from January 14, 2021. Further details are provided in note 5.

2. Basis of preparation:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

On March 9, 2022, Pollard's Board of Directors approved these consolidated financial statements.

(b) Basis of preparation:

These consolidated financial statements have been prepared on a historical cost basis, except for the following material items in the statement of financial position:

- The pension liability is recognized as the net total of the fair value of plan assets less the present value of the defined benefit obligation.

- The contingent consideration liability is recognized at the present value of the expected payments to be made under the agreement.

These statements are presented in Canadian dollars, Pollard's functional currency, and all values are rounded to the nearest thousand (except share and per share amounts) unless otherwise indicated.

Certain comparative figures for the prior period have been reclassified to conform to the presentation adopted in the current period.

2. Basis of preparation (continued):

(c) COVID-19:

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. Our charitable and Diamond Game businesses were negatively impacted with a large reduction in sales in the second quarter of 2020 with the temporary closure of many retail outlets; however, these sales rebounded to pre-COVID levels in the third quarter of 2020 with the re-opening of retail outlets. In the later part of the fourth quarter of 2020, a number of jurisdictions reenacted temporary retail closures, reducing our revenues again. Many of these jurisdictions re-opened in early 2021, with consumer demand once again returning strongly, to levels much higher than pre-pandemic, which have continued to date. In addition, Pollard's main lottery products and services have shown significant resilience with strong retail sales growth throughout the pandemic in many jurisdictions, including the U.S., generating substantial cash flows from operating activities through the years ended December 31, 2020 and December 31, 2021. The extent of the pandemic's effect on Pollard's operational and financial performance will depend on future developments, including the extent and duration of the pandemic, both of which are uncertain and difficult to predict. As a result, it is not currently possible to ascertain the overall financial impact on Pollard's business. Pollard has significant cash resources and unused credit facility available, which management believes will allow Pollard to support its operations during the pandemic.

All Pollard facilities continue to follow at a minimum their applicable provincial/state and local public health authority measures and guidance. Wherever a shelter-in-place order or state of emergency has been declared, local and federal authorities have identified, under specific acts, which essential industries remain open and active until further notice. In all affected jurisdictions, Pollard is classified as an essential government supplier, which has allowed Pollard to continue to operate throughout the pandemic. As of the date of the consolidated financial statements, all Pollard facilities are operational. Our supply chains, while remaining functional, are facing pressure and we are seeing inflationary price increases on our instant ticket inputs. We are also experiencing staffing challenges in areas within our organization. Pollard is extremely dedicated to providing a safe workplace in all facilities and is working to curb the spread of the virus through implementation of extensive safety measures at all locations, including daily temperature checks and health screening, extensive social distancing, restriction of visitors, work from home policies for employees capable of doing so, encouragement of obtaining vaccines and use of electronic monitoring to ensure social distancing.

(d) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

2. Basis of preparation (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. Actual results may differ from these estimates.

Information about judgments, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next period are as follows:

Impairment of goodwill:

Pollard determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value in use" or "fair value less costs to sell" of the cash-generating units ("CGUs"), or groups of CGUs, to which goodwill is allocated. Estimating value in use requires Pollard to make estimates of the expected future cash flows from the CGUs, or groups of CGUs, to which goodwill is allocated. Pollard also chooses suitable discount rates in order to calculate the present value of those cash flows. Judgment is required in determining the level at which to test goodwill, including the grouping of CGUs that generate cash inflows. Further details are provided in note 10.

Employee future benefits:

Accounting for defined benefit plans requires Pollard to use actuarial assumptions. These assumptions include the discount rate and the rate of compensation increases. These assumptions depend on underlying factors such as economic conditions, government regulations, investment performance, employee demographics and mortality rates. Further details are provided in note 14.

Income taxes:

Pollard is required to evaluate the recoverability of deferred income tax assets. This requires an estimate of Pollard's ability to utilize the underlying future income tax deductions against future taxable income before they expire. In order to evaluate the recoverability of these deferred income tax assets, Pollard must estimate future taxable income. Further details are provided in note 12.

Leases:

Upon inception of all leases, Pollard assesses whether it is reasonably certain that lease extension options will be exercised. Pollard also makes assumptions as to the discount rate applied to the lease liability upon recognition. If there is a significant event or change in circumstances within Pollard's control, these judgments and assumptions could change and may result in material adjustments to right-of-use assets and corresponding lease liabilities. Further details are provided in note 8.

2. Basis of preparation (continued):

Acquisition accounting:

For acquisition accounting purposes, all identifiable assets and liabilities acquired in a business combination are recognized at fair value at the date of acquisition. Estimates and assumptions are used to calculate the fair value of these assets and liabilities. Changes to assumptions could significantly impact the fair values of certain assets, such as intangible assets. Pollard's significant assumptions used in determining the acquisition date fair value of intangible assets include projected revenue and related gross profit, discount rates and projected revenue growth rates.

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Principles of consolidation:

These consolidated financial statements include the accounts of Pollard and all its subsidiaries.

Subsidiaries are entities which are under Pollard's control, where control is defined as the power to govern financial and operating policies of an entity so as to obtain benefits from its activities. Pollard holds 100% of the voting rights in, and therefore controls, its subsidiaries.

Significant subsidiaries:	Percent Ownership Interest	
	December 31, 2021	December 31, 2020
Pollard Holdings, Inc.	100	100
Pollard (U.S.) Ltd.	100	100
Pollard Games, Inc.	100	100
Pollard iLottery Inc.	100	100
Diamond Game Enterprises	100	100
Diamond Game Enterprises Canada ULC	100	100
Schafer Systems (2018) Inc.	100	100
Fastrak Retail (UK) Limited	100	100
mkodo Limited	100	100
Compliant Gaming, LLC	100	100
Next Generation Lotteries AS	100	–
Next Generation Lotteries GmbH	100	–

All inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, have been eliminated.

3. Significant accounting policies (continued):

(b) Business combinations:

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the fair value of the assets and equity instruments given, and liabilities incurred or assumed at the date of exchange.

Acquisition costs for business combinations are expensed as incurred and included in administration expenses. Identifiable assets acquired and liabilities assumed are measured at their fair value at the acquisition date.

The excess of the fair value of consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

Pollard performs a concentration test to clarify whether a transaction results in an asset or a business acquisition. This is a simplified assessment that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets.

(c) Restricted cash:

Pollard, under certain contractual arrangements, controls cash that is restricted in use. Pollard records an equal liability classified within accounts payable and accrued liabilities. Restricted cash includes player deposits held for the benefit of one of Pollard's iLottery customers, in addition to funds held for security purposes and certain contractual liabilities. Pollard has excluded changes in the restricted cash and related liability from its calculation of the change in cash position in the statements of cash flows.

(d) Revenue recognition:

Revenue is recognized when a customer obtains control of the goods or services. Pollard determines revenue recognition through the following steps: a) identification of the contract with a customer, b) identification of the performance obligations in the contract, c) determination of the transaction price, d) allocation of the transaction price to the performance obligations in the contract and e) recognition of revenue when Pollard satisfies a performance obligation.

3. Significant accounting policies (continued):

Many of Pollard's contracts have a single performance obligation, including the sale of instant tickets and related products, pull-tab (or break-open) tickets, bingo paper, pull-tab vending machines, ancillary products such as pull-tab counting machines and gaming machines. The single performance obligation in these contracts is the promise to transfer the individual goods. Revenue is recognized at a point in time when the customer obtains control of a product, which typically takes place when legal title and physical possession of the product is transferred to the customer. These conditions are usually fulfilled upon delivery. However, under certain contracts, Pollard is compensated for its products based on its customers' sales of those products at retail. Pollard has concluded that control transfers to its customers at delivery of the product to the customer. As such, recognition of sales under these contracts occurs upon receipt of shipment. Pollard's sales under these contracts could vary year over year depending on the timing of shipments.

Pollard applies bill and hold sales accounting when products are held on behalf of customers provided all of the following conditions are met as of the reporting date: a) there is a substantive reason for the arrangement, b) the goods are separately identified as belonging to the customer, c) Pollard is no longer able to use the goods or direct the goods to another customer, and d) the goods are currently ready for physical transfer to the customer.

Certain Pollard contracts include multiple performance obligations, including license and royalty sales, iLottery services, loyalty programs, digital and lottery management services, training and consulting. Where such arrangements exist, the transaction price is allocated to the performance obligations based upon the relative fair value of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately. Revenue is then recognized upon satisfaction of each performance obligation.

Where Pollard provides software and related infrastructure, revenue is recognized over time based on the relevant measure of progress of the asset being transferred to the customer. Any amounts recognized as revenue, but not yet billed to the customer, are recorded as contract assets and included within accounts receivable.

Pollard earns revenue from gaming machines and other equipment, and capitalizes the costs of installing gaming equipment. Revenue from the provision of gaming services is generally recognized as a daily fee or as a percentage of revenue generated by the gaming machines. Product support services, maintenance and periodic upgrades revenue is recognized over time as the related services are performed. Labour costs associated with performing routine maintenance on participating gaming machines is expensed as incurred and included in cost of sales.

Contract liabilities consist of customer advances for services to be rendered in the future and is recognized as income in future periods.

3. Significant accounting policies (continued):

Volume rebates are accrued and recorded as a reduction to sales based on historical experience and management's expectations regarding future sales volumes.

(e) Inventories:

Raw materials, work-in-process and finished goods are valued at the lower of cost and net realizable value. The cost of raw material inventory is based on its weighted average cost and includes all costs incurred to acquire the materials. In addition to the direct costs of conversion, the cost of work-in-process and finished goods, which Pollard manufactures, also includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion.

