

## Response to Request #6

## DELAWARE LOTTERY

### INITIAL AGREEMENT

#### Vendor

- Automated Wagering International/Now Scientific Games

#### Term

- September 2001
- 7 Years/5-1 Year Renewal Options

#### Amendments

- Total of 9 Amendments to date.
- The 8<sup>th</sup> Amendment extended the Agreement (under Delaware Law) through February 25, 2018.
- The 9<sup>th</sup> Amendment extended the Agreement, and consolidated all services, through October 29, 2022.

#### Current Fees Paid

- Online Game Sales: **5.371%**
- Keno Sales **9.95%**
- Instant Ticket Net Sales **5.6%**
- VLT Net Proceeds **1%**
- Sports Betting/Racinos **15.625% Net Revenue**
- Sports Betting/Retailers **25% Net Revenue**
- Charitable VLT Fee **25%\***

#### New Product Pricing

- Self-Service Terminals **4.8% Online and Instant Sales**
- RaceTrax Sales **9.95%**
- Sports Mobile **40% Net Revenue**

#### \*Charitable VLT Fee

- SciGames must provide up to 450 refurbished VLTs for qualifying charitable organizations. The Delaware Lottery receives 40% of total net win, less 1% for responsible gaming; and SciGames receives 25% of such net win.

March 2019

**DELAWARE LOTTERY/SCIENTIFIC GAMES**  
**SPORTS WAGERING SERVICES AGREEMENT**

**TERMS**

- Six-year Agreement with four, one-year renewal options

**BASE SYSTEM PRICING**

- Quoted as a percentage of Marginal Revenue, carried to four decimal places. Basis is a six-year Agreement base period.
- Straight Wagers (head-to-head with point spread and/or odds) and Parlay Wagers minimum two-event selections)  
Price as a Percentage of Marginal Revenue: **12.5000%**  
  
Parlay Wagers (minimum two-event selections)  
Price as a Percentage of Marginal Revenue: **15.6250%**

**AGREEMENT HIGHLIGHTS**

- Agreement for sports betting services at three (racino) venues.
- Payment to SciGames shall be payable solely out of the income, revenues, and receipts of the Lottery's Sports Wagering operation.
- Unless otherwise stated, all expenses incurred in the performance of services are to be paid by SciGames.
- SciGames to provide a total of seventy-five BetJet terminals at no charge. For purposes of startup, fifteen of the seventy-five initial terminals could be refurbished.
- Terminals deployed above the seventy-five will be added at no additional charge **IF** the additional terminals produce an average of \$70,000 gross sales per week each (\$3,640,000 per year/each).
- For additional terminals where the average fails to generate gross sales of \$3,640,000 in a year, SciGames will retroactively charge the Lottery \$5,400/year for each "additional terminal" that failed to meet the \$3,640,000 and \$450/month going forward until such time the "additional terminal" produces an average of \$70,000 gross sales per week.
- Terminal performance will be calculated by taking total sales per week for all terminals at the venue and dividing it by the number of terminals delivered to the venue.

- If the average for all terminals is below \$3,640,000 per year/per terminal, then the subset of terminals installed that does produce \$3,640,000 per year will be calculated.
- The result of this calculation will be the terminals (“base terminals” which under no circumstances shall be less than seventy-five) that SciGames will provide free of charge. Lottery will then be charged for each terminal in excess of the “base” terminals at the rate of \$5,400 per year.
- Incremental pricing for opening any significantly different new venues where Sports Wagering will be conducted will be negotiated.
- At the time of this Agreement, the Lottery and SciGames were unable to resolve the issue regarding the location and possible cost of a remote hot backup system in a timely fashion to avoid impacting the launch of the Sports Wagering System.
- Parties agreed that sufficient backup was already in place with the secondary or redundant system located with the primary system to protect the parties’ interests on a temporary basis. Parties were to negotiate the location, cost, and installation of the remote backup system.
- SciGames was required to work directly with the venues to determine the final solution for the interaction between the venue staff and the risk management hub and whether on-site management would be required.
- SciGames was required to provide customized weekly parlay cards to include the teams and point spreads for football games scheduled to be played during the upcoming football weekend and a payoff table.

#### **INDEMNITY DUE TO SPORTS WAGERING LOSS**

- In the event of a Sports Wagering Loss, SciGames agreed to compensate the Lottery for the amount of the Lottery’s Sports Wagering Loss for the State’s fiscal year. SciGames would be required to pay a Sports Wagering Loss within fifteen days of the fiscal year end.
- Sports Wagering Loss is defined as the aggregate amount of any actual loss by the Lottery on Sports Lottery Wagers made with the Lottery. A Sports Wagering Loss only includes net sum of actual losses (after consideration of revenue received) by the Lottery from patrons’ Sports Wagers and does not include any operating costs, taxes, and other ancillary expenses and costs or losses by any other party, including the Sports Lottery venues.
- An example for illustrative purposes: If Sports Wagering Loss for a particular fiscal year is \$1,000,000, and the Lottery has, in fact, paid out the Sports Wagering Loss from funds, then SciGames shall compensate the Lottery in the amount of \$1,000,000.

### **FIRST AMENDMENT AUGUST 2010**

- Removed services and equipment concerning the Central Sports Wagering System from the Sports Wagering Agreement and included those items in the Online Lottery Agreement.

### **SECOND AMENDMENT AUGUST 2012**

- This Amendment marks the implementation Sports Wagering at select Lottery Retailer locations, providing SciGames with 25% of Marginal Revenue for the implementation and on-going operation of the Sports Wagering System in locations other than the three original venues. This compensation is in addition to compensation paid under the Sports Wagering Agreement.

### **THIRD AMENDMENT JULY 2015**

- This Amendment extended the 2009 Agreement for four years in exchange for the following:
  - SciGames agrees to install and implement a remote back-up system within the State of Delaware in accordance with mutually agreed upon written specifications and implementation schedule; and
  - SciGames agrees to provide the Lottery with an option to implement a mobile application capable of providing functionality to include placing bets on the Sports Wagering System from a player's mobile device, subject to such functionality being authorized by and in compliance with all applicable laws, rules and regulations related to such functionality.

**AGREEMENT**

THIS AGREEMENT is made and entered into as of the 25<sup>th</sup> day of September, 2001 by and between the STATE LOTTERY OFFICE of the STATE OF DELAWARE (the "DSL"); and

AUTOMATED WAGERING INTERNATIONAL, INC., a corporation organized and existing under the laws of the State of Delaware, with offices at 1255 Broad Street, Clifton, New Jersey ("AWI").

WITNESSETH:

WHEREAS, on March 5, 2001, the DSL issued a Request for Proposals for a Lottery Gaming System, seeking proposals from interested vendors for the provision and implementation and related support and services for On-line Games and Video Lottery Terminals, Instant Game pass-through transactions and thereafter amended and clarified this Request for Proposal, through Amendments Nos. I and II (collectively the "RFP"); and

WHEREAS, AWI submitted a Proposal, dated May 23, 2001, (the "Proposal") in response to the RFP; and

WHEREAS, the DSL has selected AWI's Proposal as the overall preferred proposal submitted in response to the RFP, having determined that AWI's Proposal to be the most advantageous to the State of Delaware based on the factors set forth in the RFP; and

WHEREAS, the DSL now desires to enter into an agreement with AWI under the terms and conditions set forth herein;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises hereinafter set forth, the parties hereto covenant and agree as follows:

1. Definitions

As used in this Agreement, the following Terms shall have the meanings as set forth below:

Advanced Gaming System (AGS)	The system to be provided by AWI for the purpose of providing monitoring and accounting for the Video Lottery Terminals located at three racetracks in the State of Delaware, as described in §3.7 of the Work Statement attached to this Agreement as Appendix I.
Amount Played	Cash and Credits wagered on Video Lottery Terminals.
Amount Won	Cash and Credits wagered that are returned to players as winnings on Video Lottery Terminals.
Bond	A bond, letter of credit, or alternative security in form and substance and issued by a company acceptable to the DSL.
Book	A book or pack of Instant Game tickets, currently distributed containing from fifty (50) to three hundred (300) tickets, depending on the game.
Business Day	Current operating hours for the traditional on-line system is 6:00 a.m. through midnight. Operating hours for the Video Lottery Terminals are 8:00 a.m. through 2:00 a.m. Monday - Saturday, and Sunday 1:00 p.m. through 2:00 a.m. Monday morning.
Business Week	The period beginning on Monday and running through the end of the day the following Sunday, which serves as an accounting unit.
Consumables	Playslips, ticket stock, and any other operational supplies required by Retailers to operate their Retailer Terminals. The term "Consumables" does not include point of sale promotional items or Instant Game tickets.
Conversion	The implementation project during which The existing systems and terminals used by the

	DSL for games sales and management are replaced.
Director	The Director of the DSL.
DIVA	The Delaware Instant Ticket Validation and Accounting System.
DSL	The State Lottery Office of the Department of Finance of the State of Delaware.
DSL LAN	A local area network (LAN) serving the offices of the Delaware State Lottery.
First Read Rate	A measure of reader performance, especially bar code reader performance. The measure indicates what proportion of times the reader returns a successful read of a legitimate bar code on the first try. The "first read" event is defined as the initial effort of an experienced Retailer in the field to read a bar code, occurring within approximately a three (3) second time window.
Instant Games	Games sold to the public on pre-printed tickets containing play data under a latex coating or such other coating as may be approved by the DSL. Removal of the coating by the customer reveals whether or not the customer is a winner. Instant Game tickets also contain a unique bar code allowing them to be processed by terminals. The Instant Games will be administered through the Retailer Terminals provided by AWI.
Intellectual Property Rights	Any rights with respect to inventions, discoveries, or improvements, including patents, patent applications and certificates of invention; trade secrets, know-how, or similar rights; the protection of works of authorship or expression, including copyrights and future copyrights; and trademarks, service marks, logos, and trade dress; and similar rights under any laws or international conventions throughout the world, including the right to apply for registrations, certificates, or renewals with respect thereto, and the rights to prosecute, enforce and obtain damages.

<b>Internal Control System (ICS)</b>	An application provided by AWI that will provide an audit capability for the DSL of the MasterLink <sup>®</sup> System independently by re-processing transactions.
<b>Licensed Video Lottery Agent</b>	Any person licensed by the Director of the agency to conduct licensed video lottery operations.
<b>Lottery Gaming System</b>	The combination of On-Line Game and Instant Game Ticket pass-through services provided by AWI's MasterLink <sup>®</sup> system and Video Lottery Terminal services provided by AWI's Advanced Gaming System (AGS), described in the Work Statement, Appendix 1.
<b>Management Terminal</b>	The DSL's personal computer workstations utilized by DSL staff for games monitoring and management functions.
<b>MasterLink<sup>®</sup> System</b>	AWI's enhanced MasterLink <sup>™</sup> Advanced Gaming System, including the On-Line Games Module (OGM) and Information Management Module (IMM), as described in the Work Statement, Appendix 1 to this Agreement. The MasterLink <sup>™</sup> System is sometimes referred to herein as the "on-line system."
<b>MUSL</b>	The Multi-State Lottery Association, an association of lottery jurisdictions offering jackpot-style games, including "Powerball" and other games.
<b>Net On-Line Sales</b>	Gross sales minus cancellations and adjustments for On-Line Games.
<b>Non-Traditional Lottery Games</b>	As defined in §3.10.8 and its subsections of AWI's Proposal.
<b>On-Line Games</b>	Games sold through AWI's MasterLink <sup>™</sup> System at Retailer locations.
<b>On-Line Retailer Terminal</b>	AWI's Xion/M terminal, OmniFlex terminal, or such other or additional terminals as the parties may agree are to be supplied under this Agreement for use by Retailers.

Option(s)	A feature or capability for which the DSL makes no schedule or quantity commitments, but which may, at the DSL's sole discretion, be included in or added to the Lottery Gaming System.
Person	An individual, partnership, joint venture, registered limited liability partnership, association, corporation, limited liability company, trust, unincorporated organization or any other entity, business or enterprise, authorized to do business in the State of Delaware.
Primary Site	AWI's data center located in at 1575 McKee Road, Dover, Delaware, as described in §3.1.1 of the Work Statement.
Proposal	The proposal submitted by AWI in response to the RFP, together with all amendments thereto. A copy of AWI's Proposal is annexed to this Agreement as Appendix 43.
Remote Backup Site	AWI's secondary data center, located in Sharon Hills, Pennsylvania, as described in §3.1.2 of the Work Statement.
Report	Information produced by the MasterLink™ System and AGS, which is viewed via computer, printed, or saved to a file depending on the needs of the DSL.
Retailer	A retail agent licensed to sell tickets by the DSL. A Retailer who sells On-Line Game tickets as generated by an On-Line Retailer Terminal and AWI's MasterLink™ System in response to a customer's request. On-Line Retailers also handle Instant Game ticket validations and other Instant Game transactions through On-Line Retailer Terminals. Some busy On-Line Retailers may have multiple Retailer Terminals on the same premises.
Retailer Master File	The authority file containing the official list of Retailers.

Retailer Terminal	AWI's Xion/M terminal, OmniFlex terminal, or such other terminals as the parties may agree are to be supplied under this Agreement for use by Retailers.
Subcontractor	For purposes of this Agreement, when creating obligations or bearing restrictions, the term "subcontractor" refers to a firm retained by AWI to provide a material and continuing contribution to the completion of the project.
System	A collection of hardware, software, facilities, and procedural elements which provides useful services and which produces useful outputs. In this RFP there are numerous references to systems, inclusive of references to systems which are subsystems of other referenced systems. The immediate context and adjectives or labels define which and whose systems are being discussed. When used without other qualification, "System" refers to the Lottery Gaming System proposed AWI.
Traditional Lottery Games	As defined in §3.10.4 of AWI's Proposal and also includes such games offered by MUSL.
Validation	Process by which winning tickets are checked against computer files, to ensure that the ticket presented is valid, and that it has not been redeemed previously. Validations apply to both On-Line Game and Instant Game tickets.
Validation Code	A security feature of Instant Game tickets printed under the latex (or other) coating.
Video Lottery Games	Games made available at Video Lottery Terminals located at the three Delaware horse/harness racing tracks. Games played on Video Lottery Terminals include variations of poker, blackjack, pull tabs, instant or line-up games.
Video Lottery Terminal	The term "Video Lottery Terminal" shall have the same meaning as "Video Lottery Machine" under 29 Del. C. §4803(g).
Video Net Proceeds	Amount Played minus Amount Won. The total amount of credits or cash played less the total

amount of credits or cash won by the players of Video Lottery Games.

Wager

A single bet (set of numbers) for a DSL drawing in an On-Line Game. An On-Line Game ticket may contain multiple wagers. Also referred to as a "play."

2. Scope of Services

The DSL hereby engages AWI to provide and implement and provide related support and services for On-line Games and Video Lottery Terminals, instant game pass-through transactions, including AWI's MasterLink® SYSTEM, AGS and Retailer Terminals, pursuant to the terms of the Work Statement, annexed hereto as Appendix 1 and made a part hereof. The DSL agrees to pay AWI for such services the amounts stated in Appendix 2, annexed hereto and made a part hereof.

3. Term

(A) This Agreement shall be in effect from the date of execution herein and shall continue until seven (7) years after the date that the Conversion is complete or such shorter period as the DSL may determine due to causes such as termination by the DSL as set forth in paragraph 4, below (hereinafter "Initial Term").

(B) The DSL reserves the right to extend this Agreement at its sole option up to a maximum of five (5) one (1)-year extensions, provided that any such option to extend is exercised by the DSL at least ninety (90) days prior to the end of the Initial Term, or any extension thereof, or at a time mutually agreed upon by both parties. The price terms for any extensions will be at a rate of compensation to be renegotiated by the parties. (The Initial Term plus any extensions are collectively the "Term.")

(C) DSL reserves the right to extend the Initial Term, or any extension thereof, at the rates and upon terms and conditions then in effect on thirty (30) days notice for one (1) or more ninety (90) day periods if a different vendor is chosen for a subsequent contract and the subsequent vendor's system does not meet the requirement of the DSL.

Exercising these rights shall not be construed as obligating the DSL to repeat the procurement process for any subsequent agreement or conferring any right or expectation to AWI to continue operating the System after the expiration of any such ninety (90) day period.

#### 4. Termination

##### (A) Termination For Default

The DSL reserves the right to terminate the Agreement and to pursue any and all legal remedies provided at law, in equity, or in Agreement for default. Default is defined as the failure of AWI to fulfill its obligations of the Agreement.

In case of default by AWI, the DSL and the State of Delaware may upon thirty (30) days prior written notice to AWI terminate the Agreement without further liability to the State, its departments, divisions, agencies, sections, commissions, officers, agents and employees, and procure the services from other sources, and hold AWI responsible for any excess costs occasioned thereby. Before the DSL terminates the Agreement for default, however, the DSL will take into consideration any "good faith" efforts of AWI to avoid a default situation, and the DSL will take into consideration whether actions taken after issue of a notice of termination could permit the Lottery to rescind such notice or provide a reasonable cure period. Furthermore, before issuing such a notice of default, the DSL will not hesitate to provide feedback to AWI that unsatisfactory performance of AWI represents a potential for termination based on default. In addition to the remedy of Contract termination and all other remedies

available to the DSL hereunder, in the Contract, at law or in equity, the DSL may in its sole discretion accept partial, incomplete or otherwise non-complying performance, and may deduct from the price to be paid under the Contract a sum which in the DSL's determination reasonably reflects the difference in value between the Contract as it was to have been performed and as it was actually performed.

(B) Termination for Other Than Default

(1) Termination Without Compensation

The DSL may terminate (without compensation) this Agreement giving AWI thirty (30) days written notice for any of the following reasons:

- (a) If AWI furnished any statement, representation, warranty, or certification in connection with this RFP or the Agreement which is materially false, incorrect, or incomplete;
- (b) If AWI becomes financially unstable or is not able to obtain or maintain the financing necessary to perform the Agreement;
- (c) If at any time the DSL reasonably determines that the AWI does not possess adequate financial ability or business stability to continue to carry out the obligations of the Agreement;
- (d) If the AWI or subcontractor, or an officer or owner of a 5% or greater share of either, is convicted of a criminal offense incident to the application for or performance of any contract or subcontract whether in this jurisdiction or in another jurisdiction, or is convicted of a criminal offense which in the sole discretion of

the DSL reflects on the AWI's integrity. However, the DSL cannot terminate pursuant to this provision if AWI has terminated its relationship with the officer, owner or subcontractor within two (2) days of notice of default;

(e) If any officer, employee, major subcontractor, or agent of AWI attempts to claim a prize in any DSL game and the DSL determines that AWI did not take reasonable efforts to prevent or inform all of the affected individuals of such restrictions;

(f) If AWI commits an ethics or integrity violation as defined in the Agreement; and

(g) If AWI fails to obtain and/or maintain compliance with paragraph 66(B) of this Agreement.

The DSL and the State of Delaware shall not be liable for any costs incurred if termination is for any of the causes stated above.

(2) Termination with Possible Compensation

The DSL may terminate the Agreement upon giving AWI thirty (30) days written notice for any of the following reasons:

(a) In the event the DSL or the State no longer needs the services or products specified in the Agreement because of changes in laws or regulations;

(b) If funds for the purposes specified under the Agreement are not appropriated by the State. AWI acknowledges that continuation of this Agreement is subject to annual appropriation

of funds for the purposes specified in the Agreement. If funds to enable the DSL to effect continued payment under this Agreement are not appropriated or otherwise made available, the DSL shall have the right to terminate the Agreement without penalty at the end of the last period for which funds have been made available. Written notice of termination under this section shall be given within thirty (30) days after it is determined that there is non-appropriation; or

(c) In the event that prices proposed for Agreement modification or for additional services requested by the DSL cannot be mutually agreed upon by AWI and the DSL. Both the DSL and AWI agree to negotiate the prices and any other terms for additional services in good faith before the DSL terminates the Agreement pursuant to this provision of the Agreement.

If the Agreement is terminated for one of the reasons stated in this section and where it has been determined that AWI is due compensation for costs incurred prior to termination, said compensation shall be limited to reasonable expenses for products, materials, supplies, and services rendered, for which AWI has not yet been compensated. The DSL will make no payments for unfurnished work, work in progress, or raw materials acquired unnecessarily in advance, in excess of the DSL's delivery requirements, or initiated after receipt by AWI of notice of termination. In addition to the remedy of Agreement termination and all other remedies available to the DSL hereunder, in the Agreement, at law or in equity, the DSL may in its sole discretion accept partial,

incomplete or otherwise non-complying performance, and may deduct from the price to be paid under the Agreement a sum which in the DSL's determination reasonably reflects the difference in value between the Agreement as it was to have been performed and as it was actually performed.

5. AWI's Responsibilities as Prime Contractor

AWI will assume sole responsibility and liability for delivery, installation and maintenance of all equipment, software, support services and other contractual obligations to be furnished under this Agreement, and will directly make such representation and warranties to the DSL to which the DSL and AWI may agree, whether or not AWI is the manufacturer or producer thereof. The DSL will consider AWI to be the sole point of contact with regard to contractual matters, including payment of any and all charges resulting from the Agreement. AWI may have subcontractors; however, AWI must accept full responsibility for and will be liable to the DSL for any such subcontractor's performance.

6. Elements of This Agreement

(A) This Agreement shall include as integral parts thereof:

- (i) The RFP, including any clarification and amendments (collectively the "RFP"); and
- (ii) AWI's Proposal, including any clarification and amendments (collectively the "Proposal").

(B) In the event of a conflict in language between the RFP and Proposal, the provisions and requirements set forth or referenced in the RFP shall govern. In the event that an issue is addressed in the Proposal and its clarifications and amendments that is not addressed in the RFP, no conflict in language shall be deemed to occur.

(C) In the event of a conflict in language between the RFP or AWI's Proposal and this Agreement, the provisions and requirements set forth or referenced in this Agreement shall govern. In the event that an issue is not addressed in this Agreement, no conflict in language shall be deemed to occur.

(D) The failure of the DSL to insist upon strict adherence to any term of the Agreement shall not be considered a waiver or deprive the DSL of the right thereafter to insist upon strict adherence to that term, or any other term, of the Agreement.

(E) The Agreement may not be modified, amended, altered, changed, extended, varied, waived or augmented, except in writing executed by the parties hereto, and any breach or default by a party shall not be waived or released other than in writing and signed by the other party.

(F) Each provision of the Agreement shall be deemed to be severable from all other provisions of the Agreement and, if one or more of the provisions of the Agreement shall be declared invalid, the remaining provisions of the Agreement shall remain in full force and effect.

7. Audit Requirements

AWI agrees to meet the following auditing obligations:

(A) AWI or its parent will have a complete financial audit conducted annually and will provide a copy of AWI's or its parent's certified financial statements to the DSL annually. The audit will follow generally accepted auditing standards (GAAS). AWI will provide the DSL with Securities and Exchange Commission (SEC) 10-K of AWI's parent company reports as they are issued, together with any other reports required to be filed pursuant to Section 13 of the Securities and Exchange Act of 1934, as amended.

(B) In addition, AWI will cause to be performed a complete internal control audit of AWI's DSL operations on an annual basis by an independent certified public accounting firm. This audit shall be conducted pursuant to Statement on Auditing Standards No. 70, as issued by the American Institute of Certified Public Accountants. The DSL will select the firm to perform the work. All financial aspects shall be conducted pursuant to the auditing standards issues by the AICPA. The DSL reserves the right to designate the period to be covered by the review.

(C) The DSL reserves the right to require the first internal control audit to be conducted within ninety (90) days after Conversion.

(D) Both the aforementioned types of audits shall be conducted at AWI's expense.

(E) AWI is required to maintain its books, records and all other evidence pertaining to the Agreement in accordance with generally accepted accounting principles (GAAP) and such other procedures specified by the DSL. These records shall be available to the DSL, its internal auditors or external auditors (and other designees) at all times during the Term, and for three (3) full years from the expiration date and/or final payment on the Agreement or Term, whichever is later.

#### 8. Cooperation Of The Parties

AWI and the DSL agree to cooperate fully, to work in good faith and mutually to assist each other in the performance of the Agreement. In this connection, the parties will meet to resolve problems associated with the Agreement. Neither party will unreasonably withhold its approval of any act or request of the other to which its approval is necessary or desirable.

9. Indemnification

AWI shall indemnify, defend and hold harmless the DSL, State of Delaware, its departments, divisions, agencies, sections, commissions, officers, employees and agents from and against all losses, liabilities, penalties, fines, damages and claims (including taxes), and all related costs and expenses (including reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), arising from or in connection with any of the following:

(A) Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from (i) the products provided or (ii) performance of the work, duties, responsibilities, actions or omissions of AWI or any of its subcontractors under this Agreement, and (iii) arising out of or resulting from a breach by AWI of any representation or warranty made by AWI in the Agreement.

(B) Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or related to occurrences AWI is required to insure against as provided for in this Agreement.

(C) Any claim, demand, action, citation or legal proceeding against the State, its employees and agents arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by AWI, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable.

(D) Any claim, demand, action, citation or legal proceeding against the State, its employees and agents which results from an act or omission of AWI or any of its subcontractors in its or their capacity as an employer of a person.

These indemnification clauses shall not apply to the extent, if any, that such death, bodily injury, property damage, or other damages are caused by the negligence or reckless or intentional wrongful conduct of the State.

10. Performance Bond

At the time of execution of this Agreement and during the first year of this Agreement, AWI shall submit a performance bond in the amount of \$2,000,000. The amount of the performance bond for the second and subsequent years of the Agreement shall be the sum of five hundred thousand dollars (\$500,000) and the total of all liquidated damages assessed to AWI during the preceding twelve (12) months of operation under the Agreement. The bond, renewable annually, must be maintained in full force and effect for the entire term of this Agreement. The bond may be forfeited to the DSL for AWI's complete failure or refusal to perform AWI's obligations under this Agreement and may also serve to compensate the DSL for actual damages, not otherwise covered by insurance.

The performance bond shall be conditioned on the faithful compliance and performance by AWI of each and every term and condition of the Agreement. Each term and condition shall be met at the time and in the manner prescribed by the Agreement. Pursuant to 29 Del. C. § 6927(e), the performance bond shall also contain AWI's guarantee to indemnify and save harmless the State and the agency from all costs, damages and expenses due AWI's failure to comply and perform the work and complete the Agreement in accordance with the terms of the Agreement.

11. Insurance

(A) AWI shall purchase and maintain insurance for claims set in paragraphs 12 through 19 which may arise out of or result from AWI's operations under the Agreement,

whether such operations be by AWI or by any subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable.

(B) AWI will not fulfill its insurance obligations through a statement of self-insurance.

(C) Errors and Omissions Insurance must continue until one year past the term of the Agreement. All other insurances covered by this section must be effective when performance commences under the Agreement and continue through the life of the Agreement and any authorized extensions.

(D) Certificates of insurance must be furnished to the DSL Director on date of Agreement execution, with the exception of the certificate for Errors and Omissions Insurance, which must be furnished to the DSL Director prior to production start-up.

(E) The required insurance coverages shall be written for not less than any limits of liability as required by the Agreement, and shall include contractual liability as applicable AWI's obligations under the Indemnification clause of the Agreement.

12. Worker's Compensation Insurance

AWI will maintain insurance for claims under worker's compensation, disability benefit and other similar benefit acts per statute in each state in which AWI does business.

13. Personal Injury Insurance

AWI will maintain insurance for claims for damages because of bodily injury, occupational sickness or disease, or death of AWI's employees or any third parties.

14. Property Damage Insurance

AWI will maintain insurance for claims for damages because of injury to or destruction of tangible property, including loss of use resulting therefrom.

15. General Liability Insurance

AWI shall maintain general liability insurance coverage with limits of not less than \$2,000,000 for injury to any one person, \$4,000,000 for any one occurrence of personal injury and \$2,000,000 for any one occurrence of property damage.

16. Property Insurance

AWI shall maintain insurance on all buildings, furniture, fixtures, computer and communications equipment used in operating and supporting the Lottery Gaming System in an amount equal to or greater than the actual replacement cost thereof. Coverage shall include an All Risk Property Floater to insure personal property including contents, equipment, and mobile items against fire, theft, collision and flood. The State of Delaware, the DSL, and Retailers and State of Delaware licensed Video Lottery Agents will not be responsible for insuring any equipment or facilities included in or associated with AWI's provision of the Lottery Gaming System.

17. Errors and Omissions Insurance

AWI shall maintain professional liability errors and omissions insurance of not less than \$10,000,000 per claim, to be in force and effect at all times which would indemnify AWI and DSL for direct loss which may be incurred due to any error, caused by AWI, its officers, employees, agents, suppliers, subcontractors, or assigns regardless of negligence. Errors and omissions insurance must continue past the Term for one (1) year.

18. Automotive Insurance

AWI shall maintain automotive liability insurance covering drivers and vehicles employed in connection with the operation of the Agreement with limits of not less than \$1,000,000 for personal injury to each person and \$250,000 for property damage.

19. Fidelity Bond

AWI shall maintain a fidelity bond with a limit of not less than \$5,000,000 protecting the State of Delaware and the DSL against losses resulting from fraudulent or dishonest acts by AWI or any officer, employee, or agent thereof. The bond shall be obtained at the time of the Agreement's execution.

20. Liquidated Damages

(A) In all the below liquidated damages sections, the DSL and AWI agree that it will be extremely impractical and difficult to determine actual damages which the DSL will sustain. The goods and services to be provided under the Agreement are not readily available on the open market; any breach by AWI will delay and disrupt the DSL's operations and will lead to damages. Therefore, the parties agree that the liquidated damages as specified in all the sections below are reasonable.

In no case shall liquidated damages be measured in terms of potential lost revenue or potential lost net profit to the DSL, unless and to the extent that the DSL determines, or alternatively, that a court of competent jurisdiction determines that actual loss can be measured precisely and that the written liquidated damages provision is unreasonable and/or unenforceable as a matter of law.

Assessment of liquidated damages shall be in addition to, and not in lieu of, such other remedies as may be available to the DSL. Except and to the extent expressly provided herein, the DSL shall be entitled to recover liquidated damages under each section applicable to any given incident and shall act equitably and responsibly and not seek duplicative or other unreasonable damages.

(B) AWI shall not be required to pay liquidated damages for delays solely due to matters as enumerated in the section entitled "Force Majeure," or for time delays specifically due to, or approved by the DSL.

(C) All assessed liquidated damages may be deducted from any moneys owed AWI by the DSL and in the event the amount due AWI is not sufficient to satisfy the amount of the liquidated damages, AWI shall pay the balance to the DSL within thirty (30) calendar days of written notification. If the amount due is not paid in full the balance will be deducted from subsequent payments to AWI. At the DSL's sole option, the DSL may obtain payment of assessed liquidated damages through one (1) or more claims upon the Performance Bond.

21. Conditions for Termination of Liquidated Damages

As determined appropriate by the Director, the following are the conditions under which AWI may obtain relief from the continued assessment of liquidated damages which have been imposed:

(A) Except as waived in writing by the Director, no liquidated damages imposed shall be terminated or suspended until the AWI issues a written notice verifying the correction of the condition(s) for which liquidated damages were imposed, and all of AWI's corrections have been subjected to system testing or other verification at the reasonable discretion of the Director.

(B) If appropriate, AWI shall conduct systems testing of any correction as the Director deems necessary. Such testing shall be developed jointly by the DSL and AWI, and approved by the DSL, including the test script, test environment, and test results.

(C) The documentation necessary for verification and approval shall be determined by the Director. The Director shall be the sole judge of the accuracy of any documentation provided.

(D) AWI's notice of correction will not be accepted until the correction is verified by the DSL.

22. Severability of Individual Liquidated Damages

If any portion of the liquidated damages provisions is determined to be unenforceable in one or more applications, that portion remains in effect in all applications not determined to be invalid and is severable from the invalid applications. If any portion of the liquidated damages provisions is determined to be unenforceable, the other provision or provisions shall remain in full force and effect.

23. Waivers of Liquidated Damages

It is expressly agreed that the waiver of any liquidated damages due the DSL shall constitute a waiver only as to such liquidated damages and not a waiver of any future liquidated damages. Failure to demand payment of liquidated damages within any period of time shall not constitute a waiver of such claim by the DSL.

24. Lottery Gaming System Installation

(A) Condition

AWI shall complete all installation preparations as required, complete system testing to the DSL's satisfaction, pass the DSL's acceptance testing, and comply with all other contractual requirements in effect during this period.

(B) Damages

The Director may impose liquidated damages of \$5,000 per day after September 22, 2002 through September 30, 2002 and then \$50,000 per day following September 30, 2002 for each calendar day of delay in completion of system testing and acceptance testing and may assess such damages until system testing and acceptance testing are completed in accordance with definitions and requirements set forth in the Agreement, and until the Lottery Gaming System goes into production. In addition, the Director may impose liquidated damages of \$500 per day for each and every failure to provide a deliverable or to resolve an acceptance test problem pursuant to the agreed upon schedule or to comply with all other contractual requirements in effect, until such requirement is provided or performed.

25. Retailer Terminal Installation

(A) Condition

AWI shall install Retailer Terminals in accordance with the schedules which are agreed to by AWI and the DSL. For purposes of this Agreement, a Retailer Terminal shall be considered to be installed and operational when it has been installed at the designated location, is in good running and working order, is connected by communications services to the central computer facility, is capable of processing Wagers, issuing On-Line Games tickets, and/or conducting validations, and the Retailer has received training which is reasonably deemed satisfactory by the DSL or AWI has made every reasonable effort to train the Retailer.

(B) Damages

In the event that AWI fails to install Retailer Terminals in accordance with the mutually-agreed upon schedule, the Director may impose liquidated damages in the amount of \$100 per day per Retailer Terminal until installed. For any Retailer Terminal that is not installed

after fifteen (15) days from the scheduled installation date, the Director may increase the liquidated damages assessment to \$250 per day per Retailer Terminal for each subsequent day.

26. Central Computer System Down Time for On-Line Games and Instant Games Pass Through

(A) Condition

The Lottery Gaming System shall be defined to be "down" if no saleable On-Line Games tickets can be issued, or no winning tickets can be cashed through On-Line Retailer Terminals supported by the Lottery Gaming System. The total time during which a Lottery Gaming System is down during the operational sale period of each day shall be the sum of all time during such period when the Lottery Gaming System is "down".

(B) Damages

In the event that the Lottery Gaming System has been "down", the Director may impose liquidated damages as a result of the total time during each daily operational sale period that the Lottery Gaming System is down, except for the first fifteen (15) minutes, according to the following schedule: Liquidated damages of five hundred dollars (\$500) may be assessed for each minute, or pro-rated fraction thereof, of Lottery Gaming System downtime. In the event that three (3) or more downtime incidents in excess of fifteen (15) minutes total have occurred in one business week, the grace period of fifteen (15) minutes shall be rescinded, and liquidated damages shall begin immediately with a subsequent outage in that week.

27. Central System Degraded Performance for On-Line Games and Instant Game Pass-Through

(A) Conditions

AWI's central system shall have "degraded performance" no more than one (1) hour during the operational sales period on any day. AWI's central computer system shall be considered as having degraded performance when:

- (1) the Retailer Terminals on average exceed the response time requirements or the MasterLink<sup>®</sup> System is incapable of meeting the throughput specifications provided in §3.8 of the Work Statement attached herein;
- (2) the MasterLink<sup>®</sup> System can only process transactions from less than 80% of the installed and operational Retailer Terminals;
- (3) the MasterLink<sup>®</sup> System can process transactions from all Retailer Terminals, but not for all gaming products and Retailer services;
- (4) transactions are not logged to at least three (3) media over two (2) locations prior to the issuance of an On-Line Games ticket; or
- (5) critical functions of the MasterLink<sup>®</sup> System's management and administration cannot be conducted by the Management Terminals.

(B) Damages

Whenever the MasterLink<sup>®</sup> System has "degraded performance" as defined above, which collectively exceeds one (1) hour per day, liquidated damages may be assessed at the rate of \$1000 per hour or pro-rated fraction thereof. In the event that three (3) or more degraded performance incidents in excess of one (1) hour total have occurred in one Business

Week, the grace period of one (1) hour shall be rescinded, and liquidated damages shall begin immediately with a subsequent degraded performance incident in that Business Week.

28. Central System Degraded Time for Video Lottery Terminal Support

(A) Condition

AWI's central system shall have "degraded performance" for Video Lottery Terminal support whenever ten percent (10%) or more of the Video Lottery Terminals are rendered "inoperable" due to a central system outage or defect. Inoperable means that the Video Lottery Terminal is unavailable for play during scheduled play hours.

(B) Damages

Whenever AWI's central system has "degraded performance" as defined above, which collectively exceeds three (3) minutes per day, liquidated damages may be assessed at the rate of \$250 per minute or pro-rated fraction thereof.

29. On-Line and Mid-Range Retailer Terminal Maintenance

(A) AWI shall ensure that "non-operational" Terminals are repaired or replaced and operational within two (2) hours of notification of a non-operational condition. Repairs are required only during gaming operating hours. A Retailer Terminal is considered non-operational if Wagers cannot be taken or validations cannot be performed.

For less critical failures (e.g. marketing displays) that do not render the Retailer Terminal non-operational as defined above, AWI has twenty four (24) hours to complete a repair from the time of notice by the Retailer.

(B) If there has been maintenance delay beyond the allowable two (2) hours for non-operational Retailer Terminals, the Director may impose liquidated damages of \$50 per Retailer Terminal per hour or pro-rated fraction thereof. For Retailer Terminals with less critical

failures, the Director may impose liquidated damages of \$100 per day or pro-rated fraction thereof, until a repair has been completed.

30. Lack of Retailer Terminal Preventive Maintenance

Each Retailer Terminal provided shall have a preventive maintenance cycle established by the manufacturer and accepted by the DSL. For each event of neglected preventive maintenance, liquidated damages of \$100 may be assessed by the Director.

31. Deficient Terminal Field Service or Hotline Performance

(A) AWI shall employ sufficient resources and inventory to meet the performance standards for Retailer Terminal field service and hotline operations set forth in paragraph 29 of this Agreement and § 3.5.4 of the Work Statement. Within thirty (30) days after notification from the DSL that this performance standard is not being met, AWI shall employ such additional resources as are necessary to meet the performance standard.

(B) If AWI does not bring deficient performance up to the applicable standards specified within thirty (30) days of notification hereunder, the DSL may impose liquidated damages in the amount of \$500 per day until performance is in compliance.

32. Failure to Provide System Components, Enhancements and Modifications

(A) Traditional Lottery Games

(1) AWI shall modify existing On-Line Games or install additional Traditional Lottery Games pursuant to this Agreement and within the reasonable time frame authorized by the Director, unless an extension is authorized in writing by the Director. This time frame will follow extensive discussions with AWI and take into account the reasonable time frame for AWI to implement a change

permitting the highest product and service quality consistent with sound systems engineering principles and required acceptance testing. In addition, AWI will complete an acceptance test of the required modification or addition to the On-Line Gaming System, and receive the Director's written approval of such test, within the time frame specified.

- (2) The Director may impose liquidated damages of up to \$5,000 per day that such modified or additional game is not installed within the time frame authorized by the Director. AWI is not obligated for liquidated damages if the Director opts to release the change at a later time than provided in the agreed-upon schedule.

**(B) Lottery Gaming System Modifications (Non-Game Changes)**

- (1) AWI shall install and/or modify equipment, software, or processes as agreed upon in the Agreement, as reasonably authorized by the Director, unless an extension is authorized in writing by the Director. This time frame will follow extensive discussions with AWI and take into account the reasonable time frame for AWI to implement a change permitting the highest product and service quality consistent with sound systems engineering principles and the required acceptance testing. AWI must complete an acceptance test of the required modification or addition to the Lottery Gaming System, and receive the Director's written approval of such test, within the time frame specified.

- (2) The Director may impose liquidated damages of up to \$1,000 per day for each day that the component or modification is not installed. AWI is not obligated for liquidated damages if the Director opts to release the change at a later time than the agreed-upon schedule.

33. Timely and Accurate Reports or Files

(A) AWI shall produce and deliver timely, sufficient and accurate reports and files within the specified time frames and descriptions in the Agreement. Reports, tapes and files shall be produced and delivered on both a scheduled and on-request basis according to the schedule approved by the DSL.

(B) For each late, insufficient, or inaccurate report or file, the Director may impose liquidated damages in the amount of \$100 per day, or pro-rated fraction thereof, per report or file until the report or file is provided, made sufficient or corrected.

34. Unauthorized Software/Hardware Modifications

(A) AWI shall not modify any software or hardware in the Lottery Gaming System without the prior written consent of the Director.

(B) If AWI modifies any software or hardware in the Lottery Gaming System, without the prior written approval of the Director, the Director may issue a written order that the change or modification be removed and the Lottery Gaming System be restored to its previous operating state at AWI's expense. This condition does not include replacement of a Lottery Gaming System component with an essentially similar component in the event of necessary maintenance. Further, the Director may impose liquidated damages in the amount of \$5,000 per violation of this paragraph.

35. Unauthorized Access

(A) AWI shall prevent persons not authorized by the Director from accessing AWI's computer facility or the On-Line Gaming System, its data or software.

(B) If AWI fails to prevent unauthorized access, the DSL may impose liquidated damages of \$5,000 for each incident of unauthorized access by an unauthorized person. An incident shall be defined as each and every act which permits access by an unauthorized person.

36. Video Lottery Monitoring Failure

(A) AWI shall maintain central monitoring and reporting for the Video Lottery Terminals through its Site Controllers and a communications network to the AGS. This monitoring and reporting must be made available to Management Terminals.

(B) In the event that monitoring and reporting for Video Lottery Terminals fails, the Director may assess liquidated damages to the DSL, following a two (2) hour grace period, of one thousand dollars (\$1,000) per hour times the percentage of the Video Lottery Terminals affected by the failure.

37. Retailer Supply Shortage

(A) AWI shall provide and maintain adequate quantities of Retailer supplies including, but not limited to, On-Line Games ticket stock, play slips, printer supplies, paper stock, and other necessary supplies and Consumables for all On-Line Games. This provision does not include the handling or delivery of Instant Game tickets.

(B) In the event that Retailers become unable to sell or validate On-Line Game tickets due to AWI's failure to provide adequate supplies as specified herein, AWI shall pay to

the DSL as liquidated damages, on a daily basis, two hundred dollars (\$200.00) per Retailer disadvantaged by AWI's failure to provide supplies.

38. Failure to Report Incidents and Unrecorded Winning Tickets

(A) AWI will report all incidents related to the operation of the Lottery Gaming System, prior to the start of each Business Day, for events that took place during the previous twenty-four (24) hour day. All reports and notifications shall be in written format and must be sent by courier or faxed directly to the Director or his designee. At a minimum, each of the following types of events shall require a written report:

- (1) Lottery Gaming System take-over situations;
- (2) Major communications failures;
- (3) Significant operator errors;
- (4) Out of balance conditions;
- (5) Emergency software or hardware changes;
- (6) Security violations;
- (7) Other conditions as defined by memorandum of understanding; or
- (8) Any situation which may cause the general public to become alarmed and/or which may damage the integrity of the DSL.

(B) In the event that AWI fails to report incidents as required herein, AWI will pay liquidated damages to the DSL in the amount of one thousand dollars (\$1,000) per day, or prorated fraction thereof, until an incident is correctly reported.

(C) AWI will be liable for all winning On-Line Games tickets issued by the Lottery Gaming System and presented for redemption which are not identified as valid, winning

sold On-Line Game tickets on the ICS files furnished to the DSL by AWI, and for which the DSL becomes liable for payment.

39. Equipment and Software Changes and Upgrades to the Lottery Gaming System

AWI's services under this Agreement shall include:

(A) Fixes to all Lottery Gaming System software and hardware errors and design defects; and improved versions of the hardware and software to sustain performance or correct performance problems, to otherwise meet or continue to meet defined requirements under this Agreement for the entire Term.

(B) Maintaining Lottery Gaming System and Retailer Terminal hardware and software elements with "supported releases" from AWI. This includes, but is not limited to, all equipment the MasterLink® System and AGS, software for network operations, for Management Terminals, network management system, database and reporting software, project management system, accounting system, and hardware diagnostics. At the time AWI is notified by a supplier that a release is scheduled to have support dropped, it will be AWI's obligation to acquire and install an appropriate upgrade or replacement (with the DSL's approval).

(C) Equipment and software changes necessary simply to support increased volumes of transactions from the existing Retailers and horse/harness racing tracks are to be included in the base pricing hereunder.

(D) Software changes for scheduled administrative reports, ad hoc reports, screen displays, other features required for DSL to manage the gaming systems, and software for existing On-Line Game enhancements and Traditional Lottery Games (but not necessarily any new equipment or services, as addressed in the next section). Any Traditional Lottery Games software made available to any of AWI's clients shall also be made available to the DSL.

(E) Changes and enhancements which exceed what is required of AWI in this Agreement (and which are not otherwise accommodated by the above or by the pricing method) such as providing Non-Traditional Lottery Games, newly available terminal peripherals, new terminal types, new Retailer user interface features, build-outs at new locations, new capital equipment, facilities, third-party software licenses or substantive maintenance and/or service additions or changes will have terms and price negotiated by the parties. When the DSL desires any additional changes or enhancements which exceed what is required of AWI in this Agreement, such as above, it shall notify AWI of the request. AWI's response to this request shall state whether the change or enhancement shall cause an alteration in the price of AWI's performance under this Agreement. Any equipment made available to any of AWI's customers shall also be made available to the DSL consistent with the terms of this Agreement.

(F) AWI's configuration management system and practices shall preclude unauthorized changes to the Lottery Gaming System. Any engineering changes or variations from the designs and specifications of the Agreement, RFP and the Proposal must be approved in writing by the Director prior to installation or implementation.

The DSL extends the right of approval to the software operating system releases provided for the Lottery Gaming System, and to all other third-party products employed by AWI in the delivery of the Lottery Gaming System.

#### 40. Ownership of Materials and Intellectual Property

(A) Ownership of all data, documentary material, and operating reports originated and prepared for the DSL pursuant to this Agreement shall belong exclusively to the DSL.

(B) Ownership of MasterLink™ System, ICS, AGS, all Retailer Terminals and all related computer materials and equipment and software shall be held by AWI.

(C) The DSL acknowledges AWI's proprietary rights in and to the MasterLink™ System, ICS and AGS, all Retailer Terminals and all related computer materials and equipment and software, as well as the specifications and details of the hardware and the software heretofore or hereafter created by AWI for operation of the MasterLink™ System, ICS, AGS, all Retailer Terminals and all related computer materials and equipment and software and further acknowledges a survival of such rights in AWI under the terms of this Agreement and agrees to maintain the confidentiality thereof and to render such assistance as may be required by AWI to protect and preserve AWI's interests therein.

(D) The DSL acknowledges that AWI's Intellectual Property Rights that are associated with the MasterLink® System, ICS, AGS and Retailer Terminals and all related or associated software, hardware, or otherwise are and will remain AWI's Intellectual Property Rights. To the extent consistent with the terms of this Agreement, AWI agrees to grant the DSL a non-exclusive, non-transferable license to use the aforesaid intellectual property rights that are associated with the Lottery Gaming System for the Term of this Agreement. With the exception that said license may be transferred to any agency of the State of Delaware that is approved to operate lottery games in the State of Delaware and such license shall provide for the terms of continued use by the DSL after the Term of this Agreement.

(E) Before Conversion, delivery to the DSL, or to a DSL-approved escrow agent, is required of a complete set of AWI's software source programs, program object code, operations manuals, service manuals, written procedures, and any such other materials necessary for the DSL to operate the Lottery Gaming System. The software source and object programs

can be delivered on mutually agreeable media. This stipulation includes all software executed on the equipment pertaining to the contracted Lottery Gaming System. Installation packages for third party software products licensed by AWI must be included. Licenses must be transferable to the DSL. These materials would allow the DSL to continue operations in the event the AWI becomes unable to perform, and to confirm that only authorized software is installed on the Lottery Gaming System.

(F) As Lottery System changes are implemented, both the change and change documentation shall be provided to the DSL to continue the DSL's protection. Changes to DSL's copy of these materials must be effected within one (1) week of installation in production operations.

(G) The DSL must be granted access to these materials at its sole discretion and consistent with the rights and obligations contained herein.

#### 41. Right of Use

If for any reason other than a breach of this Agreement by the DSL, AWI should lose its ability to service this Agreement, the DSL shall retain the right to use the equipment, facilities, software, licenses and documentation for those items owned by AWI and which are necessary to provide the contractual services required under this Agreement. This right shall be limited to the right of the DSL to possess and make use of such items solely for the use and benefit of the State of Delaware in maintaining, altering and improving the operational characteristics of the programs and systems being furnished by AWI under this Agreement. In such event, all software programs, documentation, operating instructions, facilities, hardware, and the like, including modifications or alterations thereof, shall be maintained in confidence by

the DSL and shall be returned together with all copies to AWI when their use has been completed.

42. Ticket Purchase and Prize Payment Restrictions

(A) No officer or employee of AWI or of any subcontractor, and no owner, director, partner, spouse, child, brother, sister or parent or other person residing in the principal place of abode of any such individual shall purchase a DSL ticket or be paid a prize in any DSL game. AWI agrees to ensure that this requirement is made known to each officer and employee of AWI and of any subcontractor.

(B) AWI will provide a list of employees assigned to provide services under this Agreement, together with their Social Security numbers within thirty (30) days of execution of this Agreement. The DSL agrees to treat said Social Security numbers as confidential information under paragraph 65 of this Agreement.

43. Force Majeure

(A) A Force Majeure occurrence is an event or effect that cannot be reasonably anticipated or controlled and not due to the fault or negligence of the non-performing party. As herein used, Force Majeure means acts of war; terrorism; action of the elements; governmental interference; rationing; interruption or curtailment of utilities, transportation services, or telecommunications services; or any other cause which is beyond the control of the party affected and which, by the exercise of reasonable diligence, that party is unable to prevent.

(B) Neither AWI nor the DSL shall be liable to the other for any delay in or failure of performance under this Agreement due to a Force Majeure occurrence. Any such delay in or failure of performance shall not in and of itself give rise to any liability for damages; however, the DSL may elect to terminate the Agreement for cause should its continuing

operations, in its sole judgment, be materially threatened by reason of extended delay or failure of performance.

(C) The existence of such causes of such delay or failure shall extend the period for performance to such extent as reasonably determined by the Director to be necessary to enable complete performance by AWI if reasonable diligence is exercised after the cause of delay or failure has been removed.

44. Security Program

Prior to operations under this Agreement, AWI shall establish a physical and software security program for the entire Lottery Gaming System, subject to the prior written approval of the Director. This program may be updated, reviewed, and approved annually by the Lottery. AWI shall adhere to the following security elements:

(A) Submitting initially for any AWI employees assigned to support or operate the Lottery Gaming System, information as requested in the background investigation as well as such prospective employees. The DSL may extend this requirement to include any officers and employees of AWI and any subcontractors involved in any way in the implementation, installation and operation of the Lottery Gaming System. The DSL may also extend this requirement to include investors and owners of AWI as it deems appropriate. Criminal history checks are currently conducted through an existing agreement between the DSL and the Delaware State Police. Specific procedures for accomplishing this will be delivered by the DSL to AWI.

(B) In the event that any person, or group of persons, acquires directly or indirectly the beneficial ownership (as defined by Securities and Exchange Commission Regulation § 240.13d-3) of 5% or more of the ownership interest in, or any class of equity

securities of, AWI, the DSL must be notified in writing of such event. Background investigation may be required for these new owners and if the investigations are unsatisfactory, the DSL may, at its option, terminate the Agreement after providing thirty (30) days written notice to AWI.

(C) AWI and subcontractor employees will be required to sign a non-disclosure agreement (NDA) with the DSL.

(D) AWI shall immediately report any security procedural violation, violation of law (e.g. theft), or disappearance of any play slips, On-Line Games ticket stock, validation files or other equipment, software or material used or to be used in the performance of this Agreement. The report shall be delivered personally or by telephone to the Director or his designee, followed by a letter addressed to the DSL. Failure to report may lead to liquidated damages provided in paragraph 38(B) of this Agreement.

(E) AWI shall report any change in, addition to, or deletion from, such information disclosed to the DSL. The report shall be in the form of a letter addressed to the Director and shall be delivered within thirty (30) days of the effective date of the change, addition, or deletion. AWI will report the involvement of any of the AWI's employees, owners, or agents that are assigned to support or operate the Lottery Gaming System in any known criminal arrest (exclusive of minor traffic violations), indictment, or investigation, or any such action or event reasonably related to the security, integrity, or image of the DSL.

Failure to report may lead to liquidated damages as defined in paragraph 38(B) of this Agreement.

45. Taxes, Fees and Assessments

AWI agrees to pay all taxes, fees and assessments upon the Lottery Gaming System, however designated, levied or based. The State of Delaware is exempt from state and local sales and use taxes on the services provide pursuant to this Agreement.

46. News Releases

AWI agrees that it will not issue any news releases pertaining to the performance of this Agreement without prior written approval by the DSL, and then only in accordance with the explicit written instructions from the DSL. No results of the DSL program are to be released without the prior approval of the DSL and then only to person designated.

47. Advertising

AWI agrees not use the DSL's name, logos, images, nor any data or results arising from the procurement process or this Agreement as part of any commercial advertising without prior written approval by the DSL.

48. Hiring of DSL Personnel

AWI agrees that during the first year of the Initial Term of this Agreement, AWI shall not make any employment offer or propose any business arrangement whatsoever to any DSL employee. If AWI violates this provision, the DSL may terminate this Agreement.

49. Ethics and Integrity

AWI will meet high standards for ethics and integrity under this Agreement. Accordingly, AWI agrees that:

(A) it or its employees shall accept no pay, remuneration, or gratuity of any value for performance on or information derived from the performance of this Agreement from

any party other than the DSL as described in this Agreement, or from any party under contract to the DSL or seeking to contract with the DSL with respect to this procurement.

(B) it or its employees shall not offer or give any gift, gratuity, favor, entertainment, loan, or any other thing of material monetary value to any DSL employee.

(C) it or its employees shall not disclose any of the DSL's business sensitive or confidential information gained by virtue of this Agreement to any third party without the consent of the Director.

(D) it or its employees shall take no action in the performance of this Agreement to create an unfair, unethical, or illegal competitive advantage for itself or others.

(F) it or its employees shall not have any financial or personal interests other than the interest in this Agreement in any other financial relationships relating to this project without the explicit written consent of the Director.

50. Production Acceptance Test

For violation of the above provisions, on behalf of the DSL, the Director may terminate the Agreement, receive restitution from AWI, or take any other appropriate actions against AWI.

(A) The DSL will conduct a series of acceptance tests to fully determine the passing or failing of AWI's installation in accordance with the specifications of this Agreement and the RFP. Failure of AWI to pass these tests may result in AWI having to make corrections, delay Conversion, pay liquidated damages, or pay up to the full amount of the performance bond.

(B) The Lottery Gaming System will be tested for each and every requirement of this Agreement. AWI will assist in arranging such tests. The DSL, at its reasonable

discretion, will determine whether performance against the acceptance tests is adequate, and whether Conversion can proceed as scheduled.

(C) Passing an acceptance test in no way removes the obligation of AWI to meet, and to continue to meet, all requirements of the Agreement throughout the Term.

51. Conversion at Termination of this Agreement

(A) It is contemplated that DSL, approximately one (1) year prior to the expiration of the Term of this Agreement or any extension thereof, will award a new contract for replacement of AWI's Lottery Gaming System. The parties acknowledge and agree that the DSL may utilize the last one hundred eighty (180) days of this Agreement or any extension thereof for conversion of Retailer Terminals to the replacement gaming system.

(B) The DSL shall be solely responsible for the identification of and time for conversions of Retailer Terminals, and AWI agrees to cooperate fully and in good faith in said conversion. Cooperation may include, but not be limited to, sharing of Retailer files, validation files, and cross-validation of winning On-Line Games tickets. AWI agrees to remove all its equipment and materials relating solely to the Lottery Gaming System from each Retailer location, from the racetracks and DSL property within seven (7) calendar days after the final conversion to the new gaming system. Equipment and materials not so removed by AWI shall be considered abandoned and shall be disposed of at the DSL's discretion, the cost of AWI, and in conformity with any applicable manufacturer specifications or restrictions.

52. Authority of DSL

On all questions concerning the interpretation of specifications, the acceptability and quality of material furnished and/or work performed, the classification of material, the execution of the work, the determination of payment due or to become due, and the assessment

of liquidated damages, the decision of the DSL shall be final and binding. The foregoing sentence shall not, however, limit or restrict in any way AWI's right to seek legal redress in an appropriate court, or otherwise.

53. AWI Staffing

The DSL reserves the right to review and, if necessary, reject any employee of AWI who is assigned to this Agreement, either at inception of this Agreement or during the Term. In addition, the DSL may require AWI to provide minimum levels of staffing or service to meet the performance requirements as set out in this Agreement. Within ninety (90) days after notification from the DSL that AWI has failed to provide minimum levels of staffing or service to meet the performance requirements as set out in this Agreement, AWI shall employ such additional resources as are necessary to meet the performance standards. If AWI does not provide minimum levels of staffing or service to meet the performance standards as set out in this Agreement, the DSL, at the end of such ninety-day (90) period, may terminate this Agreement.

54. Subcontractor Approval

Any proposed subcontracts shall be subject to the prior approval of the DSL. AWI shall replace subcontractors found by the DSL to be unacceptable.

55. Compensation During Conversion

During Conversion, AWI will only receive compensation from the DSL under its prior agreement with the DSL, dated April 26, 1994, and subsequently amended, which shall be in effect through Conversion.

56. Compensation During Contract

Following Conversion, AWI will be compensated by submitting invoices which correspond to the DSL's weekly business and accounting cycle according to the provisions of Appendix 2 annexed hereto and made a part hereof. The submitted invoices will be confirmed by the DSL based on Internal Control System ("ICS") reports and other management and accounting reports. Confirmed invoices will be paid by the DSL within thirty (30) days of receipt. AWI acknowledges that the State of Delaware's fiscal year is July 1 through June 30 and that payments from the DSL to AWI in any given fiscal year are contingent upon enactment of appropriation legislation.

57. Intellectual Property Indemnification and Defense

AWI agrees that it shall only provide for the use of any patented design, material, or process to be used or furnished under this Agreement by suitable legal agreement with the patentee or owner, and shall file a copy of any necessary agreements with the DSL. AWI agrees to indemnify, defend and save harmless and to defend all legal or equitable actions brought against the DSL, State of Delaware, any agency, officer and/or employee of the State, for and from all losses, damages (including taxes), and all related costs and expenses (including reasonable attorneys fees) for claims of liability which may result from the agency's use of any Intellectual Property Rights under licenses granted by AWI, and for any claims resulting from AWI's use of third party Intellectual Property Rights. If AWI promptly notifies the DSL in writing of a third party claim against the DSL that any deliverable infringes a copyright or a trade secret of any third party, AWI will defend such claim at its expense and will pay any costs or damages that may be finally awarded against the DSL. If any deliverable is held to be infringing, AWI shall at its expense and option either (a) procure the right for the DSL to

continue using it, (b) replace it with a non-infringing equivalent, or (c) modify it to make it non-infringing.

If the actions in clauses (a), (b) and (c) are not commercially practicable, the infringing deliverable may be returned and the DSL will be refunded the fees paid for such deliverable, as well as any applicable liquidated damages. AWI will make every reasonable effort to explore options (a), (b) and (c) prior to returning the fees paid, paying the applicable damages and receiving the deliverable from the DSL. The foregoing remedies constitute the DSL's sole and exclusive remedies and AWI's entire liability with respect to infringement.

58. Equal Opportunity

AWI agrees that it will comply with all provisions and current executive orders of the Governor of the State of Delaware on Equal Employment Opportunity, together with all other applicable state, federal or local laws, rules and regulations.

59. Attachment Of Third Party Systems, Terminals, Or Products

(A) The DSL reserves the right to attach to the Lottery Gaming System or otherwise install: terminals, terminal peripherals, software, products, or systems other than those required by this RFP and Agreement.

(B) AWI shall be required to supply to the DSL, specifications to permit other products to carry out all functions and capabilities desired by the DSL. AWI shall provide support to the DSL in conducting future procurements for additional products including providing facilities and support to allow other vendors to attach or install and test products during the evaluation process. The DSL will monitor progress to ensure full cooperation.

(C) Irrespective of anything above, however, AWI's Intellectual Property rights shall be protected by appropriate confidentiality agreements.

(D) Should the DSL propose to add terminals, products, systems, or services not supplied by AWI under this Agreement or the RFP, but for which AWI would gain responsibility, appropriate remuneration to AWI will be negotiated by the parties.

60. Governing Law and Disputes

(A) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware. AWI consents to the jurisdiction of the courts of the State of Delaware with respect to legal actions or proceedings arising hereunder.

(B) In the event that any dispute arises between the parties with respect to the performance which is required of AWI under the Agreement, the Director shall make a determination in writing and send it to AWI. That interpretation shall be final, conclusive and unreviewable in all respects, unless AWI within thirty (30) days of receipt delivers to the Director a written appeal. The decision of the Director on any such appeal shall be made within thirty (30) days and shall be final and conclusive and AWI shall thereafter with good faith and due diligence render such performance as the Director has determined is required of it unless AWI determines to make such claims as it may desire before the appropriate court of competent jurisdiction. Pending a final judicial resolution of any such claim, AWI shall proceed diligently and in good faith with the performance of the Agreement as interpreted by the Director and the DSL shall compensate AWI pursuant to the terms of the Contract.

61. Amendments/Merger

This Agreement constitutes the entire agreement between the DSL and AWI with respect to the subject matter hereof. This Agreement may be amended only by the signed, written agreement of both parties thereto.

62. Benefit

This Agreement is solely for the benefit of the DSL and AWI.

63. Notice

The parties agree that all notices given pursuant to the terms of this Agreement shall be sufficient if in writing and shall be effective when received by the addressee. Until notified otherwise, notices or communications shall be sent to the following address or such other address as may be designated from time to time by the parties in writing:

(a) As to the DSL:

Director  
Delaware State Lottery  
1575 McKee Road, Suite 102  
Dover, Delaware 19904

(b) As to AWI:

Chief Operating Officer  
Automated Wagering International, Inc.  
1255 Broad Street, Suite 200  
Clifton, New Jersey 07013-4219

64. Assignment

The Agreement may not be assigned, transferred, conveyed, sublet, or otherwise disposed of without previous written approval of the DSL. Any purported assignment in violation of this Section shall be null and void. Further, AWI may not assign the right to receive moneys due under the Agreement without the prior written consent of the DSL.

65. Confidential Information

(A) AWI, its officers, employees, agents, representatives, and subcontractors, shall not disclose to any other person or entity any information pertaining to DSL methods, systems, programs, procedures, or operations at any time without prior written approval of the

DSL, except as may be necessary in its performance of this Agreement. The DSL, its officers, employees, agents, representatives, and contractors, to the extent permitted by law shall not disclose to any other person or entity any confidential, secret, or proprietary information or know-how, concerning the equipment, programming, software, trademarks, trade or commercial secrets, of AWI or its subcontractors, at any time without the express prior written approval of AWI, except as may be necessary in its performance of this Agreement.

(B) In the event that any demand, claim, action, or proceeding of any nature whatsoever is made, asserted, or instituted that has as its purpose or object, or may have as its consequence, the disclosure to any person of any of the information referred to herein, each party shall immediately: notify the other party thereof; upon request, join and support the other party should the other party seek any stay, injunction, restraining order, protective order, declaratory judgment, or any other form of interim or permanent relief, order, or judgment whose object is to avoid, prevent, delay, or limit the disclosure of such information; and shall not disclose such information unless, until, and only to the extent required to do so, by the final order of a judicial, legislative, executive or administrative authority having actual jurisdiction thereof.

66. Background Investigations During The Contract

(A) The DSL may initiate investigations into the backgrounds of any officers, principals, investors, owners, subcontractors, employees, or any other associates of AWI, as it deems appropriate. Such background investigations may include fingerprint identification by the Delaware State Police, the Federal Bureau of Investigation or the appropriate non-U.S. equivalent. By signing this Agreement, AWI consents to cooperate with such investigations, and to instruct its employees to cooperate. The DSL may terminate the Agreement based upon

adverse results of these background checks. The ability to conduct such investigations is a continuing right of the DSL throughout the Agreement.

(B) AWI agrees to cooperate in good faith with the Delaware Lottery and Video Lottery Enforcement Unit regarding technology provider background investigations conducted pursuant to 29 Del. C. § 4805 (a) (17). The failure of AWI to obtain or maintain its status as a licensed technology provider during the Term of the Agreement will result in termination of the Agreement. AWI agrees that the DSL has a continuing right to conduct and update background investigations during the term of this Agreement. AWI understands that such investigations may include fingerprint and criminal history searches by state or federal agencies. AWI agrees to instruct its employees to cooperate with DSL background investigations under this section.

67. Covenant Against Contingent Fees

AWI warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies retained by AWI for the purpose of securing business. For breach or violation of this warranty, the DSL shall have the right to terminate the Agreement in accordance with the termination clause, and in its sole discretion, to deduct from the Agreement any price or consideration or otherwise recover the full amount of any such commission, percentage, brokerage or contingent fee.

68. Systems For Exclusive Use Of The DSL

AWI will provide the Lottery Gaming System exclusively for the use of the DSL.

69. Compliance With Association Standards

All services, products, systems, and procedures to be employed by AWI will comply with the issue of game security standards current at the time of Agreement performance as issued by any association--such as the MUSL--of which the DSL is a member.

70. Funding Out Clause

If sufficient support is not appropriated by the Delaware General Assembly or other appropriate federal or state agency to sustain in whole or in part, the DSL's performance under the Agreement, or if such support is reduced such that it is insufficient to sustain said performance, the Agreement.

71. Bonds and Insurance

(A) All required bonds (if bonds) and insurance must be issued by companies which are at least A rated by A.M. Best & Co., are duly licensed, admitted, and authorized to do business in the State of Delaware and are acceptable to the DSL. Required coverages must be put into effect as of the effective date of the Agreement and must remain in effect throughout the term. AWI must submit copies of each required insurance contract or certificates attesting to such insurance coverage, and any renewals thereof, to the DSL. The DSL must receive thirty (30) days advance written notice of cancellation, termination, or failure to renew any policy.

(B) AWI shall purchase adequate insurance for the performance of the Agreement as provided in this Agreement and, pursuant to paragraph 9 hereof, agrees to indemnify and save harmless and to defend all legal or equitable actions brought against the State, any agency, officer and/or employee of the State, for and from all claims of liability which is or may be the result of AWI's actions during the performance of the Agreement. The purchase or non-purchase of such insurance or the involvement of AWI in any legal or equitable defense

of any action brought against AWI based upon work performed pursuant to the Agreement will not waive any defense which the State, its agencies and their respective officers, employees and agents might otherwise have against such claims, specifically including the defense of sovereign immunity where applicable, and pursuant to 29 Del. C. § 6929, the State and all agencies, officers and employees thereof shall not be financially responsible for the consequences of work performed, pursuant to the Agreement.

72. Conversion Completion Date

Conversion shall be completed by October 1, 2002.

73. Scope Of Agreement

The use of the word "Agreement" shall include appendices that are attached to the Agreement and incorporated herein. The following are appendices which are incorporated in this Agreement: Appendix 1- Work Statement; Appendix 2 – Costs and Terms; Appendix 3 – AWI's Proposal; and Appendix 4 – the RFP. If the scope of any provision of this Agreement is declared to be too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consents and agrees that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement shall not thereby fail, but the scope of such provisions shall be curtailed only to the extent necessary to conform to law.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

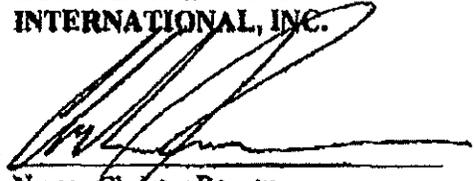
**DELAWARE STATE LOTTERY OFFICE**



Name: Wayne Lemons

Title: Director

**AUTOMATED WAGERING INTERNATIONAL, INC.**



Name: Christer Roman

Title: Chief Operating Officer



**FIRST AMENDMENT TO THE AGREEMENT BETWEEN THE STATE  
LOTTERY OFFICE OF THE STATE OF DELAWARE AND AUTOMATED  
WAGERING INTERNATIONAL, INC. DATED SEPTEMBER 25, 2001**

This First Amendment to the Agreement, dated as of September 25, 2001, is made and entered into, effective as of September 22, 2002, by and between the State Lottery Office of the State of Delaware (the "DSL"), and IGT OnLine Entertainment Systems, Inc., formerly known as Automated Wagering International, Inc., a corporation organized and existing under the laws of the State of Delaware with offices at 1255 Broad Street, Clifton, New Jersey ("IGT Systems").

**WITNESSETH:**

WHEREAS, the DSL and IGT Systems have entered into an Agreement, dated as of September 25, 2001, (the "Agreement") under which the DSL engaged IGT Systems to provide and implement, and furnish related support and services for, On-line Games, Video Lottery Games, and Instant Game pass-through transactions; and

WHEREAS, pursuant to paragraph 39(E) of the Agreement, the DSL has the right to request changes and enhancements which exceed what is required of IGT Systems under the Agreement subject to terms and prices to be negotiated by the parties; and

WHEREAS, pursuant to paragraph 61 of the Agreement, the parties have the right to amend the Agreement; and

WHEREAS, the DSL has requested certain changes and enhancements from IGT Systems and IGT Systems has agreed to provide those changes and enhancements pursuant to the provisions of this First Amendment.

NOW THEREFORE, in consideration of the foregoing and the mutual promises hereinafter set forth, the parties hereby agree to amend the Agreement, pursuant to the provisions of this First Amendment.