(f) Goodwill:

Goodwill is comprised of the excess sale price over the underlying carrying amount of the net assets sold as at August 5, 2005, as part of the 26.7% of Pollard sold in conjunction with the Initial Public Offering ("IPO") and the excess fair value of the consideration transferred over the fair value of the identifiable net assets acquired of Pollard's subsidiaries.

(g) Intangible assets:

Expenditures related to internally generated intangible assets are recognized as intangible assets only if Pollard can demonstrate that the costs can be measured reliably, the product is technically and commercially feasible, future economic benefits are probable and Pollard has sufficient resources to complete development and to use or sell the asset.

Deferred development

Deferred development consists of the cost of materials, direct labour and related employee benefits that are directly attributable to preparing the asset for its intended use and applicable borrowing costs incurred in respect of qualifying assets. Other development expenditures are expensed as incurred.

Capitalized development expenditures are measured at cost less investment tax credits (including scientific research and experimental development ("SR&ED") credits), accumulated amortization and accumulated impairment losses.

3. Significant accounting policies (continued):

Computer software and licenses

Computer software consists of the cost of acquiring, developing and implementing these systems. Development and implementation costs include third party costs as well as direct labour and related employee benefits attributable to the asset. Minimum license fees, incurred in connection with our licensing agreements for our use of third-party brands, are capitalized and amortized over the estimated life of the asset.

Capitalized computer software costs and licenses are measured at cost less investment tax credits (including SR&ED credits), accumulated amortization and accumulated impairment losses.

Customer assets and patents

Customer assets and patents that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets, with finite useful lives, are amortized, on a straight-line basis, over their estimated useful lives as follows:

Asset	Rate
Customer assets	7 to 20 years
Patents	Term of patent
Computer software and licenses	3 to 15 years or term of license
Deferred development	5 years

Amortization methods, estimated useful lives and residual values are reviewed each annual reporting date and adjusted prospectively, if appropriate.

The carrying value of finite useful life intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Trademarks, trade names and brands

Trademarks, trade names and brands have been deemed to have an indefinite life and are not amortized. Pollard expects to maintain these assets indefinitely and therefore finite useful lives cannot be determined. For purposes of impairment testing, the fair value of the trademarks, trade names and brands are tested for impairment on an annual basis.

3. Significant accounting policies (continued):

(h) Property, plant and equipment:

Property, plant and equipment ("PP&E") are stated at cost less investment tax credits (including SR&ED credits), accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and related employee benefits, other costs directly attributable to bringing the assets to working condition for their intended use and borrowing costs incurred in respect to qualifying assets.

Major spare parts are treated as PP&E when they have a useful life greater than a year. Once major spare parts are put in service, they are transferred into equipment and amortized accordingly.

An item of PP&E is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on disposal of an item of PP&E is determined by comparing the proceeds from disposal with the carrying value of the PP&E and is recognized in the statement of income on a net basis.

The cost of each component of an item of PP&E is depreciated over its estimated useful life on a straight-line basis, commencing the date it is ready for use. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

Asset	Rate
Buildings	10 to 39 years
Leasehold improvements	Term of lease
Equipment	2 to 11 years
Furniture, fixtures and computers	3 to 9 years

Depreciation methods, useful lives and residual values are reviewed each annual reporting date and adjusted prospectively if appropriate.

The carrying value of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

3. Significant accounting policies (continued):

(i) Investment in joint venture:

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, rather than rights to the assets and obligations for the liabilities. Joint control is the agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require consent of both parties.

The consolidated financial statements include Pollard's 50% share of the income and expenses and equity movements of the entity accounted for under the equity method of accounting.

(j) Investment in joint operation:

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require consent of both parties.

The consolidated financial statements include Pollard's interest in the Michigan Lottery iLottery joint operations: its assets, including its 50% share of any assets held jointly; its liabilities, including its 50% share of any liabilities incurred jointly and its 50% share of revenue and expenses.

(k) Financial instruments:

Financial assets are initially measured at fair value. On initial recognition, Pollard classifies its financial assets at either amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), depending on its business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to their initial recognition, unless Pollard changes its business model for managing financial assets. Financial liabilities are classified at amortized cost or FVTPL.

A financial asset is classified as measured at amortized cost if it meets both of the following conditions: a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

A financial asset is classified as measured at FVOCI if it meets both of the following conditions: a) it is held within a business model whose objective is achieved by both collecting contractual

3. Significant accounting policies (continued):

cash flows and selling financial assets and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI are measured at FVTPL. This includes all derivative financial assets. On initial recognition, Pollard may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial liability is classified as measured at FVTPL if it is classified as held-for-trading, a derivative, contingent consideration or it is designated as such on initial recognition.

All financial liabilities not measured at FVTPL are classified as measured at amortized cost.

Hedge accounting

Pollard sells a significant portion of its products and services to customers in the United States and to some international customers where sales are denominated in U.S. dollars. In addition, a significant portion of its cost inputs are denominated in U.S. dollars. Pollard also generates revenue in currencies other than the Canadian and U.S. dollar, primarily in Euros.

From time to time, Pollard enters into hedging arrangements in order to mitigate this exposure to foreign exchange fluctuations. Pollard determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. An assessment is made whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

The fair value of each contract is included on the consolidated balance sheet as either a financial asset or liability. Changes in fair value are recorded in either other comprehensive income or the consolidated statement of income, depending on the nature of the hedged item.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to the consolidated statement of income in the same period or periods as the hedged expected future cash flows affects income or loss. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in the hedging reserve are immediately reclassified to the consolidated statement of income.

3. Significant accounting policies (continued):

(l) Impairment:

Financial assets

Pollard applies the simplified approach to providing for expected credit losses, which requires the use of the lifetime expected credit loss provision for all accounts receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due under the contract and the cash flows that Pollard expects to receive. The expected cash flows reflect all available information, including Pollard's historical experience, the past due status, and forward-looking macroeconomic factors. Further details are provided in note 26 and note 27.

Non-financial assets

The carrying amount of Pollard's non-financial assets, other than inventories and deferred income tax assets, are reviewed at each reporting date to determine whether there is an indication that an asset may be impaired. If any such indication exists, or when the annual impairment testing for an asset is required, Pollard estimates the asset's recoverable amount. For goodwill the recoverable amount is estimated as of December 31 each year. An impairment loss is recognized if the carrying amount of an asset, or its related CGU, or group of CGUs, exceeds its estimated recoverable amount.

The recoverable amount of an asset, CGU, or group of CGUs is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, CGU, or group of CGUs. Pollard calculates fair values using appropriate valuation techniques, which are generally based on a forecast of expected future cash flows for intangible assets, and on a replacement cost approach, an income-based approach and/or a market-based approach for property, plant and equipment. These valuations are closely related to the assumptions made by management about the future return on the related assets and the discount rate applied.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or CGUs.

Impairment losses are recognized in net income. Impairment losses recognized in respect to CGUs or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated, and then to reduce the carrying amounts of the other assets in the CGU or group of CGUs on a pro rata basis. An impairment loss in respect to goodwill is not reversed.

3. Significant accounting policies (continued):

In respect to other assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss can only be reversed to the extent that the asset's carrying value that would have been determined, net of amortization, if no impairment had been recognized.

(m) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(n) Translation of foreign currencies:

The functional currency for each of Pollard's subsidiaries is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the respective functional currencies of each entity within the consolidated group using the exchange rates in effect at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rates prevailing at the end of the reporting period. Non-monetary items measured at historical cost in a foreign currency are translated to the functional currency using the exchange rate prevalent at the date of acquisition. Non-monetary items denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate prevalent at the date that the fair value was determined.

Foreign currency differences arising from translation are recognized in net income, except for exchange differences arising on the translation of financial instruments qualifying as a cash flow hedge, which are recognized directly in other comprehensive income ("OCI").

The results and financial position of entities within the consolidated group that have a functional currency different from the presentation currency are translated into Canadian dollars as follows: assets and liabilities are translated at the exchange rate prevailing at the end of the reporting period; income and expenses are translated at the average rate for the reporting period; all resulting exchange differences are recognized in OCI.

On disposal of a foreign operation, the deferred cumulative amount recognized in OCI relating to that particular foreign operation is recognized in net income.

3. Significant accounting policies (continued):

(o) Employee benefits:

Share based compensation

The grant date fair value of stock options granted to employees is recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards.

Entities are permitted to make an accounting policy election when accounting for share-based payment awards that could be accounted for as having been either forfeited or cancelled. Pollard has elected to treat such circumstances as forfeitures of awards. Further details are provided in note 15.

Deferred director compensation

Deferred director compensation is comprised of cash-settled share-based payments. Deferred Share Units ("DSU") are granted to eligible directors at the fair value of the common shares at the grant date. The DSUs earn notional dividends, equivalent to actual dividends declared on Pollard's shares. Right to payment of the outstanding DSUs is deferred until termination, retirement or death. The liability associated with the DSUs is recalculated at each reporting date and at settlement. Any change in the fair value of the liability is recognized as an expense within administration expenses in the consolidated statements of income.

Defined contribution plans

Pollard's U.S. subsidiaries maintain five defined contribution plans in the United States. The obligation to contribute to these plans is recognized as an employee benefit expense as incurred.

Defined benefit plans

Pollard maintains four non-contributory defined benefit pension plans in Canada and the United States, three being final pay plans and one being a flat benefit plan. None of the plans have indexation features.

The costs of Pollard's defined benefit plans are recognized over the period in which employees render service to Pollard in return for the benefits. The defined benefit obligations associated with the plans are actuarially determined using the projected unit credit method pro-rated on service and management's best estimate of salary escalation and retirement ages of employees. The present value of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that have maturity terms approximating the maturity terms of the related obligation and that are denominated in the currency in which the benefits will be paid. The expected return on pension plan assets is

3. Significant accounting policies (continued):

calculated utilizing the discount rate used to measure the defined benefit obligation at the beginning of the annual period.

Past service costs are recognized as an expense on a straight line basis over the average period until the benefits becomes vested. If the benefits have vested, past service costs are recognized in net income immediately.

Remeasurements that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are recognized immediately in OCI.

Pollard's pension asset is limited to the total of any unrecognized past services costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to Pollard's plans. An economic benefit is available to Pollard if it is realizable during the life of the plan, or on settlement of the plan liabilities.

(p) Income taxes:

Current income tax and deferred income tax are recognized in the statement of income except to the extent that the tax relates to items recognized directly in equity or in OCI. Current income tax is the expected tax payable or receivable on the taxable income or loss for the period and any adjustment to tax payable in respect to previous years. Current income tax expense includes withholding taxes and U.S. state franchise taxes.

Deferred income tax is recorded to reflect the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities and their tax basis. Deferred income tax assets and liabilities are determined based on the enacted or substantively enacted tax rates, which are expected to be in effect when the underlying items of income and expense are expected to be realized.

Deferred income tax is not recognized for: temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future, taxable temporary differences arising on the initial recognition of goodwill or temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3. Significant accounting policies (continued):

The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment, except if it relates to an item previously recognized in equity, in which case the adjustment is made to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax liabilities and assets, and they are levied by the same taxation authority on the same taxable entity, or on different tax entities which intend to settle their current income tax assets and liabilities on a net basis.

(q) Provisions:

Provisions are recognized when Pollard has a present legal or constructive obligation as a result of a past event that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. If Pollard has a contract that is onerous, the present obligation under the contract shall be recognized and measured as a provision.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

(r) Finance costs and finance income:

Finance costs comprises interest expense on borrowings including amortization of deferred financing costs, interest expense on lease liabilities, accretion of contingent consideration, mark-to-market losses on foreign exchange contracts and net foreign exchange losses.

Borrowing costs that are not directly attributable to the acquisition, construction or production of an asset, that necessarily takes a substantial period of time to get ready for its intended use or sale, are expensed in the period incurred using the effective interest method.

Finance income comprises mark-to-market gains on foreign exchange contracts and net foreign exchange gains.

3. Significant accounting policies (continued):

(s) Leases:

At inception of a contract, Pollard assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Pollard recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. The right-of-use asset is subsequently measured at cost less any accumulated depreciation and impairment losses.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, Pollard's incremental borrowing rate. Generally, Pollard uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in Pollard's estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Pollard presents right-of-use assets in "property, plant and equipment" on the statement of financial position.

Pollard accounts for short-term and low value leases by applying the recognition exemption available under IFRS 16.

Pollard's leases are for offices, manufacturing facilities, production equipment and office equipment.

3. Significant accounting policies (continued):

(t) Government Grants and Disclosure of Government Assistance:

Government subsidies are recognized on an accrual basis when there is reasonable assurance that Pollard will comply with the conditions required to qualify for the subsidy and that the collection of the subsidy is also reasonably assured. Government subsidies are recognized on the consolidated statements of income as an item included within other income over the periods in which the expense that the subsidy is intended to offset are recognized.

4. Future accounting standards:

(a) Amendments to IAS 1 – classification of liabilities as current or non-current:

In January 2020, the International Accounting Standards Board ("IASB") issued amendments to IAS 1 *Presentation of Financial Statements* to clarify the classification of liabilities as current or non-current. For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. The 2020 amendments also clarify how a company classifies a liability that includes a counterparty conversion option. The amendments are effective for annual periods beginning on or after January 1, 2024. Pollard is currently assessing the impact of the amendment on the consolidated financial statements.

(b) Amendments to IAS 16 – proceeds before intended use:

In May 2020, the IASB issued *Property, Plant and Equipment Proceeds before Intended Use (Amendments to IAS 16).* The amendments provide guidance on the accounting for sale proceeds and related production costs for items a company produces and sells in the process of making an item of property, plant and equipment available for its intended use. The amendments are effective for annual periods beginning on or after January 1, 2022. Pollard does not expect the amendments to have a significant impact on the consolidated financial statements upon adoption.

(c) Amendments to IAS 37 – cost of fulfilling a contract:

In May 2020, the IASB issued *Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)*. The amendments address the fact that IAS 37 does not specify which costs are included as a cost of fulfilling a contract when determining whether a contract is onerous. The amendments clarify that costs of fulfilling a contract comprise both the incremental costs and an allocation of direct costs. The amendments are effective for annual periods beginning on or after January 1, 2022. Pollard does not expect the amendments to have a significant impact on the consolidated financial statements upon adoption.

4. Future accounting standards (continued):

(d) Amendments to IAS 1 and IFRS Practice Statement 2 – disclosure initiative – accounting policies:

In February 2021, the IASB issued *Disclosure Initiative – Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements)*. The amendments help companies provide useful accounting policy disclosures. The key amendments include requiring companies to disclose their material accounting policies rather than significant accounting policies, clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed and clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements. The amendments are effective for annual periods beginning on or after January 1, 2023. Pollard is currently assessing the impact of the amendment on the consolidated financial statements.

(e) Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction:

In May 2021, the IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).* The amendments narrow the scope of the initial recognition exemption ("IRE") so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. The amendments are effective for annual periods beginning on or after January 1, 2023. Pollard is currently assessing the impact of the amendment on the consolidated financial statements.

5. Acquisitions:

(a) mkodo Limited:

On February 3, 2020, Pollard acquired 100% of the share capital of mkodo Limited ("mkodo"), a provider of digital apps and user interfaces for the lottery and gaming industry worldwide. The purchase price was funded by proceeds from Pollard's credit facility and cash on hand. The acquisition has been accounted for using the acquisition method. The fair values of the identifiable assets and liabilities have been based on management's best estimates and valuation techniques as at February 3, 2020, the acquisition date.

Cash paid, net of cash acquired of $1,300 and debt assumed of $723	$	15,349
Contingent consideration		2,098
Total consideration	$	17,447
Accounts receivable	$	2,479
Deferred income tax asset		305
Prepaid expenses and deposits		102
Property, plant and equipment		1,429
Income taxes receivable		427
Accounts payable and accrued liabilities		(653)
Contract liabilities		(273)
Lease liabilities		(1,125)
Deferred income tax liability		(1,380)
Net tangible assets acquired (excluding cash acquired and debt assumed)	$	1,311
Customer relationships	$	4,670
Technology		2,064
Brand		1,393
Identifiable intangible assets acquired	$	8,127
Goodwill acquired	$	8,009

The goodwill acquired is largely attributable to the assembled workforce, market share and the expected synergies and cost savings after integration of mkodo with Pollard. This goodwill is not deductible for tax purposes.

Contingent consideration, based on achievement of certain earnings before interest, taxes, depreciation and amortization ("EBITDA") targets, was estimated and accrued as at the acquisition date. The earn-out is based on mkodo's achievement of certain EBITDA targets during 2020 and 2021. The potential payment under the earn-out was unlimited. Pollard reassessed progress towards achievement of these EBITDA targets as at December 31, 2020, and December 31, 2021, and determined that they have not been achieved. As such, Pollard has not accrued any amounts relating to this contingent consideration liability in 2020 or 2021.

As at December 31, 2020, the acquisition accounting was finalized.

5. Acquisitions (continued):

(b) Compliant Gaming, LLC:

On December 30, 2020, Pollard acquired 100% of the equity of Compliant Gaming, LLC ("Compliant"), a leading provider of electronic pull-tab gaming systems and products to the charitable gaming market. The purchase price was funded by proceeds from Pollard's credit facility and cash on hand. The acquisition has been accounted for using the acquisition method. The fair values of the identifiable assets and liabilities have been based on management's best estimates and valuation techniques as at December 30, 2020, the acquisition date.

Cash paid	$	24,349
Final working capital payment		289
Contingent consideration		5,249
Total consideration	$	29,887
Accounts receivable	$	46
Prepaid expenses and deposits		44
Property, plant and equipment		453
Accounts payable and accrued liabilities		(155)
Contract liabilities		(110)
Net tangible assets acquired	$	278
Customer relationships	$	13,137
Game library		2,907
Software		1,398
Identifiable intangible assets acquired	$	17,442
Goodwill acquired	$	12,167

The goodwill acquired is largely attributable to the assembled workforce, market share and the expected revenue synergies and cost savings after integration of Compliant with Pollard. This goodwill is expected to be deductible for tax purposes.

During the measurement period, the closing working capital amount was finalized. Adjustments to the purchase price and purchase price allocation were required, resulting in a $289 increase in cash paid, a $10 increase in contingent consideration, a $53 increase in the customer relationships and a $246 increase to goodwill.

Acquisition costs related to the Compliant purchase in the year ended December 31, 2021, were $61 (2020 – $124). These costs were included in administration expenses.

5. Acquisitions (continued):

Contingent consideration, based on achievement of certain earnings before interest, income taxes, depreciation and amortization ("EBITDA") targets, may be paid to the vendor. The earn-out is based on Compliant's achievement of certain EBITDA targets over two twelve-month periods. The potential payment under the earn-out is unlimited. During the year ended December 31, 2021, Pollard reassessed Compliant's progress towards achievement of the EBITDA targets, which resulted in an adjustment to increase the fair value of the liability by $9,550. This increase is due to Compliant achieving stronger EBITDA during the earn-out period relative to original expectations. Pollard has also recorded accretion expense of $1,543 during 2021 on this contingent consideration.