1. Paragraph 1 of the Agreement is hereby amended by the deletion of the defined terms "On-line Retailer Terminal" and "Retailer Terminal" in their entirety and their replacement by the following defined term:

"Retailer Terminal	The Wincor Nixdorf Xion /MTop Terminal, or such other or additional terminals as the parties may agree are to be supplied under this Agreement for use by Retailers."
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2. The second paragraph of Section 3.1 of Appendix 1 to the Agreement ("Work Statement") is hereby deleted in its entirety and replaced with the following provisions:

"This MasterLink® System features improved Management Terminal "GUI" screens that are more efficient and easier to use and will operate from new IBM RS/6000 Model 660 6H1 computer platforms. The AIX operating system (Version 4.3.3), the Oracle Database Management System (Version 8.1.7) and MasterLink® application software will also be utilized."

3. Section 3.1.3.4 of the Work Statement is hereby deleted in its entirety and replaced with the following provisions:

"Testing Retailer Terminals. IGT Systems will permanently install two Management Terminals, at least seven Xion /MTop Retailer Terminals, and two

privileged terminals at the Primary Site for the purpose of supporting testing. These terminals will be configured to support all appropriate functions to facilitate testing. IGT Systems will provide and install any additional Retailer and management terminals needed for specialized tests.”

4. Section 3.3.4 of the Work Statement is hereby deleted in its entirety and replaced with the following provisions:

“Dover Training Facility

IGT Systems will provide a permanent training center equipped with at least 20 Retailer Terminals and audiovisual resources at IGT Systems’s Primary Site.”

5. Sections 3.2.1.2, 3.8, 3.8.1, and 3.8.3 through 3.8.3.3 of the Work Statement are hereby deleted in their entirety and replaced by the following provisions:

“3.8 RETAILER TERMINALS

IGT Systems will provide the DSL with Xion /MTop Retailer Terminals manufactured by Wincor Nixdorf. The Xion /MTop Retailer Terminals will offer all of the features, including a touchscreen, thermal printer and a Linux operating system, needed to provide all of the services specified by the DSL. The Xion /MTop Retailer Terminal is described in detail in the annexed Exhibit “A” to this First Amendment.

3.8.1 Xion /MTop Retailer Terminal Hardware

IGT Systems will provide five hundred fifty (550) Xion /MTop Retailer Terminals for installation as ordered by the DSL. IGT Systems will provide additional spare units for training, testing, “piggyback” use, and replacements.

The Xion /MTop Retailer Terminals will meet or exceed the features described in §§3.8.1.1 through 3.8.1.2 of the Work Statement and all references to "Xion /M Retailer Terminal" in §§ 3.8.1.1 through 3.8.1.2 of the Work Statement are hereby amended to read "Xion /MTop Retailer Terminal." In addition, these Xion /MTop Retailer Terminals will be equipped with a DVD Drive as described in Exhibit "A" to this First Amendment."

6. Section 3.8.1.4.A of the Work Statement is hereby deleted in its entirety and replaced with the following provisions:

"Additional and Piggybacked On-line Retailer Terminals

A. Additional Terminals. IGT Systems will provide additional Xion /MTop Retailer Terminals over and above those IGT Systems is obligated to provide under § 3.8.1 hereof consistent with § 3.8.1.4.A of the IGT Systems Proposal for maintenance spares, testing, and training and, on a temporary basis, up to one hundred (100) additional Xion /MTop Retailer Terminals piggybacked at Retailer locates during times of increased sales

7. Section 3.8.1.3.C of the Work Statement is hereby deleted in its entirety and replaced with the following provisions:

"Self-Service Validators

IGT Systems will provide one hundred fifty (150) Symbols Technologies, Inc. Self Service Validators ("SSV") for Retailers and additional SSVs for

training, testing, and spares consistent with § 3.8.1.3.C of the RFP. The SSV is described in detail in the annexed Exhibit "B" to this First Amendment."

8. Section 3.8.2 of the Work Statement is hereby amended by deleting the first sentence of § 3.8.2 in its entirety and replacing that sentence with the following provisions:

"IGT Systems will provide the DSL at Conversion time four (4) Xion /MTop Retailer Terminals for the DSL's four (4) redemption centers, including the DSL headquarters in Dover."

9. IGT Systems will provide the DSL with three hundred (300) square feet of space at the Remote Backup Site for the DSL's storage and use of the DSL's own backup equipment (the "DSL Backup Space").

10. Paragraph 72 of the Agreement is hereby deleted in its entirety and replaced with the following provisions:

"Conversion Completion Date

The AGS shall be installed by September 30, 2002 and Conversion shall be completed by February 25, 2003."

11. Paragraph 24(B) of the Agreement is hereby deleted in its entirety and replaced with the following provisions:

"Damages

The Director may impose liquidated damages of \$5,000 per day after February 17, 2003 through February 24, 2003 and then \$50,000 per day following February 24, 2003 for each calendar day of delay in completion of system testing and acceptance testing and may assess such damages until system and acceptance testing are completed in accordance with definitions and requirements set forth in Agreement, and until the Lottery Gaming System goes into production. In addition, the Director may impose liquidated damages of \$500 per day for each and every failure to provide a deliverable or to resolve an acceptance test problem pursuant to the agreed upon schedule or to comply with all other contractual requirements in effect, until such requirement is provided or performed."

12. Paragraph 55 of the Agreement is hereby deleted in its entirety and replaced with the following provisions:

"Compensation Under Prior Agreement

Through September 30, 2002, IGT Systems will only receive compensation from DSL under IGT Systems's prior agreement with DSL, dated April 26, 1994, as amended, which shall be in effect through September 30, 2002."

13. Paragraph 56 of the Agreement is hereby deleted in its entirety and replaced with the following provisions:

"Compensation Under this Agreement

Commencing as of October 1, 2002, IGT Systems will be compensated by submitting invoices which correspond to the DSL's weekly business and accounting cycle according to the provisions of Appendix 2 annexed hereto and made a part hereof. The submitted invoices will be confirmed by the DSL based on Internal Control System ("ICS") reports and other management and accounting reports. Confirmed invoices will be paid by the DSL within thirty (30) days of receipt. IGT Systems acknowledges that the State of Delaware's fiscal year is July 1 through June 30 and that payments from the DSL to IGT Systems in any given fiscal year are contingent upon enactment of appropriation legislation."

14. Section 3.10.3.1 of the Work Statement is hereby deleted in its entirety and replaced with the following provisions:

"1. Supplies/Consumables. IGT Systems will provide and deliver to Retailers:

- Play slips that can be processed by the Retailer Terminal reader;
- Enhanced, Secure On-line thermal Ticket stock which features one (1) color printing on the back and one (1) color printing on the front;
- Such supplies as may be required to print On-line Tickets; and
- Retailer manuals and/or reference cards for Retailer Terminal operation, updated upon DSL request."

15. The Lottery and IGT Systems agree and acknowledge that all Retailer Terminals and all computer materials, equipment and software, as well as the specifications for such

computer materials, equipment and software, provided by IGT Systems pursuant to this First Amendment shall be subject to paragraphs 40(B) through (D) of the Agreement.

16. Paragraph 7(B) is hereby amended to provide that internal control audits shall be performed on a two-year rather than an annual basis.

17. Appendix 2 to the Agreement ("Cost and Terms") is hereby deleted in its entirety and replaced in its entirety with the following provisions:

"The following are the prices based upon which IGT Systems shall issue invoices to the DSL, and the DSL shall make payments to IGT Systems:

A. Base System Pricing

(1) On-Line percentage. Pricing as a percentage of On-Line sales shall be 4.180% of On-Line Game sales.

(2) Video percentage. Pricing as a percentage Video Net Proceeds shall be 0.7885% of Video Net Proceeds."

B. DSL Specified Options

(1) Four hundred (400) Customer Advertising Displays, including installation and service as specified in section 3.8.1.3.A of the Work Statement, at \$378.00 per unit to be installed pursuant to IGT Systems's Conversion plan for delivery, implementation and acceptance testing as set forth in IGT Systems's Proposal and as amended by paragraph 10 of this First Amendment.

- (2) Four hundred seventy-five (475) Customer Transaction Displays, including installation and service, as described in section 3.8.1.3.B of the Work Statement, at \$250.00 per unit to be installed pursuant to IGT Systems's Conversion plan for delivery, implementation and acceptance testing as set forth in IGT Systems's Proposal and as amended by paragraph 10 of this First Amendment.
  - (3) One hundred fifty (150) Self Service Validators, attached to Retailer Terminals, including installation and service, as described in section 3.8.1.3.C of the Work Statement, shall be \$1,250.00 per unit to be installed pursuant to IGT Systems's Conversion plan for delivery, implementation and acceptance testing as set forth in IGT Systems's Proposal and as amended by paragraph 10 of this First Amendment.
  - (4) One hundred twenty-five (125) Cash Drawers for Retailer Terminals, installation and service included, as described in Section 3.8.1.3.D. of the Work Statement, at \$280.00 per unit to be installed pursuant to IGT Systems's Conversion plan for delivery, implementation and acceptance testing as set forth in IGT Systems's Proposal and as amended by paragraph 10 of this First Amendment.
- C. In return for IGT Systems' provision of the DSL Backup Space pursuant to §3.3.6 of the Work Statement, the DSL shall compensate IGT Systems as follows:

- (i) \$5,000 for build-out expenses, payable under the first invoice submitted by IGT Systems pursuant to Article II of this Appendix 2;
- (ii) \$500 per month during each month of the term of this Agreement, payable under the first invoice submitted by IGT pursuant to Article II of this Schedule 2 in each calendar month.

II. All invoices shall be submitted weekly to the DSL. Upon verification of the charges, as provided in this Agreement, payment shall be made to IGT Systems within thirty (30) business days of receipt by the DSL of the verified invoice. At the option of the DSL, payment to IGT Systems shall be made by electronic funds transfer, if possible, to the financial institution designated by IGT Systems.”

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be executed.

**DELAWARE STATE LOTTERY OFFICE**

**IGT ONLINE ENTERTAINMENT  
SYSTEMS, INC.**



Name: Wayne Lemons  
Title: Director  
October 7, 2002



Name: Christer Roman  
Title: Secretary  
October 8, 2002

**DRAFT 10/21/03**

**SECOND AMENDMENT TO THE AGREEMENT BETWEEN THE STATE  
LOTTERY OFFICE OF THE STATE OF DELAWARE AND AUTOMATED  
WAGERING INTERNATIONAL, INC. DATED SEPTEMBER 25, 2001**

This Second Amendment to the Agreement, dated as of September 25, 2001, is made and entered into, effective as of September 15, 2003, by and between the State Lottery Office of the State of Delaware (the "DSL"), and IGT OnLine Entertainment Systems, Inc., formerly known as Automated Wagering International, Inc., a corporation organized and existing under the laws of the State of Delaware with offices at 1255 Broad Street, Clifton, New Jersey ("IGT-OES").

**WITNESSETH:**

WHEREAS, the DSL and IGT-OES have entered into an Agreement, dated as of September 25, 2001, under which the DSL engaged IGT-OES to provide and implement, and furnish related support and services for, On-line Games, Video Lottery Games, and Instant Game pass-through transactions; and

WHEREAS, the DSL and IGT-OES have concluded a First Amendment to the Agreement, dated as of September 22, 2002 (the "First Amendment"; the Agreement and First Amendment are hereinafter collectively referred to as the "Agreement"); and

WHEREAS, the parties had originally contemplated that IGT-OES would provide a telecommunications network consisting of two wireless telecommunications technologies, i.e. a statewide radio network and satellite network; and

WHEREAS, the DSL and IGT-OES have agreed that a telecommunications network composed of a land-line network and a satellite network is preferable to the network originally contemplated by the parties; and

WHEREAS, IGT-OES has now implemented the telecommunications network composed of a land-line network and a satellite network; and

WHEREAS, pursuant to paragraph 61 of the Agreement, the parties have the right to amend the Agreement;

NOW THEREFORE, in consideration of the foregoing and the mutual promises hereinafter set forth, the parties hereby agree to amend the Agreement, pursuant to the provisions of this Second Amendment:

1. Section 3.2 of Appendix 1 to the Agreement ("Work Statement") is hereby deleted in its entirety and replaced with the provisions set forth in Appendix "A", annexed hereto and made a part hereof.

2. Except as modified herein, all terms and conditions of the Agreement are hereby confirmed as being in full force and effect and enforceable by the parties according to their terms.

**IN WITNESS WHEREOF**, the parties hereto have caused this Second Amendment to be executed.

**DELAWARE STATE LOTTERY OFFICE**

**IGT ONLINE ENTERTAINMENT  
SYSTEMS, INC.**

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Name: Wayne Lemons  
Title: Director

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Name: Christer Roman  
Title: Secretary

## APPENDIX A TO SECOND AMENDMENT

### 3.2 COMMUNICATIONS NETWORK

IGT-OES will provide a telecommunications network to serve the DSL. The network is will be a hybrid of satellite and frame relay communications technologies as stated in the diagram shown in Figure 1.

## **Figure 1: Network Design**

IGT-OES will be responsible for the installation of this network according to mutually agreeable specifications. Following implementation, IGT-OES will be responsible for managing and monitoring this network.

### **3.2.1 Network Design and Implementation**

The network design includes connectivity for the Retailer Terminals, Video Lottery Terminals (“VLTs”), and Management Terminals, as well as associated local area network (LAN) connections in support of the foregoing devices.

IGT-OES will provide all of the equipment within this network that is not within a carrier “cloud;” i.e., the portion of the network, including network equipment, provided by the carrier. This equipment will be new and unused.

1. Retailer Network. IGT-OES will provide end-to-end connectivity for Retailer terminals to the Primary and Remote Backup Sites by a combination of two telecommunications technologies. One technology is a statewide frame relay network. IGT-OES will also provide satellite technology for certain retailers . IGT-OES will work with the DSL to determine those Retailer Terminals best served by frame relay and those that will be served by satellite.

The statewide frame relay network will be supplied by Verizon and a new circuit and a router will be installed at each retailer location.

IGT-OES will provide a satellite network to support those terminals deemed feasible. IGT-OES will install a VSAT unit at each Retailer Terminal location which is to be connected by satellite technology. These units will provide connectivity as stated in § 3.2.1.1 of IGT-OES's Proposal, under the subheading "Satellite Retailer Network."

2. Video Lottery Terminals. IGT-OES will provide connectivity from the Primary and the Remote Backup Sites to all three Delaware racetracks, and then to all VLTs installed at those racetracks. IGT-OES's design for the VLT network as detailed in Figures 3.2-8 and 3.2-9 in § 3.2.1.3 of IGT-OES's Proposal.
3. Management Terminals. IGT-OES will provide connectivity from the Primary and Remote Backup Sites for Management Terminals to be used by the DSL and IGT-OES. For the DSL, this includes a link to the DSL management LAN.
4. Local Area Networks. IGT-OES will provide LANs for the Primary and Remote Backup Sites as part of its overall network design plan.
5. Retailer Wiring Installation. In the event a communications carrier should determine that its demarcation at the Retailer premises is not near the Retailer's prescribed location for the Retailer Terminal, IGT-OES will assume the responsibility to provide the inside wiring or other communications mechanism.

### 3.2.2 Network Design Features

IGT-OES will provide communications facilities with monitoring, redundancy, and security features designed to reduce the possibility that a disruption could impact the telecommunications network, the MasterLink<sup>®</sup> System or the AGS.

1. Fault Tolerance. The telecommunications network will provide features that will minimize single points of failure and the impact of failures within the network.
2. Fault notification. The host processors, front-end processors, Retailer Terminals, and diagnostic equipment will be able to notify the network management and monitoring system (described in § 3.2.4.1 of this Work Statement) of significant transmission failures or outages immediately after occurrence.
3. Encrypted External Transmissions. All data communications external to secured facilities by the MasterLink<sup>®</sup> system and the AGS will be encrypted, at a minimum, in accordance with the Federal Data Encryption Standard (DES). All data will be encrypted from point of transmission to point of receipt, including any data transmitted directly from the Primary Site to the Remote Backup Site, to DSL offices, to the three racetrack venues, to Retailers, and to any other remote locations as may be necessary. Protected information will include, but is not limited, to plays, validations, security codes, reports, and downloaded software. The IGT-OES encryption scheme will be subject to review and approval by the DSL.
4. Incomplete Transactions. The MasterLink<sup>®</sup> System will not process a new transaction from a Retailer Terminal until that terminal's preceding transaction has been completed. Such Retailer Terminal will have the capability to continue requesting that the system process the transaction until recovery has been completed, or a "time-out" condition exists. Each message transmission between the Retailer Terminal and the MasterLink<sup>®</sup> System has a built-in error-checking code.

If at end-of-day it cannot be determined whether a transaction has been completely processed, the MasterLink<sup>®</sup> System will log that information for reporting and resolution.

5. Communications Outages. In the event of a communications disruption between the MasterLink<sup>®</sup> System or AGS and any Retailer Terminal or racetrack, the System affected will continue to attempt to service the terminal or track until the problem is resolved or the System is shut down for end-of-day processing.

6. Non-Responding or Failing Retailer Terminals. If the MasterLink® system finds a Retailer Terminal that is not responding within a set number of re-tries or within a reasonable time window, the Retailer Terminal will be logged as not responding. The MasterLink® system will make allowance for servicing of all other Retailer Terminals on the network between re-tries of the Retailer Terminal not responding. Failing Retailer Terminals will not preclude communication with other terminals. Non-responding/failing Retailer Terminals will be apparent to a network monitoring application.
7. Polling Efficiency. Polling of terminals by the host or Front-End Processor is not necessary or included in the IGT-OES network design. If polling is introduced for the Retailer Terminals at some later date, the polling protocol and modem technology to be used will satisfy RFP-required response time requirements.
8. Commercially Available Protocols. IGT-OES will implement the Internet Protocol (IP), a widely used, commercially available protocol, to enhance the openness of the MasterLink® system and AGS in support of possible future changes and improvements. If a IGT-OES-proprietary protocol is utilized it must be provided to any vendor designated by the DSL free of charge within 30 days of contract signing, subject to protection under confidentiality agreements as provided for in this Agreement.
9. Secure Connections to Other Systems. All connections between the LANs that supports the MasterLink® system and AGS, and any other systems, such as the DSL administrative system, will be routed through a firewall that filters out unnecessary and unauthorized traffic, filters out bad packet traffic, and provides improved security by limiting access to authorized nodes.

### 3.2.3 Network Administration Services

IGT-OES will provide network monitoring and management for the telecommunications network. The DSL will be responsible for identifying new Retailer Terminal drops, moves, changes, and deletes. Once the DSL has requested any such modification, IGT-OES will execute and provide monitoring of the event.

IGT-OES will provide network administrative services by a combination of network management tools: Tivoli Netview and Cisco Works 2000. Through these two tools, IGT-OES will provide the following services:

1. Configuration Management. IGT-OES will provide network configuration and asset management, including an inventory of network resources and

their operating parameters. Change management control procedures and on-line storage of network component configuration files will also be provided.

2. Fault management. IGT-OES will provide fault management, consisting of actions toward detection, isolation, and correction of faults in the network.
3. Performance Management. IGT-OES will provide performance management, monitoring utilization and managing resources to maximize capacity.
4. Carrier Interface. IGT-OES will interface with the communications suppliers, the Retailers, the three racetracks, and the DSL to maximize uptime and provide information on which decisions and actions can be based. In this role, IGT-OES will be responsible for working communications problems to resolution through the communications suppliers, as stated in § 3.2.3.4 of IGT-OES's Proposal.

#### 3.2.4 Network Monitoring Tools

IGT-OES will provide a combination of network management tools for the purpose of monitoring and managing the communications network. The primary tool will be Netview, which will monitor communications equipment at the Primary and Remote Backup Sites, within the Wide Area Networks (WANs) and at the three racetracks. Netview will be supplemented by Cisco Works 2000 which will monitor the Retailer Terminals, and the Observer Suite, a protocol analyzer for the Primary and Backup Sites.

1. Network Monitoring System. IGT-OES will provide communications testing and monitoring capabilities at both the Primary and Remote Backup Sites. IGT-OES will also provide the capability to interface and analyze protocols, view transaction data for analysis, and create visual and/or audible alarms to provide warning of problems. It will also have the capability to determine whether failure has occurred in the equipment at the Primary or Remote Backup Sites, within the wide area communications network, the three racetracks, or at the Retailer Terminal level.
2. Network Incident Recording. IGT-OES will provide communications test and monitoring equipment with a recording capability.
3. Network Monitoring Protocols. IGT-OES will provide network monitoring tools and the networked devices that employ a standard protocol such as SNMP, or an approved equal protocol, to facilitate monitoring all along the communication path. IGT-OES will extend this

capability to new network devices should they be introduced to the extent any devices proposed to be employed can support such protocol.

4. Communications Expertise. IGT-OES communications technicians who are trained in the use of test and monitor equipment will be present at the active site (i.e., the site, Primary or Remote Backup, serving the Retailer Terminals and monitoring the VLTs) whenever the Lottery Gaming System is operational or whenever the DSL requests such support for test purposes.
5. Hotline Monitoring. IGT-OES will provide Hotline equipment with the capability to display the communications status of each Retailer Terminal. This equipment will allow the Hotline operator to see if a Retailer Terminal's communications line is down, if a Retailer is signed on or not, and other relevant diagnostic information.
6. DSL Network Monitoring. IGT-OES will provide a workstation, located at DSL headquarters and equipped with Netview, for the purpose of enabling the DSL to monitor communications network activities.

### 3.2.5 Network Costs

1. Liquidated Damages Costs. IGT-OES will be responsible for taking the initiative for the resolution of outages related to communications. These outages may lead to liquidated damages applied against IGT-OES pursuant to the Agreement if they result from the failure of IGT-OES-provided systems or negligent operations by IGT-OES.

Outages due to Force Majeure or to failures in regulated carrier networks are not under the control of IGT-OES and therefore are not subject to liquidated damages.

2. Carrier Costs. If regulated carriers are employed, then network carrier costs will be paid by IGT-OES and reimbursed by the DSL through the percentage of sales compensation mechanism. These costs include expenses for the local drops and the backbone network, the links between IGT-OES's site and the DSL and links between IGT-OES's Primary and Remote sites.
3. Vendor Costs. Costs not arising from regulated carriers, and for ancillary equipment and services must be incorporated directly into IGT-OES's pricing, including costs for IGT-OES's network administration services, vendor telephone system and the Hotline/Dispatch lines and services. This category includes also IGT-OES's obligation, as part of the non-recurring installation charge, to provide any necessary inside wiring at Retailer locations and at the Video Lottery Terminal race track venues.

**THIRD AMENDMENT TO THE AGREEMENT BETWEEN THE STATE  
LOTTERY OFFICE OF THE STATE OF DELAWARE AND AUTOMATED  
WAGERING INTERNATIONAL, INC. DATED SEPTEMBER 25, 2001**

This Third Amendment to the Agreement, dated as of September 25, 2001, is made and entered into, effective as of January 21, 2004, by and between the State Lottery Office of the State of Delaware (the "DSL"), and Scientific Games Online Entertainment Systems, Inc., formerly known as IGT OnLine Entertainment Systems, Inc., a corporation organized and existing under the laws of the State of Delaware with offices at 1255 Broad Street, Clifton, New Jersey ("SG-OES").

**WITNESSETH:**

WHEREAS, the DSL and SG-OES have entered into an Agreement, dated as of September 25, 2001, under which the DSL engaged SG-OES to provide and implement, and furnish related support and services for, On-line Games, Video Lottery Games, and Instant Game pass-through transactions; and

WHEREAS, the DSL and SG-OES have concluded a First Amendment to the Agreement, dated as of September 22, 2002 (the "First Amendment") and a Second Amendment, dated as of September 15, 2003 (the "Second Amendment"; the Agreement, First Amendment and Second Amendment are hereinafter collectively referred to as the "Agreement"); and

WHEREAS, pursuant to paragraph 61 of the Agreement, the parties have the right to amend the Agreement;

NOW THEREFORE, in consideration of the foregoing and the mutual promises hereinafter set forth, the parties hereby agree to amend the Agreement, pursuant to the provisions of this Third Amendment:

1. SG-OES shall be referred to as the Prime Contractor of the Agreement and shall assume all responsibilities and contractual obligations therein.

2. Section 63(b) of the Agreement is hereby deleted in its entirety and replaced with the provisions set forth below and made a part hereof:

“William Huntley, President  
Scientific Games Online Entertainment Systems, Inc.  
1500 Bluegrass Lakes Parkway  
Alpharetta, GA 30004”

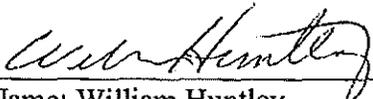
3. Except as modified herein, all terms and conditions of the Agreement are hereby confirmed as being in full force and effect and enforceable by the parties according to their terms.

**IN WITNESS WHEREOF**, the parties hereto have caused this Third Amendment to be executed.

**DELAWARE STATE LOTTERY OFFICE**

**SCIENTIFIC GAMES ONLINE  
ENTERTAINMENT SYSTEMS, INC.**

\_\_\_\_\_  
Name: Wayne Lemons  
Title: Director

  
\_\_\_\_\_  
Name: William Huntley  
Title: President

**FOURTH AMENDMENT TO THE AGREEMENT BETWEEN THE STATE LOTTERY  
OFFICE OF THE STATE OF DELAWARE AND SCIENTIFIC GAMES ON-LINE  
ENTERTAINMENT, INC. DATED SEPTEMBER 25, 2001**

This Fourth Amendment to the Agreement dated September 25, 2001, is made and entered into, effective as of November 17, 2005, by and between the State Lottery Office of the State of Delaware (the "DSL"), and Scientific Games On-Line Entertainment Systems, Inc., a corporation organized under the laws of the State of Delaware with offices at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004 ("SG-OES").

**WITNESSETH:**

WHEREAS, the DSL and SG-OES have entered into an agreement, dated as of September 25, 2001 (the "Initial Agreement"), under which the DSL engaged SG-OES to provide and implement, and furnish related support and services for, On-Line Games, Video Lottery Games and Instant Game pass-through transactions; and

WHEREAS, the DSL and SG-OES have concluded a First Amendment to the Initial Agreement, dated September 22, 2002, a Second Amendment, dated September 15, 2003 and a Third Amendment, dated January 21, 2004 (collectively with the Initial Agreement, the "Agreement");

WHEREAS, pursuant to paragraph 61 of the Agreement, the parties have the right to further amend the Agreement; and

WHEREAS, paragraph 39(E) of the Agreement provides that changes and enhancements which exceed what is required of SG-OES will have terms and price negotiated by the parties;

NOW THEREFORE, in consideration of the foregoing and the mutual promises hereinafter set forth, the parties hereby agree to further amend the Agreement, as followst:

1. SG-OES shall provide, install and implement its AEGIS®-Video video lottery system ("AEGIS®-Video"), as AEGIS®-Video is described in the terms of SG-OES' "Proposal for Installation of AEGIS®-Video" dated July 21, 2005 and submitted to and approved by the DSL (the "Proposal"), which is attached to and hereby incorporated by reference into this Fourth Amendment as Exhibit A. In accordance with the Proposal, SG-OES shall prepare and submit a project plan (the "Project Plan") setting forth the schedule,

milestones and deliverables associated with the installation and implementation of AEGIS®-Video. SG-OES shall submit the proposed Project Plan to the DSL for approval no later than December 12, 2005. SG-OES shall perform its obligations related to the installation and implementation of AEGIS®-Video in accordance with the terms of the Proposal and the Project Plan approved by the DSL.

2. The Project Plan shall include a thirty-day pilot period (the "Pilot") during which AEGIS®-Video shall be operated simultaneously with the current video lottery system. During the Pilot, AEGIS®-Video must meet certain performance criteria, which criteria shall be agreed-upon by the parties prior to commencing the Pilot. Upon successful completion of the Pilot, which means AEGIS®-Video complies with the applicable performance criteria, AEGIS®-Video shall be accepted by the DSL effective as of midnight of the last day of the Pilot. In the event AEGIS®-Video fails to comply with the performance criteria, SG-OES shall have the opportunity to cure such failure in accordance with the procedures agreed upon by the parties as part of the performance criteria. The parties may extend the Pilot by mutual written agreement.
3. Upon acceptance of AEGIS®-Video, the price paid by the DSL to SG-OES as Base System Pricing for video lottery as set forth in Appendix 2, paragraph A(2) (as amended by paragraph 17 of the First Amendment), shall be increased to one percent (1.000%) of Video Net Proceeds.
4. The Initial Term shall be extended through February 25, 2010 to provide a seven-year term from the Conversion Completion Date agreed upon by the parties in paragraph 10 of the First Amendment. This extension does not constitute one of the five (5) one-year extensions available to the DSL under paragraph 3(B) of the Initial Agreement and the DSL may still extend the Initial Agreement for up to five (5) one-year periods.
5. SG-OES shall provide the DSL with up to two hundred (200) self-service ticket validators for no additional cost in lieu of providing the proposed ePlayersLink on-line subscription system and player registration system pursuant to Appendix 1, Section 3.9.11 and 3.9.12 of the Initial Agreement. SG-OES is hereby relieved of its obligation for supplying ePlayersLink. The self-service ticket validators shall be delivered to the

DSL and installed by SG-OES at lottery retailer locations approved by the DSL in accordance with an installation schedule to be agreed upon by the parties.

6. In the event the DSL desires to acquire self-service ticket validators in addition to the two hundred (200) self-service ticket validators described in paragraph 5 above, the DSL shall purchase the validators from SG-OES. The price for the self-service ticket validators set forth in Exhibit 1, Section 3.8.1.3(C) (as amended in paragraph 17 of the First Amendment) is hereby further amended to be \$625 per unit.
7. Except as modified herein, all terms and conditions of the Agreement are hereby confirmed as being in full force and effect and enforceable by the parties according to their terms. All capitalized terms shall have the same meaning as set forth in the Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Fourth Amendment to be executed.

DELAWARE STATE LOTTERY

SCIENTIFIC GAMES ON-LINE  
ENTERTAINMENT, INC.

  
Name: \_\_\_\_\_  
Title: Director  
Date: 11/05/06

  
Name: William J. Huntley  
Title: President - SGI Systems  
Date: 11-17-05

FIFTH AMENDMENT  
TO THE AGREEMENT DATED SEPTEMBER 25, 2001

BETWEEN

THE STATE LOTTERY OFFICE OF THE STATE OF DELAWARE

AND

SCIENTIFIC GAMES INTERNATIONAL, INC, F/K/A/SCIENTIFIC GAMES ON-  
LINE ENTERTAINMENT SYSTEMS, INC., CONTRACTOR

This Fifth Amendment to the Agreement dated September 25, 2001 ("Fifth Amendment") is entered into this 25th day of June, 2008, by and between the State Lottery Office of the State of Delaware (hereinafter the "DSL"), and Scientific Games International, Inc. f/k/a Scientific Games On-Line Entertainment Systems, Inc., a duly organized corporation (hereinafter referred to as "SCIENTIFIC GAMES").

#### I. RECITALS

**WHEREAS**, the DSL and Scientific Games have entered into an agreement, dated as of September 25, 2001 (the "Initial Agreement") under which the DSL engaged Automated Wagering International, Inc., a predecessor entity to Scientific Games, to provide and implement, and furnish related support and services for, On-line Games, Video Lottery Games and Instant Game pass-through transactions; and,

**WHEREAS**, the DSL and predecessor entities to Scientific Games have concluded a First Amendment to the Initial Agreement dated September 22, 2002, a Second Amendment, dated September 15, 2003, a Third Amendment, dated January 21, 2004 and a Fourth Amendment dated November 17, 2005 (the Initial Agreement and amendments are hereinafter referred to as the "Agreement"); and,

**WHEREAS**, pursuant to Paragraph 61 of the Agreement, the Parties have the right to modify, amend, or extend the Agreement,

and now desire to modify and amend the Agreement as set forth herein, and,

**WHEREAS**, pursuant to paragraph 39(E) of the Agreement, the DSL has the right to request changes and enhancements which exceed what is required under of Scientific Games under the Agreement subject to terms and prices to be negotiated by the parties;

**WHEREAS**, the DSL has requested certain changes and enhancements from Scientific Games and Scientific Games has agreed to provide those changes and enhancements pursuant to the provisions of this Fifth Amendment.

## II. AGREEMENT

**NOW, THEREFORE**, the DEPARTMENT and the CONTRACTOR, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth and with the intention of being legally bound, hereby agree as follows:

1. Scientific Games International, Inc. ("SGI") shall be referred to as the Prime Contractor of the Agreement and shall assume all responsibilities and contractual obligations therein and Scientific Games Online Entertainment Systems, Inc. shall be deleted from the Agreement.

2. Paragraph 1 of the Agreement is hereby amended by the deletion of the defined term "Retailer Terminal" in its entirety and its replacement by the following defined term:

Retailer Terminal	SGI's Wave Terminal or such other or additional terminals as the parties may agree are to be supplied under this Agreement for use by Retailers.
-------------------	--

3. Paragraph 3 of the Agreement is hereby Amended by the election of the DSL to extend the term of the Agreement pursuant to the express terms of Paragraph 3 and replace Paragraph 3 in its entirety and to be replaced by the following:

3. Term.

The DSL hereby exercises its right to extend the term of the Agreement for an additional five (5) 1 year extensions pursuant to the Agreement and, therefore, the Agreement shall be in effect until February 25, 2015 (the "Term").

4. The attached Appendix 1 shall amend those sections of Appendix 1 Work Statement by replacing or adding those numbered sections. If a Section is not included in the attached Appendix

1 then that section contained the existing Appendix 1 shall continue in full force and effect.

5. Section I(A) of Appendix 2 is hereby deleted and replaced with the attached Section I(A), Appendix 2.

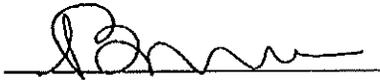
6. The following Subsections shall be deleted in their entirety from the Agreement: Appendix 2, Section I Subsections (B) (1) through (B) (3).

7. Except as modified herein, all terms and conditions of the Initial Agreement and the amendments are hereby affirmed and ratified as if fully set forth, and shall remain in full force and effect and enforceable by the Parties according to their terms.

IN WITNESS WHEREOF, the STATE LOTTERY OFFICE OF THE STATE OF DELAWARE, and SCIENTIFIC GAMES INTERNATIONAL, INC., have caused this Fifth Amendment to be executed on the date and year first above written.

SCIENTIFIC GAMES  
INTERNATIONAL, INC.

BY:

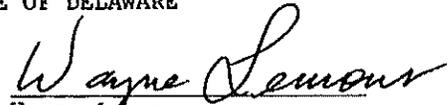


TITLE: President Lottery Systems  
and CEO

DATE: June 25th 2008

STATE LOTTERY OFFICE OF THE  
STATE OF DELAWARE

BY:

  
Wayne Lemons  
Director

6/30/08

3.1.4.1 Network Size

MasterLink® will accommodate a network of six hundred-fifty (650) Retailer Terminals.

3.1.5 Operating Hours

Operating hours for the Video Lottery Terminals are expected to be 24 hours a day except on Sunday when the tracks are to close from 6 AM until noon. There is no gaming on Christmas or Easter. SG acknowledges that the DSL may expand these hours during the Term of this Agreement.

3.2.1.1 Retailer Network

SG will provide end-to-end connectivity for retailer terminals to the Primary and Remote Backup Sites by a combination of telecommunication technologies. The primary current technology is Frame Relay. SG will diversify the communication technologies used in the Retailer Network in a staged fashion to include CDMA, VSAT and Frame Relay and new technologies as they become available to the extent such new technologies are commercially reasonable. Determination of the stages of implementation and the specific communication technologies to be used at each retailer location will be made cooperatively with the Lottery. The Lottery may reasonably request SG to achieve specific ratios of diversity in the applied network technologies based on performance and retailer satisfaction measurements of specific applied technologies. It is anticipated that CDMA and VSAT will comprise the majority of the final network solution upon full implementation.

3.3 FACILITIES

SG will locate the Remote Backup Site in Alpharetta, GA and the Retailer Terminal maintenance facility in Middletown, DE.

3.3.6 Remote Backup Data Center

SG will provide a Remote Backup Site at 1500 Bluegrass Parkway, Alpharetta, GA where traditional gaming transactions will be logged and processed. Environmental and security controls equal to those of the Primary Site will be provided.

3.3.7 Equipment Service Centers

SG will operate a maintenance center in Middletown, Delaware to fully support the Retailer Terminal maintenance and repair program.

3.5.1.2 SG Personnel

SG will provide an additional field service person once the Retailer population is Six Hundred (600) Retailer Terminals.

All current preventative maintenance schedules will be maintained.

### 3.8 RETAILER TERMINALS

SG will provide the DSL with WAVE Retailer Terminals manufactured by Scientific Games. The WAVE will offer all of the features, including a resistive touchscreen, thermal printer and a Window XP-E operating system, needed to provide all services specified by the DSL. The WAVE Configuration includes 1.3GHz Celeron Processor with dual video, 512MB of Memory, 40GB Hard Disk Drive storage, 12.1" Display, Resistive touchscreen (800X600 resolution), 8" High Speed Scanner with thermal Brander, 4-port USB hub on SG Engine card, video card and a wireless Bar-code Reader.

#### 3.8.1 WAVE Retailer Terminal Hardware

SG will provide an initial phased-in conversion of all existing Retailer Terminals. SG will provide up to six hundred-fifty (650) WAVE terminals as the DSL experiences growth. SG will provide 65 additional spare units for training, testing, "piggyback" use and replacements.

##### 3.8.1.1 WAVE Retailer Terminal Identification

All WAVE Retailer Terminals will be delivered without any manufacturer's or vendor's logo or other identification attached to it, other than a bar-coded label with a unique serial number on it. UL and/or CE approval labels, if included, will be in some unobtrusive location on the Retailer Terminals.

##### 3.8.1.2 WAVE Retailer Terminal Features





3.8.1.3 Retailer On-line Terminal Attachments

A. Customer Advertising Display. Included in this offer are up to three hundred (300) new 12" LED advertising display units at no additional cost. Existing displays will continue to be used and these new ones will supplement the inventory.

B. Customer Transaction Displays. Included in this offer are up to two hundred fifty (250) new customer transaction displays at no additional cost. Existing displays will continue to be used and these new ones will supplement the inventory. The new displays will be a two (2) line 240X64 Graphic LCD with pole.

C. Self Service Validators. Included in this offer are up to seven hundred fifteen (715) 2-D ticket checkers at no additional cost. SG will replace all existing equipment for existing Retailers and install one with all new Retailers up to six hundred-fifty (650). This unit will read both On-line Games tickets and Instant Games tickets that have 2D barcodes.

#### 3.8.1.4 Use of Spare Terminal Count

A. Spare Terminals. Of the sixty-five (65) spare WAVE terminals SG will provide that will be used for maintenance spares, testing and training, on a temporary basis, up to fifty (50) Retailer Terminals will be piggybacked at Retailer locations during times of increased sales pressure.

B. Piggybacked Terminal Logistics. Retailer Terminals to be installed on a temporary basis will be placed at designated Retailer locations as requested by the DSL within twenty-four (24) hours and will be removed with similar notice.

#### 3.8.1.5 Stand-alone Selling Terminals

SG will provide up to twelve (12) PlayCentral Player Activated Terminals (PATs) which sell both On-line and Instant Games at no additional cost. Ten (10) are for Retail locations and two (2) are spares. PlayCentrals shall have no more than sixteen (16) bins for selling Instant Games.

#### 3.8.2 Privileged Validation Terminals

SG will provide at conversion time, four (4) WAVE Retailer Terminals for the DSL's four (4) redemption centers, including the DSL Headquarters in Dover. These terminals will be configured to have the capability of validating and cashing winning On-line Games tickets beyond the \$599.00 limit imposed upon Retailers.

#### 3.8.4 Capability to provide Retailer Terminals

Capabilities to provide the Retailer Terminals will include:

1. Manufacturing Plans. SG will produce or has produced (through current inventory or manufacturing) all Retailer Terminals to meet the requirements of the DSL. This includes PlayCentrals.
2. Manufacturing Quality. SG will address and ensure quality manufacturing practices and recognized quality standards in the production of all Retailer Terminals.

### 3.9 ON-LINE SOFTWARE CONTROLS AND DATA MANAGEMENT

Included in this offer is software development of up to four thousand (4000) hours for development/QA/documentation to support all WAVE terminals, peripherals, PlayCentral Player Activated Terminals (PATS) and any necessary host development provided for this conversion. This will include Instant-only shift reports localized on the terminal and the enable/disable packs feature. Any additional software development hours in excess of the four thousand (4000) will be at an hourly rate to be negotiated. Optional items in 3.11 below are excluded.

3.11 OPTIONAL ITEMS AVAILABLE FOR AN ADDITIONAL FEE

- A. 15" flat screen LCD displays to replace advertising displays in section 3.8.1.3
- B. Multi-channel content management system "Lottery InMotion"
- C. Additional WAVE terminals, self service validators, PlayCentrals, customer transaction displays, customer advertising displays, retailer training, and any communications solutions above the quantities specified.
- D. Magnetic stripe readers for the WAVE terminals
- E. Smart card readers for the WAVE terminals
- F. Radio Frequency ID readers for the WAVE terminals
- G. Integration plates for the WAVE terminals
- H. Larger LED Customer Advertising Displays
- I. Upgrades to the WAVE terminal memory or storage
- J. 20" X 20" logo-only signs
- K. 15.34" X 24" single-game jackpot signs
- L. "Sales Maker" program
- M. Digital document scanner for the WAVE terminal (future terminal enhancement available after July 1, 2009)
- N. Color printing of On-line tickets (future terminal enhancement available after July 1, 2009)
- O. Sports Betting
- P. Any categorically different service obligations and/or technology enhancements
- Q. Any functionality or customization of the WAVE not included in the offer.
- R. Keno, if implemented at any time for the duration of this Agreement shall be provided upon terms and conditions to be mutually agreed to by the parties.
- S. The terms and conditions, including pricing, of the supply of additional video lottery protocols and compatible hardware not already herein supplied and requested from July 1, 2008 through the term of this Agreement shall be mutually agreed by the parties

Appendix 2

COST AND TERMS

I. The following are the prices based upon which Scientific Games shall issue invoices to the DSL, and the DSL shall make payments to Scientific Games:

A. Base System Pricing

- i. On-line percentage. Pricing as a percentage of On-line sales shall be 4.18% of On-line sales.
- ii. Video percentage. Pricing as a percentage of Video Net Proceeds shall be:

(a) From July 1, 2008 through June 30, 2010 Scientific Games shall receive:

1) For up to \$500,000,000 of the cumulative Net Video Proceeds by the Lottery for 365 day period beginning on July 1<sup>st</sup> ("Contract Year"), Scientific Games shall receive 1.00% of Video Net Proceeds.

2) For \$500,000,001 to \$599,999,999 of the cumulative Net Video Proceeds by the Lottery for a Contract year, Scientific Games shall receive .9250% of Video Net Proceeds.

3) For the cumulative Net Video Proceeds by the Lottery of \$600,000,000 or greater in a Contract Year, Scientific Games shall receive .8550% of Video Net Proceeds.

(b) From July 1, 2010 through February 25, 2015, Scientific Games shall receive 1.00% of Video Net Proceeds.

SIXTH AMENDMENT  
TO THE AGREEMENT DATED SEPTEMBER 25, 2001

BETWEEN

THE STATE LOTTERY OFFICE OF THE STATE OF DELAWARE

AND

SCIENTIFIC GAMES INTERNATIONAL, INC.

This Sixth Amendment to the Agreement ("Sixth Amendment") is entered into this 1st day of August, 2010, by and between the State Lottery Office of the State of Delaware (hereinafter the "DSL"), and Scientific Games International, Inc., a duly organized corporation (hereinafter referred to as "SCIENTIFIC GAMES").

#### I. RECITALS

**WHEREAS**, the DSL and Scientific Games have entered into an agreement, dated as of September 25, 2001 (the "Initial Agreement") under which the DSL engaged Automated Wagering International, Inc., a predecessor entity to Scientific Games, to provide and implement, and furnish related support and services for, On-line Games, Video Lottery Games and Instant Game pass-through transactions; and,

**WHEREAS**, the DSL and predecessor entities to Scientific Games have concluded a First Amendment to the Initial Agreement dated September 22, 2002, a Second Amendment, dated September 15, 2003, a Third Amendment, dated January 21, 2004, a Fourth Amendment dated November 17, 2005, and a Fifth Amendment dated June 25, 2009 (the Initial Agreement and amendments are hereinafter referred to as the "Agreement"); and,

**WHEREAS**, pursuant to Paragraph 61 of the Agreement, the Parties have the right to modify, amend, or extend the Agreement, and now desire to modify and amend the Agreement as set forth herein, and,

**WHEREAS**, after a valid public procurement process, the DSL and Scientific Games are parties to a Professional Services Agreement on July 29, 2009 to provide a Sports Wagering System and Services ("Sports Wagering Agreement") to provide a sports wagering system and services;

**WHEREAS**, the parties have determined that the system services relating to Sports Wagering Agreement (central processing system services and equipment, communication networking services and equipment, software creation, maintenance and support, data center equipment and services and wagering terminal maintenance services) are more appropriately to be removed from the Sports Wagering Agreement and placed in this Agreement;

**WHEREAS**, the parties also desire to adjust the pricing of this Agreement to reflect those services.

## II. AGREEMENT

**NOW, THEREFORE**, the DEPARTMENT and the CONTRACTOR, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth and with the intention of being legally bound, hereby agree as follows:

1. Appendix 1 entitled "Work Statement" is hereby amended to add that attached as new subsection 4 of the Work Statement.

2. Subsection (A)(1) of Appendix 2 of the Agreement ("Cost and Terms") is hereby deleted in its entirety and replaced with the following:

A. Base System Pricing

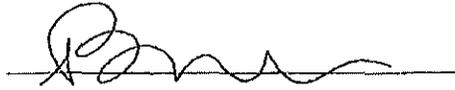
- (1) On-Line percentage. Pricing as a percentage of On-Line sales shall be 5.371% of On-Line Game sales.

IN WITNESS WHEREOF, the STATE LOTTERY OFFICE OF THE STATE OF DELAWARE, and SCIENTIFIC GAMES INTERNATIONAL, INC., have caused this Sixth Amendment to be executed on the date and year first above written.

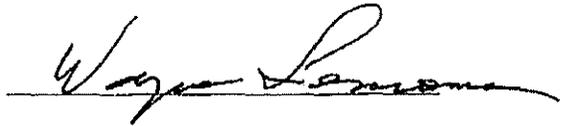
SCIENTIFIC GAMES  
INTERNATIONAL, INC.

STATE LOTTERY OFFICE OF THE  
STATE OF DELAWARE

BY:



BY:



TITLE:

President Lottery Systems Group  
CTO

DATE:

8/6/10

Appendix 1  
Work Statement



Additional Betjet Terminals - Initial Three Venues - Pursuant to Sections 3.2.1 and 3.2.2 of the RFP, Scientific Games will provide a total of seventy five (75) Betjet terminals deployed. For Betjet quantities deployed above seventy five (75), terminals will be added for no additional fee if the additional terminals produce an average sales equal to or greater than the historical average of the previous terminals installed. If there is a need for more than 75 terminals required by the RFP, the thresholds for sales will be based on historical averages based on actual sales data. This will be calculated based on the sales in the Sports Lottery season divided by the base number of terminals. SGI will retroactively charge the Lottery \$5400/year for each terminal that failed to meet the sales target, and \$450/month going forward until such time as the terminal produces a sales amount equal to or greater than the calculated sales threshold per week per each terminal. This will be calculated by taking the total sales per week for all terminals at the venue, and dividing it by the number of terminals delivered to the venue. If the average for all terminals is below the calculated sales threshold per year/per terminal than the subset of terminals installed that does equal or exceed the calculated sales threshold per year will be calculated. The result of this calculation will be the terminals that Scientific Games will provide to the DSL free of charge and hereafter referred to as the "Base" (under no circumstance will the Base be less than 75 Betjet terminals). The lottery will then be charged for each terminal in excess of the Base of installed terminals at the rate of \$5400 per year. The Base shall be recalculated annually on the contract anniversary date.



SEVENTH AMENDMENT

TO THE AGREEMENT DATED SEPTEMBER 25, 2001

BETWEEN

THE STATE LOTTERY OFFICE OF THE STATE OF DELAWARE

AND

SCIENTIFIC GAMES INTERNATIONAL, INC.

This Seventh Amendment to the Agreement ("Seventh Amendment") is entered into this 15<sup>th</sup> day of January, 2013, by and between the State Lottery Office of the State of Delaware (hereinafter the "DSL"), and Scientific Games International, Inc., a duly organized corporation (hereinafter referred to as "SCIENTIFIC GAMES").

## I. RECITALS

**WHEREAS**, the DSL and Scientific Games entered into an agreement, dated as of September 25, 2001 (the "Initial Agreement") under which the DSL engaged Automated Wagering International, Inc., a predecessor entity to Scientific Games, to provide and implement, and furnish related support and services for, On-line Games, Video Lottery Games and Instant Game pass through transactions; and,

**WHEREAS**, the DSL and predecessor entities to Scientific Games concluded a First Amendment to the Initial Agreement dated September 22, 2002, a Second Amendment, dated September 15, 2003, a Third Amendment, dated January 21, 2004, a Fourth Amendment dated November 17, 2005, a Fifth Amendment dated June 25, 2009 and a Sixth Amendment dated August 1, 2010 (the Initial Agreement and amendments are hereinafter referred to as the "Agreement"); and,

**WHEREAS**, pursuant to Paragraph 61 of the Agreement, the Parties have the right to modify, amend, or extend the Agreement, and now desire to modify and amend the Agreement as set forth herein, and,

**WHEREAS**, the DSL and Scientific Games have determined that they desire to amend the Agreement to authorize Scientific Games to provide a Keno system and related services for the implementation of wide-area Keno games in Delaware;

**WHEREAS**, the parties also desire to adjust the pricing of this Agreement to reflect those services.

## II. AGREEMENT

**NOW, THEREFORE**, the DEPARTMENT and the CONTRACTOR, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth and with the intention of being legally bound, hereby agree as follows:

1. The DSL hereby represents and confirms that it is authorized under Delaware State law to offer fast draw Keno games to the public. Therefore, the Parties agree to implement a fast draw Keno system and games as a Non-Traditional Lottery Game pursuant to Section 39(F) of the Agreement and Section 3.10.8 of Appendix 1 of the Agreement. Scientific Games agrees to provide the goods and services set forth on Schedule 1 in accordance with the implementation plan to be agreed upon by the parties in writing. The parties further agree that launch of fast draw Keno in Delaware shall occur no later than February 25, 2013. At launch, Keno shall be deployed at up to no fewer than ninety (90) DSL retailer terminals.

2. Subsection (A) of Appendix 2 of the Agreement ("Cost and Terms") is hereby amended by inserting the following:

A. Base System Pricing

(3) Keno percentage. Pricing as a percentage of Keno sales shall be 9.950% of Keno game sales.

4. All other terms of the Agreement shall remain in full force and effect as set forth therein except as expressly amended in this Seventh Amendment.

IN WITNESS WHEREOF, the STATE LOTTERY OFFICE OF THE STATE OF DELAWARE, and SCIENTIFIC GAMES INTERNATIONAL, INC., have caused this Seventh Amendment to be executed on the date and year first above written.

SCIENTIFIC GAMES INTERNATIONAL, INC.

STATE LOTTERY OFFICE OF THE  
STATE OF DELAWARE



By:

Title: *President, North America  
Lottery Systems*



By:

Title: *DIRECTOR  
DELAWARE LOTTERY  
15 JAN 2013*

## **Schedule 1**

Scientific Games will provide all equipment and software necessary for selling Keno tickets at retailer locations. As part of the offer, Scientific Games agrees to provide the following equipment:

- 110 WAVE® terminals (100 for installation at retailer locations and 10 spares for service)
- 110 Customer Transaction Displays (2 line, 240x64 resolution LCD with pole) (100 for installation at retailer locations and 10 spares for service)
- 110 LED Customer Advertising Displays (100 for installation at retailer locations and 10 spares for service)
- 110 Flat Panel Displays (32"-40") LCDs (100 for installation at retailer locations and 10 spares for service)
- 110 Ticket checkers (100 for installation at retailer locations and 10 spares for service)
- Communications equipment as needed to connect all Keno retailers to the central system SG will also provide the antennas, cabling and amplifiers needed at installation
- Host system hardware including the automated draw manager and random number generator
- 110 Media Servers (100 for installation at retailer locations and 10 spares for service)
- Additional spare parts for on-going repair of WAVE terminals and all peripherals including the ticket checkers and Flat Panel Displays
- All required central system and retailer hardware, network and software upgrades to implement Keno, including: game and report modifications, Automated Draw Machines, random number generator, database, communications, front end, media player, graphic broadcast and download mechanism

## **Installation and Other Startup Services**

Scientific Games will provide the necessary manpower to install all components for the deployment of the Keno game in Delaware including:

- Installation of the WAVE terminal at each new retailer location
- Site Surveys prior to installation of the communication equipment
- Installation of the communication equipment at each new retailer location including antenna, amplifier and inside wiring as needed
- Installation of the Keno Flat Panel Display at each retailer location including inside wiring
- Retailer Training provided for each retailer location
- Project Management for the initial implementation

## **Ongoing Operations – Post Startup**

Upon implementation of Keno in Delaware, meaning retailers have commenced selling entries into Keno drawings via WAVE terminals installed at DSL retailer locations, Scientific Games will provide the following ongoing services and additional staffing throughout the term of the contract. These staffing and services are in addition to our current service and support staff:

- Ticket stock and bet slip consumables

- One (1) additional field service technician with vehicle
- Three (3) field marketing representatives focusing on development and sales growth of Keno retailers, including merchandising, education on retailer sales best practices, in-store promotions and events as well as training for terminal operation and game understanding
- Repair and maintenance of the WAVE terminals and all peripherals including the tickets checker and Keno Flat Panel Displays
- Hotline service to assist retailers with terminal issues or gaming questions and dispatch field service technicians as necessary
- Software support for the MasterLink system and WAVE terminals
- Expanded ICS to include Keno at the Lottery's written request.

**EIGHTH AMENDMENT TO THE AGREEMENT BETWEEN THE STATE LOTTERY  
OFFICE OF THE STATE OF DELAWARE AND SCIENTIFIC GAMES  
INTERNATIONAL, INC. DATED SEPTEMBER 25, 2001**

This Eighth Amendment (the "Amendment") to the Agreement dated September 25, 2001 (the "Agreement"), is made and entered into, effective as of March 14, 2014, by and between the State Lottery Office of the State of Delaware (the "DSL"), and Scientific Games International, Inc., a corporation organized under the laws of the State of Delaware with offices at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004 ("SGI").

**WITNESSETH:**

WHEREAS, the DSL and SGI have entered into the Agreement under which the DSL engaged SGI to provide and implement, and furnish related support and services for, On-Line Games, Video Lottery Games and Instant Game (as these terms are defined in the Agreement) pass-through transactions; and

WHEREAS, the DSL and SGI have entered into multiple subsequent mutually-agreed upon amendments to the Agreement, each of which are incorporated into and became a part of the Agreement;

WHEREAS, pursuant to paragraph 61 of the Agreement, the parties have the right to further amend the Agreement; and

WHEREAS, paragraph 39(E) of the Agreement provides that changes and enhancements which exceed what is required of SGI will have terms and price negotiated by the parties;

WHEREAS, the parties wish to extend the Agreement pursuant to 29 Del. Code 4819A to facilitate the timely transition of charitable video lottery machines to the existing AEGIS™-Video central system;

NOW THEREFORE, in consideration of the foregoing and the mutual promises hereinafter set forth, the parties hereby agree to further amend the Agreement, as follows:

1. The parties hereby agree to extend the Agreement for three (3) years, to expire February 25, 2018. This Agreement may be extended for additional periods as agreed by the parties in writing.
2. As partial consideration for such extension, SGI agrees to provide to the DSL the following:
  - a. No less than 450 refurbished charitable video lottery terminals (as that term is defined in 29 Del. Code 4803(b)) to be delivered to DSL by SGI, or its authorized subcontractor or affiliate, as more fully described in Schedule 1,

attached to and incorporated into this Amendment. DSL will be responsible for having the terminals installed on or before July 1, 2014 at charitable gaming organizations (as that term is defined in 29 Del. Code 4803(a)). For purposes of this Amendment, a charitable video lottery terminal shall be considered to be installed and operational when it has been installed at the designated location, is in good running and working order and is connected by communications services to the central computer facility;

- b. one (1) site controller (and related equipment) to DSL by SGI, or its authorized subcontractor or affiliate, as more fully described in Schedule 1 for each charitable gaming organizations identified by DSL under Section 2(a) to facilitate communications with the AEGIS<sup>®</sup>-Video central system. DSL will be responsible for having the site controllers installed on or before July 1, 2014 at the charitable gaming organizations (as that term is defined in 29 Del. Code 4803(a));
  - c. maintenance and support services as set forth in Schedule 2, attached to and incorporated into this Agreement, related to the charitable gaming machines supplied under Section 2(a) performed by SGI, or its authorized subcontractor or affiliate; and
  - d. connection, at SGI's expense, of each charitable video lottery terminals installed at each charitable gaming organization identified under Section 2(a) via SGI's existing telecommunications network to the AEGIS<sup>®</sup>-Video central system and maintenance of such telecommunications network.
3. As additional consideration for the foregoing, the parties agree to further amend Section 2(a) of Appendix 2 of the Agreement as follows:

#### Base System Pricing

- (1) On-line percentage. Pricing as a percentage of On-Line sales shall be 5.371% of On-Line Game sales.
- (2) Video percentage. Pricing as a percentage of Video Net Proceeds shall be 1.0% of Video Net Proceeds.
- (3) Keno percentage. Pricing as a percentage of Keno sales shall be 9.95% of Keno game sales.
- (4) Charitable video lottery terminal fee. Pricing as a percentage of the net win returned to the DSL (based on receipt of 40% of total net win by the DSL, less 1% for responsible gaming) shall be 25% of such net win per charitable video lottery terminal.

4. The DSL agrees that SGI supplies no less than 450 charitable video lottery terminals that the DSL commits to keep at such charitable video lottery terminals remain in operation at charitable gaming organizations continuously through February 25, 2018 from the date of this Amendment. The foregoing is not intended to prevent the parties from replacing or installing additional charitable video lottery terminals as mutually agreed.
5. Except as modified herein, all terms and conditions of the Agreement are hereby confirmed as being in full force and effect and enforceable by the parties according to their terms. All capitalized terms shall have the same meaning as set forth in the Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed.

DELAWARE STATE LOTTERY

SCIENTIFIC GAMES INTERNATIONAL,  
INC.

  
\_\_\_\_\_  
Name: VERNON A KIRK  
Title: DIRECTOR  
Date: 12 MARCH 2014

  
\_\_\_\_\_  
Name: Philip J. Bauer  
Title: V.P., Corporate Counsel  
Date: 14 March 2014

### Schedule 1

Pursuant to Section 2 of the Eighth Amendment, dated March 14, 2014, to the Agreement dated September 25, 2011, by and between the State Lottery Office of the State of Delaware (the "DSL") and Scientific Games International, Inc. ("SGI"), SGI has agreed to provide DSL with 450 refurbished charitable video lottery terminals pursuant to the provisions of the Eighth Amendment and as more fully described in this Schedule 1.

SGI agrees to lease to DSL no less than 450 units consisting of refurbished WMS Gaming Inc. Bluebird2 video, upright, ticket out only gaming devices (each a "Unit") and up to 45 SGI site controllers (one for each charitable gaming location) (the "Controllers") for an operational term continuing through February 25, 2018. The Units will be a WMS standard build but customized to be equipped with the brand of ticket printer and bill validator selected by DSL no later than four (4) weeks prior to shipping. The Units will be delivered with multigame software with a minimum of eight (8) WMS themes.

SGI will be responsible for delivery of the Units and Controllers to a single location identified by DSL in accordance with a delivery scheduled mutually agreed to by the parties. DSL will be responsible for having the Units and Controllers delivered and installed at gaming locations no later than July 1, 2014. Therefore, SGI and DSL will finalize the delivery schedule no later than March 31, 2104. When the Units and Controllers are installed, SGI will be responsible for ensuring that the Units and Controllers are properly connected to the AEGIS®-Video Central System via SGI's existing telecommunications network at SGI's expense.

## Schedule 2

In connection with leasing the Units pursuant to the Eight Amendment and Schedule 1, SGI will provide the following support services:

1. Approvals: DSL requires that all the game algorithms stored on EPROMs in the Units, or downloaded into memory on the Units, be certified by an independent laboratory prior to installation at gaming locations. SGI agrees to cooperate in submitting chips and/or other appropriate materials to such independent laboratory for testing. SGI will responsible for the expense of this independent lab certification.
  
2. Updates: No later than twelve (12) months after the initial installation of the first Unit (the "Lease Start Date"), SGI will provide an update to the multigame with a minimum of four (4) new themes for the eight (8) game set. No later than the first anniversary of the Lease Start Date, SGI will provide an additional update to the multigame with a minimum of four (4) new themes for the eight (8) game set.
  
3. Training: Prior to installation of the Units, SGI will provide training and written training materials for DSL lottery agents, staff and distributors in the operation of the Units and related Controllers. SGI will provide this in-person training at a DSL location selected by DSL at a time mutually agreed to by the parties. The training will consist of up to a total of 24 hours of training conducted over a period of up to three consecutive days for up to 40 people covering the proper installation, use, operation, maintenance and repair of the Units and related Controllers including suggested preventative maintenance cycles, clearing bill acceptor and ticket printer jams, and basic trouble-shooting.

**NINTH AMENDMENT TO THE AGREEMENT BETWEEN THE STATE LOTTERY  
OFFICE OF THE STATE OF DELAWARE AND SCIENTIFIC GAMES  
INTERNATIONAL, INC. DATED SEPTEMBER 25, 2001**

This Ninth Amendment (the "Amendment") to the Agreement dated September 25, 2001 (the "Agreement") is made and entered into, effective as of December ~~2~~<sup>3</sup> 2016 (the "Effective Date"), by and between the State Lottery Office of the State of Delaware (the "DSL") and Scientific Games International, Inc., a corporation organized under the laws of the State of Delaware with offices at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004 ("SGI").

**WITNESSETH:**

WHEREAS, the DSL and SGI have entered into the Agreement under which the DSL engaged SGI to provide and implement, and furnish related support and services for, On-Line Games, Video Lottery Games, and Instant Game (as these terms are defined in the Agreement) pass-through transactions; and

WHEREAS, the DSL and SGI have heretofore entered into certain mutually-agreed upon amendments to the Agreement, each of which is incorporated into and has become a part of the Agreement; and

WHEREAS, pursuant to paragraph 61 of the Agreement, the parties have the right to amend the Agreement; and

WHEREAS, paragraph 39(E) of the Agreement provides that changes and enhancements which exceed what is required of SGI will have terms and price negotiated by the parties; and

WHEREAS, the DSL and SGI are also parties to a Professional Services Agreement, dated July 29, 2009, to provide a Sports Wagering System and Services ("Sports Wagering Agreement"); and

WHEREAS, the DSL and SGI are also parties to a Professional Services Agreement, dated January 30, 2012, to provide Instant Game Tickets and Related Services ("Instant Game Tickets Agreement"); and

WHEREAS, the DSL, SGI, and 888 US Limited are parties to a Professional Services Contract, dated October 29, 2013, to provide Internet Gaming System and Services Solution ("iGaming Agreement") to provide an internet gaming system and services; and

WHEREAS, the Agreement, the Sports Wagering Agreement, the Instant Game Tickets Agreement, and the iGaming Agreement provide critical and necessary services to allow the DSL to carry out its statutory responsibilities; and

WHEREAS, the recent number of publicly reported unauthorized intrusions into government, private sector, and gaming networks and systems has resulted in a critical need to implement the latest security technology advances in network, encryption, operating system,

layered software, and topology as soon as feasible to protect the integrity of the gaming systems environments; and

WHEREAS, the system services relating to the Sports Wagering Agreement (central processing system services and equipment, communication networking services and equipment, software creation, maintenance and support, data center equipment and services and wagering terminal maintenance services) were incorporated within the Agreement by the Sixth Amendment to the Agreement, entered into on August 1, 2010; and

WHEREAS, consolidating the Agreement, the remaining portions of the Sports Wagering Agreement, and the Instant Game Tickets Agreement would allow the DSL to start generating new revenue sooner rather than delaying the benefits until a successor consolidated contract can be concluded; and

WHEREAS, consolidating the Agreement, the remaining portions of the Sports Wagering Agreement, and the Instant Game Tickets Agreement would allow for tie-ins and synergies across different product lines, giving the DSL the ability to implement innovative technologies and products that are expected to produce additional revenue; and

WHEREAS, the parties have determined that the remaining portions of the Sports Wagering Agreement and the Instant Game Tickets Agreement should be consolidated with this Agreement (resulting in a "Consolidated Agreement"); and

WHEREAS, the Eighth Amendment to the Agreement was entered into on March 14, 2014 in accordance with and pursuant to then-existing 29 Del. C. § 4819(A)(1); and

WHEREAS, pursuant to paragraph 1 of the Eighth Amendment to the Agreement, the Agreement may be extended as agreed by the parties in writing; and

WHEREAS, pursuant to paragraph 4 of the iGaming Agreement, the iGaming Agreement may be extended through 2022 and the DSL has an important and valuable right to renew the iGaming Agreement through 2022; and

WHEREAS, extending the Consolidated Agreement through 2022 to coincide with the expiration of the iGaming Agreement will allow the DSL the option of capturing the benefits of its extension rights and also gain economies of scale and leverage from putting all lottery contracts out to bid at once for a new contract in 2022; and

WHEREAS, the parties wish to extend the Consolidated Agreement through October 29, 2022; and

WHEREAS, extending the Consolidated Agreement through 2022 will provide the DSL with early access to new technologies products and result in significant sales increases and profits and access to additional retailer outlets while enhancing the DSL's overall operations and security; and

WHEREAS, extending the Consolidated Agreement through 2022 will diminish revenue losses that would result if the contracts were not extended; and

WHEREAS, the parties also desire to adjust the pricing of this Agreement to reflect these services;

NOW THEREFORE, in consideration of the foregoing and the mutual promises hereinafter set forth, the parties hereby agree to further amend the Agreement as of the Effective Date as follows:

1. The parties hereby agree that the Sports Wagering Agreement and the Instant Game Tickets Agreement are consolidated under this Agreement to effectuate the Consolidated Agreement.
2. The parties further agree to extend the Consolidated Agreement for approximately four (4) years, to expire November 9, 2022.
3. As partial consideration for such extension, SGI agrees to provide to the DSL the following:
  - a. SG's next generation AEGIS Gaming System for Draw and Keno, as more fully described in Schedule 1, attached to and incorporated into this Amendment;
  - b. SG's next generation AEGIS Video Central Monitoring System, as more fully described in Schedule 1;
  - c. Refurbishment of all currently installed WAVE terminals, as more fully described in Schedule 1;
  - d. PlayCentral HD Self Service Terminals for rollout to DSL retailers, as more fully described in Schedule 1;
  - e. RaceTrax system and terminal software and retailer hardware, as more fully described in Schedule 1;
  - f. SG's undertaking of a research and development project to integrate lottery systems with Delaware casinos for expanded distribution of DSL offerings, as more fully described in Schedule 1;
  - g. Interactive Lottery Mobile App supporting DSL products, as more fully described in Schedule 1; and
  - h. Enhanced Instant Games Cooperating Service Program Benefits, as more fully described in Schedule 1.

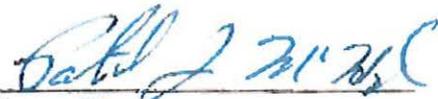
4. As additional consideration for the foregoing, the parties agree to further amend Section I(A) of Appendix 2 of the Agreement by deleting it in its entirety and replacing it with the pricing set forth in Schedule 2 of this Amendment.
5. The parties agree to amend the first sentence of Section 46 of the Agreement to state that Vendor agrees it will not issue any news releases pertaining to the award or the performance of the Agreement without the prior written approval of the DSL, and then only in accordance with the explicit written instructions from the DSL.
6. Except as modified herein, all terms and conditions of the Agreement, the Sports Wagering Agreement, and the Instant Game Tickets Agreement are hereby confirmed as being in full force and effect and enforceable by the parties according to their terms. All capitalized terms shall have the same meaning as set forth in the Agreement, the Sports Wagering Agreement, the Instant Game Tickets Agreement, and the iGaming Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed.

DELAWARE STATE LOTTERY

SCIENTIFIC GAMES INTERNATIONAL, INC.