As at December 31, 2021, Pollard has accrued $12,421 within current liabilities and $3,921 within non-current liabilities relating to the contingent consideration.

The acquisition accounting was finalized during the fourth quarter of 2021.

(c) Next Generation Lotteries AS:

On January 14, 2021, Pollard acquired 100% of the equity of Next Generation Lotteries AS ("NGL"), a leading provider of lottery management and iLottery technology. The purchase price was funded by proceeds from Pollard's credit facility and cash on hand. The acquisition has been accounted for using the acquisition method. The fair values of the identifiable assets and liabilities have been based on management's best estimates and valuation techniques as at January 14, 2021, the acquisition date.

Cash paid, net of cash acquired of $9,015 and debt assumed of $2,382	$	38,083
Purchase price payable		2,664
Issuance of common shares		7,998
Total consideration	$	48,745
Accounts receivable	$	6,145
Inventories		1,096
Prepaid expenses and deposits		896
Property, plant and equipment		5,116
Income tax receivable		1,119
Deferred tax liability		(6,460)
Accounts payable and accrued liabilities		(3,342)
Lease liabilities		(1,835)
Net tangible assets acquired	$	2,735
Technology	$	22,653
Game library		2,984
Identifiable intangible assets acquired	$	25,637
Goodwill acquired	$	20,373

5. Acquisitions (continued):

The goodwill acquired is largely attributable to the assembled workforce and the expected revenue synergies and cost savings after integration of NGL with Pollard. This goodwill is not expected to be deductible for tax purposes.

During the measurement period, new information became available regarding the existence and valuation of certain receivables, prepaid expenses, right of use assets and lease liabilities, the valuation of share consideration and the ability to utilize the future tax recoverable recognized as at the acquisition date. Adjustments to the preliminary purchase price allocation were required, resulting in a $544 increase to the cash paid, a $846 increase to the value of the common shares issued, a $545 increase in accounts receivable, a $106 decrease in prepaid expenses, a $1,835 increase in property, plant and equipment, a $735 increase in deferred tax liability, a $1,835 increase in lease liabilities and a $1,686 increase to goodwill.

During the measurement period, the closing working capital amount was finalized. Adjustments to the purchase price and purchase price allocation were required, resulting in a $8 increase in cash paid, a $1 increase in accounts receivable and a $7 increase to goodwill.

Acquisition costs related to the NGL purchase in the year ended December 31, 2021, were $898. These costs were included in administration expenses.

If NGL had been acquired on January 1, 2021, incremental revenue of $405 and net loss of $658, after depreciation and amortization of the fair values of identifiable net assets acquired, would have been recognized in the year ended December 31, 2021.

Included in the purchase agreement is the opportunity for contingent consideration, based on achievement of certain contribution margin targets during 2021. The maximum amount of contingent consideration payable is $5,880 (€4,000). As at December 31, 2021, Pollard has not accrued any amounts relating to this contingent consideration as the contribution margin targets are currently not expected to be met.

The acquisition accounting was finalized during the fourth quarter of 2021.

6. Inventories:

	December 31, 2021	December 31, 2020
Raw materials	$ 21,678	$ 16,756
Work-in-process	2,270	2,209
Finished goods	21,060	27,655
	$ 45,008	$ 46,620

During 2021, Pollard recorded inventory write-downs of $656 representing an increase in the obsolescence reserves and write-downs of $23 due to changes in foreign exchange rates.

During 2020, Pollard recorded inventory write-downs of $704 representing an increase in the obsolescence reserves and write-downs of $8 due to changes in foreign exchange rates.

The cost of sales reflects the costs of inventory including direct material, direct labour and manufacturing overheads.

7. Property, plant and equipment:

Cost	Land	Buildings	Leasehold improve-ments	Equipment	Furniture, fixtures and computers	Assets in progress & spare parts	Total
Balance at January 1, 2020	$ 1,692	40,190	5,396	186,238	8,216	8,495	250,227
Acquisitions (note 5)	–	1,125	150	562	45	–	1,882
Additions/net transfers	464	5,495	744	13,865	682	1,868	23,118
Disposals	–	–	–	(866)	–	–	(866)
Effect of movements in exchange rates	(24)	(440)	(40)	(1,027)	(27)	(133)	(1,691)
Balance at December 31, 2020	$ 2,132	46,370	6,250	198,772	8,916	10,230	272,670
Acquisitions (note 5)	–	1,474	–	2,930	712	–	5,116
Additions/net transfers	–	4,783	57	14,120	839	6,720	26,519
Disposals	–	(547)	–	(1,614)	(20)	–	(2,181)
Effect of movements in exchange rates	(3)	(280)	(11)	(271)	(75)	(6)	(646)
Balance at December 31, 2021	$ 2,129	51,800	6,296	213,937	10,372	16,944	301,478

Accumulated depreciation	Land	Buildings	Leasehold improve-ments	Equipment	Furniture, fixtures and computers	Assets in progress & spare parts	Total
Balance at January 1, 2020	$ –	10,920	2,814	139,541	5,048	–	158,323
Depreciation for the year	–	5,667	504	13,055	370	–	19,596
Disposals	–	–	–	(866)	–	–	(866)
Effect of movements in exchange rates	–	(123)	(26)	(620)	(10)	–	(779)
Balance at December 31, 2020	$ –	16,464	3,292	151,110	5,408	–	176,274
Depreciation for the year	–	6,845	476	14,842	705	–	22,868
Disposals	–	(503)	–	(1,614)	(17)	–	(2,134)
Effect of movements in exchange rates	–	(40)	(7)	(64)	(9)	–	(120)
Balance at December 31, 2021	$ –	22,766	3,761	164,274	6,087	–	196,888

Carrying amounts	Land	Buildings	Leasehold improve-ments	Equipment	Furniture, fixture and computers	Assets in progress & spare parts	Total
At December 31, 2020	$ 2,132	29,906	2,958	47,662	3,508	10,230	96,396
At December 31, 2021	$ 2,129	29,034	2,535	49,663	4,285	16,944	104,590

8. Leases:

Pollard's leases are for offices, manufacturing facilities, production equipment and office equipment.

Pollard presents right-of-use assets in "property, plant and equipment" on the consolidated statement of financial position. The following tables present continuity schedules of Pollard's right-of-use assets by asset class:

		Buildings	Equipment	Furniture, fixtures and computers	Total
Balance at January 1, 2020	$	15,232	142	215	15,589
Acquisitions (note 5)		1,125	–	–	1,125
Additions		5,071	180	–	5,251
Depreciation		(5,050)	(138)	(215)	(5,403)
Effect of movements in exchange rates		(269)	(6)	–	(275)
Balance at December 31, 2020	$	16,109	178	–	16,287
Acquisitions (note 5)		1,225	610	–	1,835
Additions		4,245	–	–	4,245
Depreciation		(5,910)	(522)	–	(6,432)
Effect of movements in exchange rates		(179)	(28)	–	(207)
Balance at December 31, 2021	$	15,490	238	–	15,728

Pollard's total cash outflows, principal and interest relating to its lease obligations classified under IFRS 16 *Leases* for the year ended December 31, 2021 were $6,792 (2020 – $5,752).

Pollard's interest expenses incurred relating to its lease obligations classified under IFRS 16 *Leases* for the year ended December 31, 2021 were $565 (2020 – $654).

The following is a schedule of lease payment commitments outstanding relating to lease obligations classified under IFRS 16:

8. Leases (continued):

2022	$	6,559
2023		5,402
2024		2,395
2025		1,795
2026 and thereafter		1,186
Total undiscounted cash flows	$	17,337
Discounting		(767)
Total discounted cash flows	$	16,570
Less: current portion lease liabilities		(6,151)
Lease liabilities	$	10,419

9. Equity investment:

NeoPollard Interactive, LLC ("NPi")

Pollard, in conjunction with NeoGames U.S., LLP, operates NPi. The entity was established to provide iLottery services in the United States and Canada, excluding the State of Michigan.

Interest in joint venture		December 31, 2021		December 31, 2020
Balance, beginning of year	$	881	$	1,161
Investment distribution		(12,613)		(1,860)
Equity income		12,336		1,587
Effects of movements in exchange rates		(19)		(7)
Balance, end of year	$	585	$	881

		December 31, 2021		December 31, 2020
Current assets	$	29,435	$	15,098
Non-current assets		1,932		2,268
Total	$	31,367	$	17,366
Current liabilities	$	29,835	$	15,279
Non-current liabilities		362		325
Total	$	30,197	$	15,604
Net assets – 100%	$	1,170	$	1,762
Attributable to Pollard – 50%	$	585	$	881

At December 31, 2021, included in the current assets of NPi is restricted cash relating to amounts held on behalf of iLottery customers of $11,512 (2020 – $7,200). There is an offsetting liability included in current liabilities.

9. Equity investment (continued):

		2021		2020
Revenue – 100%	$	80,395	$	25,214
Revenue – attributable to Pollard – 50%	$	40,198	$	12,607
Comprehensive income – 100%	$	22,196	$	619
Comprehensive income – attributable to Pollard[(1)]	$	12,336	$	1,587

(1) Comprehensive income attributable to Pollard is greater than 50% due to services provided to NPi by Pollard. Pollard's share of these transactions is eliminated upon consolidation.

Michigan iLottery

Pollard and NeoGames U.S., LLP operate the iLottery operation for the Michigan Lottery under a separate joint operating agreement. Pollard recognizes its interest in the joint operation by including its assets, including its 50% share of any assets held jointly, its liabilities, including its 50% share of any liabilities incurred jointly and its 50% share of revenue and expenses.