  
Name: VERNON A KIRK  
Title: DIRECTOR  
Date: 23 DEC 2016

  
Name: Patrick J. McHugh  
Title: SVP, Global Lottery Systems  
Date: 23 Dec 2016

## Schedule 1

- A. SGI will provide all equipment and software necessary for new AEGIS Gaming System architecture pursuant to an agreed upon final specification and schedule. The new architecture will generally provide the following benefits to the DSL:
- Latest generation AEGIS Gaming System
    - o Open system architecture to facilitate integrations with future 3<sup>rd</sup> party products and services
    - o Upgraded security enhancements
    - o Advanced monitoring and diagnostic tools
    - o Next generation back office tools for DSL staff
  - Latest generation AEGIS Video Central Monitoring System
    - o Multiple protocol support (SAS and G2S)
    - o Enhanced processing engine
    - o Remote configuration and download capability
    - o G2S certified and GLI certified
  - Refurbishment of currently installed WAVE terminals
  - Upgraded Instant Management System
    - o OrderCast Predictive Ordering system for instant tickets
    - o Interface with the AEGIS Gaming System
- B. SGI will provide all equipment and software necessary for selling instant and draw lottery tickets at convenience store locations, with the intent to expand into new retail locations not currently selling DSL products. As part of the offer, SGI agrees to provide the following equipment pursuant to an agreed upon final specification and schedule:
- Up to 100 PlayCentral HD vending machines ("PCHDs") (includes machines for installation at convenience store locations, additional trade style locations and spares for service)
  - Communication equipment to connect all locations to the central system. SGI will provide cabling, amplifiers and antennas as needed for installation
  - Additional spare parts for on-going repair of PCHDs
  - All required central system and retailer network and software upgrades to implement PCHDs
- C. SGI will provide the equipment and software necessary for selling new games or current games through the new distribution channels pursuant to a final agreed upon specification and schedule:
- RaceTrax® system and terminal software and retailer hardware including up to forty-five (45) 40" (or larger) monitors and media servers for 40 locations, with 5 monitors and media servers as spares
  - Research and development project to develop an interface on the DSL lottery system with Delaware casinos that utilize SGI's BetView™ product pursuant to an agreed upon scope of work and schedule to provide the interface allowing players to purchase lottery

products through a gaming machine. Any hardware or software required at the relevant casino shall be the responsibility of such casino.

- Interactive Lottery Mobile App
  - o Includes current Jackpot amounts, Winning Numbers, How to Play Tutorials, Retailer Finder and Ticket Checker
  - o Centralized Webserver/Infrastructure
  - o Foundation for future mobile enhancements including new content, loyalty club support, promotions and the ability to tie into iLottery.

D. SGI will provide the following instant ticket options exercised by the DSL pursuant to fully executed working papers for no additional cost:

- Holographic Instant Tickets
- Sparkle™ Instant Tickets

#### **Installation and Other Startup Services**

SGI will provide the necessary resources required to install all components for the deployment of the aforementioned products and services prioritized by revenue generation opportunities for the state and per mutually agreed upon schedules. This includes:

- Installation of PCHDs at each new retailer location
- Site surveys prior to installation of the relevant communication equipment
- Installation of the relevant communication equipment at each new retailer location including inside wiring, amplifier and antenna as necessary
- Installation of monitors and media servers for RaceTrax at up to forty (40) new retailer locations, including inside wiring
- Retailer training provided for each new RaceTrax retailer
- Project Management for all system and product implementations

## Schedule 2

I. The following are the prices for the corresponding goods and services provided under the Consolidated Agreement based upon which SGI shall issue invoices to the DSL, and the DSL shall make payments to SGI:

- A Base System Pricing – Base System Pricing will remain the same as existing contracts
- 1 Draw percentage. Pricing as a percentage of On-Line Game Sales shall be 5.371%
  - 2 Video lottery percentage. Pricing as a percentage of Video Net Proceeds shall be 1%
  - 3 Keno percentage. Pricing as a percentage of Keno sales shall be 9.95%
  - 4 Cooperative Services Program (CSP) percentage. Pricing as a percentage of Total Net Sales (of instant tickets) shall be 5.6%
  - 5 Sports percentage. Pricing as a percentage of Marginal Revenue from each Racino shall be 15.625% and as a percentage of Marginal Revenue from sports retailers shall be 25%
  - 6 Charitable video lottery terminal fee. Pricing as a percentage of the net win returned to the DSL (based on receipt of 40% of total net win by the DSL, less 1% for responsible gaming) shall be 25% of such net win per charitable video lottery terminal
- B New Product Pricing
- 1 PlayCentral HD self-service terminals (PCHD) percentage. In addition to compensation by DSL under Item A(4) above, DSL shall pay SGI an amount equivalent to 4.18% of draw game and instant game sales through PCHD.
  - 2 RaceTrax® percentage. Pricing as a percentage of RaceTrax sales shall match the rate of compensation paid by DSL for Keno monitor games at 9.95%.
  - 3 Sports Mobile percentage. In addition to compensation paid by DSL under Item A(5) above, DSL shall pay SGI an amount equivalent to 40% of Marginal Revenue from mobile sports sales.

## **PROFESSIONAL SERVICES AGREEMENT**

This Agreement ("Agreement") is entered into as of July 29<sup>th</sup>, 2009 ("Effective Date") and will end as set forth herein by and between the State of Delaware, Department of Finance, State Lottery Office, ("Delaware" or "Lottery"), and Scientific Games International, Inc., ("SGI"), a Delaware corporation, with offices at 1500 Bluegrass Lakes Parkway Alpharetta, GA USA 30004.

WHEREAS, Delaware desires to obtain certain services to implement a sports wagering system; and

WHEREAS, SGI desires to provide such services to Delaware on the terms set forth below;

WHEREAS, Delaware and SGI represent and warrant that each party has full right, power and authority to enter into and perform under this Agreement;

FOR AND IN CONSIDERATION OF the premises and mutual agreements herein, Delaware and SGI agree as follows:

### **1. Services.**

- 1.1 SGI shall perform for Delaware the services specified in the Appendices to this Agreement, attached hereto and made a part hereof.
- 1.2 Any direct conflict or inconsistency between the provisions of the following documents shall be resolved by giving precedence to such documents in the following order: (a) this Agreement (including any amendments or modifications thereto); (b) Delaware's request for proposals, attached hereto as Appendix C; (c) SGI's response to the request for proposals, attached hereto as Appendix D; (d) modifications and clarifications; and (e) purchase order. The aforementioned documents are specifically incorporated into this Agreement and made a part hereof. As an example, should SGI's response to the RFP contain detail on the proposed solution in addition to the RFP requirement, this is not considered a direct conflict.
- 1.3 The failure of a party to insist upon strict adherence to any term of the Agreement shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the Agreement.
- 1.4 Delaware may, at any time, by written order, make changes in the scope of this Agreement and in the services or work to be performed. No services for which additional compensation may be charged by SGI shall be furnished without the written authorization of Delaware. When Delaware desires any addition or deletion to the deliverables or a change in the Services to be provided under this Agreement, it shall notify SGI, who shall then submit to Delaware a "Change Order" for approval authorizing said change. The Change Order shall state whether the change shall cause an alteration in the price or the time required by SGI for any

aspect of its performance under this Agreement. Pricing of changes shall be consistent with those established within this Agreement.

- 1.5 SGI will not be required to make changes to its scope of work that result in SGI's costs exceeding the current Agreement pricing for the services.

## **2. Payment for Services and Expenses.**

- 2.1 The term of the Agreement shall be in effect from the Agreement Effective Date, including an implementation period as detailed in Section 4 below and six (6) years of production operations, plus such time as is necessary to finish out the Lottery business week in progress. Production operations shall begin on the date when the first sports wagering ticket is sold to the public.

The Contract term may run a shorter period, as determined by the Lottery, due to causes such as Contract termination or loss of statutory authority by the Lottery. The Lottery reserves the right to renew the Contract at its sole discretion up to a maximum of four (4) one (1) year renewals, provided that each single option to renew is exercised by the Lottery at least ninety (90) days prior to the end of the initial contract period, or the prior renewal period thereof, or at a time mutually agreed upon by both parties.

- 2.2 The Lottery reserves the right to reactivate or further extend the initial Contract, or any renewal thereof, at the rates and upon the terms and conditions then in effect on thirty (30) days' notice for one (1) or more thirty (30) day periods if a different vendor is chosen for a subsequent Contract and the subsequent vendor's System does not meet the requirements of the Lottery. To meet this requirement, SGI must maintain the System in a state of readiness through the date of full conversion to the new vendor and for thirty (30) calendar days thereafter at the aforesaid rate to SGI. Exercising these rights shall not be construed as obligating the Lottery to repeat the procurement process for any subsequent Contract or conferring any right or expectation for SGI to continue operating the System after the expiration of any such emergency extension period.
- 2.3 Payment to SGI shall be payable solely out of the income, revenues, and receipts of the Lottery's sports wagering operation. In no event shall this contract constitute or create an obligation, either general or special, debt, liability, or moral obligation of the State of Delaware, or any municipality, political subdivision, or governmental unit thereof or constitute or give rise to a pecuniary liability of the State of Delaware, or any municipality, political subdivision, or governmental unit thereof nor shall the general credit or taxing power of the State of Delaware, or any municipality, political subdivision, or governmental unit be pledged therefor. The payment schedule is found in Appendix B.

- 2.4 Unless provided otherwise in an Appendix, all expenses incurred in the performance of the services are to be paid by SGI. If an Appendix specifically provides for expense reimbursement, SGI shall be reimbursed only for reasonable expenses incurred by SGI in the performance of the services, including, but not necessarily limited to, travel and lodging expenses, communications charges, and computer time and supplies.
- 2.5 Delaware is a sovereign entity, and shall not be liable for the payment of federal, state and local sales, use and excise taxes, including any interest and penalties from any related deficiency, which may become due and payable as a consequence of this Agreement.
- 2.6 Delaware shall subtract from any payment made to SGI all damages, costs and expenses caused by SGI's negligence, resulting from or arising out of errors or omissions in SGI's work products, which have not been previously paid to SGI.
- 2.7 Invoices shall be submitted to:
- Mr. Vernon Kirk  
Principal Deputy Delaware Lottery  
1575 McKee Road  
Dover, Delaware 19904
- 2.8 Additional BetJet Terminals – Initial Three Venues – Pursuant to Sections 3.2.1 and 3.2.2 of the RFP, Scientific Games will provide a total of seventy five (75) BetJet terminals deployed. For BetJet quantities deployed above seventy five (75), terminals will be added for no additional fee if the additional terminals produce an average of \$70,000 gross sales per week/each. (\$3,640,000 per year/each). For purposes of startup, fifteen (15) of the aforementioned 75 terminals may initially be refurbished units. For terminals above the 75 required by the RFP, where the average fails to generate gross sales of \$3,640,000 in a year, SGI will retroactively charge the Lottery \$5400/year for each terminal that failed to meet the \$3,640,000 sales target, and \$450/month going forward until such time as the terminal produces an average of \$70,000 gross sales per week/each. This will be calculated by taking the total sales per week for all terminals at the venue, and dividing it by the number of terminals delivered to the venue. If the average for all terminals is below \$3,640,000 per year/per terminal than the subset of terminals installed that does produce \$3,640,000 per year will be calculated. The result of this calculation will be the terminals that Scientific Games will provide to the DSL free of charge and hereafter referred to as the "Base" (under no circumstance will the Base be less than 75 BetJet terminals). The lottery will then be charged for each terminal in excess of the Base of installed terminals at the rate of \$5400 per year. The Base shall be recalculated annually on the contract anniversary date.

2.9 New Venues – Incremental pricing for opening any significantly different new venues where sports wagering will be conducted in Delaware will be negotiated.

#### 2.10 Implementation of Remote Backup System

To date the parties have not been able to resolve the outstanding issues regarding the location and possible cost of the remote hot backup system that cannot be resolved in a timely fashion to avoid impacting the launch of the Sports Wagering System as shown in SGI's proposed schedule in their technical proposal. The parties agree that there is sufficient backup already required within this Agreement with the secondary or redundant system located with the primary system to protect the parties' interest on a temporary basis. Therefore, the parties agree to postpone the implementation of the remote hot backup system required in this Agreement. The parties will negotiate the location, cost and installation of the remote backup system as soon as practicable. The final agreement will be an addendum to the Agreement.

SGI shall not be liable for any damages caused by, relating to or associated with the decision to operate, either temporarily or permanently, the Sports Wagering System without any remote backup Data Center.

### **3. Responsibilities of SGI.**

- 3.1 SGI shall be responsible for the professional quality, technical accuracy, timely completion, and coordination of all services furnished by SGI, its subcontractors and its and their principals, officers, employees and agents under this Agreement. In performing the specified services, SGI shall follow practices consistent with generally accepted professional and technical standards.
- 3.2 It shall be the duty of SGI to assure that all products of its effort are technically sound and in conformance with all pertinent Federal, State and Local statutes, codes, ordinances, resolutions and other regulations. SGI will not produce a work product that violates or infringes on any copyright or patent rights. SGI shall, without additional compensation, correct or revise any errors or omissions in its work products.
- 3.3 Permitted or required approval by Delaware of any products or services furnished by SGI shall not in any way relieve SGI of responsibility for the professional and technical accuracy and adequacy of its work. Delaware's review, approval, acceptance, or payment for any of SGI's services herein shall not be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement, and SGI shall be and remain liable in accordance with the terms of this Agreement and applicable law for all damages to Delaware caused by SGI's performance or failure to perform under this Agreement.

- 3.4 SGI shall appoint a Project Manager who will manage the performance of services. All of the services specified by this Agreement shall be performed by the Project Manager, or by SGI's associates and employees under the personal supervision of the Project Manager. The positions anticipated are included in Section 3.7.1 of SGI's Proposal.
- 3.5 Designation of persons for each position is subject to review and approval by Delaware. Should the staff need to be diverted off the project for what are now unforeseeable circumstances, SGI will notify Delaware immediately and work out a transition plan that is acceptable to both parties, as well as agree to an acceptable replacement plan to fill or complete the work assigned to this project staff position. Replacement staff persons are subject to review and approval by Delaware. If SGI fails to make a required replacement within 30 days, Delaware may terminate this Agreement for default. Upon receipt of written notice from Delaware that an employee of SGI is unsuitable to Delaware for good cause, SGI shall remove such employee from the performance of services and substitute in his/her place a suitable employee.
- 3.6 SGI shall furnish to Delaware's designated representative copies of all correspondence to regulatory agencies for review prior to mailing such correspondence.
- 3.7 SGI agrees that its officers and employees will cooperate with Delaware in the performance of services under this Agreement and will be available for consultation with Delaware at such reasonable times with advance notice as to not conflict with their other responsibilities.
- 3.8 SGI has or will retain such employees as it may need to perform the services required by this Agreement. Such employees shall not be employed by Delaware or any other political subdivision of Delaware.
- 3.9 SGI will not use Delaware's name, either express or implied, in any of its advertising or sales materials without Delaware's express written consent.
- 3.10 SGI will assume sole responsibility and liability for delivery, installation and maintenance of all equipment, software and support services offered in its Proposal and for the provision of all other goods and services offered in or acquired by its Proposal, and will directly make such representations and warranties to the Lottery to which the Lottery and SGI may agree, whether or not SGI is the manufacturer, producer or direct provider of the equipment, software or services. SGI may have subcontractors; however, SGI must accept full responsibility for and will be strictly liable to the Lottery for any such subcontractor's performance. The Lottery will consider SGI to be the sole point of contact with regard to all contractual matters.

- 3.11 The rights and remedies of Delaware provided for in this Agreement are in addition to any other rights and remedies provided by law.
- 3.12 Several items in the delivery of the Agreement will require direct coordination with the venues. As such, SGI will work directly with the venues to determine the final solution for the interaction between the venue staff and the risk management hub and whether on site management is required. In addition, SGI will work with each venue to determine the solution for event displays and/ or the system integration of event displays at each venue.
- 3.13 SGI shall provide customized weekly parlay cards during football season. The parlay cards typically will include the teams and point spreads for football games scheduled to be played during the upcoming football weekend, along with Lottery and venue logos, a payoff table and other items typically found on customized parlay cards.
- 3.14 SGI will provide support in defining and documenting possible policies and procedures for sports wagering start-up and will be available for ongoing consultation during the term of the Agreement.

#### **4. Implementation Schedule.**

SGI shall install and shall be responsible for maintaining the Sports Wagering System and Services in accordance with an implementation schedule set out in Delaware Sports Betting Project Schedule which is attached hereto, marked as Appendix A. The parties agree to review the implementation schedule for revisions based on the date the contract is executed as well as when SGI is granted permission to begin discussions with the venues.

#### **5. State Responsibilities.**

- 5.1 In connection with SGI's provision of the Services, Delaware shall perform those tasks and fulfill those responsibilities specified in the appropriate Appendices.
- 5.2 Delaware agrees that its officers and employees will cooperate with SGI in the performance of services under this Agreement and will be available for consultation with SGI at such reasonable times with advance notice as to not conflict with their other responsibilities.
- 5.3 The services performed by SGI under this Agreement shall be subject to review for compliance with the terms of this Agreement by Delaware's designated representatives. Delaware representatives may delegate any or all responsibilities under the Agreement to appropriate staff members, and shall so inform SGI by written notice before the effective date of each such delegation.

- 5.4 The review comments of Delaware's designated representatives may be reported in writing as needed to SGI. It is understood that Delaware's representatives' review comments do not relieve SGI from the responsibility for the professional and technical accuracy of all work delivered under this Agreement.
- 5.5 Delaware shall, without charge, furnish to or make available for examination or use by SGI as it may request, any data which Delaware has available, including as examples only and not as a limitation:
- a. Copies of reports, surveys, records, and other pertinent documents;
  - b. Copies of previously prepared reports, job specifications, surveys, records, ordinances, codes, regulations, other document, and information related to the services specified by this Agreement.
- SGI shall return any original data provided by Delaware.
- 5.6 Delaware shall assist SGI in obtaining data on documents from public officers or agencies and from private citizens and business firms whenever such material is necessary for the completion of the services specified by this Agreement.
- 5.7 SGI will not be responsible for accuracy of information or data supplied by Delaware or other sources to the extent such information or data would be relied upon by a reasonably prudent contractor.
- 5.8 Delaware agrees not to use SGI's name, either express or implied, in any of its advertising or sales materials. SGI reserves the right to reuse the nonproprietary data and the analysis of industry-related information in its continuing analysis of the industries covered.

## **6. Amendments to the Agreement.**

Any Agreement provision may not be modified, amended, altered, changed, renewed, varied, waived or augmented, except in writing executed by both parties hereto, and any breach or default by a party shall not be waived or released other than in writing and signed by the other party.

## **7. Work Product.**

- 7.1 To the extent that SGI utilizes or relies upon the Intellectual Property Rights of a third party in fulfilling its obligations under the Agreement, SGI will provide the Lottery with all copies of licenses and other agreements. In addition, in the event of failure to perform or breach of Agreement SGI must ensure continued right of use of licensed intellectual property by the Lottery. While the Lottery and SGI agree that Intellectual Property associated with any product or service provided by (or developed solely by) SGI during the term of this Agreement and used by the Lottery will remain the property of SGI, SGI will grant a license to the Lottery to make use of any such Intellectual Property on an indefinite basis with respect to Lottery conduct of games. There shall be no additional charge for this right of the

Lottery. Intellectual property fees for third-party products, logos, trademarks, brands or labels that SGI deploys in the System under the Agreement shall be negotiable. SGI may not separately charge the Lottery an intellectual property fee for any items owned by SGI.

- 7.2 In no event shall SGI be precluded from developing for itself, or for others, materials that are competitive with the Deliverables, irrespective of their similarity to the Deliverables. In addition, SGI shall be free to use its general knowledge, skills and experience, and any ideas, concepts, know-how, and techniques within the scope of its consulting practice that are used in the course of providing the services.
- 7.3 Notwithstanding anything to the contrary contained herein or in any attachment hereto, any and all intellectual property or other proprietary data owned by SGI prior to the effective date of this Agreement ("Preexisting Information") shall remain the exclusive property of SGI even if such Preexisting Information is embedded or otherwise incorporated into materials or products first produced as a result of this Agreement or used to develop such materials or products. Delaware's rights under this section shall not apply to any Preexisting Information or any component thereof regardless of form or media.

## **8. Confidential Information.**

To the extent permissible under 29 *Del. C.* § 10001, et seq., the parties to this Agreement shall preserve in strict confidence any information, reports or documents obtained, assembled or prepared in connection with the performance of this Agreement.

## **9. Warranty.**

- 9.1 SGI warrants that its services will be performed in a good and workmanlike manner. SGI agrees to re-perform any work not in compliance with this warranty brought to its attention within a reasonable time after that work is performed.
- 9.2 Third-party products within the scope of this Agreement are warranted solely under the terms and conditions of the licenses or other agreements by which such products are governed. With respect to all third-party products and services purchased by SGI for Delaware in connection with the provision of the Services, SGI shall pass through or assign to Delaware the rights SGI obtains from the manufacturers and/or vendors of such products and services (including warranty and indemnification rights), all to the extent that such rights are assignable.

## **10. Indemnification; Limitation of Liability.**

- 10.1 SGI shall indemnify and hold harmless the State, its agents and employees, from any and all third party liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys' fees) directly arising out of (A) the negligence or other wrongful conduct of SGI, its agents or employees, or (B) SGI's breach of any material provision of this Agreement not cured after due notice and opportunity to cure, provided as to (A) or (B) that (i) SGI shall have been notified promptly in writing by Delaware of any notice of such claim; and (ii) SGI shall have the sole control of the defense of any action on such claim and all negotiations for its settlement or compromise. Irrespective of anything herein, SGI shall not indemnify or hold harmless the State, its agents and employees from and against any and all claims, liabilities, losses, damages, costs, injuries or expenses (including attorneys fees), which may be incurred, suffered, or required in whole or in part arising out of allegation(s) that the sports wagering conducted by the Lottery is prohibited or illegal by statute, including the Professional and Amateur Sports Protection Act (28 U.S.C. § 3701 *et. seq.*), by State or U.S. Constitution, by court decision or by action of cognizant governmental agency, or such claims regarding the procurement process and SGI expressly disclaims any and all liability relating to any claims, liabilities, losses, damages, costs, injuries and/or expenses relating to the legality of sports wagering.
- 10.2 If Delaware promptly notifies SGI in writing of a third party claim against Delaware that any Deliverable infringes a copyright or a trade secret of any third party, SGI will defend such claim at its expense and will pay any costs or damages that may be finally awarded against Delaware. SGI will not indemnify Delaware, however, if the claim of infringement is caused by (1) Delaware's misuse or modification of the Deliverable; (2) Delaware's failure to use corrections or enhancements made available by SGI; (3) Delaware's use of the Deliverable in combination with any product or information not owned or developed by SGI; (4) Delaware's distribution, marketing or use for the benefit of third parties of the Deliverable or (5) information, direction, specification or materials provided by Client or any third party. If any Deliverable is, or in SGI's opinion is likely to be, held to be infringing, SGI shall at its expense and option either (a) procure the right for Delaware to continue using it, (b) replace it with a noninfringing equivalent, (c) modify it to make it noninfringing. The foregoing remedies constitute Delaware's sole and exclusive remedies and SGI's entire liability with respect to infringement.
- 10.3 Indemnity Due to Sports Wagering Loss. In the event of a Sports Wagering Loss, as defined below, SGI agrees to compensate the Lottery for the amount of Lottery's Sports Wagering Loss for the State of Delaware's fiscal year. SGI shall pay a Sports Wagering Loss within 15 days after the State of Delaware's fiscal year end. "Sports Wagering Loss" is the aggregate amount of any actual loss by the Lottery on sports lottery wagers made with the Lottery for the State of Delaware's fiscal year. A Sports Wagering Loss only includes net sum of actual losses (after consideration of

revenue received) by the Lottery from patrons' sports wagers and does not include any operating costs, taxes and other ancillary expenses and costs or losses by any other party, including the sports lottery venues. An example for illustrative purposes, if Sports Wagering Loss for a particular fiscal year is \$1,000,000 and the Lottery has, in fact, paid out the Sports Wagering Loss from funds then SGI shall compensate the Lottery in the amount of \$1,000,000.

## **11. Employees.**

- 11.1 SGI has and shall retain the right to exercise full control over the employment, direction, compensation and discharge of all persons employed by SGI in the performance of the services hereunder; provided, however, that it will, subject to scheduling and staffing considerations, attempt to honor Delaware's request for specific individuals.
- 11.2 Except as the other party expressly authorizes in writing in advance, neither party shall solicit, offer work to, employ, or contract with, whether as a partner, employee or independent contractor, directly or indirectly, any of the other party's Personnel during their participation in the services or during the twelve (12) months thereafter. For purposes of this Section 11.2, "Personnel" includes any individual or company a party employs as a partner, employee or independent contractor and with which a party comes into direct contact in the course of the services.
- 11.3 Possession of a Security Clearance, as issued by the Delaware Department of Public Safety, may be required of any employee of SGI who will be assigned to this project.
- 11.4 The Lottery reserves the right to review and for good cause shown, disapprove any employee of SGI or any employee of any subcontractor who is assigned to the Lottery Agreement, either at Agreement inception or during the term or any extension thereof. The Lottery will demonstrate to SGI the basis for good cause for such rejection.

## **12. Independent Contractor.**

- 12.1 It is understood that in the performance of the services herein provided for, SGI shall be, and is, an independent contractor, and is not an agent or employee of Delaware and shall furnish such services in its own manner and method except as required by this Agreement. SGI shall be solely responsible for, and shall indemnify, defend and save Delaware harmless from all matters relating to the payment of its employees, including compliance with social security, withholding and all other wages, salaries, benefits, taxes, exactions, and regulations of any nature whatsoever.

12.2 SGI acknowledges that SGI and any subcontractors, agents or employees employed by SGI shall not, under any circumstances, be considered employees of Delaware, and that they shall not be entitled to any of the benefits or rights afforded employees of Delaware, including, but not limited to, sick leave, vacation leave, holiday pay, Public Employees Retirement System benefits, or health, life, dental, long-term disability or workers' compensation insurance benefits. Delaware will not provide or pay for any liability or medical insurance, retirement contributions or any other benefits for or on behalf of SGI or any of its officers, employees or other agents.

12.3 SGI shall be responsible for providing liability insurance for its personnel.

12.4 As an independent contractor, SGI has no authority to bind or commit Delaware. Nothing herein shall be deemed or construed to create a joint venture, partnership, fiduciary or agency relationship between the parties for any purpose. SGI is authorized to accept sports wagers on behalf of the Lottery through the Sports Wagering System.

### **13. Disputes under the Agreement.**

In the event that any dispute arises between the parties with respect to the performance required of SGI, the Lottery Director shall make a determination in writing and send it to SGI. That interpretation shall be final, conclusive and not subject to review in all respects unless SGI, within thirty (30) days of receipt of said writings, delivers a written appeal to the Lottery Director or his duly authorized designee. The decision of the Lottery Director on any such appeal shall be made within thirty (30) days and shall be final and conclusive and SGI shall thereafter in good faith and due diligence render such performance as the Lottery Director has determined is required of it. SGI's options with respect to any such decision on appeal shall be either 1) to accept the determination of the Lottery Director as a correct and binding interpretation of the Agreement, or 2) to make such claims as it may desire before a court of competent jurisdiction. Pending a final judicial resolution of any such claim, SGI shall proceed diligently and in good faith with the performance of the Agreement as interpreted by the Lottery Director and, if the contract requires, the Lottery shall compensate SGI pursuant to the terms of the Agreement.

### **14. Suspension.**

14.1 Delaware may suspend performance by SGI under this Agreement for such period of time as Delaware, at its sole discretion, may prescribe by providing written notice to SGI at least 30 working days prior to the date on which Delaware wishes to suspend. During the period of such suspension, Delaware shall pay SGI its actual costs incurred, including costs and expenses associated with maintaining the system and staffing during the suspension of the Agreement. Actual costs will not include the cost of equipment or software development. SGI shall not perform further work under this Agreement after the effective date of suspension until

receipt of written notice from Delaware to resume performance.

- 14.2 In the event Delaware suspends performance by SGI for any cause other than the error or omission of SGI, for an aggregate period in excess of 30 days, SGI shall be entitled to an equitable adjustment of the compensation payable to SGI under this Agreement to reimburse SGI for additional costs occasioned as a result of such suspension of performance by Delaware based on appropriated funds and approval by Delaware.

## **15. Termination.**

### **15.1 Termination for Cause**

The Lottery may immediately terminate the Agreement for any of the following reasons by providing written notice to SGI:

1. If SGI furnished any statement, representation, warranty, or certification in connection with the RFP or the Agreement which is materially false, incorrect, or incomplete.
2. If SGI fails to perform any material requirement of the Agreement or is in violation of a specific provision.
3. If SGI or a subcontractor commits a fraudulent act or other criminal act in its contractual performance of this Agreement or any other contract with the Lottery or another State agency during the terms of this Agreement.
4. If SGI suffers a material change of financial condition as outlined in Section 1.33 of the RFP.

### **15.2 Termination for Convenience**

The Agreement shall be terminable by the Lottery without cause, at the sole discretion of the Lottery, upon thirty (30) days written notice. When it has been determined that an Agreement shall be terminated without cause or for the convenience of the Lottery, the Lottery Director or his designee shall be authorized to negotiate a settlement with SGI. Compensation to SGI for an Agreement terminated without cause for the convenience of the Lottery shall be limited to reasonable expenses for products, materials, and supplies, and for services rendered, and not yet, or not fully compensated. This amount may include SGI's net book value of its capital costs (equipment, software development, labor, installation), costs of the existing consumables incurred up to the date of the termination as a result of fulfilling its obligations under this Contract, and other reasonable costs and expenses associated with the operation or termination of the contract. The parties shall meet to discuss and negotiate compensation. The Lottery will make no payments for furnished work, work in progress, or raw materials acquired unnecessarily in advance or in excess of Lottery's delivery requirements. Upon written notification, the Agreement shall be null and void as of that date, and each party shall be relieved of any obligation or liability to the other,

except with respect to any clauses specifically stated in the contract to survive termination. In the event that: (1) sports wagering as conducted by the Lottery and contemplated by the RFP shall be prohibited or become illegal by statute, including the Professional and Amateur Sports Protection Act (28 U.S.C. § 3701 *et. seq.*), by State or U.S. Constitution, by court decision or by action of cognizant governmental agency and/or (2) the Lottery ceases conducting sports wagering because of any issues regarding the legality of the sports wagering that the Lottery is conducting, this Agreement shall be deemed to have terminated for convenience under the Section.

### 15.3 Termination for Default

The Lottery reserves the right to cancel the Agreement and to pursue any and all legal remedies provided at law, in equity, in this RFP or in the Agreement for breach or nonperformance of an Agreement or other infractions, whether or not such default results in the cancellation of an Agreement executed pursuant to the RFP. In addition to the remedy of Agreement cancellation and all other remedies available to the Lottery hereunder, in the Agreement, at law or in equity, the Lottery may in its sole discretion accept partial, incomplete or otherwise non-complying performance, and may deduct from the price to be paid under the Agreement a sum which in the Lottery's determination reasonably reflects the difference in value between the contract as it was to have been performed and as it was actually performed. The Lottery shall be entitled to collect costs incurred as the result of any breach, including court costs and reasonable attorneys' fees.

### 15.4 Loss of Statutory Authority

If statutory authority to operate is lost for the Delaware Lottery, then the Agreement shall be null and void. In the event of such an occurrence, it shall be deemed a termination for convenience under Section 15.2

15.5 The State and the Lottery will not be liable for any costs incurred if termination is for any of the causes stated above. In the cases above the Lottery may cancel the Agreement immediately and procure the articles and/or services from other sources and hold SGI responsible for any excess costs or lost revenue occasioned thereby. If after termination for cause of SGI to fulfill contractual obligations, it is determined that SGI has not so failed, the termination shall be deemed to have been effected for the convenience of the Lottery.

15.6 If after termination for failure of SGI to fulfill contractual obligations it is determined that SGI has not so failed, the termination shall be deemed to have been effected for the convenience of Delaware.

15.7 The rights and remedies of Delaware and SGI provided in this section are in addition to any other rights and remedies provided by law or under this Agreement.

15.8 Gratuities.

- 15.8.1 Delaware may, by written notice to SGI, terminate this Agreement if it is found after notice and hearing by Delaware that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by SGI or any agent or representative of SGI to any officer or employee of Delaware with a view toward securing a contract or securing favorable treatment with respect to the awarding or amending or making of any determinations with respect to the performance of this Agreement.
- 15.8.2 In the event this Agreement is terminated as provided in 15.8.1 hereof, Delaware shall be entitled to pursue the same remedies against SGI it could pursue in the event of a breach of this Agreement by SGI.
- 15.8.3 The rights and remedies of Delaware provided in Section 15.8 shall not be exclusive and are in addition to any other rights and remedies provided by law or under the Agreement.

## **16. Severability.**

If any term or provision of this Agreement is found by a court of competent jurisdiction to be invalid, illegal or otherwise unenforceable, the same shall not affect the other terms or provisions hereof or the whole of this Agreement, but such term or provision shall be deemed modified to the extent necessary in the court's opinion to render such term or provision enforceable, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest permissible extent the intent and agreements of the parties herein set forth.

## **17. Assignment; Subcontracts.**

- 17.1 Any attempt by SGI to assign or otherwise transfer any interest in this Agreement without the prior written consent of Delaware shall be void. Such consent shall not be unreasonably withheld.
- 17.2 Services specified by this Agreement shall not be subcontracted by SGI, without prior written approval of Delaware.
- 17.3 Approval by Delaware of SGI's request to subcontract or acceptance of or payment for subcontracted work by Delaware shall not in any way relieve SGI of responsibility for the professional and technical accuracy and adequacy of the work. All subcontractors shall adhere to all applicable provisions of this Agreement.
- 17.4 SGI shall be and remain liable for all damages to Delaware caused by negligent performance or non-performance of work under this Agreement by SGI, its subcontractor or its sub-subcontractor.
- 17.5 The compensation due shall not be affected by Delaware's approval of SGI's request to subcontract.

## **18. Force Majeure.**

A Force Majeure occurrence is an event or effect that cannot be reasonably anticipated or controlled and is without the fault or negligence of the non-performing party. As herein used, Force Majeure includes, but is not limited to, fire, explosion, action of the elements, strike or labor disturbance, rationing, war, terrorism, act of any governmental authority or agency, civil disturbance, governmental interference, or any other cause which is beyond the control of the party affected, and which, by the exercise of reasonable diligence, said party is unable to prevent delays arising as a result thereof or to predict and through advance planning avoid such delays. With respect to this clause, the terms "act of any governmental authority or agency" and "governmental interference" do not include as a Force Majeure occurrence acts by a State of Delaware governmental authority or agency or interference by a State of Delaware governmental authority or agency as such act or interference relates to the legality of sports wagering.

Except as otherwise provided herein, neither SGI nor the Lottery shall be liable to the other for any delay in, or failure of performance of, any covenant contained herein nor shall any such delay or failure of performance constitute default hereunder, to the extent that such delay or failure is caused by Force Majeure. The existence of such causes of delay or failure shall extend the schedule for performance to such extent as may be necessary to complete performance in the exercise of reasonable diligence after the causes of delay or failure have been removed.

Any such delay in or failure of performance shall not in and of itself give rise to any liability for damages; however, the Lottery may elect to terminate the Agreement for cause should its continuing operations, in its sole judgment, be materially threatened or harmed by reason of extended delay or failure of performance.

During a period of non-performance due to Force Majeure, payments from the Lottery to SGI will be suspended.

## **19. Limitation of Compensation Funding Source.**

Any payment to SGI contemplated by this Agreement shall be payable solely out of the income, revenues, and receipts of the Lottery's sports wagering operation. In no event shall the Agreement constitute or create an obligation, either general or special, debt, liability, or moral obligation of the State of Delaware, or any municipality, political subdivision, or governmental unit thereof or constitute or give rise to a pecuniary liability of the State of Delaware, or any municipality, political subdivision, or governmental unit thereof nor shall the general credit or taxing power of the State of Delaware, or any municipality, political subdivision, or governmental unit be pledged therefor.

## **20. State of Delaware Business License.**

SGI and all subcontractors represent that they are properly licensed and authorized to transact business in the State of Delaware as provided in 30 *Del. C.* § 2301.

## **21. Complete Agreement.**

21.1 This agreement and its Appendices shall constitute the entire agreement between Delaware and SGI with respect to the subject matter of this Agreement and shall not be modified or changed without the express written consent of the parties. The provisions of this agreement supersede all prior oral and written quotations, communications, agreements and understandings of the parties with respect to the subject matter of this Agreement.

21.2 If the scope of any provision of this Agreement is too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and the parties hereto consent and agree that such scope may be judicially modified accordingly and that the whole of such provisions of the Agreement shall not thereby fail, but the scope of such provision shall be curtailed only to the extent necessary to conform to the law.

21.3 SGI may not order any product requiring a purchase order prior to Delaware's issuance of such order. Each Appendix, except as its terms otherwise expressly provide, shall be a complete statement of its subject matter and shall supplement and modify the terms and conditions of this Agreement for the purposes of that engagement only. No other agreements, representations, warranties or other matters, whether oral or written, shall be deemed to bind the parties hereto with respect to the subject matter hereof.

## **22. Miscellaneous Provisions.**

22.1 In performance of this Agreement, SGI shall comply with all applicable federal, state and local laws, ordinances, codes and regulations. SGI shall solely bear the costs of permits and other relevant costs required in the performance of this Agreement.

22.2 Neither this Agreement nor any appendix may be modified or amended except by the mutual written agreement of the parties. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against which it is sought to be enforced.

22.3 The delay or failure by either party to exercise or enforce any of its rights under this Agreement shall not constitute or be deemed a waiver of that party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

- 22.4 SGI covenants that it presently has no interest and that it will not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement. SGI further covenants, to its knowledge and ability, that in the performance of said services no person having any such interest shall be employed.
- 22.5 SGI acknowledges that Delaware has an obligation to ensure that public funds are not used to subsidize private discrimination. SGI recognizes that if they refuse to hire or do business with an individual or company due to reasons of race, color, gender, ethnicity, disability, national origin, age, or any other protected status, Delaware may declare SGI in breach of the Agreement, terminate the Agreement, and designate SGI as non-responsible.
- 22.6 SGI warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, Delaware shall have the right to annul this contract without liability or at its discretion deduct from the contract price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.
- 22.7 This Agreement was drafted with the joint participation of both parties and shall be construed neither against nor in favor of either, but rather in accordance with the fair meaning thereof.
- 22.8 SGI shall maintain all public records, as defined by 29 *Del. C.* § 502(7), relating to this Agreement and its deliverables for the time and in the manner specified by the Delaware Division of Archives, pursuant to the Delaware Public Records Law, 29 *Del. C.* Ch. 5. During the term of this Agreement, authorized representatives of Delaware may inspect or audit SGI's performance and records pertaining to this Agreement at SGI business office during normal business hours.
- 22.9 If any officer or employee of SGI or of any subcontractor purchases a Delaware sports wagering ticket and/or attempts to collect winnings, such officer or employee will be removed from any involvement from any Lottery project and disciplinary action will be taken against such individual, including possible termination.

### **23. Audit and Accounting Requirements.**

Under the Agreement, SGI must meet specific auditing and accounting obligations:

- A. SGI shall have a complete corporate financial audit conducted annually, at its own expense. The audit must follow generally accepted auditing standards (GAAS) or the appropriate non-U.S. equivalent. A copy of SGI's certified financial statements shall be provided within one quarter after the close of SGI's fiscal year.
- B. If applicable, SGI shall provide the Lottery with Securities and Exchange Commission (SEC) 10-K reports (or the appropriate non-U.S. equivalent) as they are issued, together with any other reports required pursuant to Section 13 of the Securities

and Exchange Act of 1934, as amended.

- C. A third-party review of SGI's Delaware operations must also be conducted annually. This audit will be a Statement on Auditing Standards (SAS) 70 audit, Type 2, at the sole discretion and determination of the Lottery, and shall be paid for by SGI. For this review SGI will suggest, for the Lottery's approval, the firm(s) to perform the work. All financial aspects shall be conducted pursuant to auditing standards as issued by the American Institute of Certified Public Accountants. Annual reviews shall occur on a July through June basis and will be reported to the Lottery not later than forty-five (45) days after the close of the State's fiscal year. The first audit shall cover a partial year ending with the State's fiscal year.
- D. SGI is required to maintain its books, records and all other evidence pertaining to the contract in accordance with generally accepted accounting principals (GAAP) (or the appropriate non-U.S. equivalent) and such other procedures specified by the Lottery. These records shall be available to the Lottery, its internal auditors or external auditors (and other designees) at all times during the Agreement period and for five (5) years from the Agreement expiration date or final payment on the Agreement, whichever is later.

## **24. Insurance.**

24.1 SGI shall maintain the following insurance during the term of this Agreement:

- A. Worker's Compensation and Employer's Liability Insurance in accordance with applicable law, and
- B. General Liability Insurance. Commercial General Liability and Property Damages Insurance with limits not less than \$2,000,000 for any one person and \$4,000,000 for any one occurrence for personal injury, and \$1,000,000 for any one occurrence for property damages, and
- C. Miscellaneous Errors and Omissions - \$3,000,000, and
- D. Automotive Liability Insurance covering all automotive units used in the work with a single limit of not less than \$1,000,000.

24.2 SGI shall provide thirty (30) days written notice of cancellation or material change of any policies.

24.3 Before any work is done pursuant to this Agreement, the Certificate of Insurance and/or copies of the insurance policies, referencing the contract number stated herein, shall be filed with the State no later than 10 days prior to production start up. The certificate holder is as follows: Wayne Lemons or his designee.

24.4 In no event shall the State of Delaware be named as an additional insured on any policy required under this agreement.

## **25. Assignment of Antitrust Claims.**

As consideration for the award and execution of this contract by the State, SGI hereby grants, conveys, sells, assigns, and transfers to Delaware all of its right, title and interest in and to all known or unknown causes of action it presently has or may now or hereafter acquire under the antitrust laws of the United States and the State of Delaware, relating to the particular goods or services purchased or acquired by the State pursuant to this contract.

**26.** Under no circumstance is there indemnification by Delaware of SGI. Any references to any form of indemnification by Delaware of SGI in this contract are null and void.

**27.** Delaware does not waive its sovereign immunity by entering into this contract and fully retains all immunities and defenses provided by law to actions based on his contract.

## **28. Risk Management.**

SGI shall notify the Lottery before accepting wagers on any type of event not previously mutually agreed upon by both parties. Lottery shall have the right to disapprove wagering on types of events it reasonably determines to be detrimental to the image of the Lottery. SGI will cease wagering on such disapproved event as soon as practicable following written notice from the Lottery.

Due to the dynamic nature of sports wagering, day-to-day risk management shall be the sole responsibility of SGI. As such, SGI shall have the exclusive right, subject to applicable state and federal law, to make all decisions relating to all aspects of risk management, including, without limitation, the types of wagers offered and accepted, wagering limits, lines and point spreads, and all similar matters. It is specifically agreed that SGI shall have the exclusive right to accept or reject any wager or desired wager, without interference from the Lottery or its licensees, for any reason or for no reason. No regulation adopted by the Lottery shall limit or modify the foregoing rights granted to SGI.

## **29. Federal Excise Tax on Sports Wagers**

As a division of a sovereign entity, the Lottery is of the belief that it is not liable for any U.S. Federal excise tax on sports wagers, including the tax imposed by IRC § 4401(a)(1). However, if wagering contemplated by this Agreement is determined to be taxable and SGI is determined to be liable for such excise taxes then SGI's base compensation rate under this Agreement shall be adjusted to fully compensate for the expense of such taxes.

### **30. Governing Law.**

This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, except where Federal Law has precedence. SGI consents to jurisdiction and venue in the State of Delaware.

### **31. Notices.**

Any and all notices required by the provisions of this Agreement shall be in writing and shall be mailed, certified or registered mail, return receipt requested. All notices shall be sent to the following addresses:

TO DELAWARE:

Delaware State Lottery  
1575 McKee Road  
Suite 102

Dover, DE 19904

Attn: Wayne Lemons, Director

TO SGI:

Scientific Games International, Inc  
1500 Bluegrass Lakes Parkway  
Alpharetta, GA 30004

Attn: Pat McHugh, Vice President- North American Operations

With a copy to:

Scientific Games International, Inc  
1500 Bluegrass Lakes Parkway  
Alpharetta, GA 30004

Attn: Legal Department

### **32. Counterpart.**

This Agreement may be signed in one or more counterparts, each of which shall be an original, with the same effect as if the signatures were upon the same Agreement. This Agreement shall become effective as of the date first appearing above when each of the parties hereto shall have signed a counterpart hereof.

**SIGNATURE PAGE TO FOLLOW**

IN WITNESS THEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
DIVISION OF LOTTERY

Vernon H. Self

Witness

Name: Wayne Lemons

Title: Director, Delaware Lottery

Date: July 29, 2009

Date: July 29, 2009

SCIENTIFIC GAMES INTERNATIONAL, INC.

\_\_\_\_\_

Witness

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

IN WITNESS THEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
DIVISION OF LOTTERY

\_\_\_\_\_  
Witness

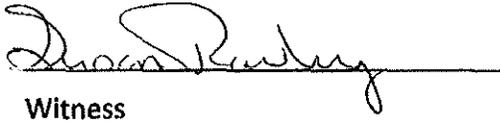
Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

SCIENTIFIC GAMES INTERNATIONAL, INC.

  
Witness

Name:  \_\_\_\_\_

Title: President Lottery Systems Group of CT

Date: 7/29/09

Date: 7/29/07

## APPENDIX B - PRICING

1. **Base System Pricing:** Quoted as a percentage of marginal revenue, carried to four (4) decimal places. The basis is a six (6) year contract base period.
  - A. Straight Wagers (Head-to-Head with point spread and/or odds) and Parley Wagers (minimum two event selections) Price as a Percentage of Marginal Revenue  
12.5000%
  - B. Parley Wagers (minimum two event selections) only Price as a Percentage of Marginal Revenue 15.6250%
2. **Offered Options:**
  - a. Integrated branding module integrated into BetJet Flip scanner: No Charge
  - b. Bet Jet terminal storage upgrade up to 80MB TBD
  - c. BetJet terminal memory upgrade from 512MB to 1 GB No Charge
  - d. Insertion type card reader for BetJet Flip terminal: No Charge
  - e. Keyboard for BetJet Flip Terminal TBD
  - f. Software to manage use and accounting of Customer Cards TBD
  - g. Software to integrate card usage into existing loyalty programs TBD
  - h. Secure PIN Pad TBD
  - i. Coin Acceptor on BetJet SL TBD
  - j. SPLASH handheld terminal TBD
  - k. Account Wagering terminal TBD
  - l. Wireless feature 802/11a/b/g TBD
  - m. Proximity sensor TBD
  - n. Biometric reader TBD
  - o. Back-up at third party provider in DE instead of NDC in Georgia TBD
  - p. Alternative Pricing models in place of single percentage TBD
  - q. Changes and enhancements that exceed RFP and contractually specified requirements; including but not limited to, categorically different service obligations, and technology enhancements TBD

FIRST AMENDMENT TO  
PROFESSIONAL SERVICES AGREEMENT

This First Amendment to Professional Services Agreement ("First Amendment") is entered into as of August 1, 2010 ("Effective Date") by and between the State of Delaware, Department of Finance, Division of Lottery, ("Delaware"), and Scientific Games International, Inc., a Delaware corporation, with offices at 1500 Bluegrass Lakes Parkway Alpharetta, GA USA 30004 ("SGI").

WHEREAS, Delaware and SGI entered into a Professional Services Agreement on July 29, 2009 to provide a sports wagering system and services ("Sports Wagering Agreement"); and

WHEREAS, Delaware and SGI are also parties to an Agreement dated September 25, 2001 wherein SGI provides on-line lottery equipment and services, video lottery terminals and lottery instant-game products and services to Delaware ("Online Lottery Agreement"); and

WHEREAS, Delaware and SGI desire to move the system services and equipment detailed below that are provided under the Sports Wagering Agreement into the Online Lottery Agreement, which shall also be memorialized in a separate amendment to the Online Lottery Agreement executed contemporaneously with this First Amendment;

FOR AND IN CONSIDERATION OF the premises and mutual agreements herein, Delaware and SGI agree as follows:

1. Any and all services and equipment concerning the central sports wagering system shall be removed in from the Sports Wagering Agreement and shall be included, in full, in the Online Lottery Agreement as provided in the Sixth Amendment to the Online Lottery Agreement.
2. The central sports wagering services and equipment include all services and equipment relating to central processing system, communication networking services, software creation, maintenance and support, data center equipment and services and wagering terminals and maintenance more specifically detailed in the attachment hereto.
3. All other terms and conditions in the Sports Wagering Agreement are unchanged herein, including the pricing stated in Appendix B.

IN WITNESS THEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
DIVISION OF LOTTERY

Tracy L. Kaiser  
Witness

Date: 8-5-10

Name: Wayne Lewens

Title: Director  
Date: 8/5/10

SCIENTIFIC GAMES INTERNATIONAL, INC.

Drew Rowley  
Witness

Date: 8/6/10

Name: [Signature]

Title: President Lottery Systems Group & CTO  
Date: 8/6/10

## SECOND AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT

This Second Amendment to Professional Services Agreement ("Second Amendment") is entered into as of August 1, 2012 ("Effective Date") by and between the State of Delaware, Department of Finance, Division of Lottery, ("Delaware"), and Scientific Games International, Inc., a Delaware corporation, with offices at 1500 Bluegrass Lakes Parkway Alpharetta, GA 30004 ("SGI").

WHEREAS, Delaware and SGI entered into a Professional Services Agreement on July 29, 2009, as amended by the First Amendment dated August 1, 2010, to provide a sports wagering system and services ("Sports Wagering Agreement"); and

WHEREAS, Delaware and SGI are also parties to an Agreement dated September 25, 2001 wherein SGI provides on-line lottery equipment and services, video lottery terminals and lottery instant-game products and services to Delaware; and

WHEREAS, Delaware and SGI desire to further amend the Sports Wagering Agreement to address the implementation of the System in relation to significantly different new venues where sports wagering will be conducted in the State of Delaware; and

WHEREAS, paragraph 6 of the Agreement allows amendments if authorized in writing by both parties;

FOR AND IN CONSIDERATION OF the promises and mutual agreements set forth herein, Delaware and SGI agree as follows:

1. Pursuant to Section 2.9, and in addition to the compensation paid to SGI pursuant to Appendix B of the Sports Wagering Agreement, SGI shall receive 25% of Marginal Revenue for the implementation and on-going operation of the System other than in the Initial Three Venues.
2. This Agreement may be signed in one or more counterparts, each of which shall be an original, with the same effect as if the signatures were upon the same Agreement. This Agreement shall become effective as of the date first appearing above when each of the parties hereto shall have signed a counterpart hereof.
3. All other terms and conditions in the Sports Wagering Agreement are unchanged herein, including the pricing stated in Appendix B.

**SIGNATURE PAGE TO FOLLOW**

IN WITNESS THEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date and year first above written.

STATE OF DELAWARE  
DEPARTMENT OF FINANCE  
DIVISION OF LOTTERY

SCIENTIFIC GAMES INTERNATIONAL, INC.

Name: Vernon Adams  
Title: DIRECTOR  
Date: 31 OCT 2012

Name: William Huntley  
Title: PRESIDENT, SG LOTTERY SYS.  
Date: 10/24/12

### THIRD AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT

This Third Amendment to Professional Services Agreement ("Third Amendment") is entered into as of July 30, 2015 ("Effective Date") by and between the State of Delaware, Department of Finance, Division of Lottery ("Delaware") and Scientific Games, International, Inc., a Delaware Corporation, with office at 1500 Bluegrass Lakes Parkway, Alpharetta, GA 30004 ("SGI").

WHEREAS, Delaware and SGI entered into a Professional Service Agreement on July 29, 2009, as amended by the First Amendment dated August 1, 2010 and a Second Amendment dated August 1, 2012, to provide a sports wagering system and services ("Sports Wagering Agreement"); and

WHEREAS, Delaware and SGI are also parties to an Agreement dated September 25, 2001 wherein SGI provides online lottery equipment and service, video lottery terminals and lottery instant-game products and service to Delaware; and

WHEREAS, paragraph 6 of the Agreement allows amendments if authorized in writing by both parties; and

WHEREAS, Delaware and SGI desire to further amend the Sports Wagering Agreement to extend the Agreement;

FOR AND IN CONSIDERATION OF the promises and mutual agreements set forth herein, Delaware and SGI agree as follows:

1. Pursuant to Section 2.1, the parties hereby agree to extend the Agreement for four (4) years, to expire July 29, 2019.
2. In partial consideration for such extension, SGI agrees to provide the following goods and services to Delaware:
  - a. SGI agrees to install and implement a remote back-up system within the State of Delaware in accordance with mutually agreed-upon written specifications and implementation schedule; and
  - b. SGI further agrees to provide Delaware with an option to implement a mobile application capable of providing an agreed upon set of functionality, which may include placing bets on the sports wagering system from a players' mobile device, subject to the mutual agreement of the parties that each such functionality is authorized by and complies with all applicable laws, rules and regulations related to such functionality.
3. This Agreement may be signed in one or more counterparts, each of which shall be an original, with the same effect as if the signatures were upon the Agreement. This Agreement shall become effective as of the date first appearing above when each of the parties hereto shall have signed a counter hereof.
4. All other terms and conditions in the Sports Wagering Agreement are unchanged herein, including the pricing stated in Amendment 2.

*(Signatures on following page.)*

IN WITNESS THEREOF, the parties hereto have caused this agreement to be duly executed as of the date and year first above written.

STATE OF DELAWARE  
INC

SCIENTIFIC GAMES INTERNATIONAL,

DEPARTMENT OF FINANCE

DIVISION OF LOTTERY

Name: Vernon A. Karp  
Title: DIRECTOR  
Date: 24 JULY 2015

Patrick J. Smith  
Name: Patrick McHugh  
Title: President, Lottery Systems  
Date: 7/23/15

## Peg Rose

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**From:** Kayla Brown <KBrown@wvlottery.com>  
**Sent:** Friday, March 15, 2019 3:45 PM  
**To:** Gerald Aubin  
**Cc:** Peg Rose  
**Subject:** WV Lottery : IGT Information  
**Attachments:** Contract Term.docx

Director Aubin,

Attached is a summary of our current on-line gaming system and services agreement with IGT. Additional commentaries have been included to be most helpful to your organization.

If you have additional questions pertaining to equipment, services, or terms of the contract not provided herein, please feel free to contact me. Have a great weekend!

*Kayla L. Brown Giordano*

**Deputy Director of Marketing**

**West Virginia Lottery**

**900 Pennsylvania Avenue, Charleston, WV 25302**

**Phone: (304)558-0500 Ext. 297**

**Cell: (304)546-2113**

**E-mail: [KBrown@wvlottery.com](mailto:KBrown@wvlottery.com)**

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Confidentiality Statement: This communication (including any attachments) is intended for the use of the intended recipient(s) only and may contain information that is confidential, privileged or legally protected. Any unauthorized use or dissemination of this communication is strictly prohibited. If you have received this communication in error, please immediately notify the sender by return e-mail message and delete all copies of the original communication. Thank you for your cooperation. This email may contain confidential and privileged material for the sole use of the intended recipient(s). If you are not the intended recipient (or authorized to receive for the recipient), please contact the sender by reply email and delete all copies of this message. Also, email is susceptible to data corruption, interception, tampering, unauthorized amendment and viruses.

## APPENDIX 1

### WORK STATEMENT

#### 3.0 INTRODUCTION

AWI will provide the On-line Gaming, Instant Game pass-through and Video Lottery Terminal systems and services described in this Work Statement for the Delaware State Lottery ("DSL").

#### 3.1 CENTRAL SYSTEMS FOR VIDEO AND ON-LINE GAMES SUPPORT

AWI will supply a Lottery Gaming System consisting of its MasterLink® Advanced Gaming System to handle the DSL's immediate and long-range needs for the DSL's On-line Games and Instant Games pass-through transactions, and AWI's Advanced Gaming System (AGS) to provide monitoring and accounting for Video Lottery Terminals. The MasterLink® System will be comprised of the On-line Games Module (OGM) and Information Management Module (IMM) for the On-line Games.

This MasterLink® System features improved Management Terminal "GUI" screens that are more efficient and easier to use and will operate from new IBM RS/6000 Model 7026-H80 computer platforms. The AIX operating system (Version 4.3.3), the Oracle Database Management System (Version 8.1.7) and MasterLink® application software will also be utilized.

AWI will incorporate several state-of-the-art third-party software support packages:

- Oracle® Discoverer™
- Tivoli TME Enterprise Management System
- IBM Performance Toolkit
- IBM HACMP (High Availability Cluster Multi Processing)

AWI will provide a Lottery Gaming System platform consisting of ten RS/6000 systems. The general functions of these systems are:

System 1 - Primary MasterLink® System On-line Games Module (OGM).

System 2 - Primary Advanced Gaming System (AGS).

System 3 - Primary MasterLink® Information Management Module (IMM).

System 4 - Backup system for the Advanced Gaming System (AGS).

System 5 - Hot backup for the OGM, and simultaneously a backup for the IMM.

System 6 - A Remote Site hot backup for the primary OGM/IMM systems.

System 7 - A Remote Site backup for the primary AGS system.

System 8 - A separate system equipped for the testing and development of MasterLink® System OGM application software.

System 9 - A second test system allowing for the configuration and testing of HACMP (High Availability Software) for use with the AGS.

System 10 - A third test system allowing for the configuration and testing of HACMP (High Availability Software) for use with the AGS.

For disk mirroring, AWI will use RAID (Redundant Array of Inexpensive Disks) Level 5 to secure data files on physical disk media for the protection of the data within the RS/6000 systems. Physical separation of the Primary Site host processing systems will ensure that no common point of failure exists, and a component failure in one central site host processing system will not cause a failure in the other system(s).

Because of the relatively short product cycle of certain hardware components, AWI, with the permission of the DSL, may substitute certain system hardware provided the substitution meets or exceeds the specifications of the proposed equipment.

Deviations from standard hardware and software products will be documented in writing by AWI to the DSL.

### 3.1.1 Gaming Hardware at the Primary Site

1. Primary Site Host Systems. At the Primary Site, AWI will provide five systems, identified in § 3.1 as System 1 through System 5. Within the Primary Site, these five systems will provide duplexed functionality for each major system (OGM, IMM, AGS), with no single or common point of failure between them..
2. Failover. Systems 4, 5, 6 and 7 are backup systems, each of which will assume the load in case of a failure in a primary system (Systems 1, 2 and 3), without loss or corruption of any data and transactions as received prior to the time of the failure. In the event that one of the primary systems fails, the “*n*-plexed” RS/6000 systems will always be prepared for a complete system failover. The operating procedures for the failover transfer of OGM or IMM operations to a duplexed backup system as stated in § 3.1.1.3 of AWI's Proposal. The failover capability for the AGS at the Primary Site will be provided via HACMP software as described in

§3.1.1. of AWI's Proposal.

3. Operations Procedures. Procedures for computer operations staff, especially regarding failure situations will be straightforward. AWI's failure scenarios and operator procedures as stated in § 3.1.1.3 of AWI's Proposal.
4. Secure Connections. There will be no capacity to connect into any gaming system from a remote, non-gaming terminal without DSL approval. Connections to other remote systems and terminals will be protected by firewalls, encryption, or other means. The acceptability of any such security approach will be subject to DSL approval.
5. Time Synchronizing. The MasterLink® System will have a time-synchronizing mechanism based upon the industry-standard Network Time Protocol (NTP) to ensure that all equipment comprising it, at the secondary site as well as the Primary Site, use the same clock for consistent time recording and reporting for events and transactions. This mechanism will pass the time from the primary OGM system to the backup systems and ComLink front-end processors on the network whenever the on-line program is invoked. NTP will also be used to pass the time from the primary AGS to the backup AGS and FEPs (front-end processors).
6. Host Location. AWI will locate its primary Lottery Gaming System operations at its existing data center in Dover, Delaware. This Primary Site is described in §3.3 of AWI's Proposal. Security measures for the Primary Site will be as described in §3.3 of AWI's Proposal. This location may be a shared operational site so long as strict security measures are in effect which separate DSL processing from any other.
7. Disaster Recovery. In the event of irreparable damage at the Primary Site, or of an unplanned, long abandonment of the Primary Site, AWI will provide at no additional cost replacement systems and components necessary to resume DSL operations. These components will be installed within 60 days after the disaster, while daily operations proceed from the Remote Backup Site.

3.1.2 Remote Backup Site

1. Remote Backup Host(s). At the Remote Backup Site, AWI will provide five additional systems, identified in § 3.1 as System 6 through System 10. Each of these remote backup systems will take over for corresponding Primary Site systems if necessary. Data recorded at the remote site will always contain the most recent transactions, allowing a rapid takeover. The Lottery Gaming System will be operated once per month using the

Remote Backup Site platforms as the primary OGM, IMM and AGS systems to ensure that those systems can easily function as such in emergency situations. The communications network will be re-routed to support the remote site OGM and AGS systems. Details of the recovery process will be as described in §3.1.1.3 of AWI's Proposal.

2. Remote Backup Site Sizing. The Remote Backup Site system(s) will be of the same type, model, and capacity as that of the Primary Site systems.
3. Remote Backup Site Location. AWI will operate the remote backup systems at the AWI facility in Sharon Hills, Pennsylvania, and the setup and configuration of the remote backup systems will be as stated in § 3.1.2.1 of AWI's Proposal.
4. Secure Connections. There will be no capacity to connect into any gaming system from a remote, non-gaming terminal without DSL approval. Connections to other remote systems and terminals will be protected by firewalls, encryption, or other means. The acceptability of any such security approach will be subject to DSL approval.

### 3.1.3 Testing Platform(s)

1. Testing Availability for Host Systems. All host systems at the Primary and Remote Backup Sites will be available at any time for testing by the DSL, with full support from AWI.
2. Testing and Development System. AWI will provide three separate systems at the Remote Backup Site for MasterLink® System and AGS software testing and development. They will be identical in architecture and capacity to the production systems and will be updated and activated as necessary in anticipation of a hardware or software failure.
3. Video Lottery Terminal Testing. AWI will connect to Video Lottery Terminals in the DSL Testing Lab and support Video Lottery testing as stated in details on the Video Lottery testing lab contained in Section 3.7.5 of the AWI Proposal.
4. Testing On-line and Mid-range Retailer Terminals. AWI will permanently install two Management Terminals, at least five Xion /M Retailer Terminals, two privileged terminals, and two OmniFlex mid-range Retailer Terminals at the Primary Site for the purpose of supporting testing. These terminals will be configured to support all appropriate functions to facilitate testing. AWI will provide and install any additional Retailer and Management Terminals needed for specialized tests.
5. Secure Connections. There will be no capacity to connect into any

gaming system from a remote, non-gaming terminal without DSL approval. Connections to other remote systems and terminals will be protected by firewalls, encryption, or other means. The acceptability of any such security approach will be subject to DSL approval.

AWI will make the testing platform(s) available for remote testing by outside independent labs for verification of gaming software. AWI will provide support for the DSL's testing activities, and the DSL will be responsible for compensating any such independent testing laboratory or other third parties.

6. AWI will be responsible for maintaining all hardware and software licenses and contracts with its vendors for the test environment.

#### 3.1.4 Gaming Quantitative Performance Criteria

1. Network Size. The MasterLink® System will support a network of four hundred (400) on-line Retailer Terminals, one hundred fifty (150) mid-range Retailer Terminals, and six thousand (6000) Video Lottery Terminals and will accommodate up to six hundred (600) active Retailers and 9,000 Video Lottery Terminals with minimal or no upgrading.
2. Sales Throughput. The MasterLink® System will handle up to five thousand (5,000) On-line Games sell transactions per minute.
3. Cash and Cancel Throughput. The MasterLink® System will process up to five hundred (500) combined cash (validation) and cancel transactions per minute, while selling at the rate set forth in § 3.1.4.2 above.
4. Ticket Response Time. Each single wager (single panel) On-line Games ticket will average no more than four (4) seconds from completion of data entry ("Send" or "Quick Pick" is pressed or play slip is read and registered) to availability of the On-line Games ticket for the Retailer (on-line Retailer Terminals only).
5. Multi-wager Ticket Response Time. Variable length, multi-wager (up to 10 [ten] panel) On-line Games tickets will average no more than six (6) seconds after completion of data entry ("Send" or "Quick Pick" is pressed or play slip is read and registered) to availability of the On-line Games ticket for the Retailer (on-line Retailer Terminals only).
6. Other Transactions Response Time. All other transactions will average no more than eight (8) seconds after completion of data entry ("Send" or "Quick Pick" is pressed) to availability of the On-line Games ticket or report to the Retailer (on-line Retailer Terminals only). (This specification does not include long reports printed at the Retailer location.)

7. Primary Site Failover. The Primary Site OGM and AGS system takeover (system to system at Primary Site) will occur within two minutes.
8. Backup Site Failover. Remote Backup Site system recovery from a Primary Site failure will be accomplished in no more than ten (10) minutes without loss of recent (or any) transactions.
9. System Capacity. The MasterLink® System will have the hardware and software capacity to accommodate one hundred (100) concurrent Instant Games being passed-through, an on-line sales day of at least five million dollars (\$5,000,000) and a nine billion nine hundred ninety-nine million dollar (\$9,999,000,000) On-line Games jackpot.
10. One Year Tickets. The MasterLink® System will have the hardware and software capacity to retain winning On-line Games tickets up to one (1) year after the drawing.

### 3.1.5 Operating Hours

The MasterLink® System operating hours for the OGM System are expected to be 6:00 a.m. through midnight at the initiation of the Agreement. Operating hours for the Video Lottery Terminals are expected to be 8:00 a.m. through 2:00 a.m. Monday - Saturday, and Sunday 1:00 p.m. through 2:00 a.m. Monday at the initiation of the Agreement. AWI acknowledges that the DSL may expand the aforesaid hours during the Term of this Agreement.

### 3.1.6 New and Unused Equipment

AWI hereby certifies that the Lottery Gaming System processing hardware, networking equipment and Retailer Terminals and diagnostic equipment will be new and unused. The equipment delivered will be of current manufacture at the time of Conversion.

## 3.2 COMMUNICATIONS NETWORK

AWI will provide a telecommunications network to serve the DSL. AWI has provided a design for this network, and the network will be as stated in the diagram shown in Figure 1. AWI will continue to perform research on alternative communications technologies, and will be prepared, upon approval from the DSL, to implement such technology as has been approved in place of or in addition to the network configuration shown in Figure 1. However, AWI will rely on the existing telecommunications network until the new network is fully operational.

## Figure 1: Network Design

AWI will be responsible for the installation of this network according to mutually agreeable specifications. Following implementation, AWI will be responsible for managing and monitoring this network.

### 3.2.1 Network Design and Implementation

The network design includes connectivity for the Retailer Terminals, Video Lottery Terminals (“VLTs”), and Management Terminals, as well as associated local area network (LAN) connections in support of the foregoing devices.

AWI will provide all of the equipment within this network that is not within a carrier “cloud;” i.e., the portion of the network, including network equipment, provided by the carrier. This equipment will be new and unused. The manufacturers and model numbers of this equipment will be as stated in Section 3.2.1, Table 3.2-3, of AWI’s Proposal.

1. Retailer Network. AWI will provide end-to-end connectivity for Retailer terminals to the Primary and Remote Backup Sites by a combination of two wireless telecommunications technologies. The primary technology is

a statewide radio network. For Retailer Terminals located in areas where radio proves to be unfeasible, AWI will provide satellite technology in its place. AWI will perform a detailed radio engineering analysis to determine those Retailer Terminals best served by radio and those will be served by satellite. This detailed engineering analysis will also be used to determine the exact geographic locations of the various components of the radio network.

The statewide radio network will use the Mavric™ family of wireless inter-networking controllers by Metric Systems Corporation. As noted in § 3.2 of this Work Statement, the specific equipment comprising this network will be as stated in § 3.2.1, Table 3.2-3, of AWI's Proposal.

AWI will provide a satellite network from Hughes Network Systems to support those terminals for which radio service is deemed unfeasible. AWI will install a Hughes PES 5000 VSAT unit at each Retailer Terminal location to be connected by satellite technology. These units will provide connectivity as stated in § 3.2.1.1 of AWI's Proposal, under the subheading "Satellite Retailer Network."

2. Mid-Range Retailers. AWI will provide connectivity for mid-range Retailer Terminals to the Primary and Remote Backup Sites in accordance with the same detailed radio engineering analysis and by means of the same combination of radio and satellite telecommunications technology as set forth in §3.2.1.1 of the Work Statement.
3. Video Lottery Terminals. AWI will provide connectivity from the Primary and the Remote Backup Sites to all three Delaware racetracks, and then to all VLTs installed at those racetracks. AWI's design for the VLT network as detailed in Figures 3.2-8 and 3.2-9 in § 3.2.1.3 of AWI's Proposal.
4. Management Terminals. AWI will provide connectivity from the Primary and Remote Backup Sites for Management Terminals to be used by the DSL and AWI. For the DSL, this includes a link to the DSL management LAN.
5. Local Area Networks. AWI will provide LANs for the Primary and Remote Backup Sites as part of its overall network design plan.
6. Retailer Wiring Installation. In the event a communications carrier should determine that its demarcation at the Retailer premises is not near the Retailer's prescribed location for the Retailer Terminal, AWI will assume the responsibility to provide the inside wiring or other communications mechanism.

### 3.2.2 Network Design Features

AWI will provide communications facilities with monitoring, redundancy, and security features designed to reduce the possibility that a disruption could impact the telecommunications network, the MasterLink® System or the AGS.

1. Fault Tolerance. The telecommunications network that AWI will provide features that will minimize single points of failure and the impact of failures within the network. These features will be as stated in § 3.2.2.1 of AWI's Proposal
2. Fault notification. The host processors, front-end processors, Retailer Terminals, and diagnostic equipment will be able to notify the network management and monitoring system (described in § 3.2.4.1 of this Work Statement) of significant transmission failures or outages immediately after occurrence.
3. Encrypted External Transmissions. All data communications external to secured facilities by the MasterLink® system and the AGS will be encrypted, at a minimum, in accordance with the Federal Data Encryption Standard (DES). All data will be encrypted from point of transmission to point of receipt, including any data transmitted directly from the Primary Site to the Remote Backup Site, to DSL offices, to the three racetrack venues, to Retailers, and to any other remote locations as may be necessary. Protected information will include, but is not limited, to plays, validations, security codes, reports, and downloaded software. The AWI encryption scheme will be subject to review and approval by the DSL.
4. Incomplete Transactions. The MasterLink® System will not process a new transaction from a Retailer Terminal until that terminal's preceding transaction has been completed. Such Retailer Terminal will have the capability to continue requesting that the system process the transaction until recovery has been completed, or a "time-out" condition exists. Each message transmission between the Retailer Terminal and the MasterLink® System has a built-in error-checking code.

If at end-of-day it cannot be determined whether a transaction has been completely processed, the MasterLink® System will log that information for reporting and resolution.

5. Communications Outages. In the event of a communications disruption between the MasterLink® System or AGS and any Retailer Terminal or racetrack, the System affected will continue to attempt to service the terminal or track until the problem is resolved or the System is shut down for end-of-day processing.

6. Non-Responding or Failing Retailer Terminals. If the MasterLink® system finds a Retailer Terminal that is not responding within a set number of re-tries or within a reasonable time window, the Retailer Terminal will be logged as not responding. The MasterLink® system will make allowance for servicing of all other Retailer Terminals on the network between re-tries of the Retailer Terminal not responding. Failing Retailer Terminals will not preclude communication with other terminals. Non-responding/failing Retailer Terminals will be apparent to a network monitoring application.
7. Polling Efficiency. Polling of terminals by the host or Front-End Processor is not necessary or included in the AWI network design. If polling is introduced for the Retailer Terminals at some later date, the polling protocol and modem technology to be used will satisfy RFP-required response time requirements.
8. Commercially Available Protocols. AWI will implement the Internet Protocol (IP), a widely used, commercially available protocol, to enhance the openness of the MasterLink® system and AGS in support of possible future changes and improvements. If a AWI-proprietary protocol is utilized it must be provided to any vendor designated by the DSL free of charge within 30 days of contract signing, subject to protection under confidentiality agreements as provided for in this Agreement.
9. Secure Connections to Other Systems. All connections between the LANs that supports the MasterLink® system and AGS, and any other systems, such as the DSL administrative system, will be routed through a firewall that filters out unnecessary and unauthorized traffic, filters out bad packet traffic, and provides improved security by limiting access to authorized nodes.

### 3.2.3 Network Administration Services

AWI will provide network monitoring and management for the telecommunications network. The DSL will be responsible for identifying new Retailer Terminal drops, moves, changes, and deletes. Once the DSL has requested any such modification, AWI will execute and provide monitoring of the event.

AWI will provide network administrative services by a combination of network management tools: Tivoli Netview and Cisco Works 2000. Through these two tools, AWI will provide the following services:

1. Configuration Management. AWI will provide network configuration and asset management, including an inventory of network resources and their

operating parameters. Change management control procedures and on-line storage of network component configuration files will also be provided.

2. Fault management. AWI will provide fault management, consisting of actions toward detection, isolation, and correction of faults in the network.
3. Performance Management. AWI will provide performance management, monitoring utilization and managing resources to maximize capacity.
4. Carrier Interface. AWI will interface with the communications suppliers, the Retailers, the three racetracks, and the DSL to maximize uptime and provide information on which decisions and actions can be based. In this role, AWI will be responsible for working communications problems to resolution through the communications suppliers, as stated in § 3.2.3.4 of AWI's Proposal.

#### 3.2.4 Network Monitoring Tools

AWI will provide a combination of network management tools for the purpose of monitoring and managing the communications network. The primary tool will be Netview, which will monitor communications equipment at the Primary and Remote Backup Sites, within the Wide Area Networks (WANs) and at the three racetracks. Netview will be supplemented by TWIN (for "Telecommunications Window into the Network"), which will monitor the Retailer Terminals, and the Observer Suite, a protocol analyzer for the Primary and Backup Sites.

1. Network Monitoring System. AWI will provide communications testing and monitoring capabilities at both the Primary and Remote Backup Sites. AWI will also provide the capability to interface and analyze protocols, view transaction data for analysis, and create visual and/or audible alarms to provide warning of problems. It will also have the capability to determine whether failure has occurred in the equipment at the Primary or Remote Backup Sites, within the wide area communications network, the three racetracks, or at the Retailer Terminal level.
2. Network Incident Recording. AWI will provide communications test and monitoring equipment with a recording capability.
3. Network Monitoring Protocols. AWI will provide network monitoring tools and the networked devices that employ a standard protocol such as SNMP, or an approved equal protocol, to facilitate monitoring all along the communication path. AWI will extend this capability to new network devices should they be introduced to the extent any devices proposed to be employed can support such protocol.

4. Communications Expertise. AWI communications technicians who are trained in the use of test and monitor equipment will be present at the active site (i.e., the site, Primary or Remote Backup, serving the Retailer Terminals and monitoring the VLTs) whenever the Lottery Gaming System is operational or whenever the DSL requests such support for test purposes.
5. Hotline Monitoring. AWI will provide Hotline equipment with the capability to display the communications status of each Retailer Terminal. This equipment will allow the Hotline operator to see if a Retailer Terminal's communications line is down, if a Retailer is signed on or not, and other relevant diagnostic information.
6. DSL Network Monitoring. AWI will provide a workstation, located at DSL headquarters and equipped with Netview and TWIN, for the purpose of enabling the DSL to monitor communications network activities.

### 3.2.5 Network Costs

1. Liquidated Damages Costs. AWI will be responsible for taking the initiative for the resolution of outages related to communications. These outages may lead to liquidated damages applied against AWI pursuant to the Agreement if they result from the failure of AWI-provided systems or negligent operations by AWI.  
  
Outages due to Force Majeure or to failures in regulated carrier networks are not under the control of AWI and therefore are not subject to liquidated damages.
2. Carrier Costs. If regulated carriers are employed, then network carrier costs will be paid by AWI and reimbursed by the DSL through the percentage of sales compensation mechanism. These costs include expenses for the local drops and the backbone network, the links between AWI's site and the DSL and links between AWI's Primary and Remote sites.
3. Vendor Costs. Costs not arising from regulated carriers, and for ancillary equipment and services must be incorporated directly into AWI's pricing, including costs for AWI's network administration services, vendor telephone system and the Hotline/Dispatch lines and services. This category includes also AWI's obligation, as part of the non-recurring installation charge, to provide any necessary inside wiring at Retailer locations and at the Video Lottery Terminal race track venues.

### 3.3 FACILITIES

AWI will locate its Primary Site in Dover, Delaware and will accommodate DSL office space adjacent to AWI's management offices in that facility. AWI will locate the Remote Backup Site, in Sharon Hill, Pennsylvania, and the Retailer Terminal maintenance facility in New Castle, Delaware.

#### 3.3.1 Primary Site Specifications

AWI will provide management offices at the Primary Site.

AWI will be responsible for building out all facility space as necessary and will be responsible for all ongoing maintenance, utilities, and building services expenses as stated in § 3.3.1 of the AWI Proposal.

#### 3.3.2 Dover Testing Labs

AWI will provide two separate rooms in its management offices at the Primary Site to be used by DSL staff for On-line Games and Instant Games pass-through testing and Video Lottery Terminal testing with the space, furnishing, and equipment as stated in the provisions of § 3.3.2 of the AWI Proposal.

#### 3.3.3 DSL Offices Co-Located With the Successful Vendor

The DSL will co-locate at the Primary Site with AWI.

Subject to DSL approval the build-out will include basic interior finishing, carpeting, plumbing, lighting, and electrical service.

1. Services. The DSL will supply its own office furnishings and will supply its own telephone system and LAN wiring. Building maintenance, grounds care, cleaning and utility payments will be included in AWI's maintenance arrangements for these services.
2. DSL Space and Layout. AWI will provide approximately 16,000 square feet to the DSL, to include office spaces for 30 staff and the Director; training facility, spare offices; reception area; conference room; data center (to ordinary office specifications); secure warehouse facility, restrooms; break room with kitchen cabinets and sink.
3. Video Lottery Enforcement Unit (VLEU) Space and Layout. AWI will provide office space within the 16,000 square feet required in § 3.3.3 of the RFP and as stated in AWI's Proposal to the VLEU for 7 staff; spare office; reception area; conference/training room; storage room; restrooms; break room with kitchen cabinets and sink.

4. Entry/Exit. AWI will provide separate secured entry and exit for the DSL offices, VLEU, and AWI.
5. Security Features. The DSL's offices will be protected by the same security features implemented for AWI's facilities.

#### 3.3.4 Dover Training Facility

AWI will provide a permanent training center equipped with at least 20 Retailer Terminals and audiovisual resources in the DSL facility.

#### 3.3.5 Primary Site

AWI's management team will co-locate with the DSL at 1575 McKee Road in Dover, where On-line Games transactions will be processed and logged, and the Video Lottery Terminal network will be monitored. Environmental and security controls for the Primary Site will be as stated in Section 3.3.7 of AWI's Proposal.

#### 3.3.6 Remote Backup Data Center

AWI will provide a Remote Back-up Site at Folcroft East Business Park, 505 Elmwood Court II, Elmwood Ave., Sharon Hill, Pennsylvania, where the Video Lottery Terminal network will be monitored, and where traditional gaming transactions will be logged and processed. Environmental and security controls equal to those of the Primary Site will be provided.

#### 3.3.7 Environment and Security for Vendor Computer Facilities

AWI's facility will include appropriate safety, security, and environmental controls equipment for the Primary Site and Remote Back-up Site, as described below.

1. Emergency exit doors will be provided and will be equipped with alarms.
2. Burglar and fire alarm systems will be provided for the protection of the physical site.
3. Locking devices will be installed on all doors or entry points, including doors that provide access to receiving and loading platforms.
4. An electronic access system will be installed at entrances to the computer room, media library and other secure areas. The access list will be authorized by the Director.

5. The computer room will be protected by automatic fire extinguishing systems as specified by applicable National Fire Protection Association (NFPA) standards.
6. When triggered, the automatic fire extinguishing system shall be equipped with alarms that sound locally and at a constantly attended location off the premises (such as a fire department, security agency, or other location acceptable to the DSL). If the alarm system becomes inoperable, a visible or audible indicator shall report such condition. The system shall also monitor extinguishing system valves to indicate unauthorized tampering or closing.
7. Construction will support fire safety as noted in NFPA standards. Computer room(s) with mission critical equipment will be separated from the other areas by non-combustible materials having at least a one-hour fire resistance rating, and in addition:
  - A. Walls will be extended from structural floor to structural floor (or roof) above.
  - B. Fire doors will be provided on all entrances into the computer room with a fire resistance rating at least equal to the wall in which the door is located.
  - C. All penetrations through the computer room floor, wall or ceiling will be tightly sealed with material equivalent to existing floor, wall or ceiling construction to prevent passage of heat, smoke and water.
  - D. Fire and smoke dampers will be provided in ducts that pass through the computer room walls, floor or ceiling.
8. An air conditioning system with humidity control and an air conditioning failure detection system will be provided for the computer room. This system must be of sufficient capacity to maintain a stable environment within original computer equipment manufacturer specifications. An air conditioning failure detection system must be provided.
9. The air conditioning system(s) will be interlocked to shut down upon activation of the fire extinguishing system.
10. AWI will maintain in good operating condition, an uninterruptible power system (UPS) with both battery backup and electrical generator. The UPS will provide at least 150 percent of the capacity needed to sustain all hardware, environmental equipment, communications equipment, fire

protection equipment, alarm systems and necessary lighting to conduct full capacity business indefinitely.

### 3.3.8 Equipment Service Centers

AWI will operate a maintenance center in New Castle, Delaware to fully support the Retailer Terminal maintenance and repair program. Video Lottery site controllers (or technical equivalent approved by the DSL) will also be maintained in this facility.

### 3.3.9 Disaster Recovery Plan

AWI will provide and annually update a disaster recovery and contingency plan for the Primary and Remote Backup Sites as stated in § 3.3.9 of AWI's Proposal.

## 3.4 IMPLEMENTATION

### 3.4.1 Conversion Strategy

AWI will use two distinct Conversion strategies, one for the On-line Games system as stated in § 3.4.1.A of AWI's proposal and a separate strategy as stated in § 3.4.1.B of AWI's proposal for the unique requirements and the complexities of the AGS Conversion.

### 3.4.2 Formal Conversion Plans

AWI will use two separate, formal Conversion plans, one for the On-line Games system Conversion as stated in § 3.4.2.A of AWI's proposal and one for the AGS Conversion as stated in § 3.4.2.B of AWI's proposal.

### 3.4.3 Interim Facilities and Processes

There will be no need for interim facilities.

### 3.4.4 Installation and Acceptance Testing

AWI will support all acceptance test processes that the DSL will require. AWI will have the Primary Site facilities, computer hardware, communications hardware, software, Video Lottery Terminal controllers and test terminals located in the test labs at the Primary Site, installed and operational forty-five (45) days prior to the scheduled Conversion of the first Retailer Terminal. Acceptance testing will be as stated in § 3.4.4 of AWI's proposal.

### 3.4.5 Project Reporting and Monitoring

AWI will provide a Project Management Team, process, and tools to facilitate the as stated in § 3.4.5 of AWI's proposal.

AWI will provide the DSL with licensed copies of Microsoft Project software as its planning tool to monitor and maintain project management schedules.

### 3.5 SUPPORT STAFFING AND SERVICES

AWI will provide the DSL with a variety of staff and support services, as defined below.

#### 3.5.1 AWI Personnel

AWI will provide staffing as stated in § 3.5.1 of AWI's Proposal to provide, implement and/or operate, as appropriate, the MasterLink® System, Retailer Terminals and related necessary services and materials.

AWI will provide the following staffs:

1. Implementation and Conversion Staff. AWI will provide the necessary management, supervisory, and key technical personnel as stated in § 3.5.1.1 of AWI's Proposal who will be active in the implementation and Conversion to the MasterLink® System and related necessary services and materials.
2. Ongoing DSL Operations Staff. AWI will provide the necessary management, supervisory, and key technical personnel as stated in § 3.5.1.2 of AWI's Proposal who will be active in the ongoing operation of the Lottery Gaming System.
3. Resumes and Qualifications. In Appendix "C" of the AWI Proposal, AWI has provided resumes of all management, supervisory and key technical personnel planned to be involved in the installation, implementation, and operation of the MasterLink® System.

#### 3.5.2 Retailer and Management Terminal Training Programs

AWI will provide training both to Retailers and to the DSL.

1. Retailer Training. AWI will provide training for Retailer staff in the operation of Retailer Terminals. As stated in § 3.5.2.1 of AWI's Proposal, AWI will provide Retailer Group Instruction Programs including Retailer Terminal Training, security, training materials and user documentation.

2. DSL Staff Training. AWI will also provide training for DSL staff, on site at the DSL offices. Training provided to DSL staff will be as stated in § 3.5.2.2 of AWI's Proposal and will include two primary categories:
  - A. OGM system processing, database retrieval, Management Terminals, drawing controls, and Retailer Terminals.
  - B. AGS operations and Video Lottery Terminal event monitoring and reporting.

### 3.5.3 Equipment Maintenance Program

AWI will provide maintenance for the Primary Site and Remote Backup Site computer configurations, communications equipment, Retailer Terminals, video site controllers and the ICS system.

1. Retailer Terminal Maintenance Items. AWI will routinely check mechanical security, safety, printer mechanism, scanners, readers, and any other attachments provided by AWI during any service call. The Retailer Terminal maintenance log information will be entered to a database and be accessible to the DSL.
2. AWI will perform preventative maintenance (PM) on Retailer Terminals as stated in § 3.5.3.1 of AWI's Proposal but at no time will it be performed during Retailer busy periods.
3. Retailer Terminal Parts Supply. AWI will maintain an adequate supply of parts to sustain the service of Retailer Terminals as stated in § 3.5.3.2 of AWI's Proposal.
4. Non-Retailer Equipment Maintenance. AWI will maintain the computer and LAN equipment for the Primary Site systems, Remote Backup Site, video controllers and the ICS as stated in § 3.5.3.3 of AWI's Proposal.

### 3.5.4 Trouble Tracking, Dispatch, and Reporting System (Hotline Support)

AWI will staff a Hotline function for trouble calls, and will maintain and manage a database and reporting system in accordance with the following criteria:

1. Tracking. AWI will track and report on all Retailer Terminals including those in reserve or returned to depot for maintenance, communication line, network, and other problems whether or not actual problem(s) were found, as stated in § 3.5.4.1 of AWI's Proposal.

2. Maintenance Information. AWI will maintain at least twelve (12) months of historical Retailer Terminal maintenance data as stated in § 3.5.4.2 of AWI's Proposal.
3. Call Management.
  - A. Staffing. AWI's Hotline service will be staffed with highly qualified personnel to ensure timely, professional and accurate response to all calls.
  - B. Call System. AWI will supply call management equipment that is capable of handling all incoming calls on two toll-free (800) numbers, one for On-line Games Retailer calls and the other for Video Lottery Terminal issues. The call management system must provide periodic statistical reports to the Successful Vendor and the DSL. If all circuits are busy, a prerecorded message must be played and the calls must be queued. The call management system must provide periodic statistical reports to AWI and the DSL.
  - D. Call Recording. AWI will provide call recording equipment for the two toll-free Hotline telephone numbers and maintain tapes for a minimum of 60 days.
4. Hotline Location. The Hotline function including equipment and staff will be located at the Primary Site.

#### 3.5.5 Technical Support Services

AWI will provide timely fulfillment of DSL requests for Lottery Gaming System support and improvements, including System management, software error correction and software enhancements as stated in § 3.5.5 of AWI's Proposal.

#### 3.5.6 Magnetic Media, Computer Room Paper, Supplies

AWI will supply all magnetic tapes, cartridges, disk packs, diskettes, other magnetic media items, printer paper and related supplies needed to operate the Lottery Gaming system, testing terminals and system, and the ICS, at AWI's Primary and Remote Backup Sites and DSL Headquarters.

#### 3.6 VENDOR CORPORATE CAPABILITY

(Not applicable to this Work Statement)

### 3.7 VIDEO LOTTERY SUPPORT

The DSL is responsible for the oversight and financial operations of Video Lottery Terminals ("VLTs") at three racetracks, namely Delaware Park, Dover Downs, and Harrington Raceway,

AWI will provide a video lottery control system called the Advanced Gaming System ("AGS"). The AGS will include a module called the PowerPro™ System that will provide progressive jackpotting capabilities. This AGS will be a new release of the AGS currently installed and operated by AWI for the DSL, and will provide the same functionality as the current system along with certain enhancements.

The AGS will process data collected from the VLTs installed by the DSL at the three racetracks. Events from the VLTs will be processed and monitored by the AGS in real time. In addition, the AGS will provide the information technology required for the management of the video lottery gaming environment.

#### 3.7.1 Video Lottery Terminal Controllers

AWI will provide VLT controllers ("Site Controllers") at each of the three tracks for the purpose of collecting information from the VLTs and transmitting to the AGS. To accomplish this, AWI will provide Model SC400 Site Controllers for connection to VLTs that are not providing a progressive jackpotting capability as described in § 3.7.9, and Model SC 300 Site Controllers for connection to VLTs that do provide this capability. The functionality of the SC300 and SC400 Site Controllers will be as stated in Section 3.7.1 of AWI's proposal. When the progressive jackpotting capability of the Model SC400 Site Controller is made available, AWI will convert all Model SC300 Site Controllers to Model SC400 Site Controllers. The approximate date of this Conversion is set forth in § 3.4.2. of this Work Statement.

Both the SC300 and SC400 Site Controllers will communicate to the AGS through new AGS front-end processors (FEP) located at each racetrack. Two such FEPs will be installed at each track to provide redundancy. In addition, two FEPs will be installed at AWI's test lab at its Primary Site. The functionality of all FEPs provided will be as stated in § 3.7.1 of AWI's proposal.

AWI will provide wiring from the VLTs on the floor of the racetracks to the Site Controllers, and communications between the Site Controllers and the FEPs. Up to 144 VLTs will be connected to a single Site Controller. The SC300 Site Controller will interface with the FEP at speeds of up to 9.6 Kbps, and the SC400 Site Controller will interface with the FEP at speeds of up to 33.6 Kbps. In addition, AWI will use the VLC F3 protocol for communications between the AGS and the VLTs, and will provide this protocol to the DSL's multiple VLT providers. This protocol will be protected by the confidentiality terms of § 65 of

the Agreement. All communications between the AGS FEPs and the Site Controllers and between the Site Controllers and the VLTs will be encrypted via standard or triple DES encryption technology, subject to the ability of each VLT supplier to prove its capability to support this encryption during testing.

Communications between the FEPs and the primary and backup AGS located at the Primary and Remote Backup Sites, respectively, are described in § 3.2.1.3 of this Work Statement.

### 3.7.2 Video Lottery Terminal Event Monitoring

The AGS provides for comprehensive real-time monitoring and reporting of notable events (hereinafter called "events"), including security events, occurring at VLTs. Such events can vary in significance from severe (e.g., "Site Controller communications lost") to non-critical (e.g., "beverage requested by player"). Further examples of the range of events reported are found in Table 3.7-5 (§ 3.7.2 of AWI's proposal).

The DSL will have the capability, through a Management Terminal graphical user interface (GUI), to select how each category of exception will be processed by choosing one or more of the following: ignored, printed to an exception log file, stored in the AGS database, and/or used to increment alarm or warning sets. Examples of exception reports the AGS will provide, including the Events Window, Event Log Report and Events Report, set forth in § 3.7.2 of AWI's proposal.

The AGS will maintain a database of selected events such that Management Terminals can be used by the DSL to select, sort, and report the records based on a number of selectable criteria.

### 3.7.3 Video Lottery Terminal Accounting

AWI will provide comprehensive accounting and reporting capabilities for VLTs through the AGS and the PowerPro™ System. These combined applications will compile the VLT accounting records and provide reports to the DSL. Specific accounting capabilities to be provided are:

- Generation of the electronic funds transfer (EFT) file to be used to support automatic transfer of funds from one account to another.

In addition to accommodating the foregoing "soft meter" data, the AGS will also provide for the manual input of "hard meter" data from the VLTs for the purpose of assisting in the reconciliation of a VLT in the event a master reset is required and the terminal cannot be polled.

The AGS will utilize an Oracle database for the purpose of maintaining accounting records so that a Management Terminal can be used to select, sort, and

report records based on criteria of interest. Selected records will be exportable to the DSL-specified Microsoft Excel spreadsheet package.

#### 3.7.4 Video Lottery Terminal Manufacturer Development Tool

AWI will provide a tool, called ProSim™, to simulate the polling, requests, and responses between the AGS and the Site Controllers provided by AWI and the VLTs provided to the DSL by its VLT manufacturers. With ProSim™, VLT manufacturers will be able to test their products and product changes without requiring a connection to the AGS. The specific functions that AWI will provide with the ProSim™ tool will be as stated in § 3.7.4 of AWI's proposal. AWI will provide ProSim™ within 30 days of full execution of this Agreement.

To operate ProSim™, the DSL will provide one or more PC-compatible Management Terminals as described in § 3.7.6 of this Work Statement.

#### 3.7.5 Video Lottery Terminal Testing

AWI will provide a test environment for VLTs and Site Controllers at its Primary Site. This test lab will include two FEPs, six Site Controllers, and cabling and space to accommodate a minimum of 24 VLTs. This test lab will communicate with the test systems located at AWI's Remote Backup Site. Specific functionality of the test environment will be as stated in § 3.7.5 of AWI's proposal.

#### 3.7.6 Video Lottery Management Processing

##### 3.7.6.1 DSL Computer Workstations (Management Terminals)

The DSL will provide a local area network (LAN) on which will reside Windows-based Management Terminals that will perform the games monitoring and management functions conducted by DSL staff. These Management Terminals (equivalent to or greater than Pentium III, 266 MHz, 128 MB, Windows NT, TCP/IP) will be furnished by the DSL, and the number of stations to be connected will be determined by the DSL.

AWI will provide network connectivity between the DSL LAN and its AGS and PowerPro™ application systems. AWI will provide access by the Management Terminals on this LAN to the management applications of the AGS and PowerPro Systems through Exceed™, a commercial software package by Hummingbird.

##### 3.7.6.2 Management Software Features and Capabilities

A. Management Reports. The AGS and PowerPro™ System software furnished by AWI will be capable of producing, at a minimum, the management reports similar to those found in RFP Appendix D. All

Management Terminal reports will be viewable on screen and will be directed to a printer and/or disk file.

- B. Secure Use. AWI will provide for secure use of the Management Terminals by means of the combined security features and capabilities of the IBM RS/6000 system software and the AGS. Through them, the use of management software will be password protected and audit-trail protected. All Management Terminal sign-on attempts, whether successful or not, will be logged. Log entries will reference the time and date for both successful and unsuccessful sign-on attempts.

User codes and passwords (as well as the security levels and report/function access availability) will be supplied by the DSL to AWI as necessary.

C. Management Software Features

1. Password Protections. The AGS Management Terminal application software will have a hierarchical security scheme that allows system access to DSL-specified personnel only. The security scheme employed by the AGS will accommodate at least forty (40) individuals of various security levels. Any entry of passwords or security codes will either not print or print over a "blacked out" area so as not to be displayed on the user's Management Terminal.

The AGS will preclude the use of trivial or generic passwords--such as single characters and common dictionary words--and provide for periodic password changes. The length of a password will be at least six characters. Passwords will not be allowed to be reused within a 12-month period.

2. Limited Menu. The AGS GUI accessed through the Management Terminal provides a pull-down menu scheme for prompting purposes that permits the user to see only those functions/reports her or she is permitted to perform based on security level and entered password.
3. VLT Monitoring. The Management Terminal application will provide real-time progressive jackpot game status information and hotline log.
4. Historical Transaction Reporting. The combination of the AGS and PowerPro™ software will provide the capability for the DSL to observe VLT transacted data by game, by manufacturer and by VLT.

### 3.7.7 Data Management and Reporting

1. Database Access. AWI will provide the DSL with access to VLT transaction and events data from both the AGS and PowerPro™ Systems for ad hoc reporting. The Oracle relational database described in Section 3.9.8 of AWI's proposal will comprise the data, and ANSI Standard Query Language (SQL) will be provided as the means access by the DSL to that data. All reports so generated will be read-only.
2. History. The Oracle database for the AGS and PowerPro™ Systems will contain at least twenty-four (24) months of summarized key video lottery financial data. AWI will also retain data older than two years in the form of archived tapes.

### 3.7.8 Management and Administrative Reports

The AGS and PowerPro™ Systems will produce a wide assortment of management and administrative reports, including reports similar to those defined in RFP Appendix D, for use by the AWI and by the DSL. AWI will provide these reports by 8:30 a.m. on a daily basis, or upon request throughout the day.

### 3.7.9 Progressive Jackpots

AWI will provide a local and wide area progressive jackpot capability for configuring progressive-enabled VLTs through AWI's PowerPro™ progressive jackpot system. This PowerPro™ System will provide for local progressive jackpots, which are limited to VLTs located in one racetrack, and for wide area jackpots, which apply to VLTs across multiple racetracks. The features and functions of the PowerPro™ System that AWI will provide will be as stated in § 3.7.9 of AWI's proposal.

### 3.7.10 VLT Software Downloads

VLT game software will be provided on a tested, certified and sealed chip that is installed in each VLT by the manufacturer of that VLT.

### 3.7.11 System Configuration Management

AWI will provide a series of strict processes and procedures for the purpose of configuration management for the AGS and PowerPro™ Systems. Where applicable, AWI will provide and use a change management process in support of changes to be made to these systems, as follows:

- AWI will work with the DSL to review change requests and develop high level requirements;

- AWI will scope and size the change request. As part of the scoping exercise, AWI will perform an impact and feasibility analysis, determining the impact to the schedules, deliverables and existing software design, and to ensure the technical feasibility;
  - The DSL will approve the scoping and sizing of the modification;
  - AWI will propose a date of completion;
  - AWI will enter the change request into the VLC PVCS Tracker™ database to assign a unique serial number and to track the progress of the change;
  - AWI will, if needed, prepare a Business Requirement Specification (“BRS”) to be signed by the DSL prior to development work commencing;
  - AWI will develop and test the change;
  - The DSL will approve the change request for production;
  - AWI will install the change. request into production
1. Version Numbers. AWI will ensure that all hardware components of the AGS have manufacturer-assigned serial numbers that are entered and maintained in the AGS Oracle database. It will provide version control for all AGS and PowerPro™ software components (modules, source code and object code) via Configuration Management Version Control (“CMVC”) or an equivalent or better source code control system.
  2. Traceability. AWI will provide preformatted reports and ad hoc reporting for the purpose of tracing the history, use and location of hardware components. It will provide traceability of software components via CMVC (or an equivalent or better source code control system) reports.
  3. Change Control. AWI will provide change control for AGS and PowerPro™ software by means of the change control feature of CMVC or an equivalent or better source code control system. This will provide the capability of knowing when, what, and by whom a change was made.
  4. Configuration Status. The capability to produce a configuration status report or listing will be provided by AWI through CMVC or an equivalent or better source code control system.
  5. Approved Changes. All AGS software changes will be approved by the DSL, prior to implementation.

### 3.7.12 System Security

The following security matters will be supported by the AGS, consistent with the following policies, and processes:

1. Segregation of Duties and Privileges. AWI will provide an organizational structure and user authorizations within the AGS that provide for

segregation of duties. These features will be as stated in § 3.7.12.1 of AWI's Proposal.

2. Hacking Avoidance. AWI will provide hacking avoidance and prevention of unauthorized electronic penetration into the System by a combination of capabilities residing in the AGS, UNIX and Oracle. These capabilities will be as stated in § 3.7.12.2 of AWI's Proposal.
3. Undesirable and Unauthorized Software. AWI will provide capabilities and techniques designed to prevent the introduction of unwanted software, including software viruses, worms, and Trojan horses, into the AGS and PowerPro™ System applications. These capabilities and techniques will be as stated in § 3.7.12.3 of AWI's Proposal.
4. Control Totals. AWI will provide standard accounting measures for cross-tabbing and control totals wherever feasible to ensure that data presented are in balance. These measures will be as stated in § 3.7.12.4 of AWI's Proposal.

The foregoing features, capabilities, techniques and measures will be in addition to the data security provisions of § 3.2 of this Works Statement and the facility security provisions of § 3.3 of this Work Statement.

### 3.8 RETAILER TERMINALS

AWI will provide the DSL with Xion /M Retailer Terminals manufactured by Wincor Nixdorf. The Xion /M Retailer Terminals will offer all of the features, including a touchscreen, thermal printer and a Linux operating system, needed to provide all of services specified by the DSL. The Xion /M is described in detail in Section 3.8 of AWI's Proposal. AWI will also provide the OmniFlex mid-range Retailer Terminal described in § 3.8.3 of this Work Statement.

#### 3.8.1 Xion /M Retailer Terminal Hardware

AWI will provide an initial installation of four hundred (400) Xion /M Retailer Terminals and as ordered by the DSL. AWI will provide additional spare units for training, testing, "piggyback" use, and replacements.

##### 3.8.1.1 Xion /M Retailer Terminal Identification

All Xion /M Retailer Terminals will be delivered without any manufacturer's or vendor's logo or other identification attached to it, other than a bar-coded label with a unique serial number on it. UL and/or CE approval labels, if included, will be in some unobtrusive location on the Retailer Terminals.

### 3.8.1.2 Xion /M Retailer Terminal Features

AWI will provide the compact version of the Xion /M Retailer Terminal described in § 3.8.1.2 of AWI's Proposal, which consists of four modules – system unit, touchscreen, scanner and printer. The Xion /M's features will include, but not be limited to:

- A. Size. The dimensions of the Xion /M Retailer Terminal and individual components including the size and weight will be as stated in § 3.8.1.2.A of the AWI Proposal.
- B. Touchscreen. The Retailer Terminal will be equipped with a touchscreen as the terminal's primary data entry mechanism. The colors, locations, graphics, and text labels will be at the discretion of the DSL. The DSL will notify AWI of such selections within 15 days after AWI submits a draft layout of the Retailer Terminal touchscreen to DSL of the signing of this Agreement. AWI shall work with the DSL to finalize the definition of what is the composition of the screen. There will be sufficient space on the screen to provide for the current DSL games, and for reasonable expansion into new games and gaming options as stated in § 3.8.1.2.B of the AWI Proposal.
- C. ID Card Reading. The Xion /M Retailer Terminal will be fully capable of reading different types of identification cards for DSL Sales Representatives and AWI Field Service Representatives. Identification card privileges will be set by DSL security staff. Technical features and capabilities for the ID card reading will be as stated in § 3.8.1.2.C of the AWI Proposal.
- D. Retailer Display Screen. The Retailer screen on the Xion /M Retailer Terminal will be of sufficient size to automatically display the entire transaction being processed, and will accommodate graphics as well as text.
- E. Ticket Printer. The Xion /M Retailer Terminal will be equipped with a high volume thermal printer using direct thermal printing technology with technical specifications and features as stated in § 3.8.1.2.E of the AWI Proposal.
  - 1. The thermal printer will be capable of producing industry standard On-line Games tickets and reports using a variety of fonts, graphics, such as the DSL or game logo, On-line Games symbols, or a promotional coupon. The printing of On-line Games tickets and Retailer inventory and accounting reports will be a standard feature of Xion/M Retailer Terminal and MasterLink® System software.

2. AWI will provide all thermal paper according to the requirements of the DSL and designed for the rigors of the lottery application. The thermal paper supplied will produce industry standard On-line Games tickets that remain easily readable for a year or more.
  3. The printer will be capable of shearing industry standard On-line Games tickets having uniform size or variable length as determined by the DSL. The parties agree that the industry standard for the length of On-line Games tickets will not exceed five and one half inches.
  4. The printer will stack up to 50 industry standard On-line Games tickets printed serially in a multiple ticket request (bulk buy or repeat).
- F. Software Download. On-line Games software will be downloaded as required to the Xion /M terminal and will be downloadable in a modular fashion; only the modules requiring a change will be downloaded. Each Xion/M will be configured to hold two separate application versions for problem resolution, if necessary. Downloading will not preclude near-24 hour operation of the Retailer Terminal network.
- G. Secure Sign-on.
1. The MasterLink® System will provide secure password protection prior to granting access to any Retailer Terminal function. All passwords will be recorded by the host, and can be changed either through the host or a designated Management Terminal as needed, without a service call to the Retailer Terminal location. Password security will be as stated in § 3.9.2.3.A of AWI's Proposal.
  2. The MasterLink® System will permit multiple levels of secure access allowing a Retailer to assign a separate and unique password for each clerk or Retailer Terminal operator.
- H. Reader/scanner.
1. The Xion /M Retailer Terminal will be equipped with two readers: a primary scanner that is one of the basic components of this terminal, and a secondary bar code scanner for special purpose tasks.
  2. The scanner will read any common color (preferably black or blue) mark, except red, made on the play slip.

3. The Xion /M's primary scanner will support the collection of information for other purposes, such as consumer survey data, or any other data related to Retailers, consumers and field service personnel. AWI will collect such data and furnish a data file to the DSL for analysis.
  4. The Xion /M reader/scanner will have a first read rate of at least 95%.
  5. The Xion /M Retailer Terminal scanner will be capable of scanning text or images as required and will accommodate both US letter-size and A4-size documents as well as OCR recognition (OCR-A and OCR-B).
- I. Random Play Generator. The Xion /M Retailer Terminal will generate one (1) or more random Wager numbers for any game as requested by the Retailer.
- J. Transaction History Display. The Xion /M Retailer Terminal will be able to store and display at least the last 50 transactions upon request of the Retailer, in order to compare printed On-line Games tickets with registered On-line Games tickets.
- K. Reader for On-Line Games Tickets
1. The Xion /M Retailer Terminal reader/scanner will be capable of both validating and canceling On-line Game Tickets as specified by the DSL.
  2. The Xion /M reader/scanner will have a first read rate of at least 95%.
  3. The primary reader/scanner of the Xion /M Retailer Terminal will support the branding of On-line Games tickets during the cancellation and validation processes, and will clearly deface the ticket to identify its status.
- L. Validation and Cancellation Features
1. The Xion /M Retailer Terminal will validate all winning On-line Games and Instant Games tickets within one year or any validation period that may be specified by the DSL. Validation requests will be entered either automatically through the scanner or manually through the touchscreen. Winning tickets will be validated with a hardcopy report stating "pay" or "claim" and the amount of payout

or claim, and the validation ticket transaction will be logged on the host system referenced to the original wager transaction.

2. The Xion /M Retailer Terminal will provide a screen where the Retailer can verify that they have the funds to pay the prize or back out of the transaction.
3. The Xion /M Retailer Terminal will produce a claim or pay ticket plus a replacement ticket for the remaining plays when cashing a multiple On-line Games Ticket prior to the expiration of the last wager on such ticket.

M. Reader for Instant Games Tickets and Bar Coded Materials

1. The Xion /M Retailer Terminal will be capable of validating winning Instant Games Tickets, both through bar code scanning and manual entry, and support other functions which employ machine-readable codes such as the Interleaved 2 of 5 bar code and other standards such as UPC.
2. The secondary bar code reader will be an affixed wand and will read Instant Games Tickets at a rate of at least 95% on first pass.
3. The CCD-based Instant Games ticket reader in the Xion /M Retailer Terminal will also read and process system-generated coupons, third-party coupons, and other documents.

N. Training Mode.

1. The Xion /M Retailer Terminal will be capable of operating in a training mode. Training mode tickets will be clearly marked "VOID - NOT A REAL TICKET - NOT FOR SALE". For formal training in classroom settings, training mode will be local to the individual terminals or operate from a local server in the specified training facilities.
2. At Retailer locations, the training mode will create a transaction, label it as training transaction and log it at the host system advising that the Retailer Terminal has entered/exited training mode. Training tickets and Terminal reports will be marked with appropriate banners/messages indicating that they are for training purposes only.
3. The Xion /M Retailer Terminal will have a capability for providing Retailer information and additional training opportunities to both

Retailers and clerks through the use of video using the Flash memory installed in the Terminal.

- O. Self Diagnostics. The Xion /M Retailer Terminal will be equipped with self-diagnostics and indicators that enable the Retailer to monitor the operating status of the device.
- P. Transaction Integrity with Consumables Fault.
  - 1. The Xion /M Retailer Terminal will provide a method of preserving the integrity of the transaction through the use of printer fault and end-of-ticket-stock condition sensors.
  - 2. The printer will return to service and complete the transaction when a jam is corrected, when the ticket stock is replenished or a printer fault occurs.
- Q. Peripheral Slots. The Xion /M Retailer Terminal has been designed for Retailer environments and therefore will incorporate external interfaces as stated in § 3.8.12.Q of AWI's Proposal.
- R. Environmental Fitness. The Xion /M Retailer Terminals will operate in a wide range of Retailer environments including dedicated 120 volt 15 amp electrical circuits and small counter top spaces and difficult environmental conditions such as heat, humidity, dust, grease, spilled liquids, operator abuse.
- S. Power Cord. The Xion /M Retailer Terminal will come equipped with a power cord of some 14.76 feet in length.
- T. Memory and Storage.
  - 1. The Xion /M Retailer Terminals will contain 64 MB of Flash memory and 128 MB of RAM and will provide at least a 50% margin of available On-line Games memory for future games and promotions.
  - 2. The Xion /M Retailer Terminal's retention period for Flash memory, which is used to store the terminal's operating system and controlware as well as its application software and vendor algorithms will be up to ten years.
- U. Casework Color. The Xion /M Retailer Terminals casework will be provided in a color selected by the DSL. The DSL will notify AWI of the DSL's selection within 30 days of the signing of this Agreement.

- V. Tone/Audio Generator. The Xion /M Retailer Terminal must be capable of producing simple musical tones when certain transactions or functions are performed, or events occur. The DSL will define to AWI which functions shall trigger this feature. The Xion /M Retailer Terminal must project digitized music and voice to the Retailer and the current customer.
- W. Broadcast Messages. The Xion /M Retailer Terminal will be capable of receiving variable-length broadcast messages from the MasterLink® System by the various selection criteria as stated in § 3.8.1.2.W of the AWI Proposal.
- X. Instant Games Capacity. The Xion /M Retailer Terminal will support 100 Instant Games concurrently, without upgrade of terminal resources.
- Y. Ticket Serial Numbers. All On-line Games Tickets printed by the Xion /M Retailer Terminal will contain a unique transaction serial number (TSN) printed in two ways: in Arabic numerals and in a bar code that is readable by the Terminal's play slip scanner, and the serial number will uniquely identify a ticket in excess of one year.
- Z. Large Transaction Handling. The Xion /M Retailer Terminal will display a message and provide an option for the Retailer to stop a large-dollar purchase of On-line Games Tickets or large-dollar validation transaction before completing it, as stated in § 3.8.1.2.Z of the AWI Proposal.
- AA. Bulk buy/repeat. The Xion /M Retailer Terminal will accommodate a purchase in which up to 99 On-line Games Tickets are generated as a result of one request.

### 3.8.1.3 Retailer On-line Terminal Attachments

- A. Customer Advertising Display. As a specified option at an additional cost of \$378.00 per unit, AWI will provide 400 customer advertising display for each Xion /M Retailer Terminal as stated in § 3.8.1.3.A of the AWI Proposal.
- B. Customer Transaction Display. As a specified option at an additional cost of \$250.00 per unit, AWI will provide 400 customer transaction displays. AWI will provide a customer transaction display for each Xion /M Retailer Terminal as stated in § 3.8.1.3.B of the AWI Proposal.
- C. Self Service Validator. As a specified option at an additional cost of \$1,250.00 per unit, AWI will provide 150 OmniCheck self-service validators as stated in § 3.8.1.3.C of the AWI Proposal.

- D. Cash Drawers. As a specified option at an additional cost of \$280.00 per unit, AWI will provide 125 cash drawers with electronic interfaces to the Xion /M Retailer Terminal as stated in § 3.8.1.3.D of the AWI Proposal.

#### 3.8.1.4 Additional and Piggybacked On-line Retailer Terminals

- A. Additional Terminals. AWI will provide additional Xion /M Retailer Terminals over and above those AWI is obligated to provide under § 3.8.1 hereof as stated in § 3.8.1.4.A of the AWI Proposal for maintenance spares, testing, and training and, on a temporary basis, up to 75 additional Retailer Terminals piggybacked at Retailer locations during times of increased sales pressure.
- B. Piggybacked Terminal Logistics. Retailer Terminals to be installed on a temporary basis will be placed at designated Retailer locations as directed by the DSL within twenty-four (24) hours and will be removed as directed by the DSL with similar notice.

#### 3.8.2 Privileged Validation Terminals

AWI will provide the DSL at Conversion time four Xion /M Retailer Terminals for the DSL's four redemption centers, including the DSL Headquarters in Dover. These terminals will be configured to have the capability of validating and cashing winning On-line Games Tickets beyond the \$599.00 limit imposed upon Retailers.

#### 3.8.3 Mid-Range OmniFlex Retailer Terminals

AWI will provide 150 mid-range OmniFlex terminals for Retailers and additional terminals for training, testing, piggyback use, and spares as stated in § 3.8.3 of the AWI Proposal.

##### 3.8.3.1 OmniFlex Retailer Terminal Identification

All OmniFlex Retailer Terminals will be delivered without any manufacturer's or vendor's logo or other identification on any normally visible surface, other than a bar-coded label with a unique serial number on it. UL and/or CE approval labels, if included, will be in some unobtrusive location on the Retailer Terminals.

##### 3.8.3.2 OmniFlex Retailer Terminal Features

OmniFlex Retailer Terminal features will include, but not be limited to:

- A. Size. The dimensions of the OmniFlex terminal including the size and weight will be as stated in § 3.8.3.2.A of the AWI Proposal.

- B. Keypad. The OmniFlex terminal keyboard consists of a keycap unit and shield that includes 26 full travel, large, color-coded keys, and a sealed plastic shield below the keycap unit will protect the underlying keyboard membrane and other electronic and mechanical components of the OmniFlex Retailer Terminal against spills and dust. The colors, locations, graphics and text labels of keys will be at the discretion of the DSL, which shall give AWI notice of its selections within 30 days of the signing of this Agreement. The OmniFlex Retailer Terminal will have sufficient space and/or the provision of soft keys to provide for the current DSL On-line Games and for expansion into new On-line Games and gaming options.
- C. ID Card Reading. The OmniFlex Retailer Terminal will be capable of reading DSL assigned bar-coded identification cards. The privileges for these identification cards will be set by Lottery security staff.
- D. Retailer Display Screen. The OmniFlex Retailer Terminal will provide a liquid crystal display (LCD) to automatically display the transaction being processed.
- E. Ticket printer.
1. The OmniFlex terminal thermal printer will produce industry standard On-line Games Tickets and reports using a variety of fonts and must be able to produce graphics, such as the DSL or game logo, On-line Games symbols, or a promotional coupon.
  2. The thermal paper used for the OmniFlex terminal will be as stated in § 3.8.3.2.E.2 of the AWI Proposal.
  3. The printer will be capable of shearing industry standard On-line Games tickets having uniform size or variable length as determined by the DSL. The parties agree that the industry standard length for On-line Games tickets shall not exceed five and one-half inches.
  4. The printer will stack up to at least 10 industry standard printed On-line Games Tickets when printing serially in a multiple ticket request (bulk buy or repeat).
- F. Software Download. On-line Games software will be downloaded as required to the OmniFlex terminal and will be downloadable in a modular fashion; only the modules requiring a change will be downloaded. Downloading will not preclude near-24 hour operation of the Retailer Terminal network.

G. Secure Sign-on.

1. The MasterLink® System will provide secure password protection prior to granting access to any OmniFlex Retailer Terminal function. All passwords will be recorded by the host, and can be changed either through the host or a designated Management Terminal as needed, without a service call to the Retailer location. Password security will be as stated in § 3.9.2.3.A of AWI's Proposal.
2. The MasterLink® System will permit multiple levels of secure access allowing a Retailer to assign a separate and unique password for each clerk or Retailer Terminal operator.

H. Random Play Generator. The OmniFlex Retailer Terminal will generate one (1) or more random wager numbers for any On-line Games as requested by the Retailer.

I. Transaction History Display. The OmniFlex Retailer Terminal will be able to display up to 40 transactions that are in storage.

J. Reader for on-line Tickets

1. The OmniFlex Retailer Terminal will provide a reader for validating or canceling an On-line Games Ticket under DSL-specified terms.
2. The OmniFlex reader/scanner will have a first read rate of at least 95%.

K. Validation and Cancellation Features

1. The OmniFlex Retailer Terminal will validate all winning On-line Games and Instant Games tickets within one year or any validation period that may be specified by the DSL. Validation requests will be entered either automatically through the reader or manually through the keypad. Winning tickets will be validated with a hardcopy report stating "pay" or "claim" and the amount of payout or claim, and the validation ticket transaction will be logged on the host system referenced to the original bet transaction.
2. The OmniFlex terminal will provide a screen where the Retailer can verify that they have the funds to pay the prize or back out of the transaction.

3. The OmniFlex terminal will produce a claim or pay ticket plus a replacement ticket for the remaining wagers when cashing a multiple On-line Games Ticket prior to the expiration of the last wager on the ticket.

L. Reader for Instant Games Tickets and Bar Coded Materials

1. The OmniFlex terminal will be capable of validating winning Instant Games tickets, both through bar code scanning and manual entry.
2. The Charge Coupled Device (CCD) reader will have a read rate in excess of 95%. The secondary bar code reader will be an affixed wand and will read Instant Games tickets at a rate of at least 95% on first pass.
3. The CCD-based Instant Games reader in the OmniFlex terminal will also read and process system-generated coupons, third-party coupons, and other documents.

M. Training Mode.

1. The OmniFlex terminal will be capable of operating in a training mode, and training mode tickets will be clearly marked "VOID - NOT A REAL TICKET - NOT FOR SALE". For formal training in classroom settings, training mode will be local to the individual terminals or operate from a local server in the specified training facilities.
2. At Retailer locations, the training mode create a transaction, label it as training transaction and log it at the central host system advising that the terminal has entered/exited training mode. Training tickets and terminal reports will be marked with appropriate banners/messages indicating that they are for training purposes only.

- N. Self Diagnostics. The OmniFlex terminal will be equipped with self-diagnostics and indicators or lights, which enable the Retailer to monitor the operating status of the terminal.

O. Transaction Integrity with Consumables Fault.

1. The OmniFlex terminal will preserve the integrity of the transaction through the use of printer fault and end-of-ticket-stock condition sensors.

2. The printer will return to service and complete the transaction when a jam is corrected, when the ticket stock is replenished or a printer fault occurs.
- P. Peripheral Slots. The OmniFlex terminal provides the interface and communications ports as stated in § 3.8.3.2.P of the AWI Proposal.
- Q. Environmental Fitness. The OmniFlex terminal has been designed and built to operate in a wide range of environmental conditions including dedicated 120 volts 15 amp electrical circuit, small counter top space, heat, humidity, dust, grease, spilled liquids, operator abuse.
- R. Power Cord. The OmniFlex terminals will come equipped with a power cord of at least 10 feet in length.
- S. Memory and Storage.
1. The OmniFlex will be equipped with four MB of Flash RAM and two MB of RAM and provide at least a 50% margin of available On-line Games memory for future On-line Games and promotions.
  2. The OmniFlex terminal's retention period for Flash memory, which is used to store the terminal's operating system and controlware as well as its application software and vendor algorithms will be up to ten years.
- T. Broadcast Messages. The OmniFlex terminal will receive variable-length broadcast messages from the MasterLink® System as stated in § 3.8.3.2.T of the AWI Proposal.
- U. Instant Games Capacity. The OmniFlex terminal will support 100 Instant Games concurrently, without upgrade of terminal resources.
- V. Ticket Serial Numbers. The OmniFlex terminal will produce On-line Games tickets with a unique serial number in Arabic numerals and in and in an Interleaved 2 of 5 bar code, which is readable by the terminal and identifiable in excess of one (1) year.
- W. Large Transaction Handling. The OmniFlex terminal will display a message and provide an option for the Retailer to stop a large-

dollar purchase of On-line Games Tickets or large-dollar validation transaction before completing it.

- X. Bulk buy/repeat. The OmniFlex terminal will accommodate a purchase in which up to 99 On-line Games Tickets are generated as a result of one request.
- Y. Communications. The communications interface for the OmniFlex terminals will be on-line and equivalent to that of the full function on-line terminals.

#### 3.8.3.3 Additional and Piggybacked Mid-Range Terminals

- A. Additional Terminals. AWI will provide additional OmniFlex Retailer Terminals for maintenance, spares, testing and training, and will maintain a sufficient number of spare OmniFlex Retailer Terminals in AWI's inventory so that AWI can commit placing, on a temporary basis, up to 25 additional OmniFlex Retailer Terminals at Retailer locations during times of increased sales pressure.
- B. Piggybacked Terminal Logistics. OmniFlex Retailer Terminals will be installed on a temporary basis at designated Retailer locations as directed by the DSL within 24 hours and will be removed as directed by the DSL with similar notice.

#### 3.8.4 Capability to Provide Retailer Terminals

Capabilities to provide the Retailer Terminals will include:

- 1. Manufacturing Plans. AWI will produce or has produced (through current inventory, manufacturing, purchasing, or modification) all Retailer Terminals required to meet the requirements of the DSL.
- 2. Manufacturing Quality. AWI will address and ensure quality manufacturing practices and recognized quality standards in the production of all Retailer Terminals as stated in § 3.8.4.2 of AWI's Proposal.

#### 3.8.5 Games Management Processing

##### 3.8.5.1 DSL Computer Workstations

The DSL staff will perform the games monitoring and management functions conducted with Management Terminal's resident on the DSL LAN. AWI's Management Terminal software and the LAN interconnect will support the

number of Management Terminals required by the DSL and provide connectivity to the DSL LAN.

### 3.8.5.2 Management User Interface

AWI's management terminal user interface will be similar to a web browser style of interface in its concepts and characteristics.

## 3.9 ON-LINE SOFTWARE CONTROLS AND DATA MANAGEMENT

### 3.9.1 On-line Gaming Software Security and Control Features

1. Logging. The MasterLink® System will immediately record on magnetic media all On-line Games processing activities including, but not limited to, sales, rejects, cancels, cashes, validation attempts and other play-related transactions, any other Retailer Terminal commands, error conditions, operating system and job console entries and Management Terminal entries.
  - A. The MasterLink® System will be configured to run in triplex mode so that the OGM system back-up, recovery and redundancy features can be met.
  - B. The MasterLink® System will maintain a one-to-one relationship between On-line Games Tickets printed, transactions recorded in the transaction files, and transactions delivered to the ICS.
  - C. AWI will make the transaction log available to authorized DSL personnel when required. The transaction logs will contain records as stated in § 3.9.1.1.C of the AWI Proposal.
  - D. The MasterLink® System's transaction logging process will include periodic checkpoints including significant totals (counts and amounts) for all On-line Games.
  - E. The current audit files will be "closed" and a new file initiated when sales for the game day are terminated, and the audit files will be provided to the DSL within ten (10) minutes following the close of sales for any On-line Games and prior to the drawing for that game. The final audit file for the Business Day will be provided to DSL personnel immediately after close of the OGM system each Business Day in electronic and tape media, if the DSL so wishes, in addition to receiving the transactions in real time during the course of the operational day.
  - F. AWI will deliver to the DSL all software and support documentation required to interpret or decrypt all AWI log file formats required by the DSL.

2. Unique Transaction Number. All transactions on the MasterLink® System will remain available on the System for a minimum of two years, and each transaction will be identified by a unique transaction number to ensure that there is no duplication of transactions.
3. Transactions Protected. AWI will prevent unauthorized access or tampering with any part of the MasterLink® System as stated in § 3.9.1.3 of its Proposal to ensure overall integrity of the System and On-line Games. The DSL will have the right to review any and/or all System narratives, source program listings and operational procedures to ensure valid System integrity.
4. Tickets Not Duplicated. Retailer sell, exchange, cancel, and validation tickets will not be duplicated on Retailer Terminals (although under certain circumstances a reprint transaction will be allowed).
5. Liability Levels. The MasterLink® System will provide the DSL with the capability of setting a payoff figure and a payoff liability for each On-line Game through DSL Management Terminal(s). These levels will be determined by DSL and can be changed by DSL at any time. In addition, the DSL will have the capability of suspending sales for a specific number.
6. Console Records. All console activities on the MasterLink® System will be recorded on a secure Tivoli Log and then retained on CD-R media and made available to the DSL as stated in § 3.9.1.6 of AWI's Proposal.
7. Retailer Spoofing. AWI will ensure that the MasterLink® System will maintain Retailer Terminal network integrity and guard against Retailer spoofing as stated in the safeguards described in § 3.9.1.7 of the AWI Proposal.
8. One-Time Cashing. The MasterLink® System will not allow a winning On-line Games Ticket to be cashed more than once as stated in § 3.9.1.8 of the AWI Proposal.
9. Software Checksums. AWI will automatically execute Tivoli TME 10 management software to calculate checksums for all MasterLink® System executable programs, allowing file and System integrity to be closely monitored by AWI and DSL audits. Checksums will also be generated for Retailer Terminal software awaiting distribution.
10. Transaction Storage Redundancy. The MasterLink® System will store every transaction request from a Retailer Terminal in three separate locations prior to responding to the requesting Retailer.

11. Game Monitoring. The MasterLink® System will provide real-time monitoring of On-line Games transactions and Instant Games pass-through traffic and System utilization and immediately notify the DSL of abnormal System operations and their causes.
12. Transaction Simulator. AWI will provide a special utility program, called Simulated ComLink (SCL), to generate test terminal and System transactions in specified percentages for the purpose of quality assurance and performance testing of the System.
13. Secure Off-site Storage. AWI will store all critical files, software, and back-up data securely at the AWI Remote Backup Site subject to approval of the DSL.
14. Validation of Backups. AWI will use report balancing and reconciliation to ensure the current files, and their backup copies are valid.
15. Configuration Management. AWI will provide a series of strict processes and procedures for the purpose of configuration management for the MasterLink® System. Where applicable, AWI will provide and use a change management process in support of changes to be made to these systems, as follows:
  - AWI will work with the DSL to review change requests and develop high level requirements;
  - AWI will scope and size the change request. As part of the scoping exercise, AWI will perform an impact and feasibility analysis, determining the impact to the schedules, deliverables, and existing software design, and to ensure the technical feasibility;
  - The DSL will approve the scoping and sizing of the modification;
  - AWI will propose a date of completion;
  - AWI will enter the change request into the Issue Tracking database to assign a unique serial number and to track the progress of the change;
  - AWI will, if needed, prepare a Business Requirement Specification (“BRS”) to be signed by the DSL prior to development work commencing;
  - AWI will develop and test the change;
  - The DSL will approve the change request for production;
  - AWI will install the change request into production.
16. Version Numbers. AWI will ensure that all hardware components of the MasterLink® System have manufacturer-assigned serial numbers that are entered and maintained in the MasterLink® Oracle database. It will provide version control for all MasterLink® software components

(modules, source code and object code) via Configuration Management Version Control.

17. Traceability. AWI will provide preformatted reports and ad hoc reporting for the purpose of tracing the history, use and location of hardware components. AWI will provide traceability of software components via the Configuration Management reports.
18. Change Control. AWI will provide change control for MasterLink® software by means of the change control feature of the Issue Tracking software. This will provide the capability of knowing when, what, and by whom a change was made.
19. Configuration Status. The capability to produce a configuration status report or listing will be provided by AWI through Configuration Management system.
20. Approved Changes. All MasterLink® software changes will be approved by the DSL prior to implementation.
21. Dynamic Pools. The MasterLink® System will maintain dynamic pools for the current draw for all lotto-type On-line Games and pools for the current draw and future draws for the numbers-type On-line Games.
22. Labeled Ticket Stock. The MasterLink® System will provide an authentication process that determines if a winning On-line Games Ticket presented for redemption was generated by an authorized Retailer Terminal that was signed on to the host system at the time of sale through serialized ticket stock control numbers (TSCN) are preprinted on the back of all On-line Games ticket stock. AWI will provide this information to the DSL upon request and in Access Database format.
23. Dual Security. The Retailer Terminals will generate a unique number, in addition to the system-logged transaction serial number, which can be used to link winning On-line Games Tickets to selling Retailer Terminals. This "dual security" approach will not create logging entries on the host systems.

### 3.9.2 Management Software Features and Capabilities

1. Management Reports. The MasterLink® System will produce the management reports similar to those found in Appendix D to the RFP, which may be viewable on screen, and directed to a printer or to a disk file.
2. Secure Use. The MasterLink® System management software will be password and audit-trail protected, and all management sign-on attempts,

whether successful or not, and all transactions modifying the System will be logged and protected by verification steps.

3. Management Software Features

- A. Password Protections. The management workstations will have a hierarchical security scheme as stated in § 3.9.2.3 and § 3.9.2.3.A of the AWI Proposal that allows MasterLink® System access to specified personnel only.
- B. Limited Menu. The management workstation will have a "menu" request for prompting purposes which permits the individual to see only those functions/reports they can perform based on security level and entered password.
- C. Retailer Terminal Management. The Management Terminal will provide the on-line capability to inquire about and/or modify designated Retailer and System functions and create an audit trail of the changes made as stated in § 3.9.2.3.C of the AWI Proposal.
- D. Retailer Disablement Codes. The MasterLink® System will provide a coding scheme for differentiating various Retailer "disabling" reasons, which will be able to accommodate up to five (5) disablement conditions.
- E. Checksum Entry. The MasterLink® System will provide for the entry and viewing of winning numbers and for checksums for each set of winning numbers for any draw of any On-Line Game. All entry attempts, whether successful or not, will be logged.
- F. Game Control. The MasterLink® System will provide the ability to shut off and resume all On-line Games wagering and validations on each On-line Game independently.
- G. Broadcast Messages. The MasterLink® System will provide the ability to send and store on-line messages of at least five hundred twelve (512) characters to all Retailers, a specific Retailer, any group of Retailers as stated in § 3.9.2.3.G of the AWI Proposal.
- H. Immediate and Deferrable Messages. The MasterLink® System will provide the ability to define any Retailer message as immediate or deferrable.
- I. Advertising Display Messages. The MasterLink® System will provide the ability to create and send graphics and messages to the customer advertising display units associated with the Retailer

Terminal by a certain category of Retailer Terminal or chain relationship.

- J. Retailer Accounting Adjustments. The MasterLink® System will provide the ability to make adjusting entries to Retailer accounts with a complete audit trail of adjustment amount, date of adjustment, user who entered the adjustment, and a description/reason for the adjustment as stated in § 3.9.2.3.J of the AWI Proposal.
- K. Game Monitoring. The MasterLink® System will provide the ability to observe statistics on the operation of the System by On-line Game or Retailer.
- L. Transaction Reporting. The MasterLink® System will have the capability for the DSL to make on-line inquiries of On-line Games wagers and transactions for at least the past three days. For all On-line Games wagers and transaction older than three days, the System will have the capability to request, process and print portions of the OGM systems' master transaction file in perpetuity.

### 3.9.3 On-Line Games Drawing Controls

The MasterLink® System will provide the process of closing On-line Games, conducting On-line Game drawings, entering winning On-line Games numbers, and paying winning On-line Games Tickets for both numbers-type games and lotto games. Fixed payout game validations must be supported within 10 minutes of the drawing time.

- 1. Drawing Information. At game cut-off for any On-line Game, the MasterLink® System will print out on its and the DSL's Management Terminals the following information for the game:

- Time of day
- Net game pool (wagers minus cancels)
- Hash total of wagered numbers (including cancels)

- 2. Checksum Entry. The MasterLink® System will provide the ability to enter winning number(s), lotto pools, jackpot amounts, lotto prize amounts, bonus numbers, bonus payouts and lotto pay authorizations for On-line Games with the use of a checksum algorithm.

### 3.9.4 Instant Games Ticket Transactions Management

The MasterLink® System will support the DSL's Instant Games on a pass-through basis to the DSL's back-end system as stated in § 3.9.4 of the AWI Proposal.

Instant Games Ticket validations will be available the entire day, near 24 hours if specified by the DSL.

### 3.9.5 Retailer Accounting

1. Retailer Account Setup. The MasterLink® System will allow Retailer accounts to be established and corresponding bank accounts to be set up and changed with the changes to be effective immediately. Changes will include the ability to change ownership at a Retailer location without losing the data applicable to the previous owner.
2. Retailer Account Management. The MasterLink® System will provide the capability to make and log adjustments to Retailer accounts.
3. Settlement. The MasterLink® System will have the ability to produce settlement reports and an EFT tape and have the ability to summarize all sweep information for a chain account into a single report and process and to provide combined reports as described in Appendix C(7) of the RFP.
4. IRS Reporting. The MasterLink® System will produce 1099 reports.
5. The MasterLink® System's Retailer accounting data storage structure will allow timely generating of calendar year Retailer commission reports and/or files, which will be available within ten (10) business days after the end of each calendar year.

### 3.9.6 Internal Control System Application

AWI will provide all required hardware, operating system software and the software development tools for use by a third-party software vendor for an ICS.

1. ICS Suppliers. AWI will provide the ICS by one of the three (3) independent, third party software subcontractors identified in § 3.9.6 of the AWI Proposal

The DSL reserves the right to specify which of the subcontractors will conduct the work, or to require that AWI identify other subcontractor alternatives for providing the work. The selected software subcontractor shall maintain the ICS.

2. ICS Operations. AWI and the selected subcontractor will provide operating instructions and training to the DSL for operating the ICS.
3. ICS Costs. AWI will be responsible for the costs of the purchase, installation and maintenance of the equipment, software development

tools and the original delivery, maintenance and enhancement of the ICS application software.

### 3.9.7 System Security

AWI will provide MasterLink® System security, policies, and processes as stated in § 3.9.7 of the AWI Proposal for the following security matters:

1. Segregation of Duties and Privileges. AWI will implement and maintain an organizational structure and user authorizations that provide for segregation of duties as stated in § 3.9.7.1 of the AWI Proposal.
2. Hacking Avoidance. AWI will prevent unauthorized electronic penetration into the MasterLink® System as stated in § 3.9.7.2 of the AWI Proposal.
3. Undesirable and Unauthorized Software. AWI will prevent the introduction of unwanted software into the MasterLink® System including software viruses, worms, and Trojan horses as stated in § 3.9.7.3 of the AWI Proposal.
4. Control Totals. AWI will employ standard accounting measures for cross-tabling and control totals wherever feasible and as stated in § 3.9.7.4 of the AWI Proposal to ensure that data presented are in balance.

### 3.9.8 Data Management and Reporting

1. Database Access. AWI will provide the DSL with access to Retailer data, sales records, terminal maintenance data, and daily transactions for ad hoc reporting through the use of Oracle® Discoverer™ database query and report software as stated in § 3.9.8 of the AWI Proposal.
2. History. AWI will maintain the IMM database information including sales and Retailer statement history for the configurable data retention time period of 24 months.

### 3.9.9 Management and Administrative Reports

The MasterLink® System will timely produce a wide assortment of management and administrative reports similar to those contained in Appendix D of the RFP and as stated in § 3.9.9 of the AWI Proposal for use by the DSL.

1. Chain Reporting. The MasterLink® System will provide chain reporting so that chain headquarters will be able to receive reports on sales data for their particular site, for another site within the chain, or for all sites within the chain.

2. Business Codes. The MasterLink® System will provide reports sorted by SIC (Standard Industrial Code).

#### 3.9.10 Foreign System Interfaces

AWI will use the standard operating systems, databases, programming languages, protocols, data formats, and reporting tools as stated in § 3.9.10 of the AWI Proposal to respond to client data exchange requirements.

#### 3.9.11 On-line Subscription System with Internet Interface

The Subscription System proposed in and as stated in § 3.9.11 of the AWI Proposal will be included in the ePlayersLink internet solution for Player Registration. The Subscription System will facilitate DSL compliance with ADA legislation by enabling players to buy tickets without going to a Retailer outlet.

#### 3.9.12 On-line Player Registration System with Internet Interface

AWI will provide a Player Registration system as stated in § 3.9.12 of the AWI Proposal.

1. Player information will be stored in a database that permits ad hoc inquiry and reporting activities in addition to routine, scheduled reporting.
2. Entry of customer information (that is not entered by players over the Internet), mailings (paper and e-mail) and customer services for the Player Registration system will be provided by the DSL.

#### 3.9.13 Solomon/Checkwriting Interface

The MasterLink® System will provide the DSL with a transaction file daily in electronic form to confirm and pay winning On-line Games Tickets that require a check. The timing, format and details of this file delivery will be mutually agreed upon prior to Conversion.

#### 3.9.14 On-line Validation After Conversion

The Retailer Terminals will accept the serial numbers of old winning On-Line Games tickets either by optically scanning the ticket or by Retailer keyboard input.

#### 3.9.15 Conversion of Existing Sales and Retailer Information

AWI will convert all existing data, in order that the DSL can generate reports comparing current with past operations.

### 3.10 ON-LINE GAMES MARKETING

AWI will apply its best efforts to assist the DSL in On-Line Game design and marketing and to recommend and evaluate On-line Game designs in assisting the DSL to maximize objectives.

#### 3.10.1 Corporate Marketing Support

AWI recognizes that the DSL will require new On-line Games and features over the term of the Agreement. AWI will work to accommodate the DSL's marketing plans and efforts with corporate marketing support that includes, but is not limited to, a quarterly strategy meeting with the DSL to formulate the slate of On-line Games, Games changes, and promotions to be introduced in the coming year.

In providing corporate marketing support to the DSL, AWI's marketing personnel will have access to the following AWI tools and resources, as stated in § 3.10.1.B of AWI's Proposal:

- A. Lottery Marketing Management Process ("LMMP"), including AWI's use of geo-demographic data from AWI's Marketing Information Management System ("MIMS");
- B. Enterprise Information System ("EIS");
- C. Lottery Information Management System ("LIMS");
- D. Games Analysis and Planning Process ("GAPP");
- E. Lot-D-Zign®; and
- F. Automated Key Accounts Reporting System ("AKARS").

AWI will also afford appropriate DSL personnel access to specified information available from AWI's EIS, LIMS, and AKARS. In addition, on an annual basis, AWI will make AWI's GameLab development process available to the DSL, and one (1) comprehensive MIMS analysis and study will be provided shortly after execution of this Agreement.

#### 3.10.2 Support of the DSL's Retailers and Racetrack Operations

AWI recognizes that the DSL's goal is to achieve a high level of Retailer rapport in order to effect maximum lottery ticket sales.

DSL will employ its own Retailer services staff (“Lottery Sales Representatives”) to develop a strong Retailer partnership. Accordingly, the DSL's own Representatives will be exclusively responsible for prospecting new Retailer locations; recommending new Retailer locations; responding to Retailer concerns, questions or problems relating to the DSL’s program, games, policies, and procedures; notifying Retailers of new game features, modifications to current games, addition of new games, and changes in DSL policy.

AWI will assign 10 field personnel to interface and cooperate with the DSL regarding Retailer concerns or problems with AWI-provided services, such as Retailer Terminal functions, Retailer Terminal repair, quality of play slips, ribbons, and On-line Ticket stock, and delivery of consumable items, as well as support for VLT operations at the three racetracks. One of these field personnel will be designated as AWI’s dedicated Customer Service Representative (“CSR”). The CSR will, among other duties, have overall responsibility for:

- Training for Retailers in the operation of Retailer Terminals;
- On-site and key account Retailer training; and
- Support of AWI’s dedicated field and Retailer Terminal maintenance personnel with regard to delivery of point of sale (“POS”) materials and Retailer Terminal consumables, described in § 3.10.3 below, and arranging for repair of Retailer Terminals.