10. Goodwill:

		December 31, 2021		December 31, 2020
Balance, beginning of year	$	89,276	$	69,993
Acquisition of mkodo (note 5)		–		8,009
Acquisition of Compliant (note 5)		246		11,921
Acquisition of NGL (note 5)		20,373		–
Effects of movements in exchange rates		(1,720)		(647)
Balance, end of year	$	108,175	$	89,276

Impairment assessment methodology

Pollard performs its annual goodwill impairment test as at December 31. Goodwill has been allocated as follows to Pollard's CGUs and groups of CGUs:

		December 31, 2021		December 31, 2020
Lotteries[(1)]	$	57,802	$	38,921
Charitable gaming		12,581		12,630
eGaming systems[(2)]		26,741		26,601
Retail		11,051		11,124
Total	$	108,175	$	89,276

(1) NGL was added to the Lotteries CGU upon acquisition on January 14, 2021.

(2) Compliant was added to the eGaming systems CGU upon acquisition on December 30, 2020.

10. Goodwill (continued):

For each acquisition an assessment is performed to determine if the acquired entity should be its own CGU or become part of an existing CGU.

For each CGU, or group of CGUs, the recoverable amounts have been determined based on a value in use calculation using cash flow projections from financial forecasts approved by senior management. These forecasts cover a period of five years and reflect an estimate of a terminal value. Included in these forecasts is an assumption of certain growth rates which was based on historical trends and expected future performance.

The calculation of value in use for the CGUs, or groups of CGUs described above are most sensitive to the following key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Revenue and related gross profit
- Foreign exchange rates
- Discount rates
- Growth rates

Revenue and related gross profit

Projected cash flows from revenue assumes the continuation of recent historical trends adjusted for expected new contract wins, anticipated contract renewal pricing pressures and the expected impact of sales initiatives in conjunction with certain production efficiencies that are being developed or are expected to be developed.

Foreign exchange rates

A significant portion of revenue is denominated in U.S. dollars and Euros, partially offset by U.S. dollar denominated costs. In addition, certain financial assets and liabilities are denominated in U.S. currency. Projected cash flows assume an estimated exchange rate between Canadian dollars to U.S. dollars and Euros based on expected exchange rates during the forecast period.

Discount rates

Discount rates were calculated based on the estimated cost of equity capital and debt capital considering data and factors relevant to the economy, the industry and the CGUs, and groups of CGUs. These costs were then weighted in terms of a typical industry capital structure to arrive at an estimated weighted average cost of capital. The after-tax discount rates applied to the cash flow projections for the CGUs and groups of CGUs described above were as follows:

Lotteries	12.0%
Charitable gaming	12.0%
eGaming systems	21.0%
Retail	14.7%

10. Goodwill (continued):

Growth rates

Growth rates are based on estimated sustainable long-term growth rates of the CGUs and groups of CGUs. A terminal value growth rate of 2% was applied in the value in use calculations for all of the above CGUs and groups of CGUs.

Management believes that any reasonable possible change in any of the key assumptions on which the recoverable amounts of the CGUs, or groups of CGUs, are based would not cause the unit's carrying amounts to exceed its recoverable amount.

11. Intangible assets:

Cost		Customer assets	Patents	Trademarks and brands	Deferred development	Computer software and licenses	Total
Balance at January 1, 2020	$	48,635	6,447	4,763	1,793	27,610	89,248
Acquisitions (note 5)		17,754	–	1,393	–	6,369	25,516
Additions (net of investment tax credits)		–	413	(19)	–	30	424
Additions – internally developed (net of investment tax credits)		–	–	–	–	5,554	5,554
Effect of movements in exchange rates		(452)	(8)	(69)	–	(386)	(915)
Balance at December 31, 2020	$	65,937	6,852	6,068	1,793	39,177	119,827
Acquisitions (note 5)		53	–	–	–	25,637	25,690
Additions (net of investment tax credits)		–	128	17	–	36	181
Additions – internally developed (net of investment tax credits)		–	–	–	–	12,423	12,423
Disposals		–	–	(446)	–	–	(446)
Effect of movements in exchange rates		(299)	(10)	(42)	–	(2,056)	(2,407)
Balance at December 31, 2021	$	65,691	6,970	5,597	1,793	75,217	155,268

11. Intangible assets (continued):

Accumulated amortization		Customer assets	Patents	Trademarks and brands	Deferred development	Computer software and licenses	Total
Balance at January 1, 2020	$	22,452	5,210	–	1,348	6,031	35,041
Amortization for the year		4,956	178	–	120	5,831	11,085
Effect of movements in exchange rates		(252)	(8)	–	–	(185)	(445)
Balance at December 31, 2020	$	27,156	5,380	–	1,468	11,677	45,681
Amortization for the year		6,027	177	–	120	9,045	15,369
Effect of movements in exchange rates		(21)	(1)	–	–	(65)	(87)
Balance at December 31, 2021	$	33,162	5,556	–	1,588	20,657	60,963

Carrying amounts		Customer assets	Patents	Trademarks and brands	Deferred development	Computer software and licenses	Total
At December 31, 2020	$	38,781	1,472	6,068	325	27,500	74,146
At December 31, 2021	$	32,529	1,414	5,597	205	54,560	94,305

Amortization of intangible assets in 2021 of $15,369 (2020 – $11,085), was included in cost of sales.

As at December 31, 2021, the weighted average remaining useful life of customer assets was 7.2 years and the weighted average remaining useful life of computer software and licenses was 6.0 years.

12. Income taxes:

Income tax expense

	2021	2020
Current	$ 14,247	$ 10,955
Deferred (reduction)	(6,833)	1,899
Total	$ 7,414	$ 12,854

Income tax recognized in other comprehensive income (loss)

	Amount before tax	Tax expense	2021 Amount net of tax	Amount before tax	Tax benefit	2020 Amount net of tax
Defined benefit plans remeasurements gain (loss)	$ 16,580	(4,469)	12,111	$ (10,283)	2,634	(7,649)

Reconciliation of effective tax rate

	2021	2021	2020	2020
Net income for the year		$ 19,701		$ 33,288
Total income tax expense		7,414		12,854
Income before income taxes		$ 27,115		$ 46,142
Income tax using Pollard's domestic tax rate	27.0%	7,321	27.0%	12,458
Effect of tax rates in foreign jurisdictions	(3.8%)	(1,041)	(1.4%)	(641)
Non-deductible amounts	1.1%	295	0.8%	387
Non-deductible items relating to acquisitions	0.9%	249	0.3%	134
Other items	1.2%	313	0.8%	384
Effect of non-taxable items related to foreign exchange	1.0%	277	0.3%	132
	27.4%	$ 7,414	27.8%	$ 12,854

12. Income taxes (continued):

Deferred income tax assets and liabilities

Recognized deferred income tax assets and liabilities

Deferred income tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2021	2020	2021	2020	2021	2020
Property, plant and equipment	$ –	–	$ (14,935)	(14,360)	$ (14,935)	(14,360)
Intangible assets	3,826	1,613	(10,794)	(6,207)	(6,968)	(4,594)
Inventories	466	272	–	–	466	272
Employee benefits	7,411	11,579	(780)	(1,500)	6,631	10,079
Unrealized foreign exchange (gains) and losses	108	204	(488)	(564)	(380)	(360)
Unused tax losses	3,696	1,370	–	–	3,696	1,370
Contract liabilities	–	–	(270)	(411)	(270)	(411)
Other	698	634	(50)	(100)	648	534
Tax assets (liabilities)	$ 16,205	15,672	$ (27,317)	(23,142)	$ (11,112)	(7,470)

Movement in temporary differences during the year

	January 1, 2021	Recognized in net income (loss)	Acquisitions	Recognized in other comprehensive loss	Balance December 31, 2021
Property, plant and equipment	$ (14,360)	(575)	–	–	(14,935)
Intangible assets	(4,594)	3,665	(6,039)	–	(6,968)
Inventories	272	194	–	–	466
Employee benefits	10,079	1,021	–	(4,469)	6,631
Unrealized foreign exchange gains	(360)	(20)	–	–	(380)
Unused tax losses	1,370	2,326	–	–	3,696
Contract liabilities	(411)	141	–	–	(270)
Other	534	114	–	–	648
Tax assets (liabilities)	$ (7,470)	6,866	(6,039)	(4,469)	(11,112)

12. Income taxes (continued):

		January 1, 2020	Recognized in net income (loss)	Acquisitions	Recognized in other comprehensive income	Balance December 31, 2020
Property, plant and equipment	$	(12,375)	(1,985)	–	–	(14,360)
Intangible assets		(3,660)	142	(1,076)	–	(4,594)
Inventories		228	44	–	–	272
Employee benefits		7,708	(263)	–	2,634	10,079
Unrealized foreign exchange gains		(183)	(177)	–	–	(360)
Unused tax losses		994	376	–	–	1,370
Contract liabilities		(202)	(209)	–	–	(411)
Other		26	508	–	–	534
Tax assets (liabilities)	$	(7,464)	(1,564)	(1,076)	2,634	(7,470)

Recognized in the consolidated statements of comprehensive income (loss) as follows:

		2021		2020
Deferred (reduction)	$	(6,833)	$	1,899
Finance income		(33)		(335)
	$	(6,866)	$	1,564

Amounts included in finance income relate to unrealized foreign exchange.

As at December 31, 2021, Pollard had $96,184 in unused tax losses for which no deferred tax asset has been recognized, arising from the acquisition of NGL.

13. Long-term debt:

	December 31, 2021	December 31, 2020
Credit facility, interest of 1.6% to 2.7%, payable monthly, maturing 2025	$ 115,804	$ 131,365
Deferred financing charges, net of amortization	(674)	(285)
	$ 115,130	$ 131,080

	Credit facility	Deferred financing	Total
Balance at January 1, 2021	$ 131,365	(285)	131,080
Net payments	(15,350)	–	(15,350)
Payment of deferred financing charges	–	(650)	(650)
Total changes from financing cash flows	(15,350)	(650)	(16,000)
Effect of movements in exchange rates	(211)	–	(211)
Amortization of deferred financing charges	–	261	261
Total other changes	(211)	261	(50)
Balance at December 31, 2021	$ 115,804	(674)	115,130

	Credit facility	Deferred financing	Total
Balance at January 1, 2020	$ 127,820	(525)	127,295
Net proceeds	5,055	–	5,055
Payment of deferred financing charges	–	(128)	(128)
Total changes from financing cash flows	5,055	(128)	4,927
Effect of movements in exchange rates	(1,510)	–	(1,510)
Amortization of deferred financing charges	–	368	368
Total other changes	(1,510)	368	(1,142)
Balance at December 31, 2020	$ 131,365	(285)	131,080

13. Long-term debt (continued):

(a) Credit facility:

Effective December 31, 2021, Pollard renewed its credit facility. The credit facility provides loans of up to $215,000 for its Canadian operations and US$14,000 for its U.S. subsidiaries. The credit facility also includes an accordion feature which can increase the facility by $50,000. The borrowings for the Canadian operations can be denominated in Canadian or U.S. dollars, to a maximum of $215,000 Canadian equivalent. Borrowings under the credit facility bear interest at fixed and floating rates based on Canadian and U.S. prime bank rates, banker's acceptances or LIBOR. At December 31, 2021, the outstanding letters of guarantee drawn under the credit facility were $126 (2020 – $712).

Included in the total credit facility balance is a U.S. dollar denominated balance of US$35,400 (2020 – US$55,900). As of December 31, 2021, Pollard had unused credit facility available of $116,822 (2020 – $75,745).

Under the terms and conditions of the credit facility agreement Pollard is required to maintain certain financial covenants including debt to income before interest, income taxes, amortization, depreciation and certain other items ("Adjusted EBITDA") ratios and certain debt service coverage ratios. As at December 31, 2021, Pollard is in compliance with all financial covenants.

Pollard's credit facility is secured by a first security interest in all of the present and after acquired property of Pollard. Under the terms of the agreement the facility is committed for a four-year period, renewable December 31, 2025. Principal payments are not required until maturity. The facility can be prepaid without penalties.

(b) Economic Development Canada ("EDC") facility:

Effective February 28, 2020, Pollard entered into an agreement with EDC to provide a €15,000 facility whereby Pollard can issue qualifying letters of credit against the EDC facility. The facility is guaranteed by a general indemnity from Pollard. As of December 31, 2021, the outstanding letters of credit drawn on this facility were $10,526 (€7,315).

14. Pension liability:

	December 31, 2021	December 31, 2020
Fair value of benefit plan assets	$ 88,324	$ 77,351
Present value of benefit plan obligations	(110,865)	(113,721)
Net pension liability	$ (22,541)	$ (36,370)

14. Pension liability (continued):

Pollard sponsors non-contributory defined benefit plans providing pension benefits to its employees. Pollard has four defined benefit pension plans of which three are final pay plans and one is a flat benefit plan. None of the plans have indexation features. The measurement date for all the plans is December 31. Two of the plans of the U.S. subsidiaries require valuations annually with the last valuations being as of January 1, 2021. One of the Canadian plans of Pollard currently requires valuation every year with the last valuation as of December 31, 2020. Pollard's other Canadian plan's valuation was as of January 1, 2021. Pollard's subsidiaries also maintain three defined contribution plans. The pension expense for these defined contribution plans is the annual funding contribution by the subsidiaries.

Pollard expects to contribute approximately $5,219 to its defined benefit plans in 2022.

The benefit plan assets are held in trust and are invested as follows:

	December 31, 2021	December 31, 2020
Equities	67.5%	62.6%
Bonds	30.1%	35.9%
Cash and cash equivalents	2.4%	1.5%
	100.0%	100.0%

Information about Pollard's defined benefit plans, in aggregate, is as follows:

	2021	2020
Benefit plan assets		
Fair value, beginning of year	$ 77,351	$ 65,481
Expected return on plan assets	1,978	2,137
Employer contributions	5,650	7,309
Benefits paid	(4,037)	(2,791)
Remeasurement gains	7,404	5,460
Effect of movements in exchange rates	(22)	(245)
Fair value, end of year	$ 88,324	$ 77,351

14. Pension liability (continued):

		2021		2020
Accrued benefit plan obligations				
Balance, beginning of year	$	113,721	$	92,028
Current service cost		7,563		6,115
Interest cost		2,837		2,878
Benefits paid		(4,037)		(2,791)
Remeasurement (gains) losses		(9,176)		15,743
Effect of movements in exchange rates		(43)		(252)
Balance, end of year	$	110,865	$	113,721
Net pension liability	$	(22,541)	$	(36,370)

The total net cost for Pollard's defined benefit and defined contribution pension plans recognized in cost of sales is as follows:

		2021		2020
Net defined benefit plans expense				
Current service cost	$	7,563	$	6,115
Interest on plan obligations		2,837		2,878
Actual return on plan assets		(9,382)		(7,597)
Difference between expected return and actual return on plan assets		7,975		5,906
Net defined benefit plans expense		8,993		7,302
Defined contribution plans expense		954		843
Net pension plans expense	$	9,947	$	8,145

Actuarial assumptions

The principal actuarial assumptions used in measuring at the reporting date are as follows:

	2021	2020
Discount rate	2.6% to 3.1%	2.2% to 3.1%
Rate of compensation increase	0% to 3.0%	0% to 3.0%

14. Pension liability (continued):

Assumptions regarding future mortality have been based on published statistics and mortality tables. As of December 31, 2021, Pollard used CPM2014 Private Sector projected CPM-B mortality table for its Canadian subsidiary's pension plans and the Pri-2012 mortality tables using scale MP-2021 for its U.S. subsidiary's pension plans. As of December 31, 2020, Pollard used CPM2014 Private Sector projected CPM-B mortality table for its Canadian subsidiary's pension plans and the Pri-2012 mortality tables using scale MP-2020 for its U.S. subsidiary's pension plans.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts show below:

	Increase	Decrease
Discount rate (1% movement)	$ (18,519)	$ 27,575
Rate of compensation (1% movement)	$ 2,959	$ (2,736)
Future mortality (one year)	$ 1,604	$ (1,613)

Remeasurements

	2021	2020
Remeasurement gains arising on plan assets	$ 7,404	$ 5,460
Remeasurement gains (losses) arising on plan liabilities from:		
Demographic assumptions	$ (247)	$ 70
Financial assumptions	11,515	(13,996)
Experience adjustments	(2,092)	(1,817)
Remeasurement gains (losses) arising on plan liabilities	$ 9,176	$ (15,743)
Net remeasurement gains (losses) on defined benefit plans	$ 16,580	$ (10,283)

14. Pension liability (continued):

Remeasurements recognized in other comprehensive income

	2021	2020
Losses accumulated in retained earnings, beginning of year	$ (29,731)	$ (22,082)
Remeasurement gain (loss) recognized during the year, net of income tax	12,111	(7,649)
Losses accumulated in retained earnings, end of year	$ (17,620)	$ (29,731)

15. Share capital:

	Shares	Amount
Authorized		
Unlimited common shares		
Unlimited preferred shares		
Issued		
Balance at January 1, 2020	25,635,658	$ 108,642
Stock option exercise	71,250	365
Balance at December 31, 2020	25,706,908	109,007
Issue of common shares	933,800	32,405
Acquisition of NGL (note 5)	233,211	7,998
Stock option exercises	43,750	439
Balance at December 31, 2021	26,917,669	$ 149,849

Issue of common shares:

On February 9, 2021, Pollard announced that it had entered into an agreement with a syndicate of underwriters to purchase, on a bought deal basis, 812,000 common shares of Pollard at a price of $36.95 per share. Pollard also granted the underwriters an over-allotment option exercisable at any time up to 30 days following the closing of the offering, to purchase up to an additional 121,800 common shares. The offering, including the full over-allotment, closed on March 2, 2021. The total gross proceeds, prior to any commissions and offering expenses, from the sale of 933,800 common shares was approximately $34,504.

15. Share capital (continued):

Dividends:

Dividends are paid on the common shares within 15 days of the end of each quarter and are fully discretionary, as determined by the Board of Directors of Pollard.

On November 10, 2021, a dividend of $0.04 per share was declared, paid on January 14, 2022, to the shareholders of record on December 31, 2021.

Ownership restrictions:

The holders of the common shares are entitled to one vote in respect to each common share held, subject to the Board of Directors ability to take constraint actions when a person, or group of persons acting in concert acquires, agrees to acquire, holds, beneficially owns or controls, either directly or indirectly, a number of shares equal to or in excess of 5% of the common shares (on a non-diluted basis) issued and outstanding ("Ownership Threshold"). The Board of Directors, in its sole discretion, can take the following constraint actions:

- place a stop transfer on all or any of the common shares believed to be in excess of the Ownership Threshold;
- suspend all voting and/or dividend rights on all or any of common share held believed to be in excess of the Ownership Threshold;
- apply to a court seeking an injunction to prevent a person from acquiring, holding, owning, controlling and/or directing, directly or indirectly, common shares in excess of the Ownership Threshold; and/or
- make application to the relevant securities commission to effect a cease trading order or such similar restriction, until the person no longer controls common shares equal to or in excess of the Ownership Threshold.