### 3.10.3 Retailer Consumable Supplies

1. Supplies/Consumables. AWI will provide and deliver to Retailers:
  - Play slips that can be processed by the Retailer Terminal reader;
  - Secure On-line Games Ticket stock;
  - Supplies required to print On-line Games Tickets; and
  - Retailer manuals and/or reference cards for Retailer Terminal operation, updated upon DSL request.
2. Consumables Designs. AWI acknowledges that DSL must approve all proposed play slip and On-line Games ticket designs and wording. AWI will be responsible for the production of such designs and wording.
3. Testing and Training On-line Ticket Stock. In addition to providing On-line Games Ticket stock, AWI will also provide On-line Games Ticket stock suitable for testing with regard to Retailer Terminals used at training

facilities, as well as not-for-sale stock for use by the DSL in training or promotions. On-line Games Ticket stock designated for use in such testing will be pre-printed with the notation "Test Ticket," or other appropriate notation. On-line Games Ticket stock designated for use in promotions will contain the notation "Not for Sale" or "Promotional Not for Sale," or other appropriate notation.

4. Multiple Suppliers. In order to avoid dependence on one supplier, AWI will have more than one source of paper stock and printing service(s), as stated in the provisions of § 3.10.3.4 of AWI's Proposal
5. On-Line Games Ticket Stock Security. AWI will provide security, inventory and automated control procedures regarding supply of On-line Games Ticket Stock via AWI's Automated On-line Games Ticket Stock Tracking System, which will be a subsystem of AWI's MasterLink® System. AWI's Automated On-line Games Ticket Stock Tracking Subsystem will allow the DSL to maintain detailed inventory records of On-line Games Ticket stock received from printing subcontractors and distributed to Retailers. Records available from the AWI Automated On-line Games Ticket Stock Tracking Subsystem will correlate specific On-line Games Ticket stock to specific Retailers and delivery dates, as stated in the provisions of § 3.10.3.5 of AWI's Proposal.
6. Returns. AWI's Automated On-line Games Ticket Stock Tracking Subsystem will permit returns, re-issues, and destruction of such On-line Games Ticket Stock, as appropriate, as stated in the provisions of § 3.10.3.6 of AWI's Proposal.

#### 3.10.4 On-Line Games Menu

AWI will provide all On-line Games currently being processed by AWI at the time of Conversion. AWI recognizes that DSL reserves the right to add On-line Games or On-line Games features at the time of Conversion, as stated in paragraph 72 of the Agreement.

AWI acknowledges that DSL is a partner in MUSL. AWI will support On-line Games created and offered by this Association. AWI will also support On-line Games offered by any other multi-jurisdiction associations with which the DSL may become associated.

#### 3.10.5 On-Line Promotional Features

AWI's MasterLink® System will be capable of providing the broad range of promotional features set forth below, should the DSL opt to utilize them.

1. AWI will utilize its MasterLink® System to develop promotions as stated in the provisions of § 3.10.5.1 of AWI's Proposal.
2. AWI will make available to DSL the following promotional features:
  - A. Free Play. Free play can be offered when several wagers of On-line Games are purchased.
  - B. Cross Promotion. Cross Promotion, i.e. promotions between product lines that allow for discounts (e.g. buy "x" amount of Game A, get "y" amount of Game B free).
  - C. Multiple Drawings Per Day. Multiple drawings for the same On-line Game within one day, including Day/Night feature with the same wager for the day and night drawings of a game.
  - D. Bonus Draw. Permits drawing of a second set of winning numbers for On-line Games like Pick 3, Pick 4 and Lotto at DSL's option.
  - E. Bonus Payoff. Permits a specified increase in the payoff for specified winning On-line Game Wagers at the DSL's option.
  - F. Drawing Events. Accommodates promotions that vary the number of drawings per On-line Game per week and/or the days on which the drawings are conducted.
  - G. Test Marketing. Accommodates the sale of specified On-line Games/products/ features (e.g., couponing, discounting) through selected Retailers and/or selected geographical areas for purposes of test marketing.
  - H. Sampler Ticket. A multi-On-line Game quick pick whereby the MasterLink® System will automatically generate two or more wagers - possibly one for each On-line Game on the market - either with or without a premium.
  - I. Nth Tickets. A promotion based upon seeding levels, known as "nth" transactions, where "n" represents the number of transactions that must occur to generate a coupon or free On-line Games Ticket for that On-line Game or another On-line Game, or a coupon linked to a promotion, or a raffle On-line game.
  - J. Merchandise Coupons. This promotion provides a product or product discount in return for a qualifying purchase of an On-line Games Ticket. Accounting for merchandise is provided. This promotion will be set up through Management Terminal screens.

- K. Retailer Coupons. This promotion involves coupons that are redeemable for prizes such as T-shirts, coffee mugs, store merchandise and trips.
- L. Retailer Vouchers. Under this promotion, retailers can receive vouchers for a chance to win a prize based upon the number of On-line Games Tickets sold.

#### 3.10.6 External Coupons

AWI acknowledges that DSL will employ coupons produced by third party sources for sales promotions, such as a coupon that would permit the bearer to obtain free On-line Games Ticket(s) from the Retailer. These coupons shall have the same bar code reading specifications as Instant Tickets, i.e. the I 2 of 5 format. AWI's MasterLink<sup>®</sup> System will permit the use of coupon promotions. As part of this capability, AWI's Retailer Terminals will have the capability to read such coupons with a trackable and accountable bar code or serial number (i.e. on a validation file).

#### 3.10.7 System-Generated Coupons

The Retailer Terminal and MasterLink<sup>®</sup> System will be capable of generating a coupon used as part of a Cross Promotion, as described in § 3.10.5.B of this Work Statement. The MasterLink<sup>®</sup> System will have the capability to produce summary reports of such transactions. These reports will contain the outstanding liabilities and claimed amounts, as appropriate.

#### 3.10.8 Additional Non-Traditional Gaming Capabilities

AWI acknowledges that DSL is not currently authorized to offer certain Non-Traditional Games. Nonetheless, AWI's MasterLink<sup>®</sup> System will have the capability through hardware and software upgrades, as needed, to support Non-Traditional Games, as stated in § 39(E) of the Agreement and § 3.10.8.A of AWI's Proposal.

## APPENDIX 2

### **COST AND TERMS**

I. The following are the prices based upon which AWI shall issue invoices to the DSL, and the DSL shall make payments to AWI:

(A) Base System Pricing

- (1) On-line percentage. Pricing as a percentage of On-Line sales shall be 4.180% of On-Line Game sales.
- (2) Video percentage. Pricing as a percentage of Video Net Proceeds shall be 0.7885% of Video Net Proceeds.

(B) DSL Specified Options

- (1) Customer Advertising Display, including installation and service, as specified in section 3.8.1.3.A of the RFP, shall be \$378.00 per unit based on all four hundred (400) On-Line Retailer Terminals being pursuant to AWI's Conversion plan for delivery, implementation and acceptance testing as set forth in AWI's Proposal.
- (2) Customer Transaction Display, including installation and service, as specified in section 3.8.1.3.B of the RFP, shall be \$250.00 per unit based on all four hundred (400) On-Line Retailer Terminals being installed pursuant to AWI's Conversion plan for delivery, implementation and acceptance testing as set forth in AWI's Proposal.
- (3) Self Service Validators, attached to on-line terminals, including installation and service, as specified in section 3.8.1.3.C of the RFP, shall

be \$1,250.00 per unit based on a volume of one hundred fifty (150) installations pursuant to AWI's Conversion plan for delivery, implementation and acceptance testing as set forth in AWI's Proposal.

- (4) Cash Drawers for the on-line terminals, installation and service included, as specified in Section 3.8.1.3.D., shall be \$280.00 per unit based on a minimum order of one hundred twenty-five (125) installations pursuant to AWI's Conversion plan for delivery, implementation and acceptance testing as set forth in AWI's Proposal.

- II. All invoices shall be submitted weekly to the DSL. Upon verification of the charges, as provided in this Agreement, payment shall be made to AWI within thirty (30) business days of receipt by the DSL of the verified invoice. At the option of the DSL, payment to AWI shall be made by electronic funds transfer, if possible, to the financial institution designated by AWI.

CONTRACT FOR LOTTERY GAMES  
SYSTEM AND RELATED SERVICES

I. RECITALS

THIS CONTRACT for a Lottery Games System and Related Services is made and entered into this 19<sup>th</sup> day of December, 2008, by and between the COMMONWEALTH OF PENNSYLVANIA (hereinafter referred to as the "COMMONWEALTH"), DEPARTMENT OF REVENUE, for the PENNSYLVANIA LOTTERY (hereinafter referred to as the "DEPARTMENT" and "LOTTERY," respectively), an executive agency of the COMMONWEALTH, and SCIENTIFIC GAMES INTERNATIONAL, INC., (hereinafter referred to as "SGI" or "CONTRACTOR"), a duly organized and existing Delaware corporation, authorized to conduct business within Pennsylvania by the issuance of a Certificate of Authority by the Pennsylvania Department of State, with offices at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia, 30004, and having Federal Employer Identification Number [REDACTED] collectively referred to as the "Parties."

WHEREAS, the DEPARTMENT has as one of its responsibilities the operation and management of the LOTTERY, in accordance with the provisions of Act No. 91 of 1971, P.L. 351, approved August 26, 1971, as amended, sometimes known as the "State Lottery Law," (hereinafter also referred to as the "Act"); and,

WHEREAS, under the provisions of the State Lottery Law, the DEPARTMENT has the authority and duty to pay costs incurred in

the operation and administration of the LOTTERY, including costs resulting from any contracts entered into for the services related to the operation of its lottery games and associated services related to the LOTTERY's System, and for the purchase of LOTTERY related materials; and,

WHEREAS, the DEPARTMENT further has the authority to expend monies from the State Lottery Fund to pay the expenses of the operation of the LOTTERY; and,

WHEREAS, in this regard, the DEPARTMENT requires certain professional services of a qualified contractor for the design, production, system development, management and support of its Lottery Games System and Related Services as more specifically set forth in its Request for Proposal dated June 29, 2007, as amended by Amendments to Pennsylvania Lottery Games System and Related Services RFP Questions and Answers dated August 8, 2007, Pennsylvania Lottery Online RFP Clarification Questions dated November 2, 2007, and Request for Best and Final Offer ("BAFO") dated March 10, 2008, (collectively referred to as the "RFP") attached hereto and made a part hereof as APPENDIX A; and,

WHEREAS, SGI submitted a Proposal for a Lottery Game System and Related Services dated August 24, 2007, Response to the Pennsylvania Lottery Online Clarification Questions dated November 15, 2007, and a Best and Final Offer dated April 4, 2008, in response to the RFP (collectively referred to as the

"Proposal"), attached hereto and made a part hereof as APPENDIX B, and has represented that it is qualified by training and experience to perform the required services in the manner and on the terms and conditions set forth herein; and,

WHEREAS, the DEPARTMENT selected the Proposal of SGI as responsive to the requirements of the RFP and advantageous to the DEPARTMENT.

## II. AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth, and intending to be legally bound, the PARTIES hereto agree as follows:

### 1. DEFINITIONS:

As used in this CONTRACT, the following terms shall have the meanings prescribed herein:

A. "ACCEPTANCE" - Written approval from the Director transmitting notice to SGI that the LOTTERY has evaluated the performance of an action by SGI as meeting the LOTTERY'S requirements.

B. "ACCOUNTING WEEK" - Currently starts on commencement of Sales Day Tuesday and ends at the end of Sales Day the following Monday.

C. "ACT" - As defined in the Recitals.

D. "BACK-UP DATA CENTER" - The secondary computer facility located within the forty-eight (48) contiguous United

States at which a Back-Up Central System that processes in real time the mirror image of the System is installed and that will become the Primary Data Center in the event that the Primary System installed at the Data Center is not operating.

E. "CHANGE CONTROL" - As defined in Section APPENDIX D, WORK STATEMENT.

F. [INTENTIONALLY LEFT BLANK.]

G. [INTENTIONALLY LEFT BLANK.]

H. "CLOSE OF SALES" - Refers to the predetermined cut-off of wagering, currently approximately two (2) minutes prior to a LOTTERY drawing.

I. "COMMISSION" - Refers to the payment made to Lottery Retailers calculated on base sales of LOTTERY tickets.

J. "COMMONWEALTH" - As defined in the introductory paragraph of this CONTRACT. Except as the context may clearly indicate, COMMONWEALTH includes the DEPARTMENT and LOTTERY, and DEPARTMENT and LOTTERY include the COMMONWEALTH.

K. "CONTRACT" - Shall mean this CONTRACT for Lottery Games System and Related Services dated as of the date first recited above, including the Appendices attached hereto.

L. "DATA CENTER" - The Primary Computer Facility at which the System is installed, which shall be located at the same premises as the LOTTERY at 1200 Fulling Mill Road, Middletown, Pennsylvania, 17057.

M. "DEGRADED PERFORMANCE" - The System shall be operating with Degraded Performance if the System is not capable of providing all the services or functionality required by the RFP or included in the Proposal as agreed by the Parties for reasons other than Force Majeure or Network or communications failures.

N. "DEPARTMENT" - As defined in the introductory paragraph of this CONTRACT.

O. "DEPARTMENT PROJECT MANAGER" - The DEPARTMENT employee who is appointed by DEPARTMENT to act as the primary point of contact for the DEPARTMENT with respect to each Party's obligations under this CONTRACT.

P. [INTENTIONALLY LEFT BLANK.]

Q. "DIRECTOR" - The Executive Director of the LOTTERY.

R. "DOCUMENTATION" - All documentation, written materials, work papers, configurations and manuals, whether hard copy or electronic, prepared by or on behalf of SGI or any of SGI's agents pursuant to this CONTRACT, but excluding any confidential information of SGI.

S. "DOWN" - The System shall be Down if a transaction submitted by any terminal in the System is not processed by the System due to System failures, other than Network or communications failures or other failures which are determined to be outside the responsibility of SGI, including Force Majeure.

T. "DRAWING DAY" - A day on which a drawing is made for any LOTTERY games.

U. "EFFECTIVE DATE" - The date upon which this CONTRACT is executed by all required signatories.

V. "EXPIRATION DATE" - The date upon which this Contract shall expire as set forth in Paragraph 3, CONTRACT TERM AND EXTENSIONS.

W. "IMPLEMENTATION SCHEDULE" - The Implementation Schedule developed by the Parties for the services pursuant to the Work Statement. Such schedule may include, but is not limited to, the development, design and testing of the Systems and installation and testing of the terminals at each Lottery Retailer.

X. "INSTANT TICKET" - A hard copy bearer instrument that is a player's record of a Wager for participation in an instant Lottery game.

Y. "INSTANT TICKET VENDING MACHINE" - A free-standing device that may be connected to the System for use by Lottery game players which, upon the insertion of cash or other acceptable method of payment, dispenses Instant Tickets selected by the players.

Z. "LOTTERY RETAILER" or "RETAILER" - An established business which is a party to a contract with the LOTTERY to sell LOTTERY tickets.

AA. "LOTTERY TICKET" - Any ticket to a game sold by the LOTTERY representing a Wager and processed on the System.

AB. "MANAGEMENT TERMINAL" - A computer provided by the LOTTERY on which SGI Proprietary Software, as such software is more particularly described in the Proposal, is installed by SGI and connected to the System which allows for the review of information concerning the performance of the Systems and as more particularly specified in the WORK STATEMENT, and as may be agreed to by the Parties.

AC. "NETWORK" or "COMMUNICATIONS NETWORK" - A Communications Network that may utilize various communications methodologies approved by the LOTTERY which provides interfaces and compatibility between terminals, modems, data sets, lines, satellites, other communications equipment or devices and SGI's Primary and Back-Up Computer Systems.

AD. "ON-LINE GAMES" - Games, also known as terminal-based games, which are sold, recorded, validated and redeemed through the System to be provided by SGI pursuant to this CONTRACT.

AE. "ON-LINE TERMINAL" - The terminal installed at LOTTERY RETAILER locations for the purpose of selling and redeeming tickets sold and performing accounting functions for On-Line Games, activating Instant Tickets, validating Instant Tickets and performing pack management and accounting functions.

AF. "ON-LINE TICKET" - A paper bearer instrument that is a player's record of a Wager or Transaction for an On-Line Lottery Game.

AG. "PLAY SLIP" -(BET SLIP) A preprinted form issued under the authority of the LOTTERY and provided by SGI, for use in marking numbers or symbols to be used in placing a Wager for an On-Line Lottery Game. The PLAY SLIP is not a Lottery Ticket.

AH. "PLAYER ACTIVATED TERMINAL (PAT)" - A self-service device that allows LOTTERY players to place Wagers on any Lottery On-Line or Instant Game. The PAT is connected to the System and records Transactions in the same manner as On-line Terminals.

AI. "PROPOSAL" - Documents consisting of the technical, cost, and disadvantaged business Proposals, as well as all other submissions supplied by SGI as its response to RFP No. Lottery 2-2007, incorporated by reference herein as APPENDIX B.

AJ. "RELATED SERVICES" - Services related to the provision and operation of the System as set forth in the CONTRACT and any other services as agreed upon by the Parties.

AK. "SALES DAY" - Shall begin following the close of sales of a given day and ends at the close of sales at the end of the next day between the times set forth in Schedule D, "WORK STATEMENT," as such times may be amended from time to time.

AL. "SCHEDULED START-UP DATE" - The date on which the System is scheduled to commence operations as specified in the Implementation Schedule.

AM. "SECRETARY" - The Secretary of the Department of Revenue, COMMONWEALTH OF PENNSYLVANIA.

AN. "SGI" - As defined in the introductory paragraph of this CONTRACT.

AO. "SGI PROJECT MANAGERS" - SGI employees who are appointed by SGI to act as the primary points of contact for SGI with respect to SGI's obligations under this CONTRACT during the design, development, testing, installation, operation and maintenance of the System throughout the Term of this CONTRACT and any extensions.

AP. "SGI PROPRIETARY SOFTWARE" - The software, tools and related Documentation: (1) owned by SGI or any of SGI's subsidiaries, affiliates, contractors or agents prior to the Effective Date and which are used in connection with the System or the Related Services herein; and, (2) which SGI or any of SGI's subsidiaries, affiliates, contractors or agents acquires ownership of after the Effective Date, or which is developed by or on behalf of SGI after the Effective Date, and, in either case, is used in connection with the System or the Related Services herein; except that, for purposes of the foregoing clauses (1) and (2), only to the extent such software and

Documentation is not software or documentation owned by the COMMONWEALTH or a modification or enhancement hereto developed pursuant to this CONTRACT.

AQ. "SYSTEM" - The System to be furnished by SGI pursuant to the CONTRACT which sells and redeems On-Line Tickets, validates Instant Tickets, and performs accounting and pack management functions for On-Line and Instant Tickets at the Primary Data Center and Back-Up Data Center pursuant to this CONTRACT.

AR. "TERM" - The period of time between the Effective Date and the Expiration Date as set forth in Paragraph 3, CONTRACT TERM AND EXTENSIONS, and any modifications thereof.

AS. "THIRD PARTY GAME" - Means a lottery game that is proprietary to an entity other than the CONTRACTOR and is protected by patent, trademark, trade secret, or otherwise.

AT. "TOTAL GROSS SALES" - Means the total value of Instant Ticket packs settled as either fully or partially sold (including free tickets, coupons and discounts processed during the Accounting Week) reduced by the value of returned unsold tickets, stolen tickets and defective tickets processed during the accounting week, plus the total value of all On-Line Games sales recorded in the System for these games (including free tickets, coupons, discounts and sales for drawings that will occur in the future).

AU. "TRANSACTION" - An action initiated at a terminal and recorded on the System which is assigned a unique transaction number in the System.

AV. "UP" - The System shall be Up for purposes of On-line Terminal Maintenance in accordance with Section 32.L, when it is fully operational and is capable of performing services as set forth in this CONTRACT.

AW. "WAGER"- One play for a specified LOTTERY drawing of a LOTTERY game.

AX. "WORK STATEMENT" - The WORK STATEMENT, attached hereto as APPENDIX D and made a part hereof, as amended from time to time and as supplemented by the documentation, documents, lists, plans, procedures, diagrams, letters of understanding and manuals contemplated thereby.

2. WORK STATEMENT:

SGI shall provide during the TERM a complete Lottery Game System and Related Services as described in APPENDIX B, and as more particularly specified in the WORK STATEMENT, attached hereto and made a part hereof as APPENDIX D.

3. CONTRACT TERM AND EXTENSIONS:

This CONTRACT shall be effective for all purposes other than payment of compensation as of the Effective Date. Payment of compensation shall become effective on January 1, 2009. The Term of this CONTRACT shall continue through midnight, December

31, 2013. It is understood and agreed by the Parties that the DEPARTMENT may extend this CONTRACT at its sole option for up to an additional five (5) years, in increments of one (1) or more years upon terms and conditions mutually agreed upon the Parties. The DEPARTMENT may exercise its option(s) by sending written notice to the CONTRACTOR no later than ninety (90) days from the expiration of the CONTRACT or any extension thereof, or by such other date as mutually agreed upon by both Parties in writing. The Parties hereby agree that upon execution of this CONTRACT, the LOTTERY shall be deemed to exercise its option hereunder to extend the Term of this CONTRACT for an additional one (1) year period, so that the Term hereof shall continue through and including December 31, 2014, which may be extended for up to four (4) years, in increments of one (1) or more years upon terms and conditions mutually agreed upon the Parties.

4. TERMS OF PAYMENT:

The DEPARTMENT agrees to pay, and the CONTRACTOR agrees to accept as full compensation for the services rendered hereunder, the fees set forth in APPENDIX C, "PRICES AND TERMS," attached hereto and made a part hereof as if fully set forth.

5. RIGHT OF INSPECTION AND OBSERVATION:

Subject to the provisions of Paragraph 18, SECURITY OF INFORMATION, the DEPARTMENT shall have the right to inspect all phases of the production and support of the System and Related

Services provided hereunder upon reasonable prior notice to SGI and subject to SGI's safety and security procedures.

6. NON-EXCLUSIVE:

The DEPARTMENT reserves the right to develop, introduce and direct the implementation and operation of as many other lotteries and other games or programs as the DEPARTMENT deems to be in the best interest of the COMMONWEALTH.

7. DELIVERIES, DAMAGES:

All materials delivered under this CONTRACT will be delivered to the CONTRACTOR's Pennsylvania warehouse located in or near Harrisburg, Pennsylvania, or such other location(s) as mutually agreed upon by the Parties.

8. BONDS AND INSURANCE:

A. Insurance

For the entire period of this CONTRACT, SGI agrees to maintain the following insurance with the COMMONWEALTH, the DEPARTMENT and the LOTTERY named as additional insureds, which insurance shall provide funds, fees, and legal costs for any damage, loss of revenue or claims incurred or arising as a result of the operation of the System. However, the COMMONWEALTH, the DEPARTMENT and the LOTTERY shall not be named as additional insureds on the errors and omissions policy described in Subparagraph 8(C), below. No insurance shall be cancelled or changed without at least thirty (30) days prior,

written notice to the LOTTERY. By requiring such coverage, the LOTTERY does not waive any immunity from liability which it may otherwise have.

S GI agrees to furnish the LOTTERY with certificates of insurance for all insurance required under this CONTRACT within fourteen (14) days of final execution and delivery of this CONTRACT to S GI, with the exception of the certificates for Errors and Omissions insurance, which Errors and Omissions certificate of insurance shall be furnished to the LOTTERY prior to System Start-Up as set forth in the WORK STATEMENT, Appendix D.

All certificates of insurance furnished by S GI shall aver that coverages afforded shall not be canceled or changed without at least thirty (30) days prior written notice to the LOTTERY.

S GI shall acquire insurance written for not less than any limits of liability herein specified or required by law, whichever is greater, and shall include contractual liability insurance as applicable to S GI's obligations under Paragraph 11, INDEMNIFICATION, of this CONTRACT.

1. PROPERTY. S GI shall maintain insurance on all materials and equipment used in operating the System in S GI's business in the amount of actual replacement cost thereof. Such policy shall include an All Risk Property Floater to insure personal property including contents, materials, and mobile

items against fire, collision, flood, etc. Neither the COMMONWEALTH, the DEPARTMENT, the LOTTERY, nor Lottery Retailers are responsible for any such insurance.

2. PUBLIC LIABILITY. SGI shall maintain comprehensive General Liability and Property Damage insurance with limits of not less than one million dollars (\$1,000,000) for any one (1) person and three million dollars (\$3,000,000) for any one (1) occurrence for personal injury, and three million dollars (\$3,000,000) for any one (1) occurrence for property damage.

3. ERRORS AND OMISSIONS. SGI shall maintain errors and omissions insurance with limits of not less than fifty million dollars (\$50,000,000) shall be in force and effective from the date of the System Start-Up and shall continue without interruption for one (1) year after the expiration of the CONTRACT. Errors and Omissions insurance shall indemnify SGI, the COMMONWEALTH and the LOTTERY for any loss which may be incurred due to System Down time, any error or omission of SGI during the period of time that Retailer terminals of any type, including but not limited to Online Terminals, PATs and ITVMs, are expected to be operational; machine error; or any error or omission caused by SGI, its officers, employees, or agents. SGI shall require that subcontractors and service providers maintain Errors and Omissions Insurances, with policy limits acceptable to the LOTTERY, for the terms of any contracts for performance

of work required of SGI, as prime CONTRACTOR, under this CONTRACT.

4. AUTOMOTIVE INSURANCE. SGI shall insure automotive equipment used in the operation of the System. SGI shall maintain Automobile Bodily Injury Liability insurance with a limit of one million dollars (\$1,000,000) for each person and five million dollars (\$5,000,000) for each accident, and Property Damage Liability insurance with a limit of not less than one million dollars (\$1,000,000) for each accident.

5. EMPLOYEES. SGI shall insure its employees according to COMMONWEALTH OF PENNSYLVANIA statutes and regulations, including coverage as required under the Workmen's Compensation Law.

B. BONDS

All bonding must be issued by a firm authorized by the Office of the Insurance Commissioner to write business in the COMMONWEALTH OF PENNSYLVANIA.

1. FIDELITY BOND: Within fourteen (14) days of final execution and delivery of this CONTRACT to SGI, SGI shall deliver to the LOTTERY a Fidelity Bond in the amount of ten million dollars (\$10,000,000) covering any loss to the COMMONWEALTH due to any fraudulent or dishonest act on the part of SGI's officers, employees or agents. Failure to post such bond within the time period shall void this CONTRACT and the

LOTTERY shall be entitled to liquidated damages of one hundred thousand dollars (\$100,000)/day (but not to exceed five million dollars (\$5,000,000)) until a contract is executed with a new contractor to perform in the place of SGI. This bond shall be maintained during the Term of this CONTRACT and any extensions thereof. The cost of the bond is included in SGI's cost.

2. PERFORMANCE BOND: Within seven (7) days of final execution and delivery of this CONTRACT to SGI, SGI must deliver to the LOTTERY a Performance Bond which will be effective as of the Commencement Date of this CONTRACT. Failure to post such bond within the time period shall void this CONTRACT and the LOTTERY shall be entitled to liquidated damages of one hundred thousand dollars (\$100,000)/day (but not to exceed five million dollars (\$5,000,000)) until a contract is executed with a new contractor to perform in the place of SGI. A Performance Bond in the amount of twenty million dollars (\$20,000,000) will be required for the first year of this CONTRACT. The Performance Bond may be forfeited to the LOTTERY if SGI defaults in the performance of this CONTRACT. The Performance Bond may be assessed any damages caused by SGI's failure to meet any requirement of this CONTRACT. The amount of the Performance Bond for the second and subsequent years of this CONTRACT shall be the sum of ten million dollars (\$10,000,000) plus the total of all liquidated damages assessed against SGI during the

preceding twelve (12) months of operation under this CONTRACT. The Performance Bond may be assessed all liquidated damage payments due the Lottery which have not been received within thirty (30) calendar days after written notice of the assessment of liquidated damages has been given to SGI. The Performance Bond may have a term of one (1) year and be renewable annually; provided that a Performance Bond in the amount specified in this subparagraph is in force at all times during the Term of this CONTRACT.

A Performance Bond may be in the form of a policy or certificate issued by a reputable surety company. A certified check or cashier's check made payable to the COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF REVENUE, PENNSYLVANIA LOTTERY, may be accepted in lieu of the surety company issued policy/certificate.

3. LITIGATION BOND: The Litigation Bond posted by SGI pursuant to the RFP shall be returned to SGI upon final execution of this CONTRACT provided SGI executes appropriate releases and covenants not to sue in favor of the COMMONWEALTH.

9. PROPRIETARY RIGHTS:

The COMMONWEALTH acknowledges such proprietary rights as CONTRACTOR and its subcontractors may have in and to the System as specified in APPENDIX B and in the SGI Proprietary Software

and materials heretofore or hereafter created by CONTRACTOR for the operation of the System.

All original written material, including reports, tickets, algorithms, game designs, game names, studies, blueprints, programs, tapes, listings, artwork and other documentation originated and prepared by CONTRACTOR or any subcontractor exclusively and specifically for the LOTTERY pursuant to this CONTRACT shall belong exclusively to the LOTTERY.

CONTRACTOR further agrees that it shall not provide or use any matter trademarked or copyrighted by a third party without the written approval of the Secretary, unless the CONTRACTOR provides the DEPARTMENT with the written permission of the trademark or copyright owner for the DEPARTMENT to use such trademarked or copyrighted matter under this CONTRACT.

Each new invention, discovery or important improvement, which includes ideas, concepts, know-how or techniques, developed exclusively and specifically for the LOTTERY in the normal course of performing obligations pursuant to this CONTRACT and is not SGI Proprietary Software or otherwise owned by SGI shall be treated as follows:

- a. if made exclusively by LOTTERY personnel, it shall be the property of the LOTTERY;
- b. if made exclusively by CONTRACTOR personnel, it shall be the property CONTRACTOR, and CONTRACTOR grants the

LOTTERY a non-exclusive, irrevocable, nontransferable and royalty-free license to such invention, discovery or improvement;

c. if made jointly by personnel of LOTTERY and CONTRACTOR, it shall be jointly owned equally.

10. PATENT AND COPYRIGHT PROTECTION:

The CONTRACTOR, at its sole expense, agrees to defend and hold harmless the COMMONWEALTH, the DEPARTMENT, the LOTTERY, its agents and employees, against any claims, damages, losses or expenses, for the infringement of United States Patents, trademarks, or copyrights by the data furnished by or through the CONTRACTOR and used by the DEPARTMENT for LOTTERY purposes in accordance with any restrictions or use which the CONTRACTOR had communicated to the DEPARTMENT. The DEPARTMENT agrees to give the CONTRACTOR prompt written notice of all such suits and shall reasonably cooperate with the CONTRACTOR in the defense of such suits.

If the materials furnished hereunder, other than materials owned exclusively by the DEPARTMENT, become the subject of a lawsuit or claim of infringement of a United States trademark, copyright or patent, or if the CONTRACTOR becomes aware that such item or items are likely to become the subject of a lawsuit or claim of infringement, the CONTRACTOR shall immediately notify the DEPARTMENT and the LOTTERY in writing and, without

diminishing the CONTRACTOR's obligation to defend and hold harmless the COMMONWEALTH, the DEPARTMENT, the LOTTERY, its agents and employees, the CONTRACTOR may exercise one (1) of the following options in order to provide the DEPARTMENT and the LOTTERY with continued uninterrupted use of the item(s) for the purposes of and as contemplated by this CONTRACT:

A. Obtain for the DEPARTMENT the right to continue the use of the infringing item at no additional cost to the DEPARTMENT; or,

B. Substitute for the alleged infringing items other equivalent or better items deemed satisfactory to the DEPARTMENT, at no additional cost to the DEPARTMENT; or,

C. Agree to an alternative acceptable to both the CONTRACTOR and the DEPARTMENT.

In the event the use of the items(s) furnished hereunder is prevented by preliminary or permanent injunction, or in any other manner, the CONTRACTOR shall, immediately upon notice to it of the action preventing the DEPARTMENT'S use of the item, exercise one (1) of the three (3) options provided for above at no additional cost to the DEPARTMENT so as to provide the DEPARTMENT with continued, uninterrupted use of the materials as contemplated by this CONTRACT.

11. INDEMNIFICATION:

The CONTRACTOR shall indemnify and hold harmless the COMMONWEALTH, DEPARTMENT and the LOTTERY, and its agents and employees, from and against all claims, damages, losses and expenses, including reasonable attorneys' fees, for loss or injury under this CONTRACT alleged to have been caused in whole or part by any negligent or equally or more culpable act or omission of:

A. The CONTRACTOR; or,

B. Any subcontractor to the CONTRACTOR while acting in such capacity as a subcontractor; or,

C. Any person directly or indirectly employed by the CONTRACTOR or by a subcontractor to the CONTRACTOR; or,

D. Any person for whose acts or omissions the CONTRACTOR or subcontractor to the CONTRACTOR may be liable committed while performing obligations of the CONTRACTOR under this CONTRACT, including situations in which the allegation is made that the alleged loss or injury was caused in part by an act or omission of any person or entity indemnified hereunder.

12. PRIME CONTRACTOR RESPONSIBILITIES:

The CONTRACTOR is the prime contractor and, as such, is responsible for all contractual activities performed under this CONTRACT, whether or not the CONTRACTOR performs them. The CONTRACTOR shall be the sole point of contact with regard to

contractual matters, including payment of any or all charges hereunder.

13. INDEPENDENT CONTRACTOR AND GOVERNMENTAL RESPONSIBILITY:

The CONTRACTOR shall perform its services under this CONTRACT as an independent contractor and shall provide and pay for all insurance as is required by federal and Pennsylvania law. The CONTRACTOR shall further provide for such social security, tax and any other payments or deductions as are required by federal and state law.

14. ASSIGNMENT AND SUBCONTRACTING:

The CONTRACTOR is prohibited from assigning, transferring, or otherwise disposing of this CONTRACT or any section or portion thereof, its rights, title or interests therein, or its power to execute such CONTRACT to any other person, company, corporation, or entity without the prior written consent of the DEPARTMENT. The DEPARTMENT shall not unreasonably withhold its consent under this paragraph in the case of any assignment, transfer or other disposition that would not materially prejudice the COMMONWEALTH's interests hereunder.

No subcontracting is permitted without the express, written approval of the DEPARTMENT. The DEPARTMENT reserves the right to require the CONTRACTOR to replace, at no increase in the CONTRACT price or extension of the time for the CONTRACTOR's performance, such subcontractors reasonably found to be

unacceptable to the DEPARTMENT. The CONTRACTOR shall be responsible for enforcing against subcontractors those provisions of the CONTRACT applicable to subcontractors. Any change in subcontractors or in the location of the CONTRACTOR's facilities at which work for the LOTTERY is to be performed must be approved by the DEPARTMENT in writing prior to such change.

15. CONTRACTOR PERSONNEL:

The CONTRACTOR shall comply with the Proposal commitments regarding the personnel identified in its Proposal, attached hereto as Appendix B, who will be employed to perform the conversion and operational management activities subsequent to conversion. The CONTRACTOR warrants to the DEPARTMENT that it shall undertake its best efforts to retain these personnel on this CONTRACT for the time periods that best serve the mutual interests of CONTRACTOR, employee, and the DEPARTMENT. Changes to the personnel commitments in the Proposal shall be communicated in writing to the DEPARTMENT prior to the change. The LOTTERY reserves the right to review and/or disapprove all employees prior to assignment to the LOTTERY CONTRACT. Such notification shall include an explanation for the change and a plan for replacement of that person. SGI also warrants that it shall exert its best efforts to develop and maintain a staff of sufficient depth and continuity acceptable for the provision of services to the LOTTERY.

16. TICKET PURCHASE AND PRIZE PAYMENT RESTRICTIONS

The CONTRACTOR acknowledges that, under the Act, regulations and DEPARTMENT policy generally, no officer or employee and no spouse, child, brother, sister, or parent residing in the household of any officer or employee of the CONTRACTOR or of any subcontractor with direct access to the System shall purchase a Pennsylvania LOTTERY ticket or be paid a prize in any Pennsylvania LOTTERY Game. As to Powerball® and such other multi-state or international lottery games in which the LOTTERY is now or may become a participant during the Term of this CONTRACT, the same restrictions apply to the purchase of such game tickets within Pennsylvania only. SGI warrants that it has communicated this requirement to each officer and employee of the CONTRACTOR assigned to work on this CONTRACT and any subcontractors and service providers.

17. ABSENCE OF CERTAIN CHANGES OR EVENTS:

The CONTRACTOR warrants that:

A. As of the Effective Date of this CONTRACT, the CONTRACTOR has not, except as disclosed to the LOTTERY:

1. Sold, assigned, voluntarily encumbered, granted a license or sublicense with respect to or disposed of all or substantially all of its assets, other than in the ordinary course of its business as conducted on the date of its Proposal, August 24, 2007.

2. Entered into any contract or commitment, including but not limited to, acquisitions or sales within its business area except in the ordinary course of business as conducted on the date of the CONTRACTOR'S Proposal, August 24, 2007.

3. Changed in any respect material to this CONTRACT its business policies or practices since the date of its Proposal, August 24, 2007.

4. Altered or revised in any way its accounting principles, procedures, methods or practices, since the date of its Proposal, August 24, 2007.

5. Entered into any other transaction or take any other action except in the ordinary course of business as conducted on the date of its Proposal, August 24, 2007.

Neither the DEPARTMENT nor the CONTRACTOR is aware of any plans of any member of the CONTRACTOR'S management, supervisory or key employees actively involved in the CONTRACTOR'S performance of this CONTRACT to retire or otherwise cease being an employee of the CONTRACTOR prior to or within one (1) year following the commencement of the Term of this CONTRACT except as otherwise communicated to the LOTTERY by CONTRACTOR.

B. As of the Effective Date of this CONTRACT, there has been no material adverse change in the financial condition, business, properties, or prospects of the CONTRACTOR.

If the CONTRACTOR experiences any changes as outlined in Subparagraph A or B, above, during the period of this CONTRACT, the CONTRACTOR shall promptly notify the DEPARTMENT and the LOTTERY subject to applicable requirements of the Securities and Exchange Commission, in the manner set forth in Paragraph 32 of this CONTRACT, NOTICE, of such change promptly following the time the change occurs or is identified, whichever is earlier. Failure to give notice to the DEPARTMENT and the LOTTERY will be sufficient grounds for terminating this CONTRACT.

18. SECURITY OF INFORMATION:

SGI and its employees shall be allowed access to confidential LOTTERY files, including information created by or for the LOTTERY as a result of this CONTRACT, only as necessary to perform SGI's duties related to this CONTRACT and in accordance with the rules established by the LOTTERY.

SGI shall maintain positive policies and procedures for safeguarding the confidentiality of such information and may be liable civilly or criminally to the COMMONWEALTH under applicable state statutes for the unlawful release of such information or in liquidated damages as further described in this CONTRACT for unauthorized access to such information. SGI warrants that it will use its best efforts to prevent disclosure, other than in the ordinary performance of this CONTRACT, of any information, as well as reports, or details of

the games planned by and for the DEPARTMENT in connection with the performance of this CONTRACT during the Term of this CONTRACT, plus any extensions hereof, except to authorized DEPARTMENT personnel or upon prior written approval of the Secretary. SGI agrees to execute the COMMONWEALTH's Confidentiality Statement, attached hereto and made a part hereof as APPENDIX G.

The Parties shall maintain as confidential any and all information of the other Party to this CONTRACT related, but not limited, to the business activities, practices, systems, conditions, products, services, plans, markets, studies, algorithms, calculations, production, imaging, layout, computer programming, collation, inventory recording, distribution, or security methods, processes, know-how or other confidential and proprietary information developed by a Party and specifically designated to the other Party, which is not a public record as defined by the Pennsylvania Right to Know Law, 65 P.S. § 66.1, et seq. Dissemination of any confidential information of the COMMONWEALTH shall not be made to anyone other than the Parties to this CONTRACT and their subcontractors and agents in the fulfillment of this CONTRACT without prior, written approval of the Secretary, except as required by law. The CONTRACTOR may require that specific nondisclosure agreements be signed by the LOTTERY personnel who become involved in the phases of the

CONTRACT wherein such personnel would have access to the information described in this Paragraph 18. The provisions of this Paragraph 18 shall survive the termination of this CONTRACT.

19. CONTRACTOR INTEGRITY:

A. For the purpose of this Paragraph 19 only, the words "confidential information," "consent," "CONTRACTOR," "financial interest" and "gratuity" shall have the following definitions:

i. "Confidential Information" means information that is not public knowledge, or available to the public on request, disclosure of which would give an unfair, unethical, or illegal advantage to another desiring to contract with the COMMONWEALTH.

ii. "Consent" means written permission signed by a duly authorized officer or employee of the COMMONWEALTH, provided that where the material facts have been disclosed, in writing, by prequalification, bid, proposal, or contractual terms, the COMMONWEALTH shall be deemed to have consented by virtue of execution of this CONTRACT:

iii. "CONTRACTOR" means the individual or entity that has entered into this CONTRACT with the COMMONWEALTH, including directors, officers, partners, managers, key employees, and owners of more than a five (5%) percent interest in the business.

iv. "Financial interest" means:

1. Ownership of more than a five (5%) percent interest in any business; or,

2. Holding a position as an officer, director, trustee, partner, employee or the like, or holding any position of management.

v. "Gratuity" means any payment of more than nominal monetary value in the form of cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind.

B. The CONTRACTOR shall maintain the highest standards of integrity in the performance of this CONTRACT and shall take no action in violation of state or federal laws, regulations, or other requirements that govern contracting with the COMMONWEALTH.

C. The CONTRACTOR shall not, in connection with this or any other CONTRACT with the COMMONWEALTH, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendations, vote, other exercise of discretion, or violation of a known legal duty by any officer or employee of the COMMONWEALTH.

D. The CONTRACTOR shall not, in connection with this or any other CONTRACT with the COMMONWEALTH, directly or indirectly, offer, give or agree or promise to give to anyone

any gratuity for the benefit of or at the direction or request of any officer or employee of the COMMONWEALTH.

E. Except with the consent of the COMMONWEALTH, neither the CONTRACTOR nor anyone in privity with it shall accept or agree to accept from, or give or agree to give to, any person, any gratuity from any person in connection with the performance of work under this CONTRACT except as provided therein.

F. Except with the consent of the COMMONWEALTH, the CONTRACTOR shall not have a financial interest in any other contractor, subcontractor, or supplier providing services, labor, or material on this project.

G. The CONTRACTOR upon being informed that any violation of these provisions has occurred or may occur, shall immediately notify the COMMONWEALTH in writing.

H. The CONTRACTOR, by execution of this CONTRACT and by the submission of any bills or invoices for payment pursuant thereto, certifies and represents that it has not violated any of these provisions.

I. The CONTRACTOR upon the inquiry or request of the Inspector General of the COMMONWEALTH or any of that official's agents or representatives, shall provide, or, if appropriate, make available promptly for inspection or copying, any information of any type or form deemed relevant by the Inspector General to the CONTRACTOR's integrity or responsibility, as

those terms are defined by the COMMONWEALTH's statutes, regulations, or management directives. Such information may include, but shall not be limited to, the CONTRACTOR's business or financial records, documents or files of any type or form that refers to or concern the CONTRACT. The CONTRACTOR shall retain such information for a period of three (3) years beyond the termination of the CONTRACT unless otherwise provided by law.

J. For violation of any of the above provisions, the COMMONWEALTH may terminate this and any other CONTRACT with the CONTRACTOR, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all expenses incurred in obtaining another contractor to complete performance hereunder, and debar and suspend the CONTRACTOR from doing business with the CONTRACT. These rights and remedies are cumulative, and the use or nonuse of any one shall not preclude the use of all or any other. These rights and remedies are in addition to those the CONTRACT may have under law, statute, regulation or otherwise.

20. CONTRACTOR RESPONSIBILITY:

For the purpose of this Paragraph 20, the term CONTRACTOR is defined as any person, including, but not limited to, a bidder, offeror, loan recipient, grantee, or sub-grantee, who has furnished or seeks to furnish goods, supplies, services, or

leased space, or who has performed or seeks to perform construction activity under contract, subcontract, grant, or sub-grant with the COMMONWEALTH, or with a person under contract, subcontract, grant, or subgrant with the COMMONWEALTH or its state-affiliated entities, and state-related institutions. The term CONTRACTOR may include a permittee, licensee, or any agency, political subdivision, instrumentality, public authority, or other entity of the COMMONWEALTH.

A. The CONTRACTOR certifies, in writing, for itself and all of its subcontractors, that as of the date of its execution of any COMMONWEALTH CONTRACT, that neither the CONTRACTOR, nor any subcontractors, nor any suppliers are under suspension or debarment by the COMMONWEALTH or any governmental entity, instrumentality, or authority and, if the CONTRACTOR cannot so certify, then it agrees to submit, along with the bid/proposal, a written explanation of why such certification cannot be made.

B. The CONTRACTOR must also certify, in writing, that as of the date of its execution, of this COMMONWEALTH CONTRACT it has no tax liabilities or other COMMONWEALTH obligations.

C. The CONTRACTOR's obligations pursuant to these provisions are ongoing from and after the Effective Date of the CONTRACT through the termination date thereof. Accordingly, the CONTRACTOR shall have an obligation to inform the contracting agency if, at any time during the Term of the CONTRACT, it

becomes delinquent in the payment of taxes, or other COMMONWEALTH obligations, or if it or any of its subcontractors are suspended or debarred by the COMMONWEALTH, the federal government, or any other state or governmental entity. Such notification shall be made within fifteen (15) days of the date of suspension or debarment.

D. The failure of the CONTRACTOR to notify the contracting agency of its suspension or debarment by the COMMONWEALTH, any other state, or the federal government shall constitute an event of default of the CONTRACT with the COMMONWEALTH.

E. The CONTRACTOR agrees to reimburse the COMMONWEALTH for the reasonable costs of investigation incurred by the Office of State Inspector General for investigations of the CONTRACTOR's compliance with the terms of this or any other agreement between the CONTRACTOR and the COMMONWEALTH, which results in the suspension or debarment of the CONTRACTOR. Such costs shall include, but shall not be limited to, salaries of investigators, including overtime, travel and lodging expenses, and expert witness and documentary fees. The CONTRACTOR shall not be responsible for investigative costs for investigations that do not result in the CONTRACTOR's suspension or debarment.

F. The CONTRACTOR may obtain a current list of suspended and debarred COMMONWEALTH CONTRACTORS by either searching the internet at <http://www.dgs.state.pa.us> or contacting the:

Department of General Services  
Office of Chief Counsel  
603 North Office Building  
Harrisburg, PA 17125  
Telephone No.: (717) 783-6472  
FAX No.: (717) 787-9138

21. TAXES:

The Department shall have no responsibility for the payment of any federal, state or local taxes which become payable by the CONTRACTOR or its subcontractors as a result of this CONTRACT. SGI and its subcontractors and suppliers shall be designated agents for the LOTTERY in the provision of all services and materials, including but not limited to, the Network required under this CONTRACT. The DEPARTMENT agrees to provide the CONTRACTOR with applicable Pennsylvania sales and use tax exemption certificates.

22. ACCOUNTING RECORDS:

The CONTRACTOR shall maintain, in accordance with generally accepted accounting principles, all pertinent books, documents, financial and accounting records and evidence pertaining to the CONTRACT to the extent and in such detail as necessary to document all net costs, direct and indirect for which payment is claimed under this CONTRACT.

Subject to execution by the DEPARTMENT, or its designee, of the CONTRACTOR's nondisclosure agreement, consistent with the provisions of Paragraph 18, supra, such financial and accounting records shall be made available for inspection and copying, upon request, to the DEPARTMENT, its designees, the State Inspector General or any authorized agency of the COMMONWEALTH OF PENNSYLVANIA at any time during the CONTRACT period and any extension thereof, and for three (3) years from expiration date or final payment under this CONTRACT, whichever is later in time.

23. RIGHT TO AUDIT:

Subject to execution by the DEPARTMENT, or its designee, of the CONTRACTOR's nondisclosure agreement, the CONTRACTOR agrees to permit the audit of its records by the DEPARTMENT, its designees, and the State Inspector General. All billings, costs, and financial accounting records, source documentation, data systems, programs, applications, project planning summaries, and field summaries, will be available for audit, examination, inspection, and copying. The COMMONWEALTH and the DEPARTMENT reserve the right to perform at their sole discretion, additional audits, including but not limited to, audits of a financial/compliance nature, economy/efficiency, security program results nature, or limited scope audits. Additionally, the COMMONWEALTH and the DEPARTMENT also reserve

the right to inspect and copy any of the CONTRACTOR's third-party auditor's reports and management letters.

24. WAIVER:

The failure of a Party to insist upon strict adherence to any Term of this CONTRACT shall not be considered a waiver or deprive the Party of the right thereafter to insist upon strict adherence to that Term or any other Term of the CONTRACT.

25. AMENDMENTS, MODIFICATIONS:

This CONTRACT may not be modified, amended, or extended, except by an instrument in writing duly signed by both Parties. Any breach or default by a Party shall not be waived or released other than in writing signed by the other Party.

26. FORCE MAJEURE:

A Party shall be excused from any breach or default with respect to this CONTRACT to the extent that the Party was prevented from performance by reason of anything beyond the Party's control not reasonably avoidable such as a strike or other labor disturbance, act of any governmental authority or agency, fire, flood, wind, storm or any other act of God, or the act or omission of any third party not controlled by that Party ("Force Majeure").

Neither the CONTRACTOR nor the DEPARTMENT shall be liable to the other for any delay in or failure of performance under this CONTRACT due to a Force Majeure. Any such delay in or

failure of performance shall not constitute default or give rise to any liability for damages. The existence of such causes of delay or failure shall extend the period for performance to such extent as reasonably determined by the Secretary to be necessary to enable complete performance by the CONTRACTOR if reasonable diligence is exercised by SGI after the causes of delay or failure have been removed.

27. DISPUTE:

In the event that any dispute arises between the Parties with respect to the performance that is required of the CONTRACTOR under this CONTRACT, the DEPARTMENT shall make a determination in writing of its interpretation and shall send the same to the CONTRACTOR. That interpretation shall reference this paragraph of the CONTRACT and shall be final, conclusive and unreviewable in all aspects, unless the CONTRACTOR within thirty (30) days of the receipt of said writing delivers to the Secretary of Revenue or his duly authorized designee a written appeal. Subject to applicable law, the decision of the Secretary (or said designee) on any such appeal shall be final and conclusive and the CONTRACTOR shall thereafter with good faith and diligence render such performance as the DEPARTMENT or Secretary has determined is required of it. The CONTRACTOR's sole options with respect to any such decision shall be either:

A. To accept said decision as a correct and binding interpretation of the CONTRACT; or,

B. To make such a claim as it may desire to the COMMONWEALTH's Board of Claims, pursuant to the Act of May 20, 1937, P.L. 728, No. 193, as amended. (72 P.S. § 4651-1 et seq.)

Pending a final judicial resolution of any such claim provided to said Board, the CONTRACTOR shall proceed diligently and in good faith with the performance of this CONTRACT as interpreted by the DEPARTMENT and the DEPARTMENT shall compensate the CONTRACTOR pursuant to the Terms of this CONTRACT.

28. DEFAULT:

A. The COMMONWEALTH may, subject to the provisions of Paragraph 26, FORCE MAJEURE, and in addition to its other rights under this CONTRACT, declare the CONTRACTOR in default by written notice thereof to the CONTRACTOR, and terminate, as provided in Paragraph 29, TERMINATION, the whole or any part of this CONTRACT, including a purchase order, for any of the following reasons:

1. Failure to begin work within the time specified in the CONTRACT or CONTRACT purchase order or as otherwise specified;

2. Failure to perform the work with sufficient labor, equipment, or material to ensure the performance of the

specified services in accordance with the CONTRACT or CONTRACT purchase order terms;

3. Failure to perform the services in accordance with the Terms of the CONTRACT;

4. Failure or refusal to remove material, or remove and replace any work or services rejected as defective or unsatisfactory;

5. Discontinuance of work without approval;

6. Failure to resume work or services, which have been discontinued, within a reasonable time after notice to do so;

7. Insolvency or bankruptcy;

8. Assignment made for the benefit of creditors;

9. Failure or refusal within ten (10) days after written notice by the DEPARTMENT, to make payment or show cause why payment should not be made, of any amounts due for materials furnished, labor supplied or performed, for equipment rentals, or for services rendered;

10. Failure to protect, to repair, or to make good any damage or injury to property; or,

11. Breach of any material provisions of this CONTRACT.

B. In the event that the COMMONWEALTH terminates this CONTRACT in whole or in part as provided in Subparagraph A,

above, the COMMONWEALTH may procure, upon such terms and in such manner as it determines, services similar or identical to those so terminated, and the CONTRACTOR shall be liable to the COMMONWEALTH for any reasonable excess costs for such similar or identical services included within the terminated part of the CONTRACT.

C. If the CONTRACT is terminated in whole or in part as provided by Subparagraph A, above, the COMMONWEALTH, in addition to any other rights provided in this Paragraph 28 and to the extent allowed by law, may require the CONTRACTOR to transfer title and deliver immediately to the COMMONWEALTH in the manner and to the extent directed by the Department of General Services, such partially completed work, including, where applicable, reports, working papers and other documentation, as the CONTRACTOR has specifically produced or specifically acquired for the performance of such part of the CONTRACT as has been terminated. Except as provided below, payment for completed work accepted by the COMMONWEALTH shall be at the CONTRACT price. Except as provided below, payment for partially completed work including, where applicable, reports and working papers, delivered to and accepted by the COMMONWEALTH shall be in an amount agreed upon by the CONTRACTOR and the DEPARTMENT. The COMMONWEALTH may withhold from amounts otherwise due the CONTRACTOR for such completed or partially completed works, such

sum as the DEPARTMENT determines to be necessary to protect the COMMONWEALTH against loss.

D. The rights and remedies of the COMMONWEALTH provided in this paragraph shall not be exclusive and are in addition to any other rights and remedies provided by law or under this CONTRACT.

E. The COMMONWEALTH's failure to exercise any rights or remedies provided in this paragraph shall not be construed to be a waiver by the COMMONWEALTH of its rights and remedies in regard to the event of default or any succeeding event of default.

F. Following exhaustion of the CONTRACTOR's administrative remedies as set forth in Paragraph 29, the CONTRACTOR's exclusive remedy shall be to seek damages in the Board of Claims.

29. TERMINATION:

The DEPARTMENT may terminate this CONTRACT:

A. If, because of legislative or other governmental changes or lack of funding, continuation of On-Line Games shall be determined by the DEPARTMENT not to be in the best interests of the COMMONWEALTH. Such termination shall be effected by the DEPARTMENT sending notice to the CONTRACTOR in writing of its intention to terminate this CONTRACT at least thirty (30) days prior to the termination date. Any written notice provided

herein shall specify the section of this CONTRACT on account of which termination is being made and the date on which such termination becomes effective.

B. For default under Paragraph 28, supra, by the DEPARTMENT sending written notice at least thirty (30) days prior to the termination date. Any written notice provided herein shall specify the section of this CONTRACT on account of which termination is being made and the date on which such termination becomes effective.

C. By sending to the CONTRACTOR at least thirty (30) days' prior written notice that it will terminate the CONTRACT due to the CONTRACTOR's nonperformance or inadequate performance unless the CONTRACTOR adequately remedies its nonperformance or inadequate performance during such reasonable period as the DEPARTMENT shall have specified.

D. For the convenience of the COMMONWEALTH by sending written notice to the CONTRACTOR at least six (6) months prior to the termination date.

In the event of termination under Subparagraph D, above, the CONTRACTOR shall receive reimbursement for the cost of any materials, services, or other expenses reasonably and actually incurred at the time of receipt of notification of cancellation and not otherwise usable or recoverable by the CONTRACTOR. The CONTRACTOR, upon receipt of notice of termination, shall take

all steps necessary to mitigate costs and expenses payable under this Paragraph 29.

30. USUFRUCT

If, for any reason other than breach of this CONTRACT by the LOTTERY, including a material adverse change in SGI's financial condition, SGI should lose its ability to service this CONTRACT, the LOTTERY shall acquire a usufruct in all contractual items owned by or licensed to SGI in conjunction with the CONTRACT and which are necessary to provide such services. Said usufruct shall be limited to the right of the LOTTERY to possess and make use of such contractual items solely for the use and benefit of the LOTTERY in operating, maintaining, altering, upgrading, and improving the programs and System being used by the LOTTERY under the CONTRACT. Such usufruct shall be limited in time to the duration of the CONTRACT, and in scope for programs, systems, and other items being used by the LOTTERY under the CONTRACT.

31. NOTICE:

All notices, requests, demands and other communications required or permitted under this CONTRACT shall be in writing and shall be deemed to have been duly given, made and received only (i) when personally delivered; or, (ii) on the day specified for delivery when deposited with a courier service such as Federal Express for delivery to the intended addressee;

or, (iii) the earlier of actual receipt, as established by the recipient, or three (3) days following the day when deposited in the United States mail, registered or overnight mail, postage prepaid, return receipt requested, addressed as set forth below.

A. As to the DEPARTMENT or LOTTERY:

Secretary of Revenue  
Department of Revenue  
Department 281100  
Strawberry Square  
Harrisburg, Pennsylvania 17128-1100  
Facsimile No.: (717) 787-3990

and

Executive Director  
Pennsylvania State Lottery  
1200 Fulling Mill Road  
Middletown, Pennsylvania 17057  
Facsimile No.: (717) 702-8024

B. As to SGI:

Scientific Games International, Inc.  
1500 Bluegrass Lakes Parkway  
Alpharetta, Georgia 30004  
Attn: Jim Kennedy  
Facsimile No.: (678) 297-5118

With copy to: Legal Department

Any Party may alter the address to which communications or copies are to be sent by giving notice of such change of address to the other Parties in conformity with the provisions of this Paragraph 31.

32. LIQUIDATED DAMAGES

The LOTTERY and SGI agree that it will be extremely impractical and difficult to determine actual damages which the LOTTERY will sustain in the event any of the following circumstances occur. The goods and services to be provided under the CONTRACT are not readily available on the open market; any breach by SGI of the identified events may delay and disrupt the LOTTERY'S operations and will lead to damages. Therefore, the Parties agree that the liquidated damages as specified in all the sections below are reasonable and are not to be construed as a penalty.

Certain liquidated damages may be able to be measured in terms of potential lost revenue or potential lost net profit to the LOTTERY, unless and to the extent that a court of competent jurisdiction should determine that a liquidated damages provision is unenforceable as a matter of law.

Assessment of liquidated damages shall be in addition to, and not in lieu of, such other remedies as may be available to the LOTTERY. Except and to the extent expressly provided herein, the LOTTERY shall be entitled to recover liquidated damages under each section applicable to any given incident. Where appropriate and practicable, the amount of liquidated damages shall be reasonably related to harm actually incurred by the LOTTERY.

A. NOTICE OF THE IMPOSITION OF LIQUIDATED DAMAGES

All assessments of liquidated damages shall be made by the DEPARTMENT. Upon determination that liquidated damages are to or may be assessed, the DEPARTMENT shall notify SGI of the potential assessment in writing. The availability of any period of cure, other than as set forth in this CONTRACT, will depend on the situation and will be at the sole discretion of the DEPARTMENT.

B. CONDITIONS FOR TERMINATION OF LIQUIDATED DAMAGES

The following are the conditions under which the CONTRACTOR may obtain relief at the discretion of the DEPARTMENT, from the continued assessment of liquidated damages which have been imposed.

1. Except as waived in writing by the Secretary or his designee, no liquidated damages imposed on SGI shall be terminated or suspended until SGI issues a written notice of correction verifying the correction of the conditions(s) for which liquidated damages were imposed, and all SGI corrections have been subjected to System testing or other verification and approval at the discretion of the Secretary.

2. If appropriate, SGI shall conduct Systems testing of any correction as the Director deems necessary. Such testing shall be developed jointly by the LOTTERY and SGI, and approved

by the LOTTERY, including the test script, test environment and test result.

3. The documentation necessary for verification and approval shall be determined by the Director. The Director shall be the sole judge of the accuracy and acceptability of any documentation provided.

4. SGI's notice of correction will not be accepted until the correction is verified by the LOTTERY.

C. SEVERABILITY OF INDIVIDUAL LIQUIDATED DAMAGES

If any portion of the liquidated damages provisions is determined to be unenforceable in one or more applications, that portion remains in effect in all applications not determined to be invalid and is severable from the invalid applications. If any portion of the liquidated damages provisions is determined to be unenforceable, the other provision or provisions shall remain in full force and effect.

D. WAIVERS OF LIQUIDATED DAMAGES

It is expressly agreed that the waiver of any liquidated damages due the LOTTERY shall constitute a waiver only as to such liquidated damages and not a waiver of any future liquidated damages. Failure to demand payment of liquidated damages within any period of time shall not constitute a waiver of such claim by the DEPARTMENT.

E. PAYMENT OF LIQUIDATED DAMAGES

All assessed liquidated damages will be deducted from any moneys owed SGI by the LOTTERY and in the event the amount due SGI is not sufficient to satisfy the amount of the liquidated damages, SGI shall pay the balance to the LOTTERY within thirty (30) calendar days of written notification. If the amount due is not paid in full, the balance will be deducted from subsequent payments to SGI. At the LOTTERY'S sole option, the LOTTERY may obtain payment of assessed liquidated damages through one (1) or more claims upon the Performance Bond.

F. PRO-RATA LIQUIDATED DAMAGES

Any liquidated damages imposed in accordance with this paragraph shall be pro-rated for partial periods. For example, if liquidated damages are six hundred dollars (\$600) per minute, and the period is eight (8) seconds, the liquidated damages shall be six hundred dollars (\$600) times  $8/60 = \$80$ .

G. APPLICABILITY OF LIQUIDATED DAMAGES

SGI shall not be required to pay liquidated damages for delays solely due to matters as enumerated in Paragraph 27, FORCE MAJEURE, or to the extent the incident was caused solely by the LOTTERY or Lottery Retailers, or for delays specifically approved in writing by the LOTTERY.

H. FAILURE TO COMMENCE OPERATIONS

In the event that the On-Line Operations do not commence on the date specified in the schedule set forth in APPENDIX D, WORK STATEMENT, of this CONTRACT, and such delay is the fault of SGI and the LOTTERY has not consented to an extension of such commencement date, SGI shall pay to the LOTTERY as liquidated damages, the full value of any lost sales resulting from the failure to commence operations, plus the incremental cost to the DEPARTMENT in making payment to SGI under an extension of the 1998 On-Line Games Systems Services Contract between CONTRACTOR and the DEPARTMENT. Damages under this subparagraph are not in addition to those imposed under other sections.

I. FAILURE TO INSTALL APPROVED SECURITY SYSTEM

SGI shall provide, install and maintain security for the computer, office and services facilities which limit and control unauthorized persons from accessing the computer facility and the computerized System. Said Security System shall be approved by the LOTTERY Security Director. Should the System not be installed in accordance with the instructions approved by the LOTTERY Security Director, the LOTTERY may in its discretion assess as liquidated damages, an amount of five thousand dollars (\$5,000) per violation. For purposes of this Paragraph 32(I), "violation" shall mean the failure to deliver,

properly install, or maintain any of the requirements for the approved Security System.

J. SUPPLY SHORTAGE

SGI shall provide and maintain adequate quantities of supplies in its Pennsylvania warehouse for distribution to Lottery Retailers including, but not limited to, where applicable, On-Line Ticket stock, play slips, paper stock and other necessary supplies for the operation of the On-Line Terminals, PATs and ITVMs for all games. In the event that the Retailers become unable to sell or validate tickets due to SGI's failure to maintain adequate supplies at its Pennsylvania warehouse, the LOTTERY may in its discretion assess as liquidated damages on a daily basis, six hundred dollars (\$600) per day per On-Line Terminal, PAT, or ITVM disadvantaged by the failure.

K. AVAILABILITY OF ARCHIVED MEDIA FOR GAME AUDIT

SGI shall make available to the LOTTERY archived media containing On-Line Game information within ten (10) minutes after the close of sales for any On-Line Game, prior to the drawing for that On-Line Game. In the event appropriate archived media is not made available within this time frame, the LOTTERY may in its discretion assess as liquidated damages of one thousand dollars (\$1,000) per event.

L. TERMINAL REPAIR REQUEST RESPONSE TIME PROVISIONS

SGI's Hotline staff shall accept and log trouble calls any time the host system is Up for production operations and the On-Line Terminals and PAT may be in use. Trouble calls will be resolved over the phone or a repair technician must be dispatched during normal CONTRACTOR field service hours (currently 6:00 a.m.-10:00 p.m.), which service hours may be amended from time to time by agreement of the Parties. If a trouble call arises within one (1) hour of the end of CONTRACTOR's field service hours or the retailer's business day, whichever is earlier, then repair may be deferred until commencement of field service hours the next Sales Day so that the retailer does not experience a total outage greater than the response time limit when the retailer is both open for business and the System is Up.

SGI must respond to all trouble calls for Online Terminals, PAT, and all other terminals for the sale of Online Lottery Tickets, and ITVMS within two (2) hours in the following counties: Allegheny, Beaver, Berks, Bucks, Butler, Cambria, Chester, Crawford, Cumberland, Dauphin, Delaware, Erie, Lackawanna, Lancaster, Lawrence, Lebanon, Lehigh, Luzerne, Mercer, Montgomery, Northampton, Philadelphia, Somerset, Washington, Westmoreland, and York, and total of four (4) hours

in all other counties. The time for response assumes that a Retailer is both open and the System is Up.

All repairs shall be completed within thirty (30) minutes of SGI's arrival at the Lottery Retailer location. The determination of whether a terminal failure is due to a communications failure or a terminal-related failure is subject to verification by the LOTTERY.

In the event SGI fails to respond to a trouble call within the applicable response time, the LOTTERY may assess as liquidated damages up to two hundred dollars (\$200) per hour per Terminal, PAT, or ITVM subject to a trouble call exceeding the applicable response and repair time.

In the event SGI cannot in good faith repair a PAT or ITVM within the response and repair time and must replace the PAT or ITVM, SGI shall have one (1) Sales Day to replace such PAT or ITVM. In the event SGI fails to replace such PAT or ITVM within one (1) Sales Day, the LOTTERY may assess as liquidated damages up to two hundred dollars (\$200) per hour until such PAT or ITVM is replaced.

The liquidated damages set forth in this subparagraph will also apply if SGI has neglected to supply necessary consumables to a retailer so that as a result the retailer cannot operate and the Terminal, PAT or ITVM is, in effect, Down. This provision is not in addition to the provision of a

supplies shortage provision above. (The decision as to which liquidated damages provision applies to the failure to provide supplies shall be at the sole discretion of the LOTTERY.)

M. FAILURE TO INSTALL ON-LINE TERMINALS

During the period of conversion, SGI shall have all On-Line Terminals installed and operational under the Terms of this CONTRACT at all licensed retailer outlets as specified and agreed upon by the LOTTERY and SGI. In the event that, due to the fault of SGI, all retailer On-Line Terminals are not installed and operational by the start of System operations as specified in this CONTRACT, SGI shall pay to the LOTTERY in its discretion an amount as liquidated damages of five hundred dollars (\$500) per day, per On-Line Terminal not installed until each On-Line Terminal is installed and operational.

After the period of conversion, SGI shall have seven (7) business days (excluding weekends and COMMONWEALTH National Holidays) after completion of the communications Network connection and retailer training to install an On-Line Terminal, PAT, or ITVM at that location. Should any delay occur, and should such delay be the fault of SGI, the LOTTERY may in its discretion assess as liquidated damages of one thousand dollars (\$1,000) per day, per On-Line Terminal, PAT or ITVM not installed.

N. FAILURE TO PERFORM REQUIRED PREVENTIVE MAINTENANCE

Should SGI fail to provide the preventive maintenance (PM) for each type of On-Line Terminal, PAT or ITVM provided pursuant to this CONTRACT, as set forth in APPENDIX D, WORK STATEMENT, or should SGI fail to keep appropriate records or to make them available to the COMMONWEALTH upon request, the LOTTERY may in its discretion assess as liquidated damages one hundred dollars (\$100) per day per late On-Line Terminal, PAT, or ITVM PM.

O. LATE OR MISSING REPORTS

1. Failure to Provide Progress Reports:

SGI shall provide all reports required by the RFP or by the Contract, including scheduled implementation progress reports. Implementation and progress reports shall be provided on a weekly basis, or as otherwise agreed by the Parties, beginning with the signing of the CONTRACT on a day of the week agreed to by SGI and the LOTTERY. In the event that SGI fails to provide the LOTTERY with such report, SGI shall have forty-eight (48) hours to provide such missing report to the LOTTERY. In the event SGI fails to provide such missing report within the forty-eight (48) hour period, the LOTTERY may in its discretion assess as liquidated damages an amount five hundred dollars (\$500) per day until such report is received by the LOTTERY.

2. Failure to Provide On-Line Terminal Reports:

In the event that SGI is unable to provide any one (1) or more Retailer On-Line Terminal, PAT, or ITVM reports that have been deployed on the System as specified by the LOTTERY due to the fault of SGI or SGI-supplied equipment and software, SGI shall have twenty-four (24) hours in which to provide such Retailer report. In the event SGI fails to provide such report to the LOTTERY within the twenty-four (24) period, the LOTTERY may in its discretion assess as liquidated damages five thousand dollars (\$5,000) per day per report, until such condition is resolved.

3. LOTTERY Weekly Settlement Reports:

In the event that SGI is unable to provide the LOTTERY with LOTTERY Weekly Settlement Reports for all Lottery Retailers due to the fault of SGI or SGI-supplied equipment or software, SGI shall have one (1) hour from receipt of notice from the LOTTERY in which to provide such report. In the event SGI fails to provide such report to the LOTTERY within the one (1) hour period, the LOTTERY may in its discretion assess as liquidated damages an amount five hundred dollars (\$500) per hour until such condition is resolved.

4. Daily Operational Reports Delivery:

In the event that the daily operational reports are not available by 7:00 a.m., SGI shall have one (1) hour to provide such report to the LOTTERY. In the event SGI fails to

provide the missing daily operation reports to the LOTTERY within the one (1) hour period, the LOTTERY may in its discretion assess as liquidated damages of five thousand dollars (\$5,000) per day for any number of reports which are late or not delivered, subject to a one (1) hour grace period from the initial request for such report by the LOTTERY. This provision shall include reports available for viewing, printing, or downloading by management terminals.

5. Matrix Game(s) Balancing Reports:

It is critical to the public reputation of the LOTTERY that Lottery Retailers be able to pay prizes on winning Lottery Tickets, both Instant Games and On-line Games, promptly. The LOTTERY requires timely preparation of reports for On-Line Games that use matrices to determine the prize payment amounts (Matrix Game(s) Balancing Reports) to facilitate the availability of prize information and prize payments to LOTTERY players. The Matrix Game(s) Balancing Reports for each matrix game drawing must be provided to the LOTTERY within thirty (30) minutes of certification by the LOTTERY of the game's winning numbers. In the case of Powerball® or other multi-state lottery game drawing, the winning numbers will be certified by the game's governing body. In the event that SGI fails to timely provide the LOTTERY with any Matrix Game(s) Balancing Report in accordance with the provisions of this Subparagraph 32.0.5, the

failure to provide such report being solely the fault of SGI or SGI-supplied equipment or software, SGI shall have thirty (30) minutes to provide such missing report to the LOTTERY. In the event SGI fails to provide such missing report within the thirty (30) minute period, SGI shall pay to the LOTTERY liquidated damages in the amount of five thousand dollars (\$5,000) per thirty (30) minutes or portion thereof until such report is received by the LOTTERY.

P. FAILURE TO INSTALL ADDITIONAL GAMES OR GAME OPTIONS OR OTHER SOFTWARE ENHANCEMENTS

In the event that the CONTRACTOR fails to install any additional game(s) or game option(s) ordered by the LOTTERY or any other software enhancements (except new or modified report software) within the schedule mutually agreed to by the Parties, such delay being the fault of SGI, the LOTTERY may in its discretion assess as liquidated damages seventy-five thousand dollars (\$75,000) per calendar day that the additional game(s) or game option(s) are not installed, operating free from error, and available for sale.

SGI will comply with any written software request from the LOTTERY for new System reports or changes to existing System reports by the agreed upon delivery date. In the event that SGI fails to provide the LOTTERY with such reports by the agreed upon delivery date, such delay being the fault of SGI, the

LOTTERY may in its discretion assess as liquidated damages one thousand dollars (\$1,000) per day, per report.

SGI shall permit, within these schedules, reasonable time for the LOTTERY to conduct appropriate acceptance testing.

Q. SYSTEM FAILURES OR DEGRADED PERFORMANCE

1. It is SGI's responsibility to maintain the System and all operating system software and associated data in working order at all times. The System must be fully available to the LOTTERY and Retailers for the full Sales Day as defined in Paragraph 1 of this CONTRACT. Should the System experience complete failure for any period of time totaling greater than five (5) minutes during any Sales Day (a single event or combined total of time), or ten (10) minutes per Accounting Week, the LOTTERY may in its discretion assess liquidated damages. Should the System experience Degraded Performance as defined in Subparagraph 32.Q.3 of this CONTRACT, the LOTTERY may in its discretion assess liquidated damages based on the rates described below.

The total aggregated liquidated damages assessed during any one (1) contract year for System failure or Degraded Performance is limited to the amount of the Performance Bond. In addition, the total aggregated liquidated damages assessed under this Paragraph 32.Q during any Accounting Week shall not exceed six hundred thousand dollars (\$600,000).

For the purposes of calculating liquidated damages for this section, the LOTTERY will calculate the amount of damages based upon the average dollar amount of the net return to the COMMONWEALTH (gross revenue received by the LOTTERY from Wagers less prizes, commissions and promotions) received by the LOTTERY based on the Wagers made during the time of day and duration the System experiences complete failure, or during the time of day and duration of Degraded Performance, for the thirteen (13) sales weeks immediately prior to the week in which the failure or Degraded Performance occurred. Should the System experience Degraded Performance or complete failure when the advertised jackpot of a Powerball® game or other multistate game of which the COMMONWEALTH is a participant is less than two hundred million dollars (\$200,000,000), such thirteen-week calculation shall exclude any sales week during which such advertised jackpot exceeds the advertised jackpot for the sales week in which the failure or Degraded Performance occurred, divided by thirteen (13). Should the System experience Degraded Performance or complete failure when the advertised jackpot of a Powerball® game or other multistate game of which the COMMONWEALTH is a participant exceeds two hundred million dollars (\$200,000,000), liquidated damages shall be calculated by determining the dollar amount of Wagers placed on the previous thirteen (13) times the Powerball® or other multistate

game jackpot exceeded two hundred million dollars (\$200,000,000), on the day of the sales week in which the failure or Degraded Performance occurred, divided by thirteen (13). Either such amount shall comprise the applicable "Base Amount."

2. System Failures:

If the System cannot process any Transactions (a complete System failure) the LOTTERY may in its discretion assess as liquidated damages for each minute of System failure in excess of five (5) consecutive minutes during any Sales Day or ten (10) minutes during any Accounting Week an amount equal to the Base Amount for those minutes.

3. Degraded Performance:

The System shall be considered to be operating in "Degraded Performance" if any of the following conditions exist in excess of one (1) hour in aggregate on any day:

a. If the average transaction time for a single On-Line Wager Transaction exceeds four (4) seconds during each Sales Day, or the average transaction time for multiple On-Line Wager Transactions exceeds seven (7) seconds during each Sales Day. The LOTTERY may in its discretion assess as liquidated damages for Degraded Performance in this case five thousand dollars (\$5,000) per day.

b. If data is not received on at least three (3) media, as approved by the LOTTERY, prior to the issuance of any ticket. At least one (1) copy must be off-site. Acceptable media shall be a combination of the following: non-volatile memory, disk, magnetic tape, cartridge, optical disk, or others approved by the LOTTERY and agreed to by SGI in an executed memorandum of understanding. The LOTTERY may in its discretion assess as liquidated damages for Degraded Performance in this case five thousand dollars (\$5,000) per day.

c. If all services are available but only to some On-Line Terminals, not due to a Communications Network failure. The LOTTERY may in its discretion assess as liquidated damages for Degraded Performance in this case the Base Amount times the proportion of the Network not being served.

d. If the System fails to process some but not all Wager and Lottery Ticket validation Transactions, the LOTTERY may in its discretion assess as liquidated damages for Degraded Performance in this case fifty (50%) percent of the Base Amount. Examples: The System can sell but not validate On-Line Tickets; the System can validate Instant Tickets, but not On-line Tickets; the System can sell some but not all On-Line Games.

R. NON-REPRESENTED TICKETS

SGI shall be liable for all winning On-line Tickets issued by the System and presented for redemption which are not correctly identified as valid, winning saleable tickets on the System files. SGI shall be liable for all winning Lottery Tickets presented for redemption which are identified as valid, winning saleable tickets on Lottery Ticket data files provided by third parties. SGI will pay all prize costs for any such ticket, and shall pay any additional cost incurred by the LOTTERY under the indemnification provisions of Paragraph 12 of this CONTRACT. SGI shall not be liable under this section for errors in data files provided by a third party.

S. FAILURE TO TRANSMIT VALID DATA FILES TO THE LOTTERY

In the event that SGI fails to support mutually-agreed upon transfers of valid files on a timely basis to the LOTTERY, SGI shall have twenty-four (24) hours, from the time of notification to correct the problem. If SGI fails to correct the problem within the twenty-four (24) hour period, the LOTTERY may in its discretion assess as liquidated damages five thousand dollars (\$5,000) per day that file transfer to the LOTTERY is not functioning.

T. FAILURE TO COMPLY WITH IMPLEMENTATION PLAN

SGI shall comply with the implementation schedule and conditions for performance set forth in APPENDIX D, WORK STATEMENT, of this CONTRACT. All major milestones listed by SGI

in APPENDIX D, WORK STATEMENT, must be met to ensure timely completion of implementation, adequate accountability and adequate internal controls. It is recognized that unexpected circumstances could vary the implementation schedules, provided this delay does not change the Start-Up Date. Should a delay of the Start-Up Date be required due to a failure to comply with the implementation schedule caused by SGI, the LOTTERY may in its discretion assess as liquidated damages ten thousand dollars (\$10,000) per day for every day of such delay.

U. UNAUTHORIZED SOFTWARE USE

In the event SGI installs Unauthorized Software on the System, the LOTTERY may in its discretion assess as liquidated damages ten thousand dollars (\$10,000) per violation, or one thousand (\$1,000) per day per violation until such Unauthorized Software is either authorized by the LOTTERY or removed from use and replaced with software authorized by the LOTTERY, whichever is greater, for the use of Unauthorized Software. For purposes of this Subsection U, "Unauthorized Software" shall mean software that has not been approved for use on the System by the LOTTERY.

V. INSTANT TICKET ENCRYPTION

In the event that the software, readers, or System fail to accommodate the LOTTERY'S instant ticket manufacturer's encryption algorithm, and such failure to accommodate the

algorithm is the fault of SGI, the LOTTERY may in its discretion assess as liquidated damages one hundred thousand dollars (\$100,000) per day that the game cannot be sold. SGI shall not be liable for any damages, including but not limited to liquidated damages, arising out of a failure of or defect in said algorithm or in the bar codes of said instant ticket manufacturer.

W. FAILURE TO REPORT INCIDENTS

SGI shall immediately notify the Director in a manner mutually agreed to by the Parties of any situation which has caused or may cause the general public or Lottery Retailers to become aware of a System irregularity which may damage the integrity of the LOTTERY.

It will be the responsibility of SGI to report all incidents set forth in this Subparagraph 32.W and those substantially similar thereto related to the operation of the System that took place during the previous twenty-four (24) hours prior to the start of the subsequent Sales Day. All reports and notifications shall be in written format and may be sent by courier, facsimile or any other method that provides recorded time and date stamp as mutually agreed to by the Parties and shall be sent directly to the Director or his designee. This section is in addition to other provisions of the

RFP regarding Incident and Anomalies. At a minimum, each of the following types of events shall require a written report:

- a. System Take-over Situations;
- b. Major Communications Network Failures;
- c. Major Equipment Failure;
- d. Operator Errors;
- e. Out-of-Balance Conditions;
- f. Emergency Software Changes;
- g. Security Violations;
- h. Other conditions as defined by Memorandum of

Understanding between the LOTTERY and SGI at any time during the term of the Contract; or

In the event that SGI fails to report incidents set forth herein, the Lottery may in its discretion assess as liquidated damages five thousand dollars (\$5,000) per day.

X. COMMUNICATIONS FAILURES

1. It is the CONTRACTOR's responsibility to maintain the communications equipment that it has purchased and the Communications Network in proper working order at all times so as to ensure that the System is fully available to the LOTTERY and Lottery Retailers. Communications equipment at the Lottery Retailer's premises shall be considered part of a terminal repair or maintenance. Failures in all other Communications Network components that are the obligation of CONTRACTOR to

provide and manage once installed may be subject to liquidated damages in the event that such outages exceed the service level agreement outlined in the Proposal as 99.85% availability during game operations hours per Retailer calculated on a calendar monthly basis.

2. In the event of a failure under Subsection (1), the LOTTERY may in its discretion assess as liquidated damages for the total time that the Communications Network is unavailable during each calendar month that exceeds the 99.85% service level agreement in the Proposal. Such liquidated damages shall be calculated using the Base Amount as set forth in Section 32.Q for each one (1) minute of Network outage, or fraction thereof, provided that no such Network outage is caused by (i) the fault of the Retailer, the LOTTERY, any subcontractor of the LOTTERY; or, (ii) the failure or unavailability of cellular, land line or satellites or transponders providing service to CONTRACTOR; or, (iii) Force Majeure events, including weather fade; or, (iv) telecommunications service provider or telecommunications service provider component failures.

3. In addition to the foregoing, in regards to chronic Network issues at specific Retailer locations, the LOTTERY in its discretion may assess liquidated damages described in Subparagraph 32.X.2, above, for CONTRACTOR failing to correct chronic, site-specific Network outages within seven

(7) business days, excluding any Communications Network vendor lead times or delays, by either repairing the installed communications methodology or switching the Retailer to a new communications methodology. For purposes of this Paragraph 32.X.3, "chronic" shall mean a Retailer that fails to meet the 99.85% service level agreement for two (2) consecutive calendar months, provided that any Network outage is not caused by (i) the fault of the Retailer, the LOTTERY, any subcontractor of the LOTTERY; (ii) the failure or unavailability of cellular, land line or satellites or transponders providing service to SGI; (iii) Force Majeure events, including weather fade; or (v) telecommunications service provider or telecommunications service provider component failures.

34. ORDER OF PRECEDENCE:

This CONTRACT shall be interpreted in the following order of precedence:

1. CONTRACT Terms;
2. CONTRACTOR'S Proposal (as set forth in APPENDIX B); and,
3. DEPARTMENT'S RFP (as set forth in APPENDIX A).

35. APPENDICES:

The following documents and schedules are hereby made a part of this CONTRACT and are included as APPENDICES hereto:

APPENDIX "A"                      DEPARTMENT'S RFP

APPENDIX "B"	CONTRACTOR's Proposal to the Pennsylvania Lottery for Lottery Games Systems and Related Services
APPENDIX "C"	Prices and Terms
APPENDIX "D"	Work Statement
APPENDIX "E"	Nondiscrimination/Sexual Harassment Clause
APPENDIX "F"	Resolution by CONTRACTOR
APPENDIX "G"	Commonwealth Confidentiality Provisions

36. RESOLUTION:

The Resolution signed by the President of the CONTRACTOR, its Secretary or Assistant Secretary, authorizing the signatory to execute this CONTRACT is attached hereto as APPENDIX G.

37. NONDISCRIMINATION:

The CONTRACTOR agrees to contract with Minority, Women and Disadvantaged Business Enterprises (MWBE's) for certain services associated with this CONTRACT. Such contracts and services to be provided shall be subject to the written approval of the DEPARTMENT. The CONTRACTOR agrees to make a good-faith effort to exceed any goals set between the CONTRACTOR and the DEPARTMENT regarding MWDBE subcontracts within the overall budget limitations of this CONTRACT. The CONTRACTOR shall render a monthly report of such subcontracting activities to the DEPARTMENT.

The CONTRACTOR agrees that throughout the term of this CONTRACT, it will comply with the "NONDISCRIMINATION/SEXUAL HARASSMENT CLAUSE," contained in APPENDIX E, incorporated herein and made a part hereof.

38. QUARTERLY REPORT - MWBE:

The CONTRACTOR must provide the Department of General Services, Office of Minority, Women and Disadvantaged Business Opportunities, with quarterly reports that indicate whether the CONTRACTOR utilized a Minority Business Enterprise, Women's Business Enterprise, or Disadvantaged Business for activities under this CONTRACT during the quarter and list the names of and the amount paid to the Minority Business Enterprise, Women's Business Enterprise, or Disadvantaged Business utilized. The first such report shall be due on the 100<sup>th</sup> day after the starting date of this CONTRACT, and subsequent reports shall be due each 100<sup>th</sup> day thereafter.

39. EXECUTION:

This CONTRACT shall be effective only upon full and complete execution by all of the signatories hereto, including the Office of Attorney General. No Party shall have any right to rely upon any Terms of this CONTRACT until all required signatures have been affixed to this CONTRACT, including all required signatures for form and legality.

40. OFFSET PROVISIONS FOR COMMONWEALTH CONTRACTS:

The CONTRACTOR agrees that the COMMONWEALTH may set off the amount of any state tax liability or other debt of the CONTRACTOR or its subsidiaries that is owed to the COMMONWEALTH and not the subject of any properly filed claim, action, protest or appeal against any payments due the CONTRACTOR under this or any other CONTRACT with the COMMONWEALTH.

41. AMERICANS WITH DISABILITIES ACT PROVISIONS:

During the Term of this CONTRACT, the CONTRACTOR agrees as follows:

A. Pursuant to federal regulations promulgated under the authority of The Americans With Disabilities Act, 28 C.F.R. § 35.101 et seq., the CONTRACTOR understands and agrees that no individual with a disability shall, on the basis of the disability, be excluded from participation in this CONTRACT or from activities provided for under this CONTRACT. As a condition of accepting and executing this CONTRACT, the CONTRACTOR agrees to comply with the applicable provisions of the "General Prohibitions Against Discrimination," 28 C.F.R. § 35.130, and all other regulations promulgated under Title II of The Americans With Disabilities Act which are applicable to the CONTRACTOR and to the benefits, services, programs, and activities provided by the COMMONWEALTH OF PENNSYLVANIA through contracts with outside contractors.

B. The CONTRACTOR shall be responsible for and agrees to indemnify and hold harmless the COMMONWEALTH OF PENNSYLVANIA from all losses, damages, expenses, claims, demands, suits, and actions brought by any party against the COMMONWEALTH OF PENNSYLVANIA as a result of the CONTRACTOR's failure to comply with the provisions of Subparagraph A, above.

42. END OF CONTRACT CONVERSION:

It is contemplated that the LOTTERY will award a new CONTRACT for Lottery Games System and Related Services approximately one (1) year prior to the expiration of this CONTRACT. The Parties understand and agree that the LOTTERY may utilize the last one hundred eighty (180) days of this CONTRACT for conversion to the subsequent Lottery Games System and Related Services provider. The CONTRACTOR shall cooperate fully and in good faith in said conversion. Cooperation may include, but not be limited to, access to warehouse space, liability, files, inventory files and distribution files, subject to the confidentiality of the CONTRACTOR's proprietary information and processes and reasonable measures proposed by the CONTRACTOR to protect such information and processes.

The LOTTERY shall be solely responsible for the identification of and time for conversion of On-Line Terminals. SGI shall cooperate fully and in good faith in this conversion. Cooperation may include, but not be limited to, sharing of

liability files and cross-validation of winning tickets. During the period of System conversion all On-line Games sales shall be attributed to SGI for purposes of fee computation.

Further, SGI shall remove all materials relating solely to SGI's System from each Lottery Retailer location in accordance with an agreed upon schedule between the Parties. Materials not so removed by SGI shall be considered abandoned and shall be disposed of at the LOTTERY's discretion.

43. GENERAL PROVISIONS:

This CONTRACT shall be governed by and construed according to the laws of the COMMONWEALTH OF PENNSYLVANIA. This CONTRACT constitutes the entire CONTRACT between the DEPARTMENT and the CONTRACTOR with respect to the Lottery Games System and Related Services. This CONTRACT shall not be amended or modified except by an instrument in writing duly signed by all signatories. Any such modification or amendment shall be as the Parties may mutually agree and as shall be permitted by law.

44. SEVERABILITY:

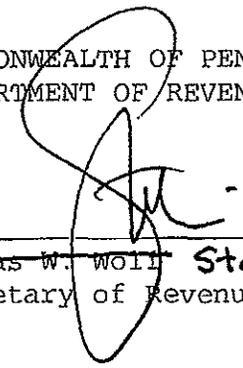
If a court of competent jurisdiction determines any portion of this CONTRACT to be invalid, it shall be severed and the remaining portions of this CONTRACT shall remain in full force and effect.

[SIGNATURES ON FOLLOWING PAGE.]

IN WITNESS WHEREOF, the Parties hereto have caused this CONTRACT to be duly executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE

SCIENTIFIC GAMES  
INTERNATIONAL, INC.

  
\_\_\_\_\_  
~~Thomas W. Wolf~~  
Secretary of Revenue

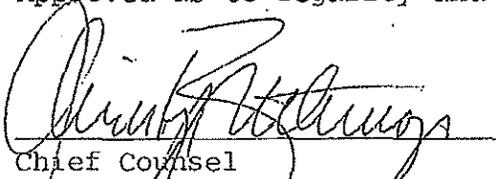
Stephen H. Stetler

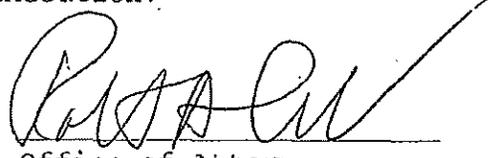
  
\_\_\_\_\_  
By Steven W. Beason  
Vice President,  
Chief Technology Officer

  
\_\_\_\_\_  
Randy Seif 12/19/08  
Comptroller  
Department of Revenue

CERTIFICATION OF FUNDS: 262208000

Approved as to legality and manner of execution:

  
\_\_\_\_\_  
Chief Counsel  
Department of Revenue

  
\_\_\_\_\_  
Office of Attorney  
General

  
\_\_\_\_\_  
Office of General Counsel

Appr: By: \_\_\_\_\_  
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Certified a True and  
Correct Copy. 

**South Dakota**

**Online Central System, Video Lottery Central System, and Related Services**

**Contract Terms: (option to extend in any combination not to exceed 15 years)**

<b>Initial:</b>	<b>11/03/19</b>	<b>11/02/26 Years 1-7</b>
<b>Extension:</b>	<b>11/03/26</b>	<b>11/02/29 Years 8-10</b>
<b>Extension:</b>	<b>11/03/29</b>	<b>11/02/34 Years 11-15</b>

**Cost:**

**1 Initial One Time Payment of \$500,000**

**2 Online and Instant Tickets:**

7.2270% Total Sales includes all hosting services for software, access to all hardware, training, conversion, all hardware and software maintenance costs.  
Total Sales includes net sales for draw games and instant tickets.

6.5043% If extended to years 11-15.

**3 Video Lottery:**

Contract does not mention

**Rhode Island Lottery**

**Master Contract**

**Contract Terms:**

**01/01/03                      01/30/23**

**Cost:**

**Commission:**

**1 Online and Instant Tickets**

5.00% \$0 - \$275 million in sales  
1.00% Over \$275 million - \$400 million in sales  
5.00% Over \$400 million

**2 Video Lottery**

2.50% \$0 - \$500 million of NTI  
1.00% Over \$500 million to \$1 billion in NTI  
2.50% Over \$1 billion in NTI

**Income:** Lottery received \$12,500,000 initial payment.

**ADDENDUM TO LOTTERY GAMES AND SERVICES CONTRACT RELATED TO  
THE ILOTTERY AND THE PROVISION OF INTERNET INSTANT GAMES BY AND  
BETWEEN COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF REVENUE  
AND SCIENTIFIC GAMES INTERNATIONAL, INC.**

**THIS ADDENDUM** to the Lottery Games and Services Contract Related to the iLottery and the Provision of Internet Instant Games (“the Agreement”) is entered into by and between the Commonwealth of Pennsylvania, Department of Revenue (“Department” and/or “Commonwealth”) and Scientific Games International, Inc., with a principal place of business at 1500 Bluegrass Parkway, Alpharetta, Georgia, 30201;

**WHEREAS**, SGI and DOR negotiated the Agreement pursuant to the authority granted to the Department pursuant to Act 91 of 1971 (P.L. 351, No. 71) and Act 42 of 2017 (P.L. 419, No. 42); and

**WHEREAS**, pursuant to section 48 of the Agreement, SGI and DOR were required to negotiate the terms of an End User License Agreement which will be applicable to registered iLottery account holders and which will govern iLottery account holders’ use of the Licensed Software and Services.

**NOW THEREFORE**, SGI and DOR agree:

1. The recitals set forth above are incorporated by reference as a material part of this Addendum.
2. SGI and DOR represent that the Terms and Conditions and End User License Agreement (“EULA”), attached hereto as Exhibit A, were mutually agreed upon by the parties.
3. SGI and DOR understand and agree that pursuant to section 48 of the Agreement, the EULA may be modified in the future to address changes in the law, regulations, Lottery policy, general errors, and/or capabilities of the Licensed Software and related services.
4. This addendum to the Agreement may be executed in counterparts, each of which shall be deemed an original and shall have the full force and effect as an original but all of which shall constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have signed this Addendum on the dates indicated below.

**Commonwealth of Pennsylvania  
Acting through its Department of Revenue**

**Scientific Games International, Inc.**

By: C. Donald Hassell

By: [Signature]

Name: C. Donald Hassell

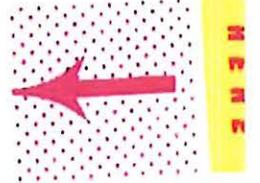
Name: James C. Kennedy

Title: Secretary of Revenue

Title: President and Chief Executive Officer

Date: 5-11-18

Date: 5-10-18



**Approved as to Form and Legality**

[Signature]  
Acting Chief Counsel, Department of Revenue

Date: 5-11-18

Pamela J. Cross  
Office of Chief Counsel

Date: 5/16/18

Ang M. Elliott  
Office of Attorney General

Date: 5/18/18

# EXHIBIT A

## TERMS AND CONDITIONS AND END USER LICENSE AGREEMENT

These terms and condition ("Terms and Conditions") and End User License Agreement (collectively referred to as the "Terms and Conditions" or "the Agreement") for PAiLottery.com was last updated on May 8, 2018.

### IMPORTANT

THIS WEBSITE IS OPERATING THE GAMING SOFTWARE PLATFORM (THE "SOFTWARE") OF NYX DIGITAL GAMING (USA), LLC ("NYX") UNDER A LICENSE FROM SCIENTIFIC GAMES INTERNATIONAL, INC., AN AFFILIATE UNDER COMMON OWNERSHIP WITH NYX, TO THE COMMONWEALTH OF PENNSYLVANIA, DEPARTMENT OF REVENUE, PENNSYLVANIA LOTTERY ("LOTTERY"). NYX IS HEREINAFTER REFERRED TO AS "NYX" OR "THE COMPANY." THE PENNSYLVANIA LOTTERY IS HEREINAFTER REFERRED TO AS "THE LOTTERY" OR "PAL". THE PENNSYLVANIA LOTTERY, ITS CONTRACTORS, INCLUDING NYX, AND ITS SUBCONTRACTORS, ARE HEREINAFTER COLLECTIVELY REFERRED TO AS "WE", "US" OR "OUR". A CONDITION TO YOUR DOWNLOADING OR OTHERWISE USING THIS SOFTWARE AND ACCESSING THE WEBSITE AND ITS CONTENT IS THAT YOU ENTER INTO THE FOLLOWING LEGALLY BINDING SUB-LICENSE AGREEMENT WITH US, WHICH GOVERNS YOUR USE OF THE SOFTWARE AND THE WEBSITE.

PLEASE READ THIS AGREEMENT CAREFULLY, TO MAKE SURE YOU FULLY UNDERSTAND ITS CONTENT. IF YOU HAVE ANY DOUBTS ABOUT YOUR RIGHTS AND OBLIGATIONS RESULTING FROM THE ACCEPTANCE OF THIS AGREEMENT, PLEASE CONSULT AN ATTORNEY OR OTHER LEGAL ADVISOR IN YOUR JURISDICTION.

BY CHECKING THE "I AM 18 OR OVER AND I ACKNOWLEDGE, AGREE, ACCEPT AND CONSENT TO EACH PROVISION IN THESE TERMS & CONDITIONS" BOX DURING THE ACCOUNT REGISTRATION PROCESS, YOU AGREE TO THE USE OF ELECTRONIC COMMUNICATIONS IN ORDER TO ENTER INTO CONTRACTS, AND YOU WAIVE ANY RIGHTS OR REQUIREMENTS UNDER APPLICABLE LAWS OR REGULATIONS IN ANY JURISDICTION WHICH REQUIRE AN ORIGINAL (NON-ELECTRONIC) SIGNATURE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW. YOU ALSO CONFIRM THAT YOU HAVE READ THIS AGREEMENT AND AGREE TO BE BOUND BY ITS TERMS AND CONDITIONS.

IF YOU DO NOT AGREE WITH ANY OF THE TERMS AND CONDITIONS OF THIS AGREEMENT, DO NOT CHECK THE "I AM 18 OR OVER AND I ACKNOWLEDGE, AGREE, ACCEPT AND CONSENT TO EACH PROVISION IN THESE TERMS & CONDITIONS" BOX, DISCONTINUE THE ACCOUNT REGISTRATION PROCESS, AND DO NOT CONTINUE TO DOWNLOAD, INSTALL, OR OTHERWISE USE THE SOFTWARE OR THE WEBSITE.

### BEFORE YOU BEGIN

- You must be 18 years of age to register for a VIP Players Club account through PAiLottery.com.
- You must be located within the geographic boundaries of the Commonwealth of Pennsylvania to wager or purchase a play through PAiLottery.com.
- You are prohibited from purchasing a play or claiming winnings, prizes, and bonuses through PAiLottery.com if:
  - You are an officer or employee of the Lottery;
  - You are the spouse, child, brother, sister or parent residing as a member of the same household as an officer or employee of the Lottery;
  - You are an officer or employee of a contractor or subcontractor who is directly involved in the operation of iLottery or the provision of iLottery related services; OR
  - You are the spouse, child, brother, sister or parent residing in the same household as an officer or employee of a contractor or subcontractor who is directly involved in the operation of iLottery and the provision of iLottery related services.
- Your use of PAiLottery.com, and the Software and Services related thereto are governed by these Terms and Conditions, which includes the applicable privacy policy, the game rules, and additional terms as set forth by Us.
- By voluntarily registering for an account through PAiLottery.com, you are acknowledging, consenting, agreeing to and accepting the terms and conditions, the applicable privacy policy, the game rules and the additional terms as set forth by Us.

## 1. INTRODUCTION

1.1. NYX, with offices at 400 South Rampart Parkway, Suite 220, Las Vegas, Nevada, is the operator, on behalf of the Commonwealth of Pennsylvania, Pennsylvania Lottery, of the website domain PAiLottery.com (the "Website"). The Company is authorized by the Commonwealth of Pennsylvania for the purposes of operating and

offering real-money Internet-based and/or mobile application-based iLottery gaming services (hereinafter referred to as the "Services") on behalf of the Lottery.

1.2. When You (hereinafter referred to as the "End User" or "User" or "You" or "Your") use the Website, the Software, or the Services, these Terms and Conditions (hereinafter referred to as the "Terms and Conditions" or "Agreement") shall apply to such use.

1.3. In addition to this Agreement, the Pennsylvania Lottery's PAiLottery.com Privacy Policy, which can be found at \_\_\_\_\_ (the "Privacy Policy") applies to Your use of the Website, the Software, and the Services, and You should review it prior to any use of the Website, the Software, or the Services. The Privacy Policy describes how Your personal information will be dealt with and protected. By accepting the terms and conditions set forth in this Agreement, You are also acknowledging and accepting the Privacy Policy.

1.4. Your use of the Services is strictly subject to all applicable laws, rules, regulations, or other authority which shall apply to the type of Services that You are using, including, but not limited to, 4 Pa.C.S. §§ 501 et seq. ("the iLottery Law"), 61 Pa. Code §§ 876.1 et seq. ("iLottery Regulations"), and such other terms as We may issue from time to time (together, the "Additional Terms") in each case as updated from time to time. The Privacy Policy and Additional Terms are incorporated by reference into this Agreement and shall constitute an integral part thereof.

1.5. This Agreement shall prevail in the event of any conflict between this Agreement and any of the game rules, game descriptions or other documents referred to in this Agreement, except for the Privacy Policy. In the event of any conflict between this Agreement and the Privacy Policy, the Privacy Policy shall control.

## 2. ACCEPTANCE OF TERMS AND CONDITIONS

2.1. By registering with Us via the Website, by using the Services via the Website, or by checking the "I AM 18 OR OVER AND I ACKNOWLEDGE, AGREE, ACCEPT AND CONSENT TO EACH PROVISION IN THESE TERMS & CONDITIONS" box during the account registration process, You agree to be bound by this Agreement, the Privacy Policy, and the Additional Terms in their entirety and without reservation. As such, this Agreement constitutes a binding legal agreement between You and Us. Together with the Privacy Policy and the Additional Terms, which are deemed to be an integral part hereof, this Agreement shall govern Your use of the Website, the Software, and the Services at all times.

2.2. The Company operates the Website and offers the Software and the Services on behalf of the Commonwealth of Pennsylvania, Pennsylvania Lottery, pursuant to 4 Pa.C.S. §§ 501 et seq., 72 P.S. §§ 3761-301 et seq. and the Pennsylvania Lottery's iLottery regulations at 61 Pa. Code § 876.1 et seq.

2.3. The Software, which may be made available in either downloadable or non-downloadable form, allows You to use the Services currently available via the Website and other User interfaces, including, but not limited to, mobile devices. We reserve the right, in our sole discretion, to suspend, modify, remove or add to the Software and/or the Services, subject to any statute, regulations, or direction from the Secretary of the Department of Revenue with immediate effect and without notice. We shall not be liable for any loss suffered by You, including, but not limited to, any indirect, consequential, incidental or special damages, resulting from any changes made to the Software and/or Services and You shall have no claims against Us in such regard. These Terms and Conditions may also be revised from time to time. You must check these Terms and Conditions periodically. We reserve the right to change, modify or amend these Terms at any time in our sole discretion. If these Terms and Conditions are revised, such revision will have immediate effect and your continued use of the Software indicates your acceptance of the revised Terms and Conditions. If you do not agree to any revised Terms and Conditions, you should discontinue your use of the Website, Software and Services immediately.

2.4. In respect to Your use of the Software and Services, You may only have one account registered with the Website for which You will register using Your own legal name. You shall access the Software and use the Services only via Your own account. You may never access the Software or use the Services by means of another person's account or permit any other person to access the Software or use the Services using Your account. If You: (i) attempt to open more than one account, under Your own name or under any other name; (ii) attempt to use the Services by means of any other person's account; or (iii) permit another person to access the Software or use the Services using Your account, then We will be entitled to: (a) suspend Your account pending investigation; (b) refund or refuse to refund any monies contained in Your account in accordance with applicable law and these terms and conditions; (c) notify the proper authorities of the suspected activity; (d) close Your account/s, and bar You from future use of the Services; or any combination of the above.

## 3. COMPLIANCE WITH LAWS AND LOCATION VERIFICATION

3.1. Use of the Services is restricted to End Users who are wagering from within the Commonwealth of Pennsylvania. You represent, warrant and agree to ensure that Your use of the Website, the Software, and the Services will comply at all times with all applicable laws, statutes, and regulations and these terms and conditions.

3.2. You acknowledge, warrant and agree that You will be physically within the Commonwealth of Pennsylvania during any time of real-money play, and that You will comply with our requirements in connection with verifying Your physical location at time of play, including by use of Your mobile device's current location and/or using the Wi-Fi networks when You use Your mobile phone, computer, tablet or other device. Location coordinates are only gathered at the time You access a real-money game using Your mobile phone, computer and/or tablet device, and have agreed to use the location verification service (the "Location Service"). Upon completing the account registration process, and before real-money play, You may be required to download a "plugin" from our Location Service provider. You hereby consent to Your location being verified via the above-described process each time You login to Your account and also periodically while You are logged in to Your account.

3.3. The mobile device Location Service is available only on selected carriers. The Location Service might not be available if the mobile device is roaming or is turned off. Location coordinate data is transmitted via Secure Socket Layer ("SSL") technology into password protected servers. Your data will be subject to the Privacy Policy. Please contact Your carrier for rate information and note Message and Data rates for which You will be responsible may apply.

3.4. We shall not be responsible for any illegal or unauthorized use of the Website, the Software, and/or the Services by You. Please consult an attorney if You have any doubts about the legality of Your use of the Website, the Software and/or the Services under the laws of any jurisdiction that applies to You. By accepting these terms, You agree to assist Us, to the extent You are able, with its compliance with applicable laws and regulations.

3.5. Persons located outside of the Commonwealth of Pennsylvania, at the time of their activity, may not use the Services for real-money play.

3.6. You are granted a personal, non-transferable and non-exclusive right to use the Location Service and any data related thereto. GeoComply, as provider of the Location Service, and/or its licensors, retain all of their intellectual property rights in and to the Location Service, and no title to any such property is transferred to You. You agree not to expose, reverse assemble, reverse engineer, decompile, reverse decompile, reduce to human readable form, or otherwise attempt to derive source code from the Location Service, or modify, incorporate into or with other software, or to create derivative works of, the Location Service or any data related thereto, or allow any third party to do the same. You agree to comply with all export and re-export restrictions and regulations of the Department of Commerce or other US agency or authority, and not to transfer, or authorize the transfer of, the Location Service to a prohibited country or otherwise in violation of any such restrictions or regulations.

3.7. You acknowledge that no warranty from GeoComply or its licensors is being made to You in connection with the Location Service and any data related thereto, and that there is an express disclaimer of any implied warranties of merchantability or fitness for a particular purpose. GeoComply and its licensors shall not be liable to You for any indirect, consequential, incidental or special damages arising out of the use or license of the Location Service, regardless of the theory of liability (including negligence, tort, and strict liability).

3.8. You agree not to remove, alter or obscure any copyright or other proprietary notices incorporated on or in the Location Service by GeoComply or any of its licensors.

3.9. You agree not to make the Location Service or any data related thereto available to third-parties, or use the Location Service on behalf of third-parties (including through file sharing, hosting, application services provider, service bureau, or any other type of service) and not to transfer or sublicense the Location Service or any data related thereto or allow the Location Service or any data related thereto to become subject to any lien.

3.10. You agree not to make any copies of the Location Service or any data related thereto, except for a single copy for back-up/archival purposes, and such copy must contain all of GeoComply's and its licensor's notices regarding proprietary rights.

3.11. You agree to comply with the Google Maps terms and conditions (as located at [http://maps.google.com/help/terms\\_maps.html](http://maps.google.com/help/terms_maps.html)), the Google Legal Notices (as located at [http://www.maps.google.com/help/legal/notice\\_maps.html](http://www.maps.google.com/help/legal/notice_maps.html)) and the AUP (as located at [http://www.google.com/enterprise/earthmaps/legal/us/maps\\_AUP.html](http://www.google.com/enterprise/earthmaps/legal/us/maps_AUP.html)), as the same may be updated from time to time.

3.12. We reserve the right to use data from GeoComply to aid in any investigation into your online account activity.

3.13. By registering for an account through the Website, You are specifically acknowledging, consenting to, agreeing and accepting that you must be located within the geographical boundaries of the Commonwealth of Pennsylvania while wagering on the Website. You further acknowledge, consent, agree and accept the monitoring, recording and collection of data obtained through the Location Service as a result of your use of the Website.

3.14. We do not control or endorse the content, messages, or information found in any user-content portions of the Website, the Services, the Software or external sites that may be linked to or from the Website, the Services or the Software, and, therefore, We disclaim any responsibility with regard thereto. We reserve the right to disable any account that has been involved in any activity that is in violation of any of the provisions of these Terms and Conditions or of any individual deemed to be acting or using the Website, the Services, the Software in a manner that is harassing or otherwise disruptive of the Website, the Services, or the Software. Company also reserves the right, but has no obligation, to monitor disputes between you and other users.

#### 4. PERMITTED PARTICIPATION

4.1. No one under the age of eighteen (18) (individuals eighteen (18) or older are referred to herein as "Legally of Age") may download the Software or use the Services under any circumstances and any person not Legally of Age who registers for an account and utilizes the Services will be in breach of the terms of this Agreement and the laws of the Commonwealth of Pennsylvania. The law prohibits a person not Legally of Age from registering for an account through the Website. Anyone who facilitates someone not Legally of Age to use the Services may be prohibited from using the Services. We reserve the right, in Our sole discretion, to request proof of age at any stage in order to verify that persons not Legally of Age are not using the Services. We may terminate a person's account and exclude a person from using the Software or the Services if proof of age is not provided or if We suspect that a person using the Software or the Services is not Legally of Age. Players not Legally of Age will only be entitled to a refund of their initial deposit. All wagers made by a player in such an account shall be deemed null and void; as a result, any winnings, bonuses or promotions issued to a person not Legally of Age will not be paid or refunded.

4.2. You hereby explicitly consent that We may verify Your personal information provided during the registration process, such as Your name, physical address where You reside, Your date of birth, Your driver's license or valid government-issued identity card, Your social security number, and Your passport identification (for non US residents) to confirm: (a) that You are Legally of Age; and (b) Your identity. We may use third-party verification services to verify Your personal information, including but not limited to a credit reference agency or other identification verification services. In performing these checks, the third-party verification services may keep a record of Your information, and such checks could affect Your credit report. The purpose of this verification is to confirm Your age, identity, and geographic location. We reserve the right to verify that You have not previously self-excluded through PAiLottery.com. By requesting certain documents, We reserve the right to verify Your information, including Your email address and payment methods used, at any time. Requested documents may include, but are not limited to, (a) an identity card such as a state-issued photo driver's license or valid passport, (b) proof of address such as a utility bill or bank statement, and (c) proof of payment method, and can be sent to Us through a secure/encrypted file transfer feature on the Website. We may request notarized document copies, meaning the documents must be stamped and attested to by a notary public. In the event our request for documents is not completed by You to Our satisfaction, We will terminate the account and withhold any funds that are present therein. Any initial deposit funds in such account shall be returned within seven (7) business days after cancellation. We may refuse to refund any bonuses or winning funds provided to or gained by the You. Should the documents fail our internal security check (for example, if We suspect that the documents have been tampered with, or are in any way provided to mislead or misrepresent), We shall be under no obligation to accept such documents as valid, and shall be under no obligation to provide feedback on the exact nature of our findings with regard to the documents. We reserve the right to request additional information from You in Our sole discretion or as may be required by law. You will not be permitted full use of the Website or the Software or Services unless and until your age, identity, and location have been verified to Our satisfaction.

4.3. You hereby explicitly consent to Us performing background checks on You for any reason related to the Services, including, but not limited to, any investigation into Your identity, any credit checks performed on You, or any inquiries into Your personal history. The basis for such investigations will be dependent on the specific case, and could include, but not be limited to, verification of Your registration details, such as the name, address and age, verification of financial transactions, and verification of gaming activity. We shall be under no obligation to advise

You of such an investigation taking place and We may use social media sites in conducting such an investigation. Such activities may also include the use of specific third-party companies who perform the investigations as required.

4.4. Under applicable law, You are prohibited from playing the Lottery in the Commonwealth of Pennsylvania and from using the Services or creating an account through the Website if:

4.4.1. You are an officer or employee of the Lottery;

4.4.2. You are the spouse, child, brother, sister or parent residing as a member of the same household as an officer or employee of the Lottery;

4.4.3. You are an officer or employee of a contractor or subcontractor who is directly involved in the operation of iLottery or the provision of iLottery related services; OR

4.4.4. You are the spouse, child, brother, sister or parent residing in the same household as an officer or employee of a contractor or subcontractor who is directly involved in the operation of iLottery and the provision of iLottery related services.

4.5. You have the ability to set responsible gaming limits, including daily, weekly or monthly deposit limits, spend limits, and time-based limits (generally referred to as "limits"), to establish a cool-off period ("Cool-Off Period") and to self-exclude from the Services as detailed herein and in the Additional Terms.

4.5.1. Initial daily, weekly and monthly limits will be effective immediately. If during the period of any established limits, You decrease your deposit limit, decrease your time limit, or decrease your spend limit, those changes will become effective immediately. If during the period of any established limits, You want to increase your deposit limit, increase your play time, or increase your spend limit, those increases will not become effective until the then current period has expired.

4.5.3. You have the ability to temporarily suspend your account (referred to as a Cool-Off Period) for any period between 72 hours and 30 days through the Website. The selected Cool-Off period will become effective immediately. During any Cool-Off Period, You will be unable to login to your account, make a wager or purchase a play, make a deposit, or withdraw funds from your account. Additionally, during any Cool-Off Period, You will be prohibited from entering second-chance drawings and other Lottery offers available through the Website. The Cool-Off Period is irrevocable during the Cool-Off period. At the conclusion of any Cool-Off period, Your access to your account will be automatically restored.

4.5.4. You have the right to request self-exclusion from the Website for periods of either one (1) year or five (5) years. The selected self-exclusion period will become effective immediately. During any period of self-exclusion, You will be unable to login to your account, make a wager or purchase a play, make a deposit, or withdraw funds from your account. Additionally, during any period of self-exclusion, You will be prohibited from entering second-chance drawings and other events offered through the Website. We will take all reasonable measures to make sure you do not receive promotional offers from the Lottery during any period of self-exclusion. The self-exclusion is irrevocable during the self-exclusion period. At the conclusion of any self-exclusion period, You are required to contact the Company's customer service department; access to your account is not restored automatically.

4.5.5. Should You choose to self-exclude, You will be required to:

4.5.5.1. provide Your personal details, including, but not limited to: Your name, Your Date of Birth, Your Address, Your phone number, and Your Social Security number;

4.5.5.2. agree to waive and release Us and Our employees from all liability relating to the processing and enforcement of the self-exclusion;

4.5.5.3. agree that, among other things, the request for self-exclusion is being entered into voluntarily; and

4.5.5.4. acknowledge that the self-exclusion is only applicable to PAiLottery.com and will restrict participation in online Lottery offerings.

4.5.6. The responsible gaming limits, Cool-Off Period and self-exclusion are only available through the Website and do not apply to other Lottery products and services, including those sold at Lottery retailers.

4.5.7. If We discover that a You have accessed the Website during any Cool-Off Period or self-exclusion, We may refund monies deposited by you during your Cool-Off Period or self-exclusion period. Any winnings or

Bonuses issued while you are in violation of the Cool-Off provisions or self-exclusion provisions will be considered null and void.

## 5. INFORMATION TECHNOLOGY/INTELLECTUAL PROPERTY

5.1. We hereby grant You the non-exclusive, non-transferable, non-sub-licensable right to use the Software in connection with the Services in accordance with this Agreement. The Software's code, structure and organization are protected by the Company's intellectual property rights. You must not: (a) copy, redistribute, publish, reverse engineer, decompile, disassemble, modify, translate or make any attempt to access the source code to create derivative works of the source code, or otherwise attempt to derive the internal structure, functioning, or other inner workings of the Software; (b) sell, assign, sublicense, transfer, distribute, lease or grant a security interest in the Software; (c) make the Software available to any third-party through a computer network or otherwise; (d) export the Software to any country (whether by physical or electronic means); (e) use the Software in a manner prohibited by applicable laws, regulations and/or this Agreement; (f) assert or imply that title or ownership rights in the Software belong to You; (g) remove, circumvent, disable, damage, or otherwise interfere in any way with any security-related feature of the Software; or (h) attempt to do any of the foregoing (together the "Prohibited Activities").

5.1.1. You will be solely liable for any damages, costs or expenses arising out of or in connection with the commission of any Prohibited Activities. You shall notify the Company and/or the Lottery immediately upon becoming aware of the commission by any person of any of the Prohibited Activities and shall provide the Us with reasonable assistance with any investigations it may conduct in light of the information provided by You in this respect.

5.2. The brand names relating to the Website and Services, and any other trademarks, service marks, trade names, domain names and logos used by the Company are owned by the Company, its affiliated entities, or its licensors (including the Lottery) with respect to the Services regardless of the platform (hereinafter referred to as the "Trademarks") and the Company, its affiliated entities and licensors (as applicable) reserve all rights to such Trademarks. End User shall not use the Trademarks, or any confusingly similar marks except as expressly permitted herein.

5.3. In addition to the rights to its Trademarks, the Company or one of its affiliated entities and/or its licensors and/or its service providers own the rights in all other content including, but not limited to, the Software, games, images, pictures, graphics, photographs, animations, videos, music, audio and text available via the Software or on the Website or in connection with the Services (the "Site Content"). The Site Content is protected by copyright and/or other intellectual property rights. The End User shall not modify any of the Site Content and shall not copy, distribute, transmit, display, perform, reproduce, publish, license, create derivative works from, transfer, or sell any Site Content or information or work contained in the Software or on the Website or used in connection with the Services, except as expressly permitted herein. The End User shall not in any way alter, erase, or remove any trademark notices, copyright notices, logos, or other legal or proprietary designations contained on or within the Site Content.

5.4. You hereby acknowledge that, by using the Services or the Software, You obtain no rights in the Trademarks or the Site Content and You may only use the same in complete accordance with this Agreement.

5.5. You agree not to upload, post, email, transmit or otherwise make available through the Services or on the Website any material or information that infringes any copyright, trademark, trade secret, patent, right of privacy, right of publicity or other right of any person or entity, or impersonates any other person, or any information that is harassing, libelous, defamatory, disparaging, obscene, offensive, threatening or hateful.

5.6. We respect the intellectual property rights of others and require each End User of the Services, the Software, and the Website to do the same. We may, in Our sole discretion immediately remove or disable any content or block or terminate the account of any End User that is found to have infringed on Our rights or those of a third-party, or that has otherwise violated any intellectual property laws or regulations, or any of the terms and conditions of this Agreement. We may, in appropriate circumstances, terminate the accounts of repeat infringers at any time. If You believe any material available on the Website infringes upon a copyright, or otherwise violates Your intellectual property rights, then You should notify the Company's Copyright Agent by providing the following information:

5.6.1. identify the copyrighted work or other intellectual property that You claim has been infringed;

5.6.2. identify the material on the Website that may be an infringement with enough detail so that We may locate it on the Website;

5.6.3. a statement by You indicating a good faith belief that the disputed use is not authorized by the copyright owner, its agent, or the law;

5.6.4. a statement by You declaring under penalty of perjury that (a) the above information in Your notice is accurate, and (b) that You are the owner of the copyright interest involved or that You are authorized to act on behalf of that owner;

5.6.5. Your address, telephone number, and email address; and

5.6.6. Your physical or electronic signature.

5.7. The Company's designated agent for notices of claims of copyright or other intellectual property infringement is:

Eric Schmalz

Intellectual Property Counsel

Scientific Games

2718 West Roscoe Street

Chicago, Illinois 60618.

## 6. YOUR REPRESENTATIONS AND UNDERTAKINGS

In consideration of the rights granted to You to use the Services and the Software, You represent, acknowledge and agree that the following representations are true to the best of Your knowledge and belief.

6.1. As the End User, You are Legally of Age, as defined in this Agreement, of sound mind and capable of taking responsibility for Your own actions, and, at any time you engage in real-money play on the Website, You will be physically located within the Commonwealth of Pennsylvania whenever attempting to engage in real-money play.

6.2. All information provided by You to Us either during the registration process or at any time thereafter, including as part of any payment deposits, withdrawals, or any other financial transaction are true, current, correct, complete and match the full name(s) on the debit card(s) or other payment accounts including, but not limited to, payment via online wallets or the automatic clearing house (ACH online check transfers), commonly referred to as "E-Checks," to be used to deposit or receive funds in Your account. You shall ensure that funds deposited into Your account from a financial institution shall not be transferred out of Your account to a different financial institution. You shall ensure that You have sufficient available funds prior to conducting any wagering activities. We do not extend credit to any player for any reason for wagering or playing or any related activities on the Website. You will promptly notify Us of any changes to details previously provided by You to Us. From time to time, You may be requested to provide Us with certain documents to verify the details of the debit card or other deposit or withdrawal methods used by You to deposit or withdraw money to or from Your account, and to verify the authenticity of such documents. Should You fail to provide Us with, or fail to verify the authenticity of, any documents requested by Us relating to Your identification or any deposit or withdrawal method used by You, We reserve the right, in Our sole discretion, to cancel a withdrawal request. Depending on the outcome of these verification checks, You may or may not be permitted to deposit further monies with the debit card or other deposit methods previously used by You. Should any of the information that You provide to Us be untrue, inaccurate, misleading, or otherwise incomplete, You will be in breach of this Agreement, and We reserve the right to terminate Your account immediately and/or prevent You from using the Software or the Services, in addition to any other action that We may choose to take. You shall not transfer any funds to any other player or account holder.

6.3. As the End User, Your account with Us is solely for Your benefit. You shall not allow anyone (including a relative) to use Your account, password, or identity to access or use the Services or the Software, and You shall be fully responsible for any activities undertaken on Your account by a third-party. You will not reveal Your account username or password to any person and You shall take all steps to ensure that such details are not revealed to any person. You shall inform Us immediately if You suspect that Your account is being used by a third-party, and/or any third-party has access to Your account username or password so that We may investigate such matter, and You will cooperate with Us, as We may request, in the course of such investigation.

6.4. As the End User, You are responsible for the security of Your username and password on Your own computer and any device on which the Software is or may be accessible including, but not limited to, an Internet access location. It is Your responsibility if Your username and password combination is "hacked" due to any virus or

malware present on the computer or mobile device from which You access Your account. You should report any possible hacking attempts or security breaches from Your computer or mobile device immediately to Us. It is Your responsibility to configure Your computer's and/or mobile device's auto lock features to protect from unauthorized use.

6.5. As the End User, You fully understand the methods, rules, and procedures of the Services and Internet wagering in general. You understand that it is Your responsibility to ensure the details of wagers and games are correct. You are prohibited from changing your wager after it's purchased. You will not commit any acts or display any conduct that damages Our reputation.

6.6. As the End User, You are fully aware that there is a risk of losing money when gambling by means of the Services, and that You are fully responsible for any such loss. You agree that Your use of the Services is at Your sole option, sole discretion, and risk. In relation to any loss, You shall have no claims whatsoever against the Lottery, the Commonwealth of Pennsylvania, the Company, any company within the same group of companies as the Company, the Company's licensors or service providers or their respective directors, officers, members, employees, service providers, agents, or any affiliates of any of the foregoing.

6.7. You are solely responsible for all taxes and tax reporting to any relevant governmental, taxation or other authority on any winnings or prizes paid to You by the Company or any other related or affiliated entity, subject to applicable local, state and/or federal tax laws and regulations, although You also acknowledge that We are required to report certain winning payments to state and federal governments.

6.7.1. State and federal withholding taxes will be automatically deducted from prizes meeting statutory thresholds, and shall be remitted to the appropriate taxing authorities as required by law.

6.7.2. Statutorily required offsets under 23 Pa.C.S.A. § 4308 (relating to lottery winnings intercept) and 72 P.S. § 215 (relating to lottery winnings intercept) shall be automatically deducted from prizes meeting statutory thresholds, and shall be paid to the relevant agencies as required by law. Certain prizes or portions thereof may be temporarily inaccessible or unavailable while We determine whether You are subject to any of the offsets referenced herein or subsequently imposed by law.

6.8. As the End User, You are solely responsible for any and all telecommunication network and Internet access services fees and costs, and all other consents and permissions required in connection with Your use of the Software and the Services. In case of any disconnection or interference with the connection or any alteration to Your system made by You, We do not guarantee that the Software shall recall Your exact status prior to the disconnection event, provided, however, that, consistent with the detail set forth in Section 21.1 of this Agreement, in the event of a network disconnection, the Software may provide You with the ability to view a round of play completed prior to or during the period of disconnection, or to resume play of a game suspended as a result of such disconnection if a determination has not yet been made as to the outcome of the specific round of play in progress at the time of the disconnection.

6.9. As the End User, You shall act in good faith at all times in terms of Your use of the Services, the Website, and the Software and your interactions with Us and the other players using the Services. In the event We determine that You have been using the Services, the Website, or the Software in violation of any applicable law and/or to cause direct or indirect harm or injury to Us or Our respective licensors or service providers, or any End User of the Services, the Website, or the Software, We shall have the right, subject to any applicable law, to terminate Your account and/or use of the Services and any other accounts You may hold with the Company. You hereby expressly waive any claims against Us and Our licensors and service providers in such regard, including, but not limited to, future claims or any indirect, consequential, incidental or special damages, subject to any applicable laws.

6.10. You hereby grant the Company and/or the Division Your consent to monitor and record Your wagering communications and geographic location information at all times, and You shall have no claims against the Lottery or the Company and its Affiliates, licensors, or service providers in such regard.

## **7. PROHIBITED USE OF THE SITES AND SERVICES**

7.1. As the End User, You declare that the source of funds used by You for gambling on the Website and using the Services is not illegal and that You will not use the Website, the Services, or the Software in any way as a money transfer system. You will not use the Website, the Services, or the Software for any unlawful or fraudulent activity or prohibited transaction (including money laundering) under federal laws and/or the laws of the Commonwealth of Pennsylvania. If the Company has a suspicion that You may be engaging in or have engaged in fraudulent, unlawful or improper activity including, without limitation, money laundering activities, or conduct otherwise in violation of

this Agreement, Your access to the Services may be terminated immediately and/or Your account blocked, locked or terminated. In addition to terminating Your access to the Services or blocking Your account, the Company reserves the right, in its sole discretion, to prevent You from accessing the Website and any of the Company's other websites or servers, or accessing any other services offered by the Company. We shall be entitled to inform relevant authorities, other online service providers and banks, credit card companies, electronic payment providers or other financial institutions (together "Interested Third-Parties") of Your identity and of any suspected unlawful, fraudulent or improper activity. As the End User, You agree to fully cooperate with Us to investigate any such activity.

7.2. The Company and its third-party service providers have developed and employ sophisticated technology intended to seek out and identify persons making fraudulent or unlawful use of the Services or Software. You shall not break into, access or attempt to break into or access or otherwise circumvent the Company's security measures. If We believe, in Our sole discretion, that You are in breach of this clause, We may terminate Your access to the Services immediately and/or have Your account terminated or locked, pending investigation, and/or notify the proper authorities of the suspected activity, which may result in the closure of all Your accounts, and You being barred from future use of the Services. We reserve the right, in Our sole discretion, to inform Interested third-parties of Your breach. In addition to terminating Your access to the Services and/or locking Your account, We reserve the right, in Our sole discretion, to prevent You from accessing the Website and any of the Company's websites or servers, or accessing any other properties or services offered by the Company.

7.3. The use of software, external devices, programs or applications to create an unfair advantage for You over other End Users is strictly prohibited and may result in a criminal referral. You shall not use any software program which is endowed with artificial intelligence (hereinafter referred to as "AI Software") in connection with Your use of the Services. We constantly review the use of the Services in order to detect the use of AI Software, and in the event that We deem it has been used, We reserve the right, to take any action We deem fit, including, but not limited to, immediately blocking access to the Services to the offending End User and terminating such End User's account. In addition to terminating Your access to the Services and/or blocking Your account, the Company reserve the right, in its sole discretion, to prevent You from accessing the Website and any of the Company's other websites or servers, or accessing any other properties or services offered by the Company.

7.4. You shall not intentionally disconnect from a game while playing on the Website. If, in the Our sole discretion, You are in breach of this clause, We may terminate Your access to the Services immediately or have Your account locked. In addition to terminating Your access to the Services and/or locking Your account, the Company reserves the right, in its sole discretion, to prevent You from accessing any of the Company's other websites or servers, or accessing any other properties or services offered by the Company.

7.5. If We have reason to suspect that an account or group of accounts are operating systematically (for example, employing specific wagering techniques or wagering as a group), We shall have the right to block or terminate all accounts and in such circumstances.

7.6. If You are found to have fraudulently created an account, created an account while not Legally of Age, participated used the Website and Services during any Cool-Off period or self-exclusion period, or any other violation of this Agreement, We reserve the right to deem any purchases made invalid, pay no prize, or even reclaim prizes paid under these circumstances and the player forfeits all claims to any prizes won while playing with invalid information. Additionally, Your account may be terminated or blocked.

7.7. If We suspect or determine that you have engaged in illegal activity while using the Website and the Services, You understand and agree that we may hold any withdrawal pending completion of an investigation or pursuant to applicable law or an order by a court of competent jurisdiction. We reserve the right to deem any purchases made invalid, pay no prize, or even reclaim prizes under circumstances in which it was determined You acted unlawfully and You forfeit all claims to any prizes won while engaging in unlawful behavior. We are not liable for any damages or losses resulting from any delay or denial of a withdrawal resulting from an investigation.

## **8. YOUR ACCOUNT**

8.1. Your account is for Your sole personal use only and shall not be used for any professional, business, or commercial purpose.

8.2. All transactions where Your username and password have been entered correctly will be regarded as valid whether or not authorized by You. Therefore, it is imperative that You maintain security of Your username and password at all times and not divulge your username or password to third-parties.

8.3. Monies held in Your account shall not earn interest.

FIRST AMENDMENT TO  
AGREEMENT FOR INSTANT LOTTERY GAMES SERVICES

BETWEEN

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE  
PENNSYLVANIA LOTTERY

AND

SCIENTIFIC GAMES INTERNATIONAL, INC.

I. RECITALS

JB

This First Amendment, dated as of ~~November 13, 2010~~ <sup>January 13, 2011</sup>, to the Agreement for Instant Lottery Games Services, dated as of ~~July 21, 2007~~ <sup>August 21, 2007</sup> (the "AGREEMENT"), is made and entered into by and between the COMMONWEALTH OF PENNSYLVANIA (hereinafter referred to as the "COMMONWEALTH"), DEPARTMENT OF REVENUE, for the PENNSYLVANIA LOTTERY (hereinafter referred to as the "DEPARTMENT" and "LOTTERY," respectively), and SCIENTIFIC GAMES INTERNATIONAL, INC., (hereinafter referred to as "SGI" or "CONTRACTOR"), a duly organized and existing Delaware Corporation, authorized to conduct business within Pennsylvania by the issuance of a Certificate of Authority by the Pennsylvania Department of State, with offices at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia, 30201, and having Federal Employer Identification Number 58-1943521, collectively referred to as the Parties.

WHEREAS, the DEPARTMENT has, among its responsibilities, the operation and management of the Pennsylvania State Lottery in accordance with the provisions of Act No. 91 of 1971, P.L. 351, known as the "State Lottery Law," as currently amended; and,

WHEREAS, under the provisions of the State Lottery Law, the DEPARTMENT has the authority and duty to pay costs incurred in the operation and administration of the LOTTERY; and,

WHEREAS, the DEPARTMENT further has the authority to expend monies from the State Lottery Fund to pay the expenses of the operation of the LOTTERY; and,

WHEREAS, in addition to the Agreement, the DEPARTMENT and SGI entered into a Contract for Lottery Games System and Related Services on December 19, 2008, subsequently amended on June 18, 2010 (as amended, the "Online Contract"); and,

WHEREAS, pursuant to Paragraph 28 of the AGREEMENT, the Parties have the right to modify, amend or extend the AGREEMENT and now desire to modify and amend the AGREEMENT by agreeing to the modifications and amendments set forth herein.

## II. AMENDMENT

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth and intending to be legally bound, the Parties hereto agree as follows:

As of the effective date of this First Amendment, the AGREEMENT shall be amended as follows:

1. The DEPARTMENT exercises its option to extend the term of the AGREEMENT for a period of three (3) years. Section 5, CONTRACT TERMS AND EXTENSIONS, is hereby amended by adding the following after the end of the last paragraph thereof:

The Term of this AGREEMENT is hereby extended for a period of three (3) years, commencing <sup>August 21</sup> ~~July 17~~, 2012, and expiring at  
SJA

August 20 SUX  
midnight, ~~July 16~~, 2015. The DEPARTMENT, at its sole option, may extend and/or renew this AGREEMENT for up to an additional two (2) years, in increments of one (1) or more years upon terms mutually agreeable to the Parties, provided that, should the DEPARTMENT exercise all options to extend and/or renew this AGREEMENT, the total term of the AGREEMENT, including all renewals, shall not exceed ten (10) years.

2. The DEPARTMENT shall remit payments to CONTRACTOR according to the terms of Appendix E of the AGREEMENT, as amended herein.

3. SGI shall provide the following incident to the provision of its services under the Online Contract, which shall also be amended to reflect the additional items:

A. Instant Ticket Vending Machine (ITVM) Refurbishment:

SGI shall refurbish three hundred (300) ITVMs at no additional cost to the DEPARTMENT. Such services shall include ITVM pick up from Lottery Retailer locations, refurbishment and installation of refurbished ITVMs at Lottery Retailer locations designated by the LOTTERY. The LOTTERY will identify the ITVMs to be refurbished no later than February 28, 2011. The Parties shall mutually agree upon and establish a schedule for pick up, refurbishment, and installation of the designated ITVMs, which refurbishment shall commence no later than March 1, 2011.

B. PlayCentral® Terminal Displays: SGI shall provide 22" flat panel displays, cables and all other equipment required for the proper performance and functioning thereof, and shall retrofit such displays into 700 PlayCentral® terminals ("PCT") at no additional cost to the DEPARTMENT. Such displays and PCT shall be maintained pursuant to the terms of the First Amendment to the Online Contract. Any additional or replacement flat panel displays, cabling or installation in excess of the 700 included in this First Amendment shall be subject to terms and conditions, including compensation, negotiated between the Parties.

C. WAVE™ Terminal Jackpot Signs: SGI shall provide 1000 jackpot display signs, such as Carmanagh sign number 3225043 or 3225044 or equivalent, with wireless connectivity to the SGI WAVE™ terminals at no cost to the DEPARTMENT.

Further, SGI, at no additional cost to the DEPARTMENT, shall provide cables and all other items necessary for the proper functioning of the jackpot display signs, provided that all services, including but not limited to installation, software development and maintenance shall be provided under the Online Contract. SGI shall order the

Carmanagh devices (or equivalent display) upon execution of this First Amendment.

D. Dual Receipts: SGI shall configure the SGI WAVE™ terminals to print dual receipts for all customer transactions in which the prize value of a winning ticket equals a specified dollar amount as determined by the LOTTERY.

4. Under the terms of the AGREEMENT, SGI shall provide the Department with up to \$50,000 credit applicable to the purchase and delivery of consumable materials needed to print dual receipts for all customer transactions in which the prize value of a winning ticket equals a specified dollar amount as determined by the LOTTERY. Such credit shall apply to each 12 month period commencing upon the implementation of such dual receipt printing.

5. Pursuant to the terms of Paragraph 3.Q.8 of the AGREEMENT, SGI shall provide the Lottery with a Second Chance Drawing software program as agreed to by the Parties commencing with the effective date of this First Amendment and continuing through the end of the initial term of this AGREEMENT and the three extension years thereof. In addition, during each consecutive 12 month period commencing on the effective date of this First Amendment and continuing through the three extension years of the AGREEMENT, SGI shall provide up to 100 hours of

additional software development, support and training for the referenced software program at no additional cost to the Lottery.

6. Pursuant to the terms of Paragraph 3.Q.8 of the AGREEMENT, SGI shall provide up to six (6) HASH files for games produced by SGI, which HASH files are to be specifically programmed for second chance Lottery drawings, per each 12 month period commencing with the effective date of this First Amendment and continuing through the initial term of this AGREEMENT and the three extension years of this First Amendment. SGI will provide additional HASH files for SGI produced games at the sole option of the Lottery subject to Section 7(c) below.

7. Appendix E, Prices and Terms, Section 5, TICKET AND GAME FEATURES, is hereby amended by adding the following after the end of the paragraph:

- a. Subsection A.2: Commencing with the Effective Date of the First Amendment to the AGREEMENT, SGI will provide the Lottery with One Promotional Game per 12-month period with a print run of approximately 2,000,000 tickets at no less than fifty (50) tickets per pack. Such Promotional Game tickets will be approximately 2.5" in length and 4" in width, and will be printed with one color pulse at the discretion of the Lottery.

b. Subsection A.3 is hereby amended by adding the following after the end of the paragraph:  
Commencing with the Effective Date of the First Amendment to the AGREEMENT, SGI will provide the Lottery with 20,000 4" x 4" inserts for each instant game printed by the CONTRACTOR under this AGREEMENT. CONTRACTOR will not provide any oversized tickets for any instant games. CONTRACTOR also agrees to provide 10,000 4" x 4" inserts for short-run games (e.g.; non-Christmas-themed holiday games). Whether a game is a short-run instant game shall be determined by the mutual agreement of the Parties. Additional 4" x 4" inserts in excess of 20,000 per instant game, or 10,000 per short run game, shall be paid for by the LOTTERY at SGI's cost.

c. Section 5 is hereby amended by adding the following after the end of Paragraph 6:

7. SECOND CHANCE DRAWINGS ASSOCIATED COSTS:

A. Second Chance Drawing Programming: Additional development, support and/or training in excess of 100 hours during the term of the AGREEMENT including the extension will be invoiced to the LOTTERY and the LOTTERY shall pay \$150.00 per hour.

B. HASH Files: Should the LOTTERY, at its sole option, request HASH files for second chance drawings in excess of six (6) second chance drawings per 12-month period, SGI will invoice the LOTTERY and the LOTTERY will pay \$1,500.00 per file for each additional HASH file ordered."

8. Except as modified herein, all terms and conditions of the AGREEMENT are hereby ratified and affirmed as being in full force and effect and enforceable by either Party according to their terms.

[Remainder of page left blank intentionally.]

IN WITNESS WHEREOF, the Parties have caused this First Amendment to the AGREEMENT to be duly executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE

C. Daniel Hassell 11/19/10  
C. Daniel Hassell Date  
Secretary of Revenue  
Department of Revenue

SCIENTIFIC GAMES  
INTERNATIONAL, INC.

James C. Kennedy 11-16-10  
James C. Kennedy Date  
Senior Vice President  
Sales and Global Marketing  
Title

Approved as to legality and manner of execution:

Jeffery S. Shavely 11/19/10  
Jeffery S. Shavely  
Acting Chief Counsel  
Department of Revenue

[Signature]  
Office of Attorney General

[Signature]  
Office of General Counsel

Guy Doyle 1/13/11  
Guy Doyle Date  
Comptroller  
Department of Revenue

2002412000  
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2002414000  
2002415000

THIRD AMENDMENT TO  
CONTRACT FOR LOTTERY GAMES SYSTEM AND RELATED SERVICES

BETWEEN

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE  
PENNSYLVANIA LOTTERY

AND

SCIENTIFIC GAMES INTERNATIONAL, INC.