In addition, if a Gaming Regulatory Authority has determined that ownership by a holder of common shares is inconsistent with its declared policies, the Board of Directors is entitled to take constraint action against such shareholder. Any person who controls common shares equal to or in excess of the Ownership Threshold, may be required to file an application, be investigated and have suitability as a shareholder determined by a Gaming Regulatory Authority, if such Gaming Regulatory Authority has reason to believe such ownership would otherwise be inconsistent with its declared policies.

The shareholder must pay all the costs of the investigation incurred by any such Gaming Regulatory Authority.

15. Share capital (continued):

Capital management:

Pollard's objectives in managing capital are to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Pollard also strives to maintain an optimal capital structure to reduce the overall cost of capital.

In the management of capital, Pollard includes long-term debt, share capital and retained earnings, but excludes reserves. The Board of Directors regularly monitors the levels of debt, equity and dividends.

Pollard monitors capital on the basis of funded debt to Adjusted EBITDA, working capital ratio and debt service coverage. Pollard has externally imposed capital requirements as determined through its bank credit facility. As at December 31, 2021, Pollard is in compliance with all financial covenants.

There were no changes in Pollard's approach to capital management during the current period.

Share based compensation:

Under the Pollard Banknote Limited Stock Option Plan the Board of Directors has the authority to grant options to purchase common shares to eligible persons and to determine the applicable terms.

The aggregate maximum number of common shares available for issuance from Pollard's treasury under the Option Plan is 2,354,315 common shares.

Changes in the number of options outstanding during the years ended December 31, 2021, and 2020 were as follows:

	2021			2020		
	Number		Weighted average exercise price	Number		Weighted average exercise price
Balance, beginning of year	331,250	$	15.31	377,500	$	12.82
Granted	25,000	$	61.13	50,000	$	20.98
Forfeited	–	$	–	(25,000)	$	20.70
Exercised	(43,750)	$	8.18	(71,250)	$	4.19
Balance, end of year	312,500	$	19.98	331,250	$	15.31

As of December 31, 2021, no share options had expired. Options have been granted on seven grant dates, with the exercise price being the common share price on the exercise price determination date. All of the outstanding options have seven year terms, vesting 25% per year over the first four years.

15. Share capital (continued):

	2021			2020		
Exercise price	Number outstanding	Remaining time to exercise	Number exercisable	Number outstanding	Remaining time to exercise	Number exercisable
$ 3.63	–	–	–	12,500	0.19 years	12,500
$ 8.12	25,000	1.76 years	25,000	25,000	2.76 years	25,000
$ 10.00	87,500	2.32 years	87,500	118,750	3.32 years	93,750
$ 20.70	125,000	4.86 years	62,500	125,000	5.86 years	31,250
$ 18.31	25,000	5.21 years	6,250	25,000	6.21 years	–
$ 23.65	25,000	5.87 years	6,250	25,000	6.87 years	–
$ 61.13	25,000	6.42 years	–	–	–	–
	312,500		187,500	331,250		162,500

During the year ended December 31, 2021, the following share options were granted:

Option grant date		May 31, 2021
Fair value at grant date	$	18.98
Number of options granted		25,000
Share price	$	61.13
Exercise price	$	61.13
Exercise price determination date		May 28, 2021
Expected volatility		37.7%
Option life (expected weighted average life)		4.75 years
Risk-free interest rate (based on Canadian government bonds)		0.7% to 0.9%

The grant date fair value of these options was determined based on the Black-Scholes formula. Expected volatility is estimated by considering historic average share price volatility.

16. Commitments and contingencies:

Pollard rents premises and equipment under long-term leases. The following is a schedule of undiscounted lease payment commitments outstanding relating to short-term and low value leases to which Pollard has applied the recognition exemption available under IFRS 16 *Leases*:

2022	$	348
2023		75
2024		73
2025		38
2026 and thereafter		10

16. Commitments and contingencies (continued):

Pollard is contingently liable for outstanding letters of guarantee in the amount of $10,652 at December 31, 2021 (2020 – $11,672). These letters of guarantee are secured as disclosed in note 13.

Pollard is involved in litigation and claims associated with operations, the aggregate amounts of which are not determinable. While it is not possible to estimate the outcome of the proceedings, management is of the opinion that any resulting settlements would not materially affect the financial position of Pollard. Should a loss occur on resolution of these claims, such loss would be accounted for as a charge to income in the period in which the settlement occurs.

Pollard has agreed to indemnify Pollard's current and former directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain usual limitations. No claims with respect to such occurrences have been made and, as such, no amount has been recorded in these financial statements with respect to these indemnifications.

17. Revenue and contract balances:

In the following tables, revenue from contracts with customers is disaggregated by geographical segment and product line:

Revenue – geographical segment	Year ended December 31, 2021		
	Lotteries and charitable gaming	eGaming systems	Total
Canada	$ 81,143	$ 3,275	$ 84,418
United States	238,464	34,520	272,984
International	101,612	–	101,612
Total	$ 421,219	$ 37,795	$ 459,014

Revenue – geographical segment	Year ended December 31, 2020		
	Lotteries and charitable gaming	eGaming systems	Total
Canada	$ 75,219	$ 4,157	$ 79,376
United States	231,971	18,396	250,367
International	84,391	–	84,391
Total	$ 391,581	$ 22,553	$ 414,134

17. Revenue and contract balances (continued):

Revenue – product lines	Year ended December 31, 2021		
	Lotteries and charitable gaming	eGaming systems	Total
Lottery	$ 361,881	$ –	$ 361,881
Charitable	59,338	–	59,338
eGaming systems	–	37,795	37,795
Total	$ 421,219	$ 37,795	$ 459,014

Revenue – product lines	Year ended December 31, 2020		
	Lotteries and charitable gaming	eGaming systems	Total
Lottery	$ 348,359	$ –	$ 348,359
Charitable	43,222	–	43,222
eGaming systems	–	22,553	22,553
Total	$ 391,581	$ 22,553	$ 414,134

The following tables provide information about receivables, contract assets, and contract liabilities from contracts with customers:

Contract balances	December 31, 2021	December 31, 2020
Trade receivables, which are included in accounts receivable and long-term receivables	$ 64,552	$ 56,376
Contract assets, which are included in accounts receivable	4,467	6,643
Contract liabilities	2,242	379

Contract liabilities	Year ended December 31, 2021	Year ended December 31, 2020
Balance, beginning of year	$ 379	$ –
Acquisition	–	388
Increases due to cash received	5,738	1,872
Revenue recognized during the year	(3,869)	(1,886)
Effect of movement in exchange rates	(6)	5
Balance, end of year	2,242	379
Less: current portion	(2,242)	(379)
	$ –	$ –

18. Other (income) expenses:

		2021		2020
Canada emergency wage subsidy ("CEWS")	$	(5,425)	$	(8,984)
EBITDA support agreement income		–		(1,000)
Litigation settlement		2,520		–
Contingent consideration fair value adjustment (note 5)		9,550		(2,137)
Insurance proceeds (net)		(952)		–
Other income		(524)		(243)
	$	5,169	$	(12,364)

Canada emergency wage subsidy

Pollard has elected to account for CEWS earned within other income on the consolidated statements of income. As a portion of Pollard's labour expenses are capitalized in inventory, the amount recorded within other income is net of an adjustment of $nil (2020 – $166) to defer the wage subsidy income recognition for the portion of the subsidy that can be attributed to capitalized labour for inventory that had not been sold as at December 31, 2021.

Litigation Settlement

On June 15, 2021, Pollard entered into an agreement for a one-time payment of $2,520 to settle all aspects of a litigation related to a patent dispute relating to Pollard's instant ticket production.

19. Finance costs and finance income:

Finance costs		2021		2020
Foreign exchange loss	$	2,254	$	6,083
Interest		4,980		4,841
	$	7,234	$	10,924

Finance income		2021		2020
Foreign exchange gain	$	832	$	7,025
	$	832	$	7,025

20. Net income per share:

		2021		2020
Net income attributable to shareholders for basic and diluted net income per share	$	19,701	$	33,288
Weighted average number of shares (basic)		26,743,919		25,644,487
Weighted average impact of share options		313,696		379,287
Weighted average number of shares (diluted)		27,057,615		26,023,774
Net income per share (basic)	$	0.74	$	1.30
Net income per share (diluted)	$	0.73	$	1.28

21. Personnel expenses:

		2021		2020
Wages and salaries	$	140,548	$	124,618
Benefits and government payroll remittances		23,974		20,295
Profit share		5,202		5,740
Deferred director compensation		43		–
Expenses related to defined contribution plans		954		843
Expenses related to defined benefit plans		8,993		7,302
	$	179,714	$	158,798

22. Supplementary cash flow information:

		2021		2020
Change in non-cash operating working capital:				
Accounts receivable	$	(1,351)	$	(6,558)
Inventories		2,628		(4,753)
Prepaid expenses and deposits		(474)		196
Income taxes		(914)		(718)
Accounts payable and accrued liabilities		7,509		869
Contract liabilities		1,874		(9)
	$	9,272	$	(10,973)

23. Related party transactions:

Pollard Equities Limited and affiliates

During 2008, Pollard entered into a sale leaseback with an affiliate of Equities for land and building in Council Bluffs, Iowa. The property was sold for $4,081 and leased back for ten years at an annual lease rate of approximately US$260. During 2019, Pollard entered into a new lease. The new lease covers the period from January 2019 to December 2023. The base rental rate is approximately US$375, which was based on the current market value as determined through an independent appraisal.

Also in 2008, Pollard entered into a lease with an affiliate of Equities for a manufacturing facility in Winnipeg, Manitoba. The lease was for a 12 year 6 month period, ending March 31, 2021, at an annual base rate of approximately $2,453. In 2015, Pollard agreed to exercise its renewal clause. The renewal covers the period from April 2021 to September 2023 with an approximate annual lease rate of $2,400, including an annual amortization of a leasehold improvement allowance of approximately $1,000. The total leasehold allowance is $2,500. The base rental rate was based on current market value as determined through an independent appraisal.