I. RECITALS

This third amendment (the "Third Amendment"), dated as of December 18, 2014, to the contract for Lottery Games System and Related Services, dated as of December 19, 2008, as amended (the "CONTRACT"), is made and entered into by and between the COMMONWEALTH OF PENNSYLVANIA (hereinafter referred to as the "COMMONWEALTH"), DEPARTMENT OF REVENUE, for the PENNSYLVANIA LOTTERY (hereinafter referred to as the "DEPARTMENT" and "LOTTERY," respectively), and SCIENTIFIC GAMES INTERNATIONAL, INC., (hereinafter referred to as "SGI" or "CONTRACTOR"), a duly organized and existing Delaware Corporation, authorized to conduct business within Pennsylvania by the issuance of a Certificate of Authority by the Pennsylvania Department of State, with offices at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia, 30004, and having Federal Employer Identification Number 58-1943521, collectively referred to as the "Parties."

WHEREAS, the DEPARTMENT has, among its responsibilities, the operation and management of the Pennsylvania State Lottery in accordance with the provisions of Act No. 91 of 1971, P.L. 351, known as the "State Lottery Law," as currently amended; and,

WHEREAS, under the provisions of the State Lottery Law, the DEPARTMENT has the authority and duty to pay costs incurred in

the operation and administration of the LOTTERY, including costs resulting from any contracts entered into for services related to the operation of its lottery games; and,

WHEREAS, the DEPARTMENT further has the authority to expend monies from the State Lottery Fund to pay the expenses of the operation of the LOTTERY; and,

WHEREAS, SGI agrees to work cooperatively with the LOTTERY by committing substantial amounts of SGI's own resources to provide the LOTTERY certain goods, services, incentives and investments not otherwise available to the LOTTERY in order to create opportunities for the LOTTERY to expand its business, grow its sales revenue and increase the returns to the LOTTERY's beneficiaries in the Commonwealth of Pennsylvania; and

WHEREAS, the LOTTERY commits in good faith to using the best efforts of its organization and staff to fully cooperate with SGI in implementing the initiatives set forth in this Third Amendment; and

WHEREAS, pursuant to Paragraph 25 of the CONTRACT, the Parties have the right to modify, amend or extend the CONTRACT and now desire to modify and amend the CONTRACT by agreeing to the modifications and amendments set forth herein.

## II. AMENDMENT

**NOW, THEREFORE,** in consideration of the foregoing recitals and of the mutual promises hereinafter set forth and intending to be legally bound, the Parties hereto agree as follows:

As of the effective date of this Third Amendment, the CONTRACT shall be amended as follows:

1. The DEPARTMENT hereby exercises its option to extend the term of the CONTRACT for a period of four (4) years. Section 3, CONTRACT TERM AND EXTENSIONS:, is hereby amended by adding the following after the end of the last paragraph thereof:

The Term of this CONTRACT is hereby extended for a period of Four (4) years, commencing January 01, 2015, and expiring at midnight, December 31, 2018. The Commonwealth contemplates awarding a contract for Lottery games and related services approximately six (6) months prior to the expiration of the last available extension. Should the Commonwealth be unable to award a contract for Lottery games and related services prior to the expiration of the last available extension of this CONTRACT, the Parties shall use their best efforts to provide for uninterrupted and continuous services as provided for in this CONTRACT by SGI to Lottery, with remuneration for services rendered by SGI to be provided through an appropriate procurement mechanism as provided for in the Commonwealth Procurement Code (62 Pa.C.S.A. §§ 101 et seq.) until such award

of a contract for Lottery games and related services has occurred.

2. SGI shall provide the following pursuant to Section IV-4.5 of the RFP, which RFP is incorporated into and a part of the CONTRACT, as amended:

A. SGI Advisor Services:

SGI shall provide the LOTTERY the following advisory services during the term of the CONTRACT:

- i. Consulting with the LOTTERY and cooperating in good faith with the LOTTERY's efforts to continuously identify, evaluate and implement cost reduction, margin improvement, information technology improvement and other methodologies (including industry "best practice" methodologies and tools) and initiatives to assist the LOTTERY to achieve operational excellence, become more competitive in the markets that the LOTTERY serves and increase the value of the businesses of the LOTTERY;
- ii. Proactively and periodically monitoring and analyzing new processes, technologies, shared service strategies and emerging trends that may have interest or applicability to the LOTTERY or that reasonably could be expected to have a positive impact on the LOTTERY, including in the areas of increased efficiency, increased quality and reduced costs. Meeting with the LOTTERY at least once each calendar

quarter during the term in accordance with the procedures and schedule agreed upon with the LOTTERY to inform the LOTTERY of new information technology or business processes SGI is developing, or information technology and business process trends and directions of which SGI is otherwise aware, that could reasonably be expected to have a positive impact on the LOTTERY's operations and business;

iii. Periodically providing recommended initiatives in the areas of innovation and value creation for the LOTTERY to consider;

iv. Recommending activities for the LOTTERY to consider for implementation to attract new, infrequent, or lapsed players to the LOTTERY;

v. Participating in a regular meeting of the LOTTERY management and SGI management held on dates and times as the Parties may reasonably agree. Unless otherwise agreed, the meeting shall be held no less than quarterly, either in person or by telephone conference. The LOTTERY and SGI shall collaborate on a progress report for the meeting. Each report shall, at a minimum, include a description of progress made against each objective affecting the LOTTERY's business planning, which shall include the following: the items noted above and any material changes proposed to the LOTTERY's business planning concerning (a)

the Lottery Games to be offered; (b) the prize pay-outs of Lottery Games; (c) the sales price of Lottery Tickets; (d) the type, number or amount of Prizes; (e) recommendations on the LOTTERY's media or marketing campaigns and promotional activities, outlining the scope, objectives, and key messages to be delivered to the public or targeted audience.

B. PlayCentral™ HD - self vending terminal:

- i. SGI agrees to supply fifty (50) PlayCentral™ HD instant and draw-game self-vending terminals for field deployment, appropriate spare parts, five (5) PlayCentral HD units for use as spares, three (3) PlayCentral HD units for use during user acceptance testing by the LOTTERY, and the appropriate field communications devices, as determined by SGI, for each of the PlayCentral HD terminals deployed in the field to communicate with the System all at no charge over the originally contracted for amount.
- ii. In connection with supplying the PlayCentral HD terminals in the preceding paragraph, SGI agrees to supply the following related services at no charge over the originally contracted for amount to the LOTTERY:  
installation of such terminals, software development

services necessary for integrating such PlayCentral HD terminals into the System, quality assurance testing services, field services and software development support for draw based games deployed on the PlayCentral HD terminals, and payment of all related monthly reoccurring telecommunications network fees.

iii. In the event the LOTTERY desires to purchase additional PlayCentral HD terminals, the price for such additional units and related services will be negotiated between the parties.

C. PlayCentral™ EX - self vending terminal:

i. SGI agrees to supply fifty (50) PlayCentral™ EX draw-game only self-vending terminals for field deployment, ten (10) PlayCentral EX units as spares, three (3) PlayCentral EX units for use during user acceptance testing by the LOTTERY, and the appropriate field communications devices, as determined by SGI, for each of the PlayCentral EX terminals deployed in the field to communicate with the System all at no charge over the originally contracted for amount.

ii. In connection with supplying the PlayCentral EX terminals in the preceding paragraph, SGI agrees to supply the following related services at no charge over the originally contracted for amount : installation of such

terminals, software development services necessary for integrating such PlayCentral EX terminals into the System, quality assurance testing services, field services and software development support for draw based games deployed on the PlayCentral EX terminals, and payment of all related monthly reoccurring telecommunications network fees.

iii. In the event the LOTTERY desires to purchase additional PlayCentral EX terminals, the price for such additional units and related services will be negotiated between the parties.

D. SalesMaker™ Retailer Program:

i. SGI agrees to conduct the "SalesMaker™" retailer improvement program for fifty (50) LOTTERY retailers selected by the LOTTERY from the top 10% of retailers by revenue, and the "SalesMaker Plus™" retailer improvement program for an additional twenty-five (25) LOTTERY retailers selected by the LOTTERY from the top 10% of retailers by revenue at no additional charge to the LOTTERY. The programs shall consist of the goods and services set forth below in this Section D.

ii. SGI shall cooperate with and advise the LOTTERY regarding the identification and selection of eligible

LOTTERY retailer locations to receive the foregoing "SalesMaker" makeovers and training.

iii. The "SalesMaker" program shall consist of providing retailer store enhancements to Instant Ticket counter displays, creating upgraded play areas, installing play stations and tables, supplying promotional window and door decals and conducting retailer training to the fifty (50) selected retailers. "SalesMaker Plus" locations shall receive the "SalesMaker" program elements, and also receive custom counter wraps, gas tank toppers, and a large screen monitor for Lottery InMotion™, with related brackets, non-electrical wiring and monitor service.

iv. In the event the LOTTERY desires to select additional LOTTERY retailers to participate in either the "SalesMaker" or "SalesMaker Plus" programs, the price for additional LOTTERY retailer locations will be negotiated between the parties.

E. Play At The Pump:

i. Should the LOTTERY agree to implement Linq3's Play at the Pump product ("Play at the Pump"), implementation shall be in accordance with the functional specifications to be mutually agreed upon by the parties. SGI agrees to provide LOTTERY with all the necessary functional requirements and specifications for approval by the parties, and related

software development services and quality assurance testing services to implement Play at the Pump, and to integrate the LOTTERY's multi-state draw-based games, including but not limited to Powerball and Mega Millions with Play at the Pump in accordance with the implementation schedule to be agreed upon by the parties. Integration will include establishing and maintaining telecommunications network connectivity between the System and Play at the Pump and ongoing software support and maintenance of Play at the Pump to ensure compliance with the functional specifications.

ii. Subject to the Lottery licensing Linq3 as a Lottery Retailer, determining a payment method for Linq3 that is inclusive of retailer commissions and approving the handling fees or an alternate payment fee structure proposed by the LOTTERY and accepted by Linq3 for ongoing support services associated with Play at the Pump.

F. Retailer/Player Mobile Promotional Technology:

i. Should the LOTTERY agree to implement the Beacon in-store Bluetooth® products ("Beacon"), it shall be in accordance with the functional specifications to be mutually agreed upon by the parties. SGI agrees to provide the LOTTERY, at no additional charge, with the functional specifications and requirements for approval by the

parties, related software development services and quality assurance testing for implementation of Beacon, and installation of all software and firmware, and mobile application development necessary to implement Beacon at seventy-five (75) retailer locations. Beacon will interact with mobile applications to support LOTTERY retailer and LOTTERY promotions as integrated into the System and On-line Terminals.

ii. SGI agrees to provide the LOTTERY with related operational and software support and maintenance services of Beacon at no charge over the originally contracted for amount.

iii. In the event the LOTTERY desires to implement Beacon at additional LOTTERY retailer locations or to acquire any additional hardware or other Beacon-related services not set forth in this Section F, the prices for such goods and services will be negotiated between the parties.

G. SGI Business Intelligence System:

i. SGI agrees to provide the LOTTERY with certain additional goods and services to augment the scope of the LOTTERY's marketing research at no charge over the originally contracted for amount. Such expanded market research services shall include the use of System transactional data, equipment level event and session logs

in combination with key data matrix information on players and player behaviors. SGI will use the results of such research to develop reports analyzing player behaviors and propose strategies to the LOTTERY regarding the promotion, adjustment or replacement of LOTTERY products in a manner designed to increase player engagement, per player spend and overall playership.

ii. In connection with such marketing services, SGI further agrees to provide the LOTTERY with a customer dashboard view allowing the LOTTERY to pull and review the reports developed by SGI. SGI and the LOTTERY agree to participate in quarterly roundtable strategy meetings to analyze and discuss results and cooperatively develop strategies to increase LOTTERY sales revenue.

H. In-Lane Draw Based Ticket Sales:

i. Should the LOTTERY agree to implement the Triton in-lane draw based ticket sales product ("Triton"), it shall be in accordance with the technical specifications to be mutually agreed upon by the parties in approximately 6,000 lanes at authorized LOTTERY retailers. SGI agrees to provide to the LOTTERY the following related to the implementation and support of Triton: developing functional

specifications and requirements for approval by the parties, providing software development services for the implementation of Triton in accordance with such functional specifications, the necessary related telecommunications network equipment (if any), and quality assurance testing of SGI software necessary for the implementation of Triton, including integration of Triton into the System.

ii. SGI agrees to provide ongoing operational support services for Triton including providing telecommunication network connectivity to Triton from the System, supplying the specified thermal paper required for LOTTERY retailers printing tickets through the Triton solution (including delivery) and ongoing software support and maintenance to ensure ongoing compliance with the functional specifications.

iii. Except as set forth above, all other costs and fees related to Triton, including but not limited to the lease, purchase or other acquisition of the Triton keypad and printer and the implementation of such products which shall be negotiated by the LOTTERY directly with Triton for other keypad vendors and LOTTERY retailers as applicable, and any future hardware or other services are the responsibility of the LOTTERY.

I. Lottery Closed Loop Gift Cards:

- i. Should the LOTTERY agree to implement the Interactive Communications, Inc. closed loop gift card product ("InComm Gift Cards") it shall be in accordance with the technical specifications to be mutually agreed upon by the parties. SGI agrees to provide the LOTTERY the following services related to the implementation and support of the InComm Gift Cards: developing functional specifications and requirements for approval by the parties, providing related software development for the implementation of the InComm Gift Cards in accordance with such functional specifications, and conducting related quality assurance testing of software and firmware necessary to integrate validation of the InComm Gift Cards through the Wave<sup>®</sup> On-Line Terminals into the System.
- ii. SGI agrees to provide the LOTTERY ongoing operational support services for the InComm Gift Cards related to the telecommunications network connectivity to the System and ongoing software support and maintenance to ensure compliance with the functional specifications.
- iii. Except as set forth above, the LOTTERY shall be responsible for all other costs and expense related to the InComm Gift Cards, including the purchase of the cards, activation and processing services and any future hardware or other services.

J. Pay Players Through Debit Cards:

i. Should the LOTTERY agree to implement the Interactive Communications, Inc. load debit card product functionality ("InComm Debit Cards") it shall be in accordance with the technical specifications to be mutually agreed upon by the parties. SGI agrees to provide the LOTTERY with the following services related to the implementation and support of the implementation of the load debit card product functionality: developing functional specifications and requirements for approval by the parties, providing related software development services in accordance with such functional specifications, and conducting related quality assurance testing services to integrate the InComm Debit Cards into the System. In connection with the InComm Debit Cards, SGI shall provide functionality allowing the LOTTERY to track the distribution of the InComm Debit Cards' in a manner substantially similar to that of Instant Tickets through the System.

ii. SGI agrees to provide the LOTTERY ongoing operational support services for the InComm Debit Cards related to the telecommunications network connectivity to the System, delivery of blank cards to LOTTERY retailers through SGI's Tel-Sell and CSP delivery operations and ongoing software

support and maintenance to ensure compliance with the functional specifications.

iii. Except as set forth above, the LOTTERY shall be responsible for all other costs and expenses related to the InComm Debit Cards, including the purchase of blank cards and payment of any processing fees and any future hardware or other services.

K. Accept Player Payments Through the Wave<sup>®</sup> Terminal:

i. Should the LOTTERY agree to implement the GCA card payment processing product, services and devices ("GCA") it shall be in accordance with the technical specifications to be mutually agreed upon by the parties. SGI agrees to provide the LOTTERY with the following services related to the implementation and support of the implementation of GCA: developing functional specifications and requirements for the approval of the parties, providing related software development services in accordance with such functional specifications, and conducting related quality assurance testing services of software and firmware necessary to integrate GCA into the System.

ii. SGI agrees to provide the LOTTERY ongoing operational support services for GCA related to the telecommunications network connectivity to the System and ongoing software

support and maintenance to ensure compliance with the functional specifications.

iii. Except as set forth above, the LOTTERY shall be responsible for all other costs and expenses related to GCA. Further, the LOTTERY shall decide on and be responsible for negotiated payment structures of all payment processing fees, related devices (such as card readers), and field support services for such devices.

3. SGI and the LOTTERY acknowledge and agree that the foregoing products and services shall be provided at the prices as contained within the Proposed Pricing Schedule, attached and incorporated by reference as Exhibit "A." In the event that, the Lottery does not receive approval for implementation of any of the foregoing products or services due to such product's or service's failure to comply with any applicable law or regulation, the parties agree in good faith to negotiate terms for the replacement of such product (or products) with additional SGI support of the other products set forth above, or with other new SGI products or services that become available during the term of the CONTRACT as agreed upon by the parties, taking into account the costs and expenses of SGI incurred in relation to the unapproved product or products.

4. Except as modified herein, all terms and conditions of the Agreement are hereby ratified and affirmed as being in full

force and effect and enforceable by either Party according to their terms.

[The remainder of this page left intentionally blank.]

IN WITNESS WHEREOF, the Parties have executed this Third Amendment to the Agreement, to be duly executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE

Charles P. Cohen for  
Daniel Meuser 11/3/14  
Date  
Secretary of Revenue

Barbara S. Clark 12/18/14  
Date  
Comptroller  
Department of Revenue

SCIENTIFIC GAMES INTERNATIONAL,  
INC.

[Signature]  
James C. Kennedy  
President + CEO  
Title

10/30/14  
Date

Approved as to legality and manner of execution:

[Signature] 11/04/2014  
Gretchen S. Wischert Date  
Chief Counsel  
Department of Revenue

[Signature]  
Office of Attorney General

[Signature]  
Office of General Counsel Date

Exhibit A – Pricing Schedule

Amendment Item Ref #	Product Item Name	Product Description	Price for Offered Product, Specifications, Development, Testing, Deployment and Support	Price for additional goods and services
2 A	SGI Advisor Services	Consulting with the LOTTERY to continuously identify, evaluate and implement cost reduction, margin improvement, information technology improvement and other methodologies and initiatives to assist the LOTTERY to achieve operational excellence, become more competitive in the markets that the LOTTERY serves and increase the value of the businesses of the LOTTERY	Covered as part of SG Extension Offer, No costs above current contract fees	N/A
2 B	Play Central HD - self vending terminal	New SG version of the self vending terminal that improves upon player attraction and interaction	Covered as part of SG Extension Offer, No costs above current contract fees	Request for additional units - To Be Negotiated
2 C	Play Central EK - self vending terminal	Small footprint SG draw based self services vending machine with advertisement screen for high volume locations	Covered as part of SG Extension Offer, No costs above current contract fees	Request for additional units - To Be Negotiated
2 D	SalesMaker™ Retailer Program	Makeover and training of higher volume and heavy foot traffic retailers and their locations to create a lottery environment area and improve on the player experience	Covered as part of SG Extension Offer, No costs above current contract fees	Request for additional locations - To Be Negotiated
2 E	Play At The Pump	Ability to sell draw based games through gas pumps	Covered as part of SG Extension Offer, No costs above current contract fees	3rd Party fee options to be Decided by the Lottery
2 F	Retailer/Player Mobile Promotional Technology	Creates a Beacon platform that will interact with players and a Lottery mobile application along with offers for jackpot, draw dates or times and potentially cross promotions with retailers	Covered as part of SG Extension Offer, No costs above current contract fees	Request for additional units - To Be Negotiated
2 G	SG Business Intelligence System	Enhanced sales analytics system and services	Covered as part of SG Extension Offer, No costs above current contract fees	N/A
2 H	In Lane Draw Based Ticket Sales	Payment pin pad devices that sell draw based lottery tickets in both a multi-lane (grocery) and stand-alone environments	Covered as part of SG Extension Offer, No costs above current contract fees	3rd Party fee options and Hardware costs to be Decided by the Lottery
2 I	Lottery Closed Loop Gift Cards	Leveraging existing prepaid gift card network and consumer kiosks to sell closed loop Pennsylvania Lottery gift cards at existing Pennsylvania Lottery retailers and potentially new retailers, such as big box retail stores	Covered as part of SG Extension Offer, No costs above current contract fees	3rd Party fee options, Card and Hardware costs to be Decided by the Lottery
2 J	Play Players Through Debit Cards	Retailers can pay players who have won over \$100 through a debit card that will be processed through the Wave terminal. That card can be used to buy any normal products or get cash from an ATM	Covered as part of SG Extension Offer, No costs above current contract fees	3rd Party fee options, Card and Hardware costs to be Decided by the Lottery
2 K	Accept Player Payments Through the Wave™ Terminal	Allows payment of Lottery purchases through a keypad/debit device to be connected to the WAVE terminals at retailers.	Covered as part of SG Extension Offer, No costs above current contract fees	3rd Party fee options and Hardware costs to be Decided by the Lottery

FOURTH AMENDMENT TO THE  
CONTRACT FOR LOTTERY GAMES SYSTEM AND RELATED SERVICES

BETWEEN

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE  
PENNSYLVANIA LOTTERY

AND

SCIENTIFIC GAMES INTERNATIONAL, INC.

I. RECITALS

This fourth amendment (the "Fourth Amendment"), dated September 11, 2017, to the Contract for Lottery Games System and Related Services, dated as of December 19, 2008, as amended (collectively, the "CONTRACT"), is made and entered into by and between the COMMONWEALTH OF PENNSYLVANIA (hereinafter referred to as the "COMMONWEALTH"), DEPARTMENT OF REVENUE, for the PENNSYLVANIA LOTTERY (hereinafter referred to as the "DEPARTMENT" and "LOTTERY," respectively), and SCIENTIFIC GAMES INTERNATIONAL, INC., (hereinafter referred to as "SGI" or "CONTRACTOR"), a duly organized and existing Delaware corporation, authorized to conduct business within Pennsylvania by the issuance of a Certificate of Authority by the Pennsylvania Department of State, with offices at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia, 30004, and having Federal Employer Identification Number [REDACTED], collectively referred to as the "Parties."

WHEREAS, the DEPARTMENT has, among its responsibilities, the operation and management of the Pennsylvania State Lottery in accordance with the provisions of Act No. 91 of 1971, P.L. 351, known as the "State Lottery Law," as currently amended; and,

WHEREAS, under the provisions of the State Lottery Law, the DEPARTMENT has the authority and duty to pay costs incurred in the operation and administration of the LOTTERY, including costs

resulting from any contracts entered into for services related to the operation of its lottery games; and,

WHEREAS, the DEPARTMENT further has the authority to expend monies from the State Lottery Fund to pay the expenses of the operation of the LOTTERY; and,

WHEREAS, SGI agrees to work cooperatively with the LOTTERY to provide the LOTTERY certain goods, services, incentives and investments not otherwise available to the LOTTERY in order to create opportunities for the LOTTERY to expand its business, grow its sales revenue and increase the returns to the LOTTERY's beneficiaries in the COMMONWEALTH; and

WHEREAS, the DEPARTMENT and the LOTTERY have determined that it is in the COMMONWEALTH's best interest to exercise its discretion under 62 Pa. C.S. §§ 515(a)(10) to forego a competitive procurement for the replacement of the existing lottery gaming system and related services provided by SGI under the CONTRACT at the current time and under the current circumstances and to award a further extension of the CONTRACT to SGI;

WHEREAS, the current Term of the CONTRACT shall expire December 31, 2018, and such expiration of the Term would require the LOTTERY to potentially integrate a new system vendor during the fourth quarter of the calendar year 2018, which LOTTERY has concluded may have a detrimental impact on Lottery sales;

WHEREAS, this AMENDMENT would allow the LOTTERY to transition to a new vendor on a schedule that will minimize lottery sales disruptions;

and

WHEREAS, pursuant to Paragraph 25 of the CONTRACT, the Parties have the right to modify, amend or extend the CONTRACT and now desire to modify and amend the CONTRACT by agreeing to the modifications and amendments set forth herein.

**NOW, THEREFORE**, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth and intending to be legally bound, the Parties hereto agree as follows.

## II. AMENDMENT

As of the effective date of this Fourth Amendment, the CONTRACT shall be amended as follows:

1. The DEPARTMENT hereby extends the term of the CONTRACT for a period of six (6) months. Section 3, CONTRACT TERM AND EXTENSIONS, of the CONTRACT is hereby amended by adding the following after the end of the last paragraph thereof:

The Term of this CONTRACT is hereby extended for a period of six (6) months, commencing January 01, 2019, and expiring at midnight, June 30, 2019. The COMMONWEALTH contemplates awarding a contract for a replacement lottery gaming system and related services prior to the expiration of the Fourth Amendment. If the COMMONWEALTH determines it is in its best interest, the LOTTERY may further

extend the CONTRACT to provide for uninterrupted and continuous services as provided for in this CONTRACT by SGI to LOTTERY, with remuneration for services rendered by SGI to be provided through an appropriate procurement mechanism as provided for in the Commonwealth Procurement Code (62 Pa.C.S.A. §§ 101 et seq.).

2. SGI shall provide the following pursuant to Section IV-4.5 of the RFP, which RFP is incorporated into and a part of the CONTRACT, as amended:

A. Hardware Engineering Changes - Self-vending for "Big Box"

Stores:

i. SGI agrees to provide the hardware design and engineering services necessary for a full function self-vending machine that meets the specifications of the Lottery as well as specific height standards required by potential retailers operating in large-scale buildings ("Big Box Stores") in order for said machines to be compliant with the requirements of the Lottery, Big Box Stores and any additional requirements necessary for licensure as a retailer for the Lottery in effect as of the date of this Fourth Amendment. These activities will be provided at no additional cost to the COMMONWEALTH.

a. The parties acknowledge and agree that SGI has a pre-existing obligation under the CONTRACT to build and deliver to the LOTTERY 120 additional

PlayCentral® full function self-vending machines. The parties agree that, under this Fourth Amendment, SGI's existing obligation will be fulfilled through the replacement of said 120 Play Central® full function self-vending machines with 120 units newly designed pursuant to Section A.i and to be delivered no later than six (6) months from the date of execution of this AMENDMENT.

b. Any additional quantity of terminals or self-vending machines requested by the LOTTERY exclusive of those provided under Section A.i.a. of this Contract will be at the expense of the LOTTERY pursuant to the terms of the CONTRACT.

B. Additional Consideration:

As additional consideration for the extension in Section II.1 above, SGI agrees to make a single lump sum payment of \$3,000,000 to the LOTTERY within thirty (30) days of the execution of this Fourth Amendment. The parties acknowledge and agree that such payment shall (i) be deemed additional consideration for both this Fourth Amendment and the extension of the Agreement for Instant Lottery Games Services, dated as of August 21, 2007, as amended, and (ii) shall be deemed full consideration of any potential liability of SGI that is known as of the

date of this Fourth Amendment and that is deemed currently outstanding under either the AGREEMENT or the CONTRACT . For the avoidance of confusion, the total additional consideration paid by SGI for the extension of both the CONTRACT and the AGREEMENT shall be \$3,000,000.

3. Except as modified herein, all terms and conditions of the Agreement are hereby ratified and affirmed as being in full force and effect and enforceable by either Party according to their terms.

[Signatures on following page.]

IN WITNESS WHEREOF, the Parties have executed this Fourth Amendment to the CONTRACT, to be duly executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE

SCIENTIFIC GAMES INTERNATIONAL,  
INC.

C. Daniel Hassell 8-17-17  
C. Daniel Hassell Date  
Secretary of Revenue

James C. Kennedy

Title

Approved as to legality and manner of execution:

Thomas Gohsler 8-17-17  
THOMAS GOHSLER Date  
Chief Counsel  
Department of Revenue

Daniel J. J. J. J. 8/29/17  
Office of Attorney General

Elizabeth S. Batts 8/29/17  
Office of General Counsel Date

Certified as to Availability of Funds:

Sami Mellott 9/14/17  
Comptroller Operations Date

IN WITNESS WHEREOF, the Parties have executed this Fourth Amendment to the CONTRACT, to be duly executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE

SCIENTIFIC GAMES INTERNATIONAL,  
INC.

C. Daniel Hassell 8-17-17  
C. Daniel Hassell Date  
Secretary of Revenue

Patrick J. McHugh  
Patrick McHugh

SVP, Global Lottery Systems

Approved as to legality and manner of execution:

\_\_\_\_\_  
Date Office of Attorney General  
Chief Counsel  
Department of Revenue

\_\_\_\_\_  
Office of General Counsel Date

Certified as to Availability of Funds:

Pamela Millott 9/11/17  
Comptroller Operations Date

[Fiscal kindly provide cost & GL Codes]

# SOURCE JUSTIFICATION FORM

Bureau of Procurement

The objective of this form is to capture all relevant documentation an Agency may have to assist the Department of General Services ("DGS"), Bureau of Procurement, in expediting the source justification review process. This form must be completed electronically, signed, and submitted with all relevant documentation to DGS. If a question is neither mandatory nor applicable, please indicate "N/A". Please use standard terminology and define acronyms.

## SECTION A

1. Agency Name:	Revenue		
2. Procurement Description: <small>(This description will appear on the available website for public viewing.)</small>	Lottery Games System and Related Services		
Materials Description:			
Services Description:			
3. Materials Shopping Cart # or Services SFR:	4400004702	Estimated Cost:	\$5M +
		Initial Contract Term:	6 months
		Renewals:	None
4. Supplier Name:	Scientific Games International		
Full Address:	1500 Bluegrass Lakes Parkway, Alpharetta, GA 30004		
Contact Name:	James Kennedy		
Telephone:	[REDACTED]	FAX:	
E-mail:	[REDACTED]		
SRM Supplier #:	168713		
5. Deliver or service location:	PA Lottery, 1200 Fulling Mill Rd, Suite 1, Middlet		

## SECTION B

<input type="checkbox"/> 1. <b>Sole Source:</b> Only known source - Not available from another supplier.
<input type="checkbox"/> 2. <b>Material/Repair/Maintenance:</b> Material or service MUST be compatible with existing equipment. Documentation must be provided from the manufacturer.
<input type="checkbox"/> 3. <b>Used Equipment:</b> Value set by 2 independent 3rd party appraisals.
<input type="checkbox"/> 4. <b>Professional Expert:</b> Describe in detail in Section C.
<input type="checkbox"/> 5. <b>Exempt (Law):</b> A federal or state statute or regulation exempts the procurement from the competitive procedure. Any applicable information precluding the procurement from competitive procedures must be attached.
<input checked="" type="checkbox"/> 6. <b>Feasibility:</b> Clearly not feasible to award the contract on a competitive basis.

# SOURCE JUSTIFICATION FORM

Bureau of Procurement

## SECTION C

7. Describe the unique features of this procurement that justify the award to a particular source. If applicable, include a statement of what "value added" is being provided.

Contract 4400004702 provides for On-Line Lottery Games Services and Related Services that include the printing of terminal-based lottery game tickets, the point-of-sale equipment, self-service vending equipment, and the central control system for all games sold by the PA Lottery. The existing contract meets the Department's current needs, however, a sole source is required to extend the existing contract. An extension of the contract for six months will allow the Department to continue to sell instant products and terminal-based products and return the profit to the Lottery Fund that funds programs for older Pennsylvanians. This extension will also allow the Department to complete RFP 6100042856 which will result in a new award of a contract for On-Line Lottery Games Services and Related Services, and allow the Department to marry the expiration date of the current contract with the expiration date of Contract 4400009728, the contract for Instant Lottery Games Services. All pricing, terms, and conditions of the existing contract will remain the same.

8. How can the contract be extended? Has an extension been conducted in the past? To the supplier? If so, how often?

N/A

9. How are the contract's terms, conditions, and specifications, including any "value added" features, being met?

No

10. Are there any other requirements for compliance with the contract's terms, conditions, and specifications? If so, please explain.

N/A

11. How has the contract been extended in the past? If so, how often? If not, how often will it be extended? If so, how often? If not, how often? If so, how often? If not, how often?

On-Line Lottery Games Services and Related Services have been procured through a competitive procurement process - see contract 4400004702 and PO 4300511238. RFP 6100042856, currently underway, will procure the subject services after the expiration of this extension.

12. How has the contract been extended in the past? If so, how often? If not, how often? If so, how often? If not, how often?

N/A

13. If the contract is extended, how often? If so, how often? If not, how often? If so, how often? If not, how often?

N/A

14. What are the consequences of not approving this procurement?

The Lottery will be unable to sell terminal-based and instant games. The Lottery Fund would not receive the profits generated from the sale of terminal-based and instant games.

# SOURCE JUSTIFICATION FORM

Bureau of Procurement

Is the item a factor which is the time to add  
only

Is the item a factor which is the time to add  
to the list of items which are to be  
procured?

Is the item a factor which is the time to add  
to the list of items which are to be  
procured?

Current contract 4400004702 expires on 12/31/2018 This  
sole source will extend the existing contract until a new  
contract results from RFP 6100042856, which is currently  
underway

N/A

Yes, see attached





**pennsylvania**  
DEPARTMENT OF GENERAL SERVICES

**Sole Source Determination Summary (Services)**

Date: 8/14/2017

Commodity Specialist's Name: Thomas Schwartz

Commodity Specialist's Recommendation:  Approved  Disapproved

If disapproved, agency contacted

Agency: Revenue

Supplier Number: 168713

Supplier: Scientific Games International

Sole Source ID Number: 30012

Estimated Dollar Amount: \$21,000,000

Federal Funds  Yes  No

Check box below and complete Agency name if request is over \$250,000

The Department of General Services delegates to the Department of Revenue the authority to act as purchasing agency for the procurement of the service(s) listed below.

*Please keep in mind that this delegation requires that you carry out this procurement according to requirements of Section 518 of the Commonwealth Procurement Code (62 Pa. C S 518) and to the policies and procedures outlined by DGS in the Procurement Handbook*

**Services:**

Lottery Games System and Related Services

**Agency Summary:**

Contract 4400004702 provides for On-Line Lottery Games Services and Related Services that include the printing of terminal-based lottery game tickets, the point-of-sale equipment, self-service vending equipment, and the central control system for all games sold by the PA Lottery. The existing contract meets the Department's current needs, however, a sole source is required to extend the existing contract. An extension of the contract for six months will allow the Department to continue to sell instant products and terminal-based products and return the profit to the Lottery Fund that funds programs for older Pennsylvanians. This extension will also allow the Department to complete RFP 6100042856 which will result in a new award of a contract for On-Line Lottery Games Services and Related Services, and allow the Department to marry the expiration date of the current contract with the expiration date of Contract 4400009728, the contract for Instant Lottery Games Services. All pricing, terms, and conditions of the existing contract will remain the same.

Without this extension, the PA Lottery will be unable to sell terminal-based and instant games. The Lottery Fund would not receive the profits generated from the sale of terminal-based and instant games.



**pennsylvania**  
DEPARTMENT OF GENERAL SERVICES

### **Sole Source Determination Summary (Services)**

**Procurement Summary:**

Approved The PA Lottery is in the process of a new RFP to replace this contract, but it would not be feasible to continue the services being offered today without the extension requested.

FIFTH AMENDMENT TO THE  
CONTRACT FOR LOTTERY GAMES SYSTEM AND RELATED SERVICES

BETWEEN

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE  
PENNSYLVANIA LOTTERY

AND

SCIENTIFIC GAMES INTERNATIONAL, INC.

I. RECITALS

This fifth amendment (the "Fifth Amendment"), dated April 13, 2018, to the Contract for Lottery Games System and Related Services, dated as of December 19, 2008, as amended (collectively, the "CONTRACT"), is made and entered into by and between the COMMONWEALTH OF PENNSYLVANIA (hereinafter referred to as the "COMMONWEALTH"), DEPARTMENT OF REVENUE, for the PENNSYLVANIA LOTTERY (hereinafter referred to as the "DEPARTMENT" and "LOTTERY," respectively), and SCIENTIFIC GAMES INTERNATIONAL, INC., (hereinafter referred to as "SGI" or "CONTRACTOR"), a duly organized and existing Delaware corporation, authorized to conduct business within Pennsylvania by the issuance of a Certificate of Authority by the Pennsylvania Department of State, with offices at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia, 30004, and having Federal Employer Identification Number \_\_\_\_\_ collectively referred to as the "Parties."

WHEREAS, the DEPARTMENT has, among its responsibilities, the operation and management of the Pennsylvania State Lottery in accordance with the provisions of Act No. 91 of 1971, P.L. 351, known as the "State Lottery Law," as currently amended; and,

WHEREAS, under the provisions of the State Lottery Law, the DEPARTMENT has the authority and duty to pay costs incurred in the operation and administration of the LOTTERY, including costs resulting from any contracts entered into for services related to the operation of its lottery games; and,

WHEREAS, the DEPARTMENT further has the authority to expend monies from the State Lottery Fund to pay the expenses of the operation of the LOTTERY; and,

WHEREAS, SGI agrees to work cooperatively with the LOTTERY to provide the LOTTERY certain goods, services, incentives and investments within the scope of the CONTRACT, but not specifically priced therein, to the LOTTERY in order to create opportunities for the LOTTERY to expand its business, grow its sales revenue and increase the returns to the LOTTERY's beneficiaries in the COMMONWEALTH; and

WHEREAS, the DEPARTMENT and the LOTTERY determined that it was in the COMMONWEALTH's best interest to exercise its discretion under 62 Pa. C.S. §§ 515(a)(10) to extend the CONTRACT for existing lottery gaming system and related services provided by SGI under the CONTRACT and formalized the same pursuant to the Fourth Amendment to the CONTRACT;

WHEREAS, the current Term of the CONTRACT expires June 30, 2019; and

WHEREAS, pursuant to Paragraph 25 of the CONTRACT, the Parties have the right to modify, amend or extend the CONTRACT and now desire to modify and amend the CONTRACT by agreeing to the modifications and amendments set forth herein.

NOW, THEREFORE, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth and intending to be legally bound, the Parties hereto agree as follows.

## II. AMENDMENT

As of the effective date of this Fifth Amendment, the CONTRACT shall be amended as follows:

The DEPARTMENT hereby modifies the CONTRACT terms for services, products and payments as defined below:

1. Pursuant to Section IV-4.5.2.C of the RFP, and Section IV-4.5.2 of the PROPOSAL, each of which is incorporated into and a part of the CONTRACT, as amended:

a. SGI agrees to provide the hardware, game design, software, software development, and testing necessary for the deployment of certain terminal-based games in the COMMONWEALTH, specifically keno ("Keno") and virtual sports games ("VS Game(s)") to the LOTTERY. The parties agree that Keno and VS Game tickets will be sold at all LOTTERY retailers, and that the hardware, equipment and peripheral products listed in Schedule 1 (collectively, the "Equipment"), attached to and incorporated into this Fifth Amendment, will be installed and implemented by SGI at up to 2,000 retailer locations as identified by the LOTTERY, including 6,000 video monitors to be distributed among Lottery retailers as determined by the LOTTERY.

i. The Equipment shall be sold by SGI to the LOTTERY. Risk of loss for the Equipment shall pass to the LOTTERY upon installation at the corresponding retailer. In consideration of the LOTTERY's obligation and commitment to make the payment set forth in Section 2.d, title to all the Equipment shall pass to the LOTTERY on or before June 30, 2019, regardless whether installed or implemented upon the equipment purchase payment provided, however, that all Equipment subject to this Agreement shall actually be delivered to the LOTTERY (or a LOTTERY retailer at the direction of the LOTTERY).

ii. The services identified in Schedule 1 (collectively, the "Services") will be provided on an as-

needed basis or according to a schedule agreed upon by the Parties (which may be modified by agreement of the parties from time to time), as applicable.

iii. SGI will launch Keno on May 1, 2018, subject to the written approval by the LOTTERY (the "Initial Launch"). SGI agrees to launch two (2) VS Games, consisting of one (1) football game and one (1) car racing game, prior to June 30, 2018, subject to successfully completing all agreed upon testing, obtaining all required certifications and receiving the written approval of the LOTTERY in connection with the applicable VS Game. The Initial Launch and the launch of each of the VS Games shall be performed pursuant to a mutually agreed upon implementation schedule.

iv. Keno and VS Games, as specifically approved by the LOTTERY, shall be provided by SGI or by a SGI subcontractor. Any additional Keno and VS Games requested by the LOTTERY or proposed by SGI will be priced by SGI based on the scope of development, deployment solution, length of time the applicable game will be available for sale, the scope of ongoing services, and third party game content fees.

v. The LOTTERY may purchase additional Equipment at any time during the term of the CONTRACT pursuant to the terms of the CONTRACT and the pricing set forth in Schedule 2 attached to and incorporated into this Fifth Amendment.

vi. Pursuant to Appendix C Section. III "Additional Features/Services" of the CONTRACT, during the term of the Agreement SGI shall provide the LOTTERY, through its wholly-

owned subsidiary Lapis Software Associates, LLC, with the MIS and portal services set forth in Schedule 3 (the "Lapis Services"), attached to and incorporated into this Fifth Amendment. The parties acknowledge that procurement of substantially similar services are intended to be part of the LOTTERY's anticipated RFP for a replacement lottery gaming system vendor described in Section 3.

2. Payments for Keno and VS Games and Services being provided in this Fifth Amendment shall be made by the LOTTERY to SGI as set forth in this Section 2.

a. As consideration for Keno and the Services, SGI's compensation as set forth in Appendix C "Price and Terms" of the CONTRACT will increase from the current rate of 0.8350% of Total Gross Sales across all products (including scratch, draw, fast play, Keno and VS Games) by 0.1237% of Total Gross Sales, for a total of 0.9587% of Total Gross Sales as of May 1, 2018 through the end of the CONTRACT, including any extensions, unless otherwise agreed by the parties. The parties agree that Total Gross Sales includes sales revenue from Keno and VS Games and specifically excludes sales revenue from iLottery products. For the avoidance of confusion, as used in this Section 2(a), "iLottery products" does not include any games where the iLottery system passes the transaction to the retail lottery system to process the wager, such as with Powerball.

b. As consideration for the two (2) VS Games described in Section 1(a)(iii), the LOTTERY agrees to pay SGI an amount equal to 2.25% of the Total Gross Sales from only those two (2) VS Games,

SGI will invoice the LOTTERY weekly for such compensation. This compensation is to be passed through to SGI's subcontractor for VS Games, Inspired Gaming (USA), Inc, ("Inspired"), and is therefore in addition to the percentage increase described in section 2(a) of this Fifth Amendment.

c. Any additional third party game content fees will be negotiated with the third party by SGI (subject to LOTTERY approval), paid by SGI and included in SGI's invoices to the LOTTERY as a separate cost without mark up.

d. The LOTTERY shall pay SGI the amount of \$21,490,500.00 as consideration for the purchase and title transfer of the Equipment. Such payment is to be made at a time as agreed to by the parties, but in any event, no later than June 30, 2019 or, if the Contract is extended by mutual agreement of the parties, the parties may mutually agree in writing to modify the terms of payment for foregoing amount,

e. In consideration of the Lapis Services, the LOTTERY shall compensate SGI at the rates set forth in Schedule 3.

3. The COMMONWEALTH contemplates awarding a contract for a replacement lottery gaming system and related services pursuant to a competitive bidding process prior to the expiration of the Fifth Amendment. If the COMMONWEALTH determines it is in its best interest, the LOTTERY may further extend the CONTRACT, with remuneration for services rendered by SGI to be provided through an appropriate procurement mechanism as provided for in the Commonwealth Procurement Code (62 Pa.C.S.A. §§ 101 et seq.), but only to the extent necessary to ensure the provision of

uninterrupted and continuous services as provided for in this CONTRACT by SGI to LOTTERY.

#### 4. Contract Termination

a. Either party may terminate the CONTRACT with respect to any particular product or service supplied under this Fifth Amendment for the reasons set forth in Paragraph 29 of the CONTRACT.

b. Additionally, either party may terminate the CONTRACT with respect to any particular product or service supplied under this Fifth Amendment for any of the following reasons:

(1) A change in federal or state law (or the interpretation thereof) renders the provision of such product or service unlawful in the terminating party's sole discretion, as supported by a written legal opinion from outside counsel;

(2) Either party is notified by any court, regulatory or other governmental authority, or individual acting under the authority of a government, to the effect that the provision of any such product or service:

i. is unlawful; or

ii. will jeopardize (i) any license of SGI (or any of its affiliates) or SGI's (or any such affiliate's) ability to be licensed or (ii) the ability of SGI (or any such affiliates) to conduct its business in compliance with applicable law.

To exercise its right under the provisions listed specifically in Section 4(b) of this Fifth Amendment, the terminating party must provide the other party with at least thirty (30) days written notice prior to the date of termination, unless earlier termination is required by law,

regulation or order of any court or governmental agency with valid jurisdiction. For the avoidance of doubt, termination by either party with respect to a particular product or service under the provisions set forth above will not affect the provisions hereunder with respect to non-terminated products or services. In the event of early termination of any product or services by either party under the terms of this Section 4(b), the parties agree to negotiate a reimbursement and payment arrangement for the cost of Equipment, Services or other expenses reasonably incurred and actually incurred at the time of the receipt of the notice of cancellation, which are not already accounted for under the CONTRACT. The reimbursement is limited to the products and/or services that are terminated pursuant to this Section 4(b).

5. In connection with the VS Games described in Section 1(a)(iii), the LOTTERY expressly required that SGI supply VS Games produced by Inspired and requires that the agreement between Inspired and SGI be assignable to the Department at the request of the Lottery. Therefore, the LOTTERY agrees that SGI shall not be liable for any liquidated damages arising from any negligent or intentional act or omission of Inspired or any damages, loss, expenses or other cost caused by or due to any act or omission of Inspired.

6. Except as modified herein, all terms and conditions of the CONTRACT are hereby ratified and affirmed as being in full force and effect and enforceable by either Party according to their terms.

IN WITNESS WHEREOF, the Parties have executed this Fifth Amendment to the CONTRACT, to be duly executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA

SCIENTIFIC GAMES INTERNATIONAL,

DEPARTMENT OF REVENUE

C. Daniel Hassell 4/10/18  
C. Daniel Hassell Date  
Secretary  
Department of Revenue

INC.

James C. Kennedy 3.29.18  
James C. Kennedy Date  
EVP & CEO Lottery Group  
Title

Approved as to legality and manner of execution:

Thomas Gonsler 4-10-18  
Thomas Gonsler Date  
Chief Counsel  
Department of Revenue

Pamela J. Cross 4/10/18  
Pamela J. Cross Date  
Office of General Counsel

Angus M. Elliott 4/12/18  
Angus M. Elliott Date  
Office of Attorney General

~~Certified as to Availability of Funds: on~~

Anthony J. Leo 4/13/2018  
Anthony J. Leo Date  
Comptroller Operations

[Fiscal kindly provide cost & GL Codes]

SCHEDULE 1

Hardware, Equipment and Peripheral Products	QTY
WAVE Terminals and Peripherals (Printer, Transaction Display, and LIM screen)	500
32" Commercial Class Video Monitors	3,000
43" Commercial Class Video Monitors	2,500
55" Commercial Class Video Monitors	500
Video Monitor Brackets (standard Wall Mount)	6,000
Media Box - Keno and VS Games	2,000
Video Monitor Connection Setups for 2,000 Locations (Video cable converters, video cabling, power strips, splitters, extenders and Misc.)	Below
HDMI to Cat5 Converter	6,000
Mini-Display to HDMI	6,000
Power Strips	8,000
Mini Hub/Switch	2,000
HDMI Cables	12,000
Setup - Cat 5 Cabling, Crimp ends, connectors (Var Lengths - 300ft avg)	2,000
Setup - Misc (shipping, grommets, cable ties, wire tie offs, velcro)	2,000
Keno and VS Game startup Materials for 2,000 locations (Playslip/Pencil holders, Napkin holders, Napkins, Bar Rail Mat, Attract label buttons, Cups, Coasters, Pencils, Pencil sharpener, and a Lighted sign)	Below
Custom 18" Lighted signs - PA Logo	2,000
Custom Napkin/Slip/Pencil Holders - PA Logo	2,000
Custom Playslip/Pencil/Brochure Holders - PA Logo	20,000
Pencil Sharpener	2,100
Custom 24" Bar Rail Mat - PA Logo	5,000
Custom Napkins - PA, Keno and VS Logo	200,000
Custom Cups - PA, Keno and VS Logo	50,000
Custom Coasters - PA, Keno Logo and how to info	50,000
Custom Coasters - PA, VS Football Logo and how to info	50,000
Custom Coasters - PA, VS Car Racing Logo and how to info	50,000
Custom Attract Button - PA, Keno and VS Logo	20,000
Pencils	360,000
<b>Ongoing Services</b>	<b>COST</b>
Production and Delivery of Playslips (ongoing)	No Cost
Supply and Delivery of Pencils (ongoing)	No Cost
Support services, parts, and repair	No Cost
Additional Staffing (Product Manager, Call Center, RCC, Field, Bench and CTS staff increases)	No Cost
Increased System operation time (day-end moved to 2am)	No Cost
Lottery specified promotional material	\$150,000

SCHEDULE 2

Product	Price
WAVE Terminals and Peripherals (Printer, Transaction Display, and LIM screen)	\$3,530
32" Commercial Class Video Monitor	\$676
43" Commercial Class Video Monitor	\$856
55" Commercial Class Video Monitor	\$1,796
XX" Commercial Class Video Monitor (Larger or smaller based on request/need)	TBD
Video Monitor Brackets (standard Wall Mount)	\$168
Video Monitor Connection Setups (Video cable converters, video Cabling, power strips, splitters, extenders, and Misc.)	\$1,964
Media Box - Keno and VS Games	\$2,881
Keno and VS Games startup Materials (Playslip/Pencil holders, Napkin holders, Napkins, Bar Rail Mat, Attract label buttons, Cups, Coasters, Pencils, Pencil sharpener, and a Lighted sign)	\$613
Installation of additional Video Monitors (support expansion)	\$835
Special install services/costs for nonstandard video monitor installations or connectivity to retailer media systems. (priced per request and solution required)	TBD
Monthly Maintenance fee for additional terminals	\$100
Additional items for Lottery promotion of Keno and VS Games	TBD
Retailer recruitment services	TBD

SCHEDULE 3

1. MIS support July 1<sup>st</sup>, 2018 - June 30<sup>th</sup>, 2019.

The Software Maintenance Support Services and pricing is as follows:

Description	Price
Provide Back Office System Troubleshooting and Debug	\$75,000.00
Provide Back Office System Software Correction and Testing	\$57,000.00
Provide New Back Office System Software Releases for any Corrections	\$25,000.00
Provide Back Office System Dedicated Support Phone Number	\$20,000.00
Provide Back Office System On Call Phone Support: Mon. - Fri. 7:30AM - 5:00 PM	\$34,000.00
Provide Back Office System Support E-Mail Address	\$21,000.00
<b>Total</b>	<b>\$232,000.00</b>

Note: Any additional enhancements will be handled through estimates provided based upon requests, specifications and preapprovals.

2. Portal software, user licenses and hosting services April 13<sup>th</sup>, 2018 - June 30<sup>th</sup>, 2019.

a. Description of Portal Services

SGI will provide the following services related to the Lottery's Employee and Retailer portals ("Portal Services") through its wholly-owned subsidiary, Lapis Software Associates, LLC ("Lapis"):

- Lapis will host the LOTTERY's 300 user access licenses to the Employee portal utilizing one of the top tier full service hosting companies. The hosting service level will be equivalent to what is currently provided for system availability and response times. The hosting service will also include all additional software licensing covering operating systems, database systems

as well as application servers such as OutSystems Agile Platform.

- Lapis will host and provide access for all the LOTTERY's retailers to the Retailer portal that will be co-hosted with the Employee portal using the same hosting service and service levels as above.
  - Lapis will provide operational support by monitoring and maintaining the operating systems, application servers and database systems to ensure maximum performance and availability.
  - Lapis will provide end-user functional support by analyzing problems reported by users and providing either answers or resolutions as required. Lapis will provide level 2 support to designated users during normal business hours Monday thru Friday (7:30 a.m. and 5:30 p.m.). Support outside of this period can be provided by pre-arranging such support. All software modifications to rectify problems are included in the service.
  - Lapis will provide a test system for both the Employee as well as Retailer portal as part of the hosting service that the LOTTERY may utilize to test new releases.
- b. The Product Support pricing for the Portal Services is as follows:

Description	Price
Services 04/13/2018 - 04/12/2019	\$360,0000
Services 04/13/2019 - 06/30/2019	\$77,918
Total	\$437,9180

Note: Any additional enhancements will be handled through estimates provided based upon requests, specifications and preapprovals.

(1) COMMONWEALTH OF PENNSYLVANIA

- and -

(2) SCIENTIFIC GAMES INTERNATIONAL, INC.

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LOTTERY GAMES AND SERVICES CONTRACT  
RELATED TO THE  
LOTTERY AND THE PROVISION OF INTERNET INSTANT GAMES

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THIS CONTRACT (the "Contract") is made and entered into this <sup>10th MAY</sup> day of ~~March~~ 2018, by and between the Commonwealth of Pennsylvania (the "Commonwealth"), Department of Revenue for the Pennsylvania Lottery (the "Department" and the "Lottery," respectively), an executive agency of the Commonwealth and Scientific Games International, Inc., ("SGI" or "Contractor"), a duly organized and existing Delaware Corporation, with offices at 1500 Bluegrass Parkway, Alpharetta, Georgia, 30201 and having Federal Employer Identification Number 58-1943521.

WHEREAS, the Department has as one of its responsibilities the operation and management of the Lottery in accordance with the provisions of Act No. 91 of 1971, P.L. 351, approved August 26, 1971, as amended, sometimes known as the "State Lottery Law,"; and

WHEREAS, the Department is authorized to implement and operate Lottery and Lottery games pursuant to Act 42 of 2017 (P.L. 419, No. 42) ("Lottery Law"), codified at 4 Pa.C.S. § 501 et seq.; and

WHEREAS, pursuant to 4 Pa.C.S. § 503(c), to facilitate the prompt implementation of Lottery, initial contracts, not to exceed two years, entered into by the Department for Lottery and related gaming services are not subject to the provisions of 62 Pa.C.S. (relating to procurement); and

WHEREAS, pursuant to the authority granted under 4 Pa.C.S. § 503(c), the Commonwealth selected SGI to provide the hardware, software and related services for the implementation and operation of Lottery pursuant to the terms set forth in this Contract; and

WHEREAS, under the provisions of the State Lottery Law, the Department has the authority and duty to pay costs incurred in the operation and administration of the Lottery, including costs resulting from any contracts entered into for services related to the implementation and operation of Lottery; and

WHEREAS, the Department further has the authority to expend monies from the State Lottery Fund to pay the expenses of the operation of the Lottery; and

WHEREAS, SGI has agreed to deliver Lottery and related gaming systems to the Department under the terms as set out in this contract.

The Parties agree as follows:

**1. DEFINITIONS & INTERPRETATION**

- a. Throughout this Contract, all capitalized terms shall have meaning ascribed to them in Appendix 1 (Definitions) of this Contract or as expressly defined in this Contract.
- b. In this Contract, unless otherwise specified: (i) any reference to a statute or statutory provision includes a reference to the statute or statutory provision as modified or re enacted, or both, from time to time, and to any subordinate legislation made under it; (ii) references to Sections, Appendices and/or parties are to Sections of and Appendices and/or parties to this Contract, respectively; (iii) any reference to a document is a reference to the document as from time-to-time supplemented, modified or amended, (iv) the singular includes the plural and vice versa, and the masculine includes the feminine and the neuter genders and vice versa, (v) a person includes natural persons, firms, partnerships, companies, corporations, associations, organizations, governments, states, governmental or state agencies, foundations and trusts (in each case whether or not having separate legal personality); and (vi) writing includes fax transmission, but excludes email, SMS, and similar means of communication
- c. Any phrase introduced by the words "include", "including", "includes" and "such as" are to be construed as illustrative, and shall not limit the sense of the words preceding those words. The Appendices form an integral part of this Contract. The headings used in this Contract are for convenience only and shall not be interpreted as having any legal or other meaning.
- d. The provisions of this Contract shall be construed in accordance with the provisions of all applicable laws and regulations of the Commonwealth. However, by executing this Contract, the Contractor agrees that it has and will continue to abide by the intellectual property laws and regulations of the United States of America

**2. ORDER OF PRECEDENCE**

If any conflicts or discrepancies should arise in the terms and conditions of this Contract, or the interpretation thereof, the order of precedence shall be.

- a. The documents containing the parties' signatures,
- b. The presentations and documentation provided by SGI, attached hereto as Appendices 9 through 13

**3. WORK STATEMENT**

Subject at all times to Applicable Law, SGI shall provide during the Term, the Licensed Software and related Services, described in Appendix 2 (Work Statement)

**4. SGI LICENSES GRANTED**

- a. *Licensed Software and Services.* SGI hereby grants the Lottery and the Lottery's Retailers a Territory-wide limited, non-exclusive, non-transferable, revocable licence to use the Licensed Software and Documentation during the Term in the Territory in order to offer Lottery Games to End-Users and for internal business purposes (the "Licence"). No licence is granted in relation to the Source Code of the Licensed Software or Games Pursuant to the Licence, Lottery may use the Licensed Software and any and all Updates thereto, in Object Code form only and in connection with the operation of a Website
- b. *Games and Additional Games, Product or Services.* Lottery may request additional Games, products or Services via an Order Form, which shall be mutually agreed by the parties and which shall not be effective and binding unless and until such agreement is executed by both parties hereto.
  - i. The terms and conditions of each Order Form are hereby incorporated into this Contract
  - ii. Each Order Form is separate and independent of any other Order Form. A default with respect to any one Order Form shall not cause a default of any other Order Form.
- c. *Third-Party Games and Third-Party Branded Games.* For each Third-Party Game or Third-Party Branded Games to be delivered to the Lottery under this Contract, Lottery hereby acknowledges and agrees that.
  - i. Such Third-Party Games or Third-Party Branded Games are subject to Third-Party Game Terms,
  - ii. Contractor shall provide the Third-Party Game Terms for the initial Third Party Games and Third Party Branded Games as those Terms are executed between Contractor and the relevant third parties. In the event there are any further Third Party Game Terms for any additional Third Party Games or Third Party Branded Games to be delivered to the Lottery under this Contract, they will be included in the relevant Order Form
  - iii. SGI's acceptance of and any of its obligations in relation to the Third Party Games shall, at all times, be conditioned on Lottery's strict adherence to the applicable Third-Party Game Terms, and
  - iv. Third-Party Game Terms are subject to change at SGI's sole discretion based on the third party licensor's requirements and the addition or removal of such Games from SGI's inventory.
- d. *Proprietary Rights*
  - i. The Commonwealth acknowledges SGI and any subcontractor's or third-party's Intellectual Property Rights may have in and to the Licensed Software and Games and materials heretofore or hereafter created by SGI for the operation of the Licensed Software.
  - ii. All original written material, including reports, tickets, algorithms, game designs, game names, studies, blueprints, programs, tapes, listings, artwork and other documentation originated and prepared by Contractor or any subcontractor exclusively and specifically for the Lottery pursuant to this Contract shall belong exclusively to the Lottery
  - iii. Contractor further agrees that it shall not provide or use any matter trademarked or copyrighted by a third party without the written approval of the Secretary, unless the Contractor provides the Department with the written permission of the trademark or

copyright owner for the Department to use such trademarked or copyrighted matter under this Contract

e. **New Intellectual Property** Each new invention, discovery or important improvement, which includes ideas, concepts, know-how or techniques, developed exclusively and specifically for the Lottery in the normal course of performing obligations pursuant to this Contract and is not SGI Intellectual Property or otherwise owned by SGI shall be treated as follows.

- i. If made exclusively by Lottery personnel, it shall be the property of the Lottery,
- ii. if made exclusively by Contractor personnel, it shall be the property of the Contractor, and Contractor grants the Lottery a non-exclusive, irrevocable, nontransferable and royalty-free license to such invention, discovery or improvement;
- iii. if made jointly by personnel of Lottery and Contractor, it shall be jointly owned equally.

To continually provide the Lottery the ability to generate revenue and serve their customers and stakeholders, SGI may offer new products services, technology or solutions to the Lottery. During the term of the contract should any new products, services, technology or solutions not previously recognized or outlined in this Contract, which are not developed exclusively and specifically for the Lottery, may be offered to the Lottery by SGI. In such circumstance, and if the Lottery believes it is in the best interest of the Commonwealth, the Lottery and SGI mutually agree that such new product, service, technology or solution, including financial terms, shall be the subject of a separate letter of agreement between the parties, which letter of agreement shall detail all rights, duties, and obligations of either party

**5. USE OF COMMONWEALTH PROPERTY**

a. **Confidentiality of Commonwealth Property.** All Commonwealth Property provided to the Contractor pursuant to this Contract or collected or generated by the Contractor on behalf of the Commonwealth pursuant to this Contract shall be considered confidential information under Section 26, (Confidential Information).

b. **License grant and restrictions.** During the term of this Contract, Commonwealth grants to Contractor and its subcontractors for the limited purpose of providing the Services covered under this Contract, a limited, nonexclusive, nontransferable, royalty-free right (subject to the terms of any third party agreement to which the Commonwealth is a party) to access, use, reproduce, and modify Commonwealth Property in accordance with the terms of the Contract. The Commonwealth's license to Contractor is limited by the terms of this Contract

- i. The Contractor hereby assigns to the Commonwealth its rights, if any, in any derivative works resulting from Contractor's modification of the Commonwealth Intellectual Property. Contractor agrees to execute any documents required to evidence this assignment and to waive any moral rights and rights of attribution provided for in Section 106A of Title 17 of the United States Code, the *Copyright Act of 1976, as amended*
- ii. Neither Contractor nor any of its subcontractors may decompile or reverse engineer, or attempt to decompile or reverse engineer, any of the Commonwealth Intellectual Property. Commonwealth hereby represents that it has the authority to provide the license grant and rights set forth in this section

c. **Reservation of rights.** All rights, not expressly granted here to Contractor are reserved by the Commonwealth

d. **Termination of Commonwealth license grant.**

- i. **Rights Cease:** Upon the expiration or termination for any reason of Contractor's obligation to provide the Services under this Contract, all rights granted to Contractor under this section shall immediately cease

- ii. Return Commonwealth Property Contractor shall, at no cost to Commonwealth, deliver to Commonwealth all of the Commonwealth Intellectual Property (including the source code of such Intellectual Property then in Contractor's possession or under its control) in the form in use as of the Effective Date of such expiration or termination (except that Commonwealth Data shall be turned over in a reasonably practical form, mutually acceptable to the Commonwealth and Contractor).
- iii. List of Utilized Commonwealth Property/Destruction Within 30 days after termination, Contractor shall provide the Commonwealth with a current copy of the list of Commonwealth Intellectual Property in use as of the date of such expiration or termination. Concurrently therewith, Contractor shall destroy or erase all other copies of any Commonwealth Software then in Contractor's possession or under its control unless otherwise instructed by Commonwealth, in writing; provided, however, that Contractor may retain one archival copy of such Commonwealth Software, until final resolution of any actively asserted pending disputes between the Parties, such retention being for the sole purpose of resolving such disputes.
- e. Effect of License Grant Termination. Consistent with the provisions of this section, Contractor shall refrain from manufacturing, copying, marketing, distributing or using any Commonwealth Software or any other work which incorporates the Commonwealth Software.
- f. **Commonwealth Property Protection**
  - i. Contractor acknowledges Commonwealth's exclusive right, title and interest, including without limitation copyright and trademark rights, in and to Commonwealth Data, Commonwealth Software, and the Developed Works developed under the provisions of subsection 4.e of this Contract, and Contractor shall not knowingly do or cause to be done any act or thing contesting or in any way impairing or tending to impair any part of said right, title, and interest, and shall not use or disclose the Commonwealth Data, Commonwealth Software, or the Developed Works without Commonwealth's written consent, which consent may be withheld by the Commonwealth for any reason.
  - ii. Contractor shall not, in any manner, represent that Contractor has any ownership interest in the Commonwealth Data, Commonwealth Software, or the Developed Works.

**6. PROPERTY TO BE TRANSFERRED**

Prior to the conclusion of the Term, or upon notice of termination of the Contract pursuant to section 39 (Termination), SGI shall cause to have the domain name PAILottery.com, in addition to any other domain names secured for the Lottery under the Contract, and any and all rights, title and interest associated with those domain names, transferred to the Commonwealth at no additional cost to the Department.

**7. DELIVERY AND ACCEPTANCE**

- a. Contractor shall deliver the Licensed Software to the Lottery in accordance with this Contract.
- b. Following delivery, the Licensed Software will be subject to an Acceptance Test.
- c. The parties shall develop and implement a mutually agreed upon acceptance and implementation plan ("Implementation and Acceptance Plan") on or before March 15, 2018, which shall set forth, among other things, the set of tests to be conducted and the time periods for conducting those tests. The Implementation and Acceptance Plan shall include a test plan which includes, but is not limited to, the following types of tests: device testing, browser version testing; and claims processing testing.
- d. In the event that an Acceptance Test is delayed due to the acts or omissions of the Lottery, then SGI shall give fourteen (14) days' notice of its requirement that the Acceptance Test shall be carried out. If the Acceptance Testing is not carried out within a further period of fourteen (14) days due to the acts or omissions of the Lottery, the Licensed Software shall have been deemed accepted on the expiry of such further period.

- e. Notwithstanding section 7 b where the Lottery uses the Licensed Software, before concluding (or commencing) the Acceptance Tests, in a live environment for commercial purposes other than for agreed testing purposes, then the Licensed Software shall be deemed to be accepted on the date of such first live use
- f. Nothing in this section shall prevent the Lottery from identifying and communicating issues with the Licensed Software to SGI after launch, and nothing in this section shall eliminate SGI's duty to ensure full functionality of the Licensed Software and Services, as described in Appendix 2 (Work Statement) in conformance with its specifications
- g. Subject to subsection 7.h below, SGI shall use all commercially reasonable efforts to meet delivery dates. The non-delivery of a particular Deliverable shall have no effect on any other Deliverable or previous Deliverables that have been subject to Acceptance
- h. The Commonwealth and Lottery acknowledge and agree that the dates for Deliverables, Soft Launch Date, and Commercial Launch Date are Lottery driven deadlines to which SG has agreed to accommodate. Further each of the Commonwealth and Lottery agree, that the timely provision of the Licensed Software is dependent on: (i) third-parties, including the Lottery's advertising agency, and (ii) a limited scope; and any delay on the part of a third-party outside SG's control or the deviation from the agreed upon scope shall entitle SG to equitable tolling or relief from enforcement of any provision of this Contract. To accommodate the defined launch dates, the parties have agreed to limit change to the system and operations for each launch, and some requirements may be deferred to post-launch for implementation. Notwithstanding the above, Contractor acknowledges and agrees that any requirements deferred to post-launch and not already set-forth as part of post-launch pursuant to Appendix 2 shall not impair the functionality of the system; shall not impair the integrity of the system; and shall not result in the system being in violation of federal or state laws or regulations. Any changes resulting in the above shall be provided through the Parties' respective project managers

**8. TERM**

- a. This Contract shall commence on the Effective Date and terminate no later than the second anniversary of the Effective Date.
- b. In the event the Lottery is empowered to grant an extension or renewal of these terms in furtherance of the Lottery Law, including any amendments, and if the Lottery believes it is in the best interest of the Commonwealth, the parties agree to diligently negotiate such extension or renewal, including financial terms, in good-faith to facilitate the continuity of the Licensed Software and Services provided under this Contract

**9. TERMS OF PAYMENT**

The Department agrees to pay, and the Contractor agrees to accept as full compensation for the services rendered hereunder, the Lottery Costs set forth in Appendix 4, (Charges) attached hereto and made a part hereof as if fully set forth

**10. LIQUIDATED DAMAGES**

- a. The Commonwealth and Contractor agree that, in the circumstances described in this Section 10, it will be extremely impractical and difficult to determine actual damages which the Commonwealth may incur if Lottery is not available in a live environment for commercial purposes on or before May 1, 2018
- b. Subject to sections 10 c through and including 10.i below, if the Lottery is not available in a live environment for commercial purposes on or before May 1, 2018 (the "Commercial Launch"), and: (i) the Lottery has not consented to an extension of such Commercial Launch; and (ii) the Contractor is solely responsible for the delay, then the Lottery may assess, as liquidated damages, an amount up to \$10,000 per day for each day after April 30, 2018
- c. The determination to assess liquidated damages shall be made by the Department. Upon determination that liquidated damages are to or may be assessed, the Department shall notify Contractor of the potential assessment in writing. The availability of an additional cure or greater cure period other than as set forth in this Contract shall be in the equitable discretion of the Department.

- d. If any portion of the liquidated damages provisions is determined to be unenforceable in one or more applications, that portion remains in effect in all applications not determined to be unenforceable and is severable from the invalid applications. If any portion of the liquidated damages provisions is determined to be unenforceable in any application, the other provision or provisions shall remain in full force and effect.
- e. It is expressly agreed that the waiver of any liquidated damages due the Commonwealth shall constitute a waiver only as to such liquidated damages and not a waiver of any future liquidated damages. Failure to demand payment of liquidated damages within any period of time shall not constitute a waiver of such claim by the Department.
- f. If the Lottery assesses liquidated damages, in no event shall the total liquidated damages be in excess of the difference between the actual amount of profit received or accrued to the Lottery and the Anticipated Profit for each fiscal year, or any part thereof, covered by the Contract.
- g. All assessed liquidated damages will be deducted from any monies owned SGI by the Lottery, and in the event the amount due SGI is not sufficient to satisfy the amount of the liquidated damages, SGI shall pay the balance to the Lottery within thirty (30) calendar days of written notification. If the amount due is not paid in full, the balance will be deducted from subsequent payments to SGI. At the Lottery's sole option, the Lottery may obtain payment of assessed liquidated damages through one (1) or more claims upon the Performance Bond.
- h. Any liquidated damages imposed in accordance with this section shall be pro-rated for partial periods.
- i. SGI shall not be required to pay liquidated damages for delays solely due to matters as enumerated in section 42 (*Force Majeure*), or to the extent any delay was caused solely by the Lottery or any third party acting on behalf or at the direction of the Lottery, or for actions specifically approved in writing by the Lottery ("Lottery Delay"). Where the Commercial Launch is delayed by acts or omissions as detailed in this section, the Commercial Launch shall be equitably extended by a period that is reasonable and commensurate to reflect the extent of the delay caused by the event of *force majeure* or the applicable Lottery Delay. This provision in no way limits Contractor's liability for its subcontractors.

**11. RIGHT OF INSPECTION**

Subject to the provisions of section 26 (Confidential Information), the Department shall have the right to inspect all phases of the production and support of the Licensed Software and Services provided hereunder upon reasonable prior notice to SGI and subject to SGI's safety and security procedures.

**12. EXCLUSIVITY**

- a. *Exclusive Lottery Provider.* In consideration of the payment terms accepted by SGI, during the Term, the Department and Lottery each agree that each entity shall refrain from developing, introducing, or directing implementation and operation of a lottery or other games or programs authorized pursuant to 4 Pa.C.S. § 503. Notwithstanding the foregoing, SGI acknowledges and agrees that this exclusivity provision shall in no way prohibit the Commonwealth from developing, introducing, contracting for, implementing or operating Lottery or similar services (1) pursuant to the provisions of 62 Pa.C.S. (relating to procurements) which will necessarily occur during the Term of this Contract, (2) upon notification by the Commonwealth to the Contractor that this Contract is terminated pursuant to its terms; or (3) upon written request by the Commonwealth for a specific game, program or service authorized under 4 Pa.C.S. § 503, which SGI is either unable or unwilling to provide within a commercially reasonable period of time.
- b. *Exclusive Lottery Content.* During the Term of this Contract, SGI agrees that it shall not offer any proprietary SGI digital Games to any licensed casino within the Territory.

**13. BONDS & INSURANCE**

**a. Insurance**

For the entire period of this Contract, SGI agrees to maintain the following insurance, with the Commonwealth, the Department and the Lottery named as additional insureds, which insurance shall provide funds, fees, and legal costs for any damage, loss of revenue or claims incurred or arising as a

result of the operation of the Licensed Software and Services. However, the Commonwealth, the Department and the Lottery shall not be named as additional Insureds on the errors and omissions policy described below. No insurance shall be cancelled or changed without at least thirty (30) days prior, written notice to the Lottery. By requiring such coverage, the Lottery does not waive any immunity from liability which it may otherwise have.

SGI agrees to furnish the Lottery with certificates of insurance for all insurance required under this Contract within fourteen (14) days of final execution and delivery of this Contract to SGI, with the exception of the certificates for Errors and Omissions insurance, which Errors and Omissions certificate of insurance shall be furnished to the Lottery prior to Soft Launch.

All certificates of insurance furnished by SGI shall aver that coverages afforded shall not be cancelled or changed without at least thirty (30) days prior written notice to the Lottery.

SGI shall acquire insurance written for not less than any limits of liability herein specified or required by law, whichever is greater, and shall include contractual liability insurance as applicable to SGI's obligations under section 15 (Commonwealth Held Harmless), of this Contract.

- i. *Property.* SGI shall maintain insurance on all materials and equipment used in operating the Licensed Software in SGI's business in the amount of actual replacement cost thereof. Such policy shall include an All Risk Property Floater to insure personal property including contents, materials, and mobile items against fire, collision, flood, etc. Neither the Commonwealth, the Department, the Lottery, nor Lottery Retailers are responsible for any such insurance.
- ii. *Public Liability.* SGI shall maintain comprehensive General Liability and Property Damage insurance with limits of not less than one million dollars (\$1,000,000) for any one person and three million dollars (\$3,000,000) for any one occurrence for personal injury, and three million dollars (\$3,000,000) for any one occurrence for property damage.
- iii. *Errors and Omissions.* SGI shall maintain errors and omissions insurance with limits of not less than five million dollars (\$5,000,000) shall be in force and effective from the date of the System start-up and shall continue without interruption for one (1) year after the expiration of the Contract. Errors and Omissions insurance shall indemnify SGI, the Commonwealth and the Lottery for any loss which may be incurred. SGI shall require that subcontractors and service providers maintain Errors and Omissions Insurances, with policy limits acceptable to the Lottery, for the terms of any contracts for performance of work required of SGI, as prime contractor, under this Contract.
- iv. *Network/Cyber Liability Insurance* (including coverage for Professional and Technology-Based Services Liability if not covered under Company's Professional Liability/Errors and Omissions Insurance referenced above) in the amount of \$3,000,000, per accident/occurrence, covering the Contractor, its employees, agents, contractors, and subcontractors in the performance of all services. SG represents that Network/Cyber Liability Insurance is covered under its Errors and Omissions Insurance.
- v. *Professional and Technology-Based Services Liability Insurance* (insuring against damages and claim expenses as a result of claims arising from any actual or alleged wrongful acts in performing cyber and technology activities) in the amount of \$2,000,000, per accident/occurrence. SG represents that the Professional and Technology-Based Services Liability Insurance is covered under the Company's Error and Omissions Insurance.
- vi. *Automotive Insurance.* SGI shall insure automotive equipment used in the operation of the System. SGI shall maintain Automobile Bodily Injury Liability insurance with a limit of one million dollars (\$1,000,000) for each person and five million dollars (\$5,000,000) for each accident, and Property Damage Liability insurance with a limit of not less than one million dollars (\$1,000,000) for each accident.

- vii *Employees.* SGI shall insure its employees according to Commonwealth of Pennsylvania statutes and regulations, including coverage as required under the Workmen's Compensation Law

**b Bonds**

All bonding must be issued by a firm authorized by the Office of the Insurance Commissioner to write business in the Commonwealth of Pennsylvania

- i. *Fidelity Bond.* Within fourteen (14) days of final execution and delivery of this Contract to SGI, SGI shall deliver to the Lottery a Fidelity Bond in the amount of one million dollars (\$1,000,000) covering any loss to the Commonwealth due to any fraudulent or dishonest act on the part of SGI's officers, employees or agents.
- ii. *Performance Bond.* Within fourteen (14) days of final execution and delivery of this Contract to SG, SG must deliver to the Lottery a Performance Bond which will be effective as of the Commencement Date of this Contract. A Performance Bond in the amount of one million dollars (\$1,000,000) will be required for each year of the Contract

A Performance Bond may be in the form of a policy or certificate issued by a reputable surety company. A certified check or cashier's check made payable to the Commonwealth of Pennsylvania, Department of Revenue, Pennsylvania Lottery, may be accepted in lieu of the surety company issued policy/certificate.

**14. INTELLECTUAL PROPERTY RIGHT INDEMNITY**

In the event that a claim arises that the Licensed Software, other than any Intellectual Property of the Lottery, infringes the rights of a third party, SGI shall immediately notify the Department and the Lottery in writing and, without diminishing SGI's obligation to defend and hold harmless the Commonwealth, the Department, and the Lottery, its agents and employees, SGI may elect to exercise one of the following options below:

1. procure for the Department the right to continue using the at-issue software (or any part thereof) in accordance with the terms of this Contract,
2. modify the at-issue software so that it ceases to be infringing,
3. replace the at-issue software with equivalent or better non-infringing software deemed satisfactory to the Department; or
4. agree to an alternative acceptable to both SGI and the Department.

**15. COMMONWEALTH HELD HARMLESS**

- a. The Contractor shall hold the Commonwealth harmless from and indemnify the Commonwealth against any and all third party claims, demands and actions based upon or arising out of any activities performed by the Contractor and its employees and agents under this Contract, provided the Commonwealth gives Contractor prompt notice of any such claim of which it learns. Pursuant to the *Commonwealth Attorneys Act*, Act of October 15, 1980, P.L. 950, No. 164, as amended, 71 P.S. § 732-101-732-506, the Office of Attorney General (OAG) has the sole authority to represent the Commonwealth in actions brought against the Commonwealth. The OAG may, however, in its sole discretion and under such terms as it deems appropriate, delegate its right of defense. If OAG delegates the defense to the Contractor, the Commonwealth will cooperate with all reasonable requests of Contractor made in the defense of such suits.
- b. Notwithstanding the above, neither party shall enter into any settlement without the other party's written consent, which shall not be unreasonably withheld. The Commonwealth may, in its sole discretion, allow the Contractor to control the defense and any related settlement negotiations.

**16. LIMITATION OF LIABILITY**

- a. The Contractor's liability to the Commonwealth under this agreement shall be limited to the total dollar amount of this Contract (including any amendments). This limitation will apply, except as otherwise

states in this section, regardless of the form of action, whether in contract or in tort, including negligence. This limitation does not, however, apply to any damages .

- i. For bodily injury;
  - ii. For death,
  - iii. For intentional injury,
  - iv. For damage to real property or tangible personal property for which the Contractor is legally liable;
  - v. Under section 14 (Intellectual Property Right Indemnity);
  - vi. Under section 23 (Data Breach or Loss); or
  - vii. Under section 24 (Virus, Malicious, Mischiefous or Destructive Programming).
- b. No party shall be liable to the other for any of the following types of loss or damage, even if the party has been advised of the possibility of such loss or damage, (i) indirect or consequential losses; (ii) loss of profits, contracts or anticipated savings, or (iii) loss or damage arising from loss, damage or corruption of data, except as set forth in section 23 (Data Breach or Loss).

**17. PRIME CONTRACTOR RESPONSIBILITIES**

Subject to Third-Party Game terms and conditions and the Lotteries adherence thereto, the Contractor is the prime contractor and, as such, is responsible for all contractual activities performed under this Contract, whether or not the Contractor performs them. The Contractor shall be the sole point of contact with regard to contractual matters, including payment of any or all charges hereunder.

**18. OTHER CONTRACTORS**

The Commonwealth may undertake or award other contracts for additional or related work, and the Contractor, other contractors and Commonwealth employees shall fully cooperate with one another, and the Contractor shall coordinate its Services and/or provision of Supplies with such additional work as may be reasonably required. The Contractor and any other contractor shall not commit or permit any act that will interfere with the performance of the work by the Contractor or any other contractor or by Commonwealth employees. This section shall be included in the Contracts of all contractors with which this Contractor shall be required to cooperate. The Commonwealth shall equitably enforce this section as to all contractors to prevent the imposition of unreasonable burdens on any contractor. The Contractor shall not be liable to the Commonwealth or the Lottery for any non-performance of such other contractors; this provision in no way limits the liability of the Contractor for its subcontractors.

**19. ASSIGNMENT & SUBCONTRACTING**

The Contractor is prohibited from assigning, transferring, or otherwise disposing of this Contract or any section or portion thereof, its rights, title or interests therein, or its power to execute such Contract to any other person, company, corporation, or entity without the prior written consent of the Department. The Department shall not unreasonably withhold its consent under this paragraph in the case of any assignment, transfer or other disposition that would not materially prejudice the Commonwealth's interests hereunder.

No subcontracting is permitted without the express, written approval of the Department. The Department reserves the right to require the Contractor to replace such subcontractors reasonably found to be unacceptable to the Department. The Contractor shall be responsible for enforcing against subcontractors those provisions of the Contract applicable to subcontractors. Any change in subcontractors or in the location of the Contractor's facilities at which work for the Lottery is to be performed must be approved by the Department in writing prior to such change.

**20. CHANGE OF OWNERSHIP OR INSOLVENCY**

- a In the event that the Contractor should experience a change of control (defined below), the Commonwealth shall have the exclusive option of continuing under the terms and conditions of this Contract with the Contractor or its successors or assigns for the full remaining term of this Contract, or continuing under the terms and conditions of this Contract with the Contractor or its successors or assigns for such period of time as is necessary to replace the products, materials, reports, studies, or computer programs, or immediately terminating this Contract. Nothing in this section limits the Commonwealth's exercise of any rights that the Commonwealth may have to terminate the contract pursuant to section 39 (Termination).
- b For purposes of this Contract a "change of control" shall mean the acquisition or disposition, by a single person or entity, of more than 50.01% of the voting securities of the Contractor's ultimate parent company-Scientific Games Corporation-after the Effective Date of this Contract; and it shall not include any current or future acquisitions, divestitures, or re-organizations of the Contractor's corporate group

**21. STAFF AND PROGRESS MEETINGS**

- a. SGI confirms and agrees that it shall provide, suitably qualified staff, in and outside of the Territory, as more fully set forth in Appendix 2 (Work Statement), to perform the Services in a timely and diligent manner. In the event that SGI replaces any member of its staff engaged on the Services, SGI shall use reasonable efforts to ensure that such replacements are of a suitable level of experience and qualification to perform the remaining Services.
- b. The parties shall nominate a representative who shall be responsible for organizing meetings once each month and at other times as reasonably required for the purpose of reviewing the overall progress of the Services, resolving any difficulties and discussing other important matters in connection with the Services and this Contract.
- c. Each party shall provide all information and documentation reasonably required by the other for the performance of its duties under this Contract or as otherwise reasonably required in connection with this Contract.
- d. *Change Control* If the Lottery requests a change or modification to a Deliverable, (each a "Change Request"), such Change Request will be subject to the following:
  - i the Lottery will prepare and submit a written work request to SGI containing a detailed description of the change or modification sought and any proposed timetable for the Change Request;
  - ii within ten Business Days after receipt of the Lottery's written request as above, SGI will notify the Lottery if SGI is capable of carrying out the requested Change Request and, if so, SGI will prepare a revised Specification, to include any Lottery Costs, for the Lottery's approval. If SGI is not capable of carrying out the requested Change Request, SGI will provide Lottery with an explanation as to why the Change Request cannot be carried out and will provide Lottery with alternatives to the Change Request that are consistent with the Lottery's goals and the SOW, attached hereto as Appendix 2.
  - iii unless and until any Specification is agreed and signed by the parties, all drafts, discussions, proposals and negotiations between the parties for the provision of the Licensed Software or Services by SGI under a Change Request will be subject to contract and will not create binding obligations on the parties,
  - iv neither party shall unnecessarily withhold or delay execution of any agreements or documents provided for in this section, and any agreement or document provided for in this section shall be considered denied if not executed within 15 days
  - v once agreed in accordance with the above, no change to a Change Request will be valid unless such change together with any corresponding change to the relevant cost estimate, specifications, requirements, dependencies, implementation plans, agreed milestones and/or Acceptance procedures for the relevant Deliverable has been agreed in writing between the parties

- e *Ad Hoc Work.* The parties may from time to time mutually agree for SGI to provide small ad hoc amounts of Services without agreeing to a Change Request ("Ad Hoc Work"). If it is mutually agreed between the parties that any such Ad Hoc Work should be carried out, the parties will agree any relevant specifications therefor, and SGI will complete such Ad Hoc Work within a mutually agreed time period. If it is agreed by the parties after discussion but before the work begins that proposed Ad Hoc Work should in fact be a Change Request, the procedure in subsection 21.d will be completed by the parties in relation to that Specification.

**22. PCI SECURITY COMPLIANCE**

- a *General.* By providing the Services under this Contract, the Contractor may create, receive, or have access to credit card records or record systems containing cardholder data including credit card numbers (collectively the "Cardholder Data"). Contractor shall comply with the Payment Card Industry Data Security Standard ("PCI DSS") requirements for Cardholder Data that are prescribed by the payment brands (including, but not limited to, Visa, MasterCard, American Express, and Discover), as they may be amended from time to time. Contractor acknowledges and agrees that Cardholder Data may only be used for assisting in completing a card transaction, for fraud control services, for loyalty programs, or as specifically agreed to by the payment brands, for purposes of this Contract or as required by applicable law or regulations.
- b *Compliance with Standards.* Contractor shall perform to and comply with the PCI DSS standards as defined by the PCI Security Standards Council at [www.pcisecuritystandards.org/security\\_standards/index.php](http://www.pcisecuritystandards.org/security_standards/index.php). Contractor shall monitor these PCI DSS standards and will promptly notify the Commonwealth if its practices should not conform to such standards. Contractor shall provide a letter of certification to attest to meeting this requirement within seven (7) days of Contractor's receipt of the annual PCI DSS compliance report.

**23. DATA BREACH OR LOSS**

- a Contractor shall comply with all applicable data protection, data security, data privacy and data breach notification laws, including but not limited to: (1) the Breach of Personal Information Notification Act, Act of December 22, 2005, P.L. 474, No. 94, as amended, 73 P.S. §§ 2301—2329.
- b *For Data and Confidential Information in the possession, custody, and control of the Contractor or its employees, agents, and/or subcontractors.*
  - i. The Contractor shall report unauthorized access, use, release, loss, destruction or disclosure of Data or Confidential Information ("Incident") to the Commonwealth within two (2) hours of when the Contractor knows of or reasonably suspects such incident, and the Contractor must immediately take all reasonable steps to mitigate any potential harm or further access, use, release, loss, destruction or disclosure of such Data or Confidential Information.
  - ii Contractor shall provide timely notice to all individuals that may require notice under any applicable law or regulation as a result of an incident. The notice must be pre-approved by the Commonwealth. At the Commonwealth's request, Contractor shall, at its sole expense, provide credit monitoring services to all individuals that may be impacted by any incident requiring notice.
  - iii Contractor shall be solely responsible for any costs, losses, fines, or damages incurred by the Commonwealth due to incidents.
- c As to Data and Confidential Information fully or partially in the possession, custody, or control of the Contractor and the Commonwealth, the Contractor shall diligently perform all of the duties required in this section 23 in cooperation with the Commonwealth, until the time at which a determination of responsibility for the incident, and for subsequent action regarding the incident, is made final.

**24. VIRUS, MALICIOUS, MISCHIEVOUS OR DESTRUCTIVE PROGRAMMING**

- a The Contractor shall be liable for any damages incurred by the Commonwealth if the Contractor or any of its employees, subcontractors or consultants introduces a virus or malicious, mischievous or destructive programming into the Commonwealth's software or computer networks and has failed to

comply with the Commonwealth software security standards. The Commonwealth must demonstrate that the Contractor or any of its employees, subcontractors or consultants introduced the virus or malicious, mischievous or destructive programming. The Contractor's liability shall cease if the Commonwealth has not fully complied with its own software security standards

- b. The Contractor shall be liable for any damages incurred by the Commonwealth including, but not limited to, the expenditure of Commonwealth funds to eliminate or remove a computer virus or malicious, mischievous or destructive programming that results from the Contractor's failure to take proactive measures to keep virus or malicious, mischievous or destructive programming from originating from the Contractor or any of its employees, subcontractors or consultants through appropriate firewalls and maintenance of anti-virus software and software security updates (such as operating systems security patches, etc.).
- c. In the event of destruction or modification of Software, the Contractor shall eliminate the virus, malicious, mischievous or destructive programming, restore the Commonwealth's software, and be liable to the Commonwealth for any resulting damages.
- d. The Contractor shall be responsible for reviewing Commonwealth software security standards and complying with those standards
- e. The Commonwealth may, at any time, audit, by a means deemed appropriate by the Commonwealth, any computing devices being used by representatives of the Contractor to provide Services to the Commonwealth for the sole purpose of determining whether those devices have anti-virus software with current virus signature files and the current minimum operating system patches or workarounds have been installed. Devices found to be out of compliance will immediately be disconnected and will not be permitted to connect or reconnect to the Commonwealth network until the proper installations have been made
- f. The Contractor may use the anti virus software used by the Commonwealth to protect Contractor's computing devices used in the course of providing services to the Commonwealth. It is understood that the Contractor may not install the software on any computing device not being used to provide services to the Commonwealth, and that all copies of the software will be removed from all devices upon termination of this Contract.
- g. The Commonwealth will not be responsible for any damages to the Contractor's computers, data, software, etc. caused as a result of the installation of the Commonwealth's anti-virus software or monitoring software on the Contractor's computers.

**25. LOCATION, STATUS AND DISPOSITION OF DATA**

- a. All Data must be stored within the United States.
- b. The Contractor shall be responsible for maintaining the privacy, security and integrity of Data in the Contractor's or its subcontractors' possession.
- c. All Data shall be provided to the Commonwealth upon request, in a form acceptable to the Commonwealth and at no cost
- d. Any Data shall be destroyed by the Contractor at the Commonwealth's request
- e. Any Data shall be held for litigation or public records purposes by the Contractor at the Commonwealth's request, and in accordance with the security, privacy and accessibility requirements of this Contract

**26. CONFIDENTIAL INFORMATION**

- a. Each party shall hold in confidence all Confidential Information obtained from the other, including but not limited to the Licensed Software and the Documentation, and only disclose such Confidential Information to its professional advisers and to those of its employees or contractors as may be necessary for the purposes of this Contract and who shall be informed of the confidential nature of such Confidential Information.
- b. Neither party shall disclose to any third party without the express permission of the other party any Confidential Information obtained from the other party

- c. The provisions of sections 26.a and 26.b shall not apply to any information which
  - i. was in the recipient's lawful possession prior to the date of this Contract and was not designated as being confidential;
  - ii. the recipient can show was in its own knowledge or developed independently by the recipient prior to the date of disclosure;
  - iii. is disclosed to the recipient by a third party free of any obligations of confidentiality;
  - iv. is lawfully in the public domain, other than by breach of this Contract, or
  - v. the recipient is required to disclose by a Competent Authority or by operation of law or in order to comply with the rules of a recognized stock exchange.
- d. Nothing in this section 26 shall be deemed or construed to prevent the receiving party from disclosing any Confidential Information provided by the disclosing party to any to a consultant, contractor or other person engaged by the receiving party in connection herewith provided that the receiving party shall ensure that such information is held in confidence by such third parties
- e. The receiving party acknowledges that any Confidential Information obtained from, or relating to, the disclosing party or its respective servants or agents by the receiving party in the course of negotiating for, or in the performance of, this Contract (or by any person employed or engaged by the receiving party in connection with this Contract in the course of such employment or engagement) is and shall remain the property of the disclosing party.

**27. TICKET PURCHASE AND PRIZE PAYMENT RESTRICTIONS**

The Contractor acknowledges that, under the Applicable Law, regulations, and Department policy, no officer or employee and no spouse, child, brother, sister, or parent residing in the household of any officer or employee of the Contractor or of any subcontractor with direct access to the Licensed Software shall purchase a Pennsylvania Lottery ticket or be paid a prize in any Pennsylvania Lottery Game. As to Powerball® and such other multi-state or international lottery games in which the Lottery is now or may become a participant during the term of this Contract, the same restrictions apply to the purchase of such game tickets within Pennsylvania only. SGI warrants that it has communicated this requirement to each officer and employee of the Contractor assigned to work on this Contract and any subcontractors and service providers.

**28. ABSCENCE OF CERTAIN CHANGES OR EVENTS**

The Contractor warrants that:

- a. As of the Effective Date of this Contract, the Contractor has not, except as disclosed to the Lottery.
  - i. sold, assigned, voluntarily encumbered, granted a license or sublicense with respect to or disposed of all or substantially all of its assets, other than in the ordinary course of its business as conducted as of the Effective Date, and
  - ii. entered into any contract or commitment including but not limited to acquisitions or sales within its business area except in the ordinary course of business as conducted on the Effective Date

Neither the Department nor the Contractor is aware of any plans of any member of the Contractor's management, supervisory, or key employees actively involved in the Contractor's performance of this Contract to retire or otherwise cease being an employee of the Contractor prior to or within one (1) year following the commencement of the term of this Contract except as otherwise communicated to the Lottery by Contractor

- b. As of the Effective Date of this Contract, there has been no material adverse change in the financial condition, business, properties, or prospects of the Contractor.

If the Contractor experiences any changes as outlined in section 28 a or 28 b, above, during the period of this Contract, the Contractor shall promptly notify the Department and the Lottery subject to applicable requirements of the Securities and Exchange Commission, in the manner set forth in section 49 d (Notice) of this Contract, notice, of such change promptly following the time the change occurs or is identified, whichever is earlier. Failure to give notice to the Department and the Lottery will be sufficient grounds for terminating this Contract.

**29. CONTRACTOR INTEGRITY**

It is essential that those who seek to contract with the Commonwealth of Pennsylvania observe high standards of honesty and integrity. They must conduct themselves in a manner that fosters public confidence in the integrity of the Commonwealth procurement process. In furtherance of this policy, Contractor agrees to the following:

- a. Contractor shall maintain the highest standards of honesty and integrity during the performance of this Contract and shall take no action in violation of state or federal laws or regulations or any other applicable laws or regulations, or other requirements applicable to Contractor or that govern contracting with the Commonwealth.
- b. Contractor shall establish and implement a written business integrity policy, which includes, at a minimum, the requirements of these provisions as they relate to Contractor employee activity with the Commonwealth and Commonwealth employees, and which is distributed and made known to all Contractor employees.
- c. Contractor, its affiliates, agents and employees shall not influence, or attempt to influence, any Commonwealth employee to breach the standards of ethical conduct for Commonwealth employees set forth in the Public Official and Employees Ethics Act, 65 Pa. C. S. §§ 1101, et seq., the State Adverse Interest Act, 71 P.S. § 776.1, et seq., and the Governor's Code of Conduct, Executive Order 1980-18, 4 Pa. Code § 7.151, et seq., or to breach any other state or federal law or regulation.
- d. Contractor, its affiliates, agents and employees shall not offer, give, or agree or promise to give any gratuity to a Commonwealth official or employee or to any other person at the direction or request of any Commonwealth official or employee.
- e. Contractor, its affiliates, agents and employees shall not offer, give, or agree or promise to give any gratuity to a Commonwealth official or employee or to any other person, the acceptance of which would violate the Governor's Code of Conduct, Executive Order 1980-18, 4 Pa. Code § 7.151, et seq. or any statute, regulation, statement of policy, management directive or any other published standard of the Commonwealth.
- f. Contractor, its affiliates, agents and employees shall not, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by any Commonwealth official or employee.
- g. Contractor, its affiliates, agents, employees, or anyone in privity with him or her shall not accept or agree to accept from any person, any gratuity in connection with the performance of work under the Contract, except as provided in the Contract.
- h. Contractor shall not have a financial interest in any other contractor, subcontractor, or supplier providing services, labor, or material on this project, unless the financial interest is disclosed to the Commonwealth in writing and the Commonwealth consents to Contractor's financial interest prior to Commonwealth execution of the Contract. Contractor shall disclose the financial interest to the Commonwealth at the time of bid or proposal submission, or if no bids or proposals are solicited, no later than Contractor's submission of the Contract signed by Contractor.
- i. Contractor, its affiliates, agents and employees shall not disclose to others any information, documents, reports, data, or records provided to, or prepared by, Contractor for the Lottery under this Contract without the prior written approval of the Commonwealth, except as required by the Pennsylvania Right-to-Know Law, 65 P.S. §§ 67.101-3104, or other applicable law or as otherwise provided in this contract. Any information, documents, reports, data, or records secured by Contractor from the Commonwealth

or a third party in connection with the performance of this Contract shall be kept confidential unless disclosure of such information is

- I Approved in writing by the Commonwealth prior to its disclosure; or
- ii Directed by a court or other tribunal of competent jurisdiction unless the contract requires prior Commonwealth approval, or
- iii. Required for compliance with federal or state securities laws or the requirements of national securities exchanges; or
- iv Necessary for purposes of Contractor's internal assessment and review; or
- v. Deemed necessary by Contractor in any action to enforce the provisions of this Contract or to defend or prosecute claims by or against parties other than the Commonwealth; or
- vi Permitted by the valid authorization of a third party to whom the information, documents, reports, data, or records pertain; or
- vii Otherwise required by law

J Contractor certifies that neither it nor any of its officers, directors, associates, partners, limited partners or individual owners has not been officially notified of, charged with, or convicted of any of the following and agrees to immediately notify the Commonwealth agency contracting officer in writing if and when it or any officer, director, associate, partner, limited partner or individual owner has been officially notified of, charged with, convicted of, or officially notified of a governmental determination of any of the following

- I Commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements or receiving stolen property.
- ii Commission of fraud or a criminal offense or other improper conduct or knowledge of, approval of or acquiescence in such activities by Contractor or any affiliate, officer, director, associate, partner, limited partner, individual owner, or employee or other individual or entity associated with
  - 1 obtaining;
  - 2 attempting to obtain; or
  - 3 performing a public contract or subcontract

Contractor's acceptance of the benefits derived from the conduct shall be deemed evidence of such knowledge, approval or acquiescence

- iii Violation of federal or state antitrust statutes.
- iv. Violation of any federal or state law regulating campaign contributions.
- v Violation of any federal or state environmental law.
- vi Violation of any federal or state law regulating hours of labor, minimum wage standards or prevailing wage standards, discrimination in wages, or child labor violations.
- vii Violation of the Act of June 2, 1915 (P.L. 736, No. 338), known as the Workers' Compensation Act, 77 P.S. § 1 et seq
- viii Violation of any federal or state law prohibiting discrimination in employment.

- ix. Debarment by any agency or department of the federal government or by any other state
- x Any other crime involving moral turpitude or business honesty or integrity

Contractor acknowledges that the Commonwealth may, in its sole discretion, terminate the Contract for cause upon such notification or when the Commonwealth otherwise learns that Contractor has been officially notified, charged, or convicted

- k. If this Contract was awarded to Contractor on a non-bid basis, Contractor must, (as required by Section 1641 of the Pennsylvania Election Code) file a report of political contributions with the Secretary of the Commonwealth on or before February 15 of the next calendar year. The report must include an itemized list of all political contributions known to Contractor by virtue of the knowledge possessed by every officer, director, associate, partner, limited partner, or individual owner that has been made by:
  - i Any officer, director, associate, partner, limited partner, individual owner or members of the immediate family when the contributions exceed an aggregate of one thousand dollars (\$1,000) by any individual during the preceding year; or
  - ii Any employee or members of his immediate family whose political contribution exceeded one thousand dollars (\$1,000) during the preceding year

To obtain a copy of the reporting form, Contractor shall contact the Bureau of Commissions, Elections and Legislation, Division of Campaign Finance and Lobbying Disclosure, Room 210, North Office Building, Harrisburg, PA 17120.

- l. Contractor shall comply with requirements of the Lobbying Disclosure Act, 65 Pa. C. S. § 13A01, et seq., and the regulations promulgated pursuant to that law. Contractor employee activities prior to or outside of formal Commonwealth procurement communication protocol are considered lobbying and subjects the Contractor employees to the registration and reporting requirements of the law. Actions by outside lobbyists on Contractor's behalf, no matter the procurement stage, are not exempt and must be reported
- m. When Contractor has reason to believe that any breach of ethical standards as set forth in law, the Governor's Code of Conduct, or in these provisions has occurred or may occur, including but not limited to contact by a Commonwealth officer or employee which, if acted upon, would violate such ethical standards, Contractor shall immediately notify the Commonwealth contracting officer or Commonwealth Inspector General in writing
- n. Contractor, by submission of its bid or proposal and/or execution of this Contract and by the submission of any bills, invoices or requests for payment pursuant to the Contract, certifies and represents that it has not violated any of these contractor integrity provisions in connection with the submission of the bid or proposal, during any contract negotiations or during the term of the Contract
- o. Contractor shall cooperate with the Office of Inspector General in its investigation of any alleged Commonwealth employee breach of ethical standards and any alleged Contractor non-compliance with these provisions. Contractor agrees to make identified Contractor employees available for interviews at reasonable times and places. Contractor, upon the inquiry or request of the Office of Inspector General, shall provide, or if appropriate, make promptly available for inspection or copying, any information of any type or form deemed relevant by the Inspector General to Contractor's integrity and compliance with these provisions. Such information may include, but shall not be limited to, Contractor's business or financial records, documents or files of any type or form that refers to or concern this Contract.
- p. For violation of any of these Contractor Integrity Provisions, the Commonwealth may terminate this and any other contract with Contractor, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all additional costs and expenses incurred in obtaining another contractor to complete performance under this contract, and debar and suspend Contractor from doing business with the Commonwealth. These rights and remedies are cumulative, and the use or non-use of any one shall not preclude the use of all or any other. These

rights and remedies are in addition to those the Commonwealth may have under law, statute, regulation, or otherwise.

q For purposes of these Contractor Integrity Provisions, the following terms shall have the meanings found in this section 29 q

- i. *"Confidential information"* means information that a) is not already in the public domain; b) is not available to the public upon request; c) is not or does not become generally known to Contractor from a third party without an obligation to maintain its confidentiality; d) has not become generally known to the public through an act or omission of Contractor; or e) has not been independently developed by Contractor without the use of confidential information of the Commonwealth
- ii. *"Consent"* means written permission signed by a duly authorized officer or employee of the Commonwealth, provided that where the material facts have been disclosed, in writing, by pre-qualification, bid, proposal, or contractual terms, the Commonwealth shall be deemed to have consented by virtue of execution of this Contract
- iii. *"Contractor"* means the individual or entity that has entered into this Contract with the Commonwealth, including those directors, officers, partners, managers, and owners having more than a five percent interest in Contractor
- iv. *"Financial Interest"* means
  1. Ownership of more than a five percent interest in any business; or
  2. Holding a position as an officer, director, trustee, partner, employee, or holding any position of management.
- v. *"Gratuity"* means tendering, giving or providing anything of more than nominal monetary value including, but not limited to, cash, travel, entertainment, gifts, meals, lodging, loans, subscriptions, advances, deposits of money, services, employment, or contracts of any kind. The exceptions set forth in the Governor's Code of Conduct, Executive Order 1980-18, the 4 Pa Code § 7.153(b), shall apply.
- vi. *"Immediate family"* means a spouse and any unemancipated child.
- vii. *"Non-bid basis"* means a contract awarded or executed by the Commonwealth with Contractor without seeking bids or proposals from any other potential bidder or offeror.
- viii. *"Political contribution"* means any payment, gift, subscription, assessment, contract, payment for services, dues, loan, forbearance, advance or deposit of money or any valuable thing, to a candidate for public office or to a political committee, including but not limited to a political action committee, made for the purpose of influencing any election in the Commonwealth of Pennsylvania or for paying debts incurred by or for a candidate or committee before or after any election

### 30. ENHANCED MINIMUM WAGE

- a. *Enhanced Minimum Wage* Contractor agrees to pay no less than \$10.15 per hour to its employees for all hours worked directly performing the services called for in this Contract, and for an employee's hours performing ancillary services necessary for the performance of the contracted Services when such employee spends at least twenty per cent (20%) of their time performing ancillary Services in a given work week.
- b. *Adjustment* Beginning January 1, 2017, and annually thereafter, Contractor shall pay its employees described in subsection 30 a above an amount that is no less than the amount previously in effect, increased from such amount by the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (United States city average, all items, not seasonally adjusted), or its successor publication as determined by the United States Bureau of Labor Statistics, and rounded to

the nearest multiple of \$0.05. The applicable adjusted amount shall be published in the Pennsylvania Bulletin by March 1 of each year to be effective the following July 1.

- c. **Exceptions.** These Enhanced Minimum Wage Provisions shall not apply to employees:
- i. exempt from the minimum wage under the *Minimum Wage Act of 1968*,
  - ii. covered by a collective bargaining agreement,
  - iii. required to be paid a higher wage under another state or federal law governing the services, including the *Prevailing Wage Act* and *Davis-Bacon Act*, or
  - iv. required to be paid a higher wage under any state or local policy or ordinance.
- d. **Notice.** Contractor shall post these Enhanced Minimum Wage Provisions for the entire period of the Contract conspicuously in easily-accessible and well-lighted places customarily frequented by employees at or near where the contracted Services are performed.
- e. **Records.** Contractor must maintain and, upon request and within the time periods requested by the Commonwealth, furnish all employment and wage records necessary to document compliance with these Enhanced Minimum Wage Provisions.
- f. **Sanctions.** Failure to comply with these Enhanced Minimum Wage Provisions may result in the imposition of sanctions, which may include, but shall not be limited to, termination of the Contract, nonpayment, debarment or referral to the Office of General Counsel for appropriate civil or criminal referral.
- g. **Subcontractors.** Contractor shall include the provisions of these Enhanced Minimum Wage Provisions in every subcontract so that these provisions will be binding upon each subcontractor.

**31. RIGHT-TO-KNOW LAW**

- a. The Pennsylvania Right-to-Know Law, 65 P.S. §§ 67.101–3104, *as amended*, ("RTKL") applies to this Contract. For the purpose of this section 31, the term "the Commonwealth" shall refer to the contracting Commonwealth organization.
- b. If the Commonwealth needs the Contractor's assistance in any matter arising out of the RTKL that is related to this Contract, it shall notify the Contractor using the legal contact information provided in this Contract. The Contractor, at any time, may designate a different contact for such purpose upon reasonable prior written notice to the Commonwealth.
- c. Upon written notification from the Commonwealth that it requires the Contractor's assistance in responding to a request under the RTKL for information related to this Contract that may be in the Contractor's possession, constituting, or alleged to constitute, a public record in accordance with the RTKL ("Requested Information"), the Contractor shall:
- d. Provide the Commonwealth, within 10 days after receipt of written notification, access to, and copies of, any document or information in the Contractor's possession arising out of this Contract that the Commonwealth reasonably believes is Requested Information and may be a public record under the RTKL; and
  - e. Provide such other assistance as the Commonwealth may reasonably request, in order to comply with the RTKL with respect to this Contract.
- f. If the Contractor considers the Requested Information to include a request for a Trade Secret or Confidential Proprietary Information, as those terms are defined by the RTKL, or other information that the Contractor considers exempt from production under the RTKL, the Contractor must notify the Commonwealth and provide, within seven (7) days of receiving the written notification, a written statement signed by a representative of the Contractor explaining why the requested material is exempt from public disclosure under the RTKL.
- g. The Commonwealth will rely upon the written statement from the Contractor in denying a RTKL request for the Requested Information unless the Commonwealth determines that the Requested Information

is clearly not protected from disclosure under the RTKL. Should the Commonwealth determine that the Requested Information is clearly not exempt from disclosure, the Contractor shall provide the Requested Information within five (5) business days of receipt of written notification of the Commonwealth's determination.

- h. If the Contractor fails to provide the Requested Information within the time period required by these provisions, the Contractor shall indemnify and hold the Commonwealth harmless for any damages, penalties, costs, detriment or harm that the Commonwealth may incur as a result of the Contractor's failure, including any statutory damages assessed against the Commonwealth
- i. The Commonwealth will reimburse the Contractor for any costs associated with complying with these provisions only to the extent allowed under the fee schedule established by the Office of Open Records or as otherwise provided by the RTKL if the fee schedule is inapplicable.
- j. The Contractor may file a legal challenge to any Commonwealth decision to release a record to the public with the Office of Open Records, or in the Pennsylvania Courts, however, the Contractor shall indemnify the Commonwealth for any legal expenses incurred by the Commonwealth as a result of such a challenge and shall hold the Commonwealth harmless for any damages, penalties, costs, detriment or harm that the Commonwealth may incur as a result of the Contractor's failure, including any statutory damages assessed against the Commonwealth, regardless of the outcome of such legal challenge. As between the parties, the Contractor agrees to waive all rights or remedies that may be available to it as a result of the Commonwealth's disclosure of Requested Information pursuant to the RTKL.
- k. The Contractor's duties relating to the RTKL are continuing duties that survive the expiration of this Contract and shall continue as long as the Contractor has Requested Information in its possession.

**32. THE AMERICANS WITH DISABILITIES ACT**

During the term of this Contract, the Contractor agrees as follows

- a. Pursuant to federal regulations promulgated under the authority of The Americans With Disabilities Act, 28 C.F.R. § 35.101, et seq., the Contractor understands and agrees that no individual with a disability shall, on the basis of the disability, be excluded from participation in this Contract or from activities provided for under this Contract. As a condition of accepting and executing this Contract, the Contractor agrees to comply with the General Prohibitions Against Discrimination, 28 C.F.R. § 35.130, and all other regulations promulgated under Title II of The Americans With Disabilities Act which are applicable to the benefits, services, programs, and activities provided by the Commonwealth of Pennsylvania through Contracts with outside Contractors.
- b. The Contractor shall be responsible for and agrees to indemnify and hold harmless the Commonwealth of Pennsylvania from losses, damages, expenses claims, demands, suits, and actions brought by any party against the Commonwealth of Pennsylvania as a result of the Contractor's failure to comply with the provisions of subsection 32(a) above.

**33. NONDISCRIMINATION CLAUSE/SEXUAL HARASSMENT CLAUSE**

- a. In the hiring of any employee(s) for the manufacture of supplies, performance of work, or any other activity required under the Contract or any subcontract, the Contractor, each subcontractor, or any person acting on behalf of the Contractor or subcontractor shall not discriminate by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of the Pennsylvania Human Relations Act (PHRA) and applicable federal laws, against any citizen of this Commonwealth who is qualified and available to perform the work to which the employment relates.
- b. Neither the Contractor nor any subcontractor nor any person on their behalf shall in any manner discriminate by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of the PHRA and applicable federal laws, against or intimidate any employee involved in the manufacture of supplies, the performance of work, or any other activity required under the Contract
- c. The Contractor and each subcontractor shall establish and maintain a written nondiscrimination and sexual harassment policy and shall inform their employees in writing of the policy. The policy must contain a provision that sexual harassment will not be tolerated and employees who practice it will be

disciplined Posting this Nondiscrimination/Sexual Harassment Clause conspicuously in easily-accessible and well-lighted places customarily frequented by employees and at or near where the contracted services are performed shall satisfy this requirement for employees with an established work site.

- d. The Contractor and each subcontractor shall not discriminate by reason of race, gender, creed, color, sexual orientation, gender identity or expression, or in violation of PHRA and applicable federal laws, against any subcontractor or supplier who is qualified to perform the work to which the contract relates
- e. The Contractor and each subcontractor represents that it is presently in compliance with and will maintain compliance with all applicable federal, state, and local laws, regulations and policies relating to nondiscrimination and sexual harassment. The Contractor and each subcontractor further represents that it has filed a Standard Form 100 Employer Information Report ("EEO-1") with the U.S. Equal Employment Opportunity Commission ("EEOC") and shall file an annual EEO-1 report with the EEOC as required for employers' subject to Title VII of the Civil Rights Act of 1964, as amended, that have 100 or more employees and employers that have federal government contracts or first-tier subcontracts and have 50 or more employees. The Contractor and each subcontractor shall, upon request and within the time periods requested by the Commonwealth, furnish all necessary employment documents and records, including EEO-1 reports, and permit access to their books, records, and accounts by the contracting agency and the Bureau of Diversity, Inclusion and Small Business Opportunities for purpose of ascertaining compliance with provisions of this Nondiscrimination/Sexual Harassment Clause.
- f. The Contractor shall include the provisions of this Nondiscrimination/Sexual Harassment Clause in every subcontract so that those provisions applicable to subcontractors will be binding upon each subcontractor.
- g. The Contractor's and each subcontractor's obligations pursuant to these provisions are ongoing from and after the effective date of the contract through the termination date thereof. Accordingly, the Contractor and each subcontractor shall have an obligation to inform the Commonwealth if, at any time during the term of the contract, it becomes aware of any actions or occurrences that would result in violation of these provisions.
- h. The Commonwealth may cancel or terminate the Contract and all money due or to become due under the Contract may be forfeited for a violation of the terms and conditions of this Nondiscrimination/Sexual Harassment Clause. In addition, the agency may proceed with debarment or suspension and may place the Contractor in the Contractor Responsibility File.

**34. CONTRACTOR RESPONSIBILITY PROGRAM**

- a. The Contractor certifies, for itself and all its subcontractors, that as of the date of its execution of this Contract, that neither the Contractor, nor any subcontractors, nor any suppliers are under suspension or debarment by the Commonwealth or any governmental entity, instrumentality, or authority and, if the Contractor cannot so certify, then it agrees to submit a written explanation of why such certification cannot be made.
- b. The Contractor must also certify, in writing, that as of the date of its execution of this Contract, it has no tax liabilities or other Commonwealth obligations.
- c. The Contractor's obligations pursuant to these provisions are ongoing from and after the Effective Date of this Contract through the termination date thereof. Accordingly, the Contractor shall have an obligation to inform the Commonwealth if, at any time during the term of the Contract, it becomes delinquent in the payment of taxes, or other Commonwealth obligations, or if it or any of its subcontractors are suspended or debarred by the Commonwealth, the federal government, or any other state or governmental entity. Such notification shall be made within fifteen (15) days of the date of suspension or debarment.
- d. The failure of the Contractor to notify the Commonwealth of its suspension or debarment by the Commonwealth, any other state, or the federal government shall constitute an event of default of the Contract with the Commonwealth.
- e. The Contractor agrees to reimburse the Commonwealth for the reasonable costs of investigation incurred by the Office of State Inspector General for investigations of the Contractor's compliance with

the terms of this or any other agreement between the Contractor and the Commonwealth, which results in the suspension or debarment of the Contractor. Such costs shall include, but shall not be limited to, salaries of investigators, including overtime, travel and lodging expenses; and expert witness and documentary fees. The Contractor shall not be responsible for investigative costs for investigations that do not result in the Contractor's suspension or debarment.

- f. The Contractor may obtain a current list of suspended and debarred Commonwealth contractors by either searching the internet at <http://www.dgs.state.pa.us> or contacting the:

Department of General Services

Office of Chief Counsel

603 North Office Building

Harrisburg, PA 17125

Telephone No.: (717) 783-6472

FAX No.: (717) 787-9138

**35. DEFAULT**

- a. After providing no less than thirty (30) days to cure any alleged default, the Commonwealth may, subject to the provisions of section 42 (Force Majeure), and in addition to its other rights under this Contract, declare the Contractor in default by written notice thereof to the Contractor, and terminate, as provided in section 39 (Termination), the whole or any part of this Contract, including a purchase order, for any of the following reasons:

- i. Failure to begin work within the time specified in the Contract,
- ii. Failure to perform the work with sufficient labor, equipment, or material to ensure the performance of the specified services in accordance with the Contract or Contract purchase order terms;
- iii. Failure to perform the services in accordance with the terms of the Contract;
- iv. Failure or refusal to remove material, or remove and replace any work or services rejected as defective or unsatisfactory;
- v. Discontinuance of work without approval;
- vi. Failure to resume work or services, which have been discontinued, within a reasonable time after notice to do so;
- vii. Insolvency or bankruptcy;
- viii. Assignment made for the benefit of creditors,
- ix. Failure or refusal within ten (10) days after written notice by the Department, to make payment or show cause why payment should not be made, of any amounts due for materials furnished, labor supplied or performed, for equipment rentals, or for services rendered;
- x. Failure to protect, to repair, or to make good any damage or injury to property; or,
- xi. Breach of any material provisions of this Contract

- b. In the event that the Commonwealth terminates this Contract in whole or in part as provided in section 35.a, above, the Commonwealth may procure, upon such terms and in such manner as it determines, services similar or identical to those so terminated, and the Contractor shall be liable to the Commonwealth for any reasonable excess costs for such similar or identical services included within the terminated part of the Contract.

- c. If the Contract is terminated in whole or in part as provided by section 35.a, above, the Commonwealth, in addition to any other rights provided in this section and to the extent allowed by law, may require the Contractor to transfer title and deliver immediately to the Commonwealth in the manner and to the extent directed by the Department of General Services, such partially completed work, including, where applicable, reports, working papers and other documentation, as the Contractor has specifically produced or specifically acquired for the performance of such part of the Contract as has been terminated. Except as provided below, payment for completed work accepted by the Commonwealth shall be at the Contract price. Except as provided below, payment for partially completed work including, where applicable, reports and working papers, delivered to and accepted by the Commonwealth shall be in an amount agreed upon by the Contractor and the Department. The Commonwealth may withhold from amounts otherwise due the Contractor for such completed or partially completed works, such sum as the Department determines to be necessary to protect the Commonwealth against loss.
- d. The rights and remedies of the Commonwealth provided in this section shall not be exclusive and are in addition to any other rights and remedies provided by law or under this Contract.
- e. The Commonwealth's failure to exercise any rights or remedies provided in this section shall not be construed to be a waiver by the Commonwealth of its rights and remedies in regard to the event of default or any succeeding event of default.
- f. Following exhaustion of the Contractor's administrative remedies as set forth in section 39 (Termination), the Contractor's exclusive remedy shall be to seek damages in the Board of Claims.

**36. TAXES- FEDERAL, STATE, AND LOCAL**

The Commonwealth is exempt from all excise taxes imposed by the Internal Revenue Service and has accordingly registered with the Internal Revenue Service to make tax free purchases under registration No. 23-7400001-K. With the exception of purchases of the following items, no exemption certificates are required and none will be issued: undyed diesel fuel, tires, trucks, gas-guzzler emergency vehicles, and sports fishing equipment. The Commonwealth is also exempt from Pennsylvania sales tax, local sales tax, public transportation assistance taxes, and fees and vehicle rental tax. The Department of Revenue regulations provide that exemption certificates are not required for sales made to governmental entities and none will be issued. Nothing in this section 36 is meant to exempt a construction contractor from the payment of any of these taxes or fees which are required to be paid with respect to the purchase, use, rental or lease of tangible personal property or taxable services used or transferred in connection with the performance of a construction contract.

**37. OFFSET PROVISION FOR COMMONWEALTH CONTRACTS**

The Contractor agrees that the Commonwealth may set off the amount of any state tax liability or other obligation of the Contractor or its subsidiaries to the Commonwealth against any payments due the Contractor under any contract with the Commonwealth.

**38. ACCOUNTING RECORDS & AUDIT**

**a. Accounting Records**

The Contractor shall maintain, in accordance with generally accepted accounting principles, all pertinent books, documents, financial and accounting records and evidence pertaining to the Contract to the extent and in such detail as necessary to document all net costs, direct and indirect for which payment is claimed under this Contract.

Subject to execution by the Department, or its designee, of the Contractor's nondisclosure agreement, consistent with the provisions of section 26 (Confidential Information), supra, such financial and accounting records shall be made available for inspection and copying, upon request, to the Department, its designees, the State Inspector General or any authorized agency of the Commonwealth of Pennsylvania at any time during the Contract period and any extension thereof, and for three (3) years from expiration date or final payment under this Contract, whichever is later in time.

**b. Right to Audit**

Subject to execution by the Department, or its designee, of the Contractor's nondisclosure agreement, the Contractor agrees to permit the audit of its records by the Department, its designees, and the State Inspector General. All billings, costs, and financial accounting records, source documentation, data systems, programs, applications, project planning summaries, and field summaries, will be available for audit, examination, inspection, and copying. The Commonwealth and the Department reserve the right to perform at their sole discretion, additional audits, including but not limited to, audits of a financial/compliance nature, economy/efficiency, security program results nature, or limited scope audits. Additionally, the Commonwealth and the Department also reserve the right to inspect and copy any of the Contractor's third-party auditor's reports and management letters.

- c. The requirements of this section 38 (Accounting Records and Audit) shall also apply to third party contractors.

**39. TERMINATION**

The Department may terminate this Contract:

- a. If, because of legislative or other governmental changes or lack of funding, continuation of iLottery Games shall be determined by the Department not to be in the best interests of the Commonwealth. Such termination shall be effected by the Department sending notice to the Contractor in writing of its intention to terminate this Contract at least thirty (30) days prior to the termination date. Any written notice provided herein shall specify the section of this Contract on account of which termination is being made and the date on which such termination becomes effective.
- b. For default under section 35 (Default), supra, by the Department sending written notice at least thirty (30) days prior to the termination date. Any written notice provided herein shall specify the section of this Contract on account of which termination is being made and the date on which such termination becomes effective.
- c. By sending to the Contractor at least thirty (30) days' prior written notice that it will terminate the Contract due to the Contractor's nonperformance or inadequate performance unless the Contractor adequately remedies its nonperformance or inadequate performance during such reasonable period as the Department shall have specified.
- d. For the convenience of the Commonwealth by sending written notice to the Contractor at least six (6) months prior to the termination date.
- e. In the event of termination under section 39 d above, the Contractor shall receive reimbursement for the cost of any materials, services, or other expenses reasonably and actually incurred at the time of receipt of notification of cancellation and not otherwise usable or recoverable by the Contractor and costs of closing down the Licensed Software and Services. Subject to Contractor's provision of the transition services and all related costs, the Contractor, upon receipt of notice of termination, shall take all steps necessary to mitigate costs and expenses payable under this section.

**40. TRANSITION SERVICES**

- a. It is contemplated that the Lottery will award a new contract for iLottery and iLottery-related services approximately one (1) year prior to the expiration of this Contract. The Parties understand and agree that the Lottery may utilize the last 180 days of this contract for conversion to the subsequent iLottery system provider. Contractor shall take all necessary and appropriate actions to accomplish a complete, timely and seamless transition of any Services from Contractor to the Commonwealth, or to any vendor designated by the Commonwealth, without material interruption of or material adverse impact on the Services. Contractor shall cooperate with the Commonwealth and any new contractor and otherwise promptly take all steps required or reasonably requested to assist the Commonwealth in effecting a complete and timely transition of services.
- b. Within 180 days of the Effective Date of this Contract the Parties shall develop a mutually agreed upon contract conversion plan ("Contract Conversion Plan"), which the Parties may be required to update subsequently.
- c. In addition to any Lottery Costs and SGI Costs, any provision of the Licensed Software and Services rendered after the last 180 days of this Contract shall be borne in full by the Lottery.

**41. SERVICE LEVEL AGREEMENTS**

- a. The Contractor shall comply with the procedures and requirements of the Service Level Agreements, if any, which are made part of this Contract, and which are attached as Appendix 7
- b. Where there are expressly defined Service Levels, Contractor shall measure and report its performance against these standards on at least a monthly basis, except as may otherwise be agreed between the parties. Regardless of the presence or absence of expressly defined Service Levels but subject to the other provisions of this Contract, including Force Majeure; any failure to adequately or timely perform a Service may result in consequences under this Contract, up to and including Contract termination.
- c. The Lottery's acceptance of Service Level Credit shall not bar or impair Lottery's rights and remedies in respect of the failure or root cause as set forth elsewhere in this Contract, including without limitation other claims for liquidated damages, injunctive relief and termination rights; provided however, Service Level Credits paid would be credited against any such claims for damages.

**42. FORCE MAJEURE**

- a. In this Contract, "force majeure" shall mean any cause preventing either party from performing any or all of its obligations which arises from or is attributable to strikes, lock-outs or other industrial disputes, nuclear accident or acts of God, war or terrorist activity, riot, civil commotion, malicious damage, accident, breakdown of plant or machinery, fire, flood, storm or default of suppliers or sub-contractors and, where they are beyond the reasonable control of the party so prevented, any other acts, events, omissions or accidents.
- b. Neither the Contractor nor the Department shall be liable to the other for any delay in or failure of performance under this Contract due to a force majeure. Any such delay in or failure of performance shall not constitute default or give rise to any liability for damages. The existence of such causes of delay or failure shall extend the period for performance to such extent as reasonably determined by the Secretary to be necessary to enable complete performance by the Contractor if reasonable diligence is exercised by Contractor after the causes of delay or failure have been removed.

**43. SOVEREIGN IMMUNITY**

No provision of this Contract may be construed to waive or limit the sovereign immunity of the Commonwealth of Pennsylvania or its governmental sub-units.

**44. GOVERNING LAW**

This contract shall be interpreted in accordance with and governed by the laws of the Commonwealth of Pennsylvania, without giving effect to its conflict of law provisions. Except as set forth in section 49 (Miscellaneous), Commonwealth and Contractor agree that the courts of the Commonwealth of Pennsylvania and the federal courts of the Middle District of Pennsylvania shall have exclusive jurisdiction over disputes under this Contract and the resolution thereof. Any legal action relating to this Contract must be brought in Dauphin County, Pennsylvania, and the parties agree that jurisdiction and venue in such courts is appropriate.

**45. OFFICIALS NOT TO BENEFIT**

No official or employee of the Commonwealth and no member of its General Assembly who exercises any functions or responsibilities under this Contract shall participate in any decision relating to this Contract which affects their personal interest or the interest of any corporation, partnership, or association in which they are, directly or indirectly, interested, nor shall any such official or employee of the Commonwealth or member of its General Assembly have any interest, direct or indirect, in this Contract or the proceeds thereof.

**46. PUBLICITY/ADVERTISEMENT**

The Contractor shall not issue news releases, internet postings, advertisements, endorsements, or any other public communication without prior written approval of the Commonwealth, and then only in coordination with the Commonwealth. This includes the use of any trademark or logo.

**47. IRS 1075 PUBLICATION**

Contractor shall comply with the requirements of Internal Revenue Service Publication 1075 – Tax Information Security Guidelines for Federal, State, and Local Agencies, including any amendments or revisions thereto, where applicable. A copy of the current IRS 1075 Publication is attached hereto as Appendix 8.

**48. END USER LICENSE AGREEMENT**

The Parties acknowledge and agree that use of the Licensed Software and certain third-parties services in performance of this Contract require End Users to acknowledge and agree to certain requirements for the use of that software and those services, as determined by the Lottery and the Contractor (hereinafter referred to as the "End User License Agreement" or "EULA").

The Lottery and Contractor agree to develop the End User License Agreement prior to March 30, 2018. The End User License Agreement may be modified on an ongoing basis to include changes in the law, regulations, Lottery policy, general errors and/or capabilities of the Licensed Software and related services.

Among other standard and customary terms, the End User License Agreement, (1) shall state that all disputes related to iLottery will be governed by Pennsylvania law, (2) will not require End Users to submit to arbitration for any dispute related to iLottery, or any other provisions that otherwise limits the End User's dispute resolution options; (3) shall reflect that all decisions related to an End User's iLottery account, including, but not limited to, whether to open, suspend, or close an account will be determined by the Lottery; (4) will require the End User to abide by and adhere to the laws of the United States and the Commonwealth of Pennsylvania while utilizing the Licensed Software and otherwise participating in iLottery; and (5) will include any other provisions required under the iLottery regulations

**49. MISCELLANEOUS**

- a. *Assignment* Except as otherwise provided in the Contract, the parties' rights and obligations under this Contract will not be assigned or transferred without the consent of the other party. Any purported transfer or assignment in violation of this Section will be void and will have no effect. The provisions of this Contract are binding upon and for the benefit of the parties and their respective successors-in-interest and permitted assigns and transferees and not for any other person except as otherwise specifically provided herein.
- b. *Entire Contract* This Contract constitutes the entire agreement and understanding of the parties relating to the subject matter of this Contract and supersedes any previous agreement or understanding between the parties in relation to such subject matter.
- c. *Severability.* If any provision of this Contract is held invalid, illegal or unenforceable for any reason by a court of competent jurisdiction, such provision shall be severed and the remainder of the provisions hereof shall continue in full force and effect as if this Contract had been executed with the invalid, illegal or unenforceable provisions eliminated. In the event of a holding of invalidity so fundamental so as to prevent the accomplishment of the purposes of this Contract, SGI and the Lottery shall immediately commence good faith negotiations to remedy such invalidity.
- d. *Notice.* Notices and other communications required or permitted to be given under this Contract shall be in writing and shall be deemed effective upon delivery to the Party to whom addressed by (i) express courier with verification of actual receipt, or (ii) facsimile with confirmation of receipt generated by the sending device, or (iii) by certified mail, return receipt requested. All notices shall be sent to the following address:

For SGI:	For the Department or Lottery:
Scientific Games International, Inc.	Secretary of Revenue
1500 Bluegrass Lakes Parkway	Department of Revenue
Alpharetta Georgia 30004	Department 281100
Attn: Jim Kennedy	Strawberry Square
	Harrisburg, Pennsylvania 17128-1100
Facsimile No.: 678-297-5118	Facsimile No. 717-787-3990

With a copy to

AND

Scientific Games International, Inc.  
6601 Bermuda Road  
Las Vegas, Nevada 89119  
Attention: Legal Department

Executive Director  
Pennsylvania State Lottery  
1200 Fulling Mill Road  
Middletown, Pennsylvania 17057  
Facsimile No. 717-702-8024

- e. *Independent Contractors* It is agreed that the relationship between parties is that of independent contractors, and nothing contained in this Contract shall be construed or implied to create a relationship of joint ventures, agent and principal, employer and employee, or any relationship other than that of independent contractors. At no time shall either party make any commitments or incur any charges or expenses for or in the name of the other party, save and except as set out herein
- i. *Waiver.* In no event will any delay, failure or omission (in whole or in part) in enforcing, exercising or pursuing any right, power, privilege, claim or remedy conferred by or arising under this Contract or by law, be deemed to be or construed as a waiver of that or any other right, power, privilege, claim or remedy in respect of the circumstances in question, or operate so as to bar the enforcement of that, or any other right, power, privilege, claim or remedy, in any other instance at any time or times subsequently.
- g. *Disputes* In the event that any dispute arises between the Parties with respect to the performance that is required of the Contractor under this Contract, the Department shall make a determination in writing of its interpretation and shall send the same to the Contractor. That interpretation shall reference this paragraph of the Contract and shall be final, conclusive and unreviewable in all aspects, unless the Contractor within thirty (30) days of the receipt of said writing delivers to the Secretary of Revenue or his duly authorized designee a written appeal. Subject to applicable law, the decision of the Secretary (or said designee) on any such appeal shall be final and conclusive and the Contractor shall thereafter with good faith and diligence render such performance as the Department or Secretary has determined is required of it. The Contractor's sole options with respect to any such decision shall be either
- i. to accept said decision as a correct and binding interpretation of the Contract; or,
- ii. to make such a claim as it may desire to the Commonwealth's Board of Claims, pursuant to the Act of May 20, 1937, P.L. 728, No. 193, as amended, (72 P.S. § 4651-1 et seq.).
- Pending a final judicial resolution of any such claim provided to said Board, the Contractor shall proceed diligently and in good faith with the performance of this Contract as interpreted by the Department and the Department shall compensate the Contractor pursuant to the terms of this Contract.
- ii. *Contractor acknowledges that this Contract was entered into on a no-bid basis pursuant to the provisions of the Act.* As such, the Contractor acknowledges and agrees to at all times exercise due diligence with respect to the subcontractors it chooses and agrees to at all times negotiate the best price possible for the Supplies and Services which constitute Lottery Costs as those costs are passed through to the Commonwealth

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IN WITNESS WHEREOF, the Parties have executed this Contract on the Effective Date

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE

C. Daniel Hassell 4/5/18  
C. Daniel Hassell Date  
Secretary  
Department of Revenue

SCIENTIFIC GAMES INTERNATIONAL,  
INC.

Patrick McHugh 3/21/18  
Patrick McHugh Date

Senior Vice President,  
Global Lottery Systems

Approved as to legality and manner of execution.

Thomas Gohsler 4/5/18  
Thomas Gohsler Date  
Chief Counsel  
Department of Revenue

Pamela J. Cross 4/10/18  
Pamela J. Cross Date  
Office of General Counsel

Angela M. Elbert 4/23/18  
Angela M. Elbert Date  
Office of Attorney General

Certified as to Availability of Funds:

Patricia D. Anthony 5/10/18  
Patricia D. Anthony Date  
Comptroller Operations

## APPENDIX 1

## APPENDIX 1

### DEFINITIONS

- a. **"API"** means proprietary application program interface(s) developed and defined by SGI that outline routines, data structure, object classes, and protocols that allows the Lottery using the Licensed Software to interface other Lottery's systems with SGI's external systems;
- b. **"Acceptance Date"** means the date that the Lottery is deemed to have accepted the Licensed Software, in accordance with the Implementation and Acceptance Plan;
- c. **"Acceptance Testing"** is the carrying out by the Lottery of reasonable tests agreed between SGI and the Lottery to which the Licensed Software are to be subjected;
- d. **"Applicable Law"** means all laws of any jurisdiction that are applicable to this Contract, to any of the parties hereto, or to any activity of any of the parties hereto, as amended and in force from time to time, and the rules, regulations, orders, licenses, or permits issued thereunder, including, without limitation, any rules, regulations, orders, licenses, and permits of the Commonwealth;
- e. **"Bet"** means one play for a specified Lottery drawing of an iLottery game;
- f. **"Bonuses"** means bonus costs incurred by the Lottery (including but not limited to free play, bonus money on deposit, bonus money on registration, and bonus-based loyalty programs);
- g. **"Business Day"** means any day that is not a Saturday, Sunday, or a public or bank holiday in the United States;
- h. **"Central System"** Contactor's hardware and software systems located at its production data center to operate the iLottery system;
- i. **"Chargeback"** means all amounts paid or returned to financial institutions as a result of disputed or fraudulent financial transactions associated with Bets.
- j. **"Commercial Launch"** means the date that the Licensed Software goes Live, which the parties have agreed to be 01 May 2018 or such later date as mutually agreed by upon by the parties;
- k. **"Commonwealth"** as defined in the introductory paragraph of this Contract, except as the context may clearly indicate, Commonwealth includes the Department and the Lottery, and Department and Lottery Includes Commonwealth;
- l. **"Confidential Information"** other than section 29(Contractor Integrity), where confidential information is specifically defined solely for that section's purpose; includes all information, in whatever medium, relating to the trade secrets, operations, processes, plans, intentions, technical data, product information, know-how, designs, market opportunities, transactions, affairs or business of a party or its customers, clients, suppliers, holding companies or subsidiaries; all information relating to the Licensed Software, including its related Documentation, the terms or subject matter of this Contract; and the negotiations relating to this Contract. Confidential Information specifically includes player identifiable information as defined under 4 Pa.C.S. § 503(d) and lottery confidential proprietary information as defined under 4 Pa.C.S § 503(e);
- m. **"Data"** means any recorded information, regardless of the form, the media on which it is recorded, or the method of the recording;
- n. **"Deployment"** means making a Game available on OPS to the public for play by End Users in return for payment of money or money's worth;
- o. **"Developed Works"** means all of the fully or partially complete property, whether tangible or intangible prepared by the Contractor for ownership by the Commonwealth in fulfillment of the requirements of this Contract under Section 4.e.i;
- p. **"Development Services"** means software development services provided by SGI on a Project basis to develop bespoke software for the Lottery;

- q. **"Documentation"** means the documentation, specification, information, directions, explanations, and similar material relating to the Licensed Software supplied by SGI to Lottery from time to time under the terms of this Contract;
- r. **"End User"** means a person who accesses the Licensed Software via the Website or otherwise and who, where the context permits, is the subject of End-User Data;
- s. **"End-User Data"** means the names, addresses, e-mail addresses, player identification, telephone numbers, gaming history, credit and debit card numbers, bank account numbers, social security numbers or national ID number, PIN (Personal Identification Number) numbers, passwords, credit limits, account balances, deposit and withdrawal amounts, and account history of the End Users, and any other Personal Data provided by End Users in connection with their use of the Licensed Software and other information that Applicable Law requires to be held or stored with respect to an End User;
- t. **"EULA" or "End-User License Agreement"** means the license agreement to be developed by SGI and the Lottery and as described in section 48 of the Contract between the Lottery or any Lottery Retailer and End-Users that establishes and comprises the End-User's rights to access and use the Licensed Software;
- u. **"Effective Date"** means the date the Contract has been fully executed by the Contractor and all approvals required by Commonwealth contracting procedures have been obtained;
- v. **"Front-End User Interface"** means the software visible to the End User on which End Users can access and use the Licensed Software;
- w. **"Game(s)"** means a computer-based lottery wagering game comprising the Game Package owned by, or licensed to, SGI and delivered to Lottery pursuant to this an Order Form (including, iLottery Games SGI's games, Internet Instant Games, build your own scratch games, Third Party Games and Third-Party Branded Games as per context);
- x. **"Game Name"** means the headline name or main title of a Game;
- y. **"Governmental Authority"** means any governmental, judicial, or regulatory authority having jurisdiction over this Contract, any of the parties hereto, or any activity of any of the parties hereto,
- z. **"Gross Gaming Revenues"** means all monies received from end-users in respect of Bets.
- aa. **"Hosting Services"** means, where applicable, those Services described at Appendix G (Hosting Services);
- bb. **"iLottery"** means system authorized under the iLottery Law for distributing lottery products via numerous channels that include, but are not limited to, web applications, mobile applications, mobile web, tables and social media platforms, including the OPS;
- cc. **"iLottery Game"** means internet and mobile instant lottery games and other lottery products that the Department is authorized to operate under the Act but does not include games that represent physical, internet-based or monitor-based interactive lottery games which simulate casino-style lottery games, specifically including poker, roulette, slot machines or blackjack;
- dd. **"Internet Instant Game" or "Instant"** means a lottery game of chance in which, by the use of a computer, tablet computer or other mobile device, a player purchases a lottery play, with the result of play being a reveal on the device of numbers, letter or symbols indicating whether a lottery prize has been won according to an established methodology as provided by the lottery;
- ee. **"Intellectual Property" or "Intellectual Property Rights"** means any and all intellectual property rights, of all types or nature whatsoever, including, without limitation, patent, copyright, design rights, trademarks, data base rights, applications for any of the above, moral rights, know-how, trade secrets, domain names, URLs, trade names, Twitter handles, or any other intellectual or industrial property rights (and any licenses in connection with any of the same), whether or not registered or capable of registration, and whether subsisting in any specific country or countries or any other part of the world;
- ff. **"KYC"** means know your customer;

- gg. **"Licensed Software"** means the software described in Appendix 2 and the Games, including any Updates thereto, supplied by SGI (whether owned by SGI or licensed from a third party) to the Lottery from time to time;
- hh. **"Live"** use of a part of the Licensed Software or a Game by End Users in a live environment for the purposes of processing Bets other than for test purposes;
- ii. **"Lottery Costs"** means the amounts payable to SGI by the Lottery in consideration of the third-party goods, licenses, or services to be provided by SGI to the Lottery as set out in Appendix 4 and in any Order Form for the provision of software or services;
- jj. **"Lottery Retailer"** or **"Retailer"** means an established business in privity with the Lottery to sell iLottery products;
- kk. **"Net Gaming Revenue"** or **"NGR"** means, in respect of a month, Gross Gaming Revenues less (i) Payouts (ii) Bonuses; and (iii) Chargebacks;
- ll. **"Object Code"** means any compiled, assembled, or machine executable version of the Licensed Software, or any part thereof;
- mm. **"OGS"** means Open Gaming System, SGI's proprietary platform aggregator of digital game content serving the U.S. Lottery market. The platform serves digital games to individual OPS platforms for each jurisdiction. The OGS contains a suite of software files comprising