During 2011, Pollard entered into a sale leaseback with an affiliate of Equities for land and building in Winnipeg, Manitoba. The property was sold for $3,473 and leased back for five years, with an option to renew for an additional five year term, which was exercised in 2016. The sale value was determined through an independent appraisal. During 2021, Pollard entered into a new lease for the same property for a five year term (with an option to renew for an additional five year term) for annual rent of $404 per year. The rental rates charged were based on current market value at the time of the leases and extension, as determined through an independent appraisal.

During the year ended December 31, 2021, Pollard paid property rent of $3,326 (2020 – $3,420) and $139 (2020 – $208) in plane charter costs to affiliates of Equities.

During the year, Equities paid Pollard $72 (2020 – $72) for accounting and administration fees.

At December 31, 2021, included in accounts payable and accrued liabilities is an amount owing to Equities and its affiliates for rent, expenses and other items of $nil (2020 – $454).

Included within property, plant and equipment and lease liabilities on the consolidated statement of financial position are right-of-use assets and corresponding liabilities for premises leased to Pollard from Equities. As at December 31, 2021, the net book value of the right-of-use assets was $6,601 (2020 - $7,715) and the present value of the lease liabilities was $6,770 (2020 - $7,887).

23. Related party transactions (continued):

NeoGames U.S., LLP and affiliates

During the year ended December 31, 2021, Pollard reimbursed its share of operating costs and paid software royalties of $13,368 (2020 – $9,627) to its iLottery partner, which are recorded in cost of sales.

At December 31, 2021, included in accounts payable and accrued liabilities is a net amount owing to Pollard's iLottery partner of $2,176 (2020 – $2,027) for its share of profits and reimbursement of operating costs, net of capital investments.

At December 31, 2021, included in restricted cash and accounts payable and accrued liabilities is an amount owing to Pollard's iLottery partner of $4,784 (2020 - $4,803) for funds relating to contractual performance guarantees.

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the company. The Board of Directors and the Executive Committee are considered key management personnel.

Key management personnel compensation comprised:

		2021		2020
Wages, salaries and benefits	$	4,315	$	3,403
Deferred director compensation		43		–
Expenses related to defined benefit plans		869		790
	$	5,227	$	4,193

As at December 31, 2021, key management personnel of Pollard, as a group, beneficially owned or exercised control or direction over 17,456,038 common shares of Pollard.

24. Sales to major customers:

For the year ended December 31, 2021, sales to one customer amounted to 13.5 percent of consolidated sales. In 2020, sales to one customer amounted to 15.9 percent of consolidated sales.

25. Segmented information:

Pollard has two reportable segments: Lotteries and charitable gaming, and eGaming systems which are Pollard's strategic business units.

The strategic business units offer different products and services, and are managed separately. For each of the strategic business units, Pollard's Co–CEO's review internal management reports on a monthly basis.

The Lotteries and charitable gaming segment derives its revenues from the manufacture of instant tickets and related products. The eGaming systems segment derives its revenues from the development of game systems.

	Year ended December 31, 2021		
	Lotteries and charitable gaming	eGaming systems[(1)]	Total
Revenues from external customers	$ 421,219	$ 37,795	$ 459,014
Operating costs and expenses	392,661	39,238	431,899
Income (loss) before income taxes	28,558	(1,443)	27,115
Total assets	390,411	70,994	461,405

(1) Included in the results of eGaming systems are adjustments to increase the fair value and recognize accretion expense on the contingent consideration liability recognized upon acquisition of Compliant Gaming, LLC, resulting in an increase in operating costs and a decrease in income before income taxes of $11,093.

	Year ended December 31, 2020		
	Lotteries and charitable gaming	eGaming systems	Total
Revenues from external customers	$ 391,581	$ 22,553	$ 414,134
Operating costs and expenses	344,092	23,900	367,992
Income (loss) before income taxes	47,489	(1,347)	46,142
Total assets	346,364	58,203	404,567

25. Segmented information (continued):

	December 31, 2021	December 31, 2020
Property, plant and equipment, intangibles and goodwill:		
Canada	$ 93,935	$ 89,155
United States	140,802	146,584
International	72,333	24,079
	$ 307,070	$ 259,818

26. Financial instruments:

The fair value of a financial instrument is the estimated amount that Pollard would receive or pay to terminate the instrument agreement at the reporting date.

The following methods and assumptions were used to estimate the fair value of each type of financial instrument by reference to various market value data and other valuation techniques as appropriate.

The fair values of accounts receivable, accounts payable and accrued liabilities and dividends payable approximate their carrying values given their short-term maturities.

The fair value of the long-term debt approximates the carrying value due to the variable interest rate of the debt.

The fair value of the other non-current liabilities approximates the carrying value based on the expected settlement amount of these liabilities.

Certain financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on the quoted prices observed in active markets for identical assets or liabilities

Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means

Level 3 – valuation techniques with significant unobservable market inputs

26. Financial instruments (continued):

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

As at December 31, 2021, the cash and restricted cash recorded at fair value was classified as level one of the fair value hierarchy and the contingent consideration recorded at fair value was classified as level three of the fair value hierarchy. The fair value of the contingent consideration is calculated as the present value of the expected future payments, discounted using a risk-adjusted discount rate. A change to the expected future payments or discount rate would impact the fair value of the contingent consideration.

27. Financial risk management:

Pollard has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Currency risk
Interest rate risk

Pollard's risk management policies are established to identify and analyze the risks, to set appropriate risk limits and controls and to monitor risks and adherence to limits. The Audit Committee oversees how management monitors compliance with Pollard's risk management policies and procedures.

The Audit Committee is assisted in its oversight role by Internal Audit, who undertakes regular reviews of risk management controls and utilizes the annual risk assessment process as the basis for the annual internal audit plan.

Credit risk

The following table outlines the details of the aging of Pollard's receivables and the related allowance for losses:

	December 31, 2021	December 31, 2020
Current	$ 67,766	$ 62,184
Past due for 1 to 60 days	4,127	2,913
Past due for more than 60 days	2,452	1,117
Less: allowance for losses	(410)	(177)
	$ 73,935	$ 66,037
Less: long-term receivables	(584)	(829)
	$ 73,351	$ 65,208

27. Financial risk management (continued):

Pollard has applied the expected credit loss model in evaluating the credit risk associated with its accounts receivable. As part of this analysis, Pollard has grouped its customers into two tranches: government lottery organizations and charitable gaming distribution networks. For sales to government lottery organizations, Pollard has assessed the loss allowance at zero based on the nature of the customer organizations, and no history of losses, collection issues, or significantly overdue receivables, as well as other customer-specific and forward-looking macroeconomic factors. Pollard has performed the same assessment for charitable gaming distribution network customers, resulting in the provision of a loss allowance, as shown in the table above.

Liquidity risk

Liquidity risk is the risk that Pollard will not be able to meet its financial obligations as they fall due.

The following table outlines Pollard's maturity analysis of the undiscounted cash flows, including related interest payments, of certain non-current financial liabilities and leases as of December 31, 2021:

		Total	2022	2023	2024	2025	2026 & thereafter
Long-term debt	$	124,212	2,102	2,102	2,102	117,906	–
Leases		17,881	6,907	5,477	2,468	1,833	1,196
	$	142,093	9,009	7,579	4,570	119,739	1,196

Pollard's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The 2022 requirements for capital expenditures, working capital and dividends are expected to be financed from cash flow provided by operating activities and the unused portion of Pollard's credit facility. Pollard enters into contractual obligations in the normal course of business operations.

Currency risk

Pollard sells a significant portion of its products and services to customers in the United States and to some international customers where sales are denominated in U.S. dollars. In addition, a significant portion of its cost inputs are denominated in U.S. dollars. Pollard also generates revenue in currencies other than the Canadian and U.S. dollar, primarily in Euros.

27. Financial risk management (continued):

A 50 basis point strengthening/weakening in the foreign exchange rate between the Canadian and U.S. dollar would decrease/increase the income before income taxes by approximately $111 for the year ended December 31, 2021 (2020 – $169). A 50 basis point strengthening/weakening in the foreign exchange rate between the Canadian dollar and Euro would decrease/increase the income before income taxes due to changes in operating cashflow by approximately $57 for year ended December 31, 2021 (2020 – $72).

In addition, translation differences arise when foreign currency monetary assets and liabilities are translated at foreign exchange rates that change over time. As at December 31, 2021, the amount of financial liabilities denominated in U.S. dollars exceeded the amount of financial assets denominated in U.S. dollars by approximately $28,965 (2020 – $52,626).

A 50 basis point weakening/strengthening in the value of the Canadian dollar relative to the U.S. dollar would result in a decrease/increase in income before taxes of approximately $145 for the year ended December 31, 2021 (2020 – $263).

Pollard utilizes a number of strategies to mitigate its exposure to currency risk. Five manufacturing facilities are located in the U.S. and a significant amount of cost inputs for all production facilities are denominated in U.S. dollars, offsetting a large portion of the U.S. dollar revenue in a natural hedge.

Pollard also uses financial hedges, including foreign currency contracts, to help manage foreign currency risk. At December 31, 2021, and at December 31, 2020, Pollard had no outstanding foreign currency contracts.

Interest rate risk

Pollard is exposed to interest rate risk relating to its fixed and floating rate instruments. Fluctuation in interest rates will have an effect on the valuation and repayment of these instruments.

A 50 basis point decrease/increase in interest rates would result in an increase/decrease in income before income taxes of approximately $579 for the year ended December 31, 2021 (2020 – $656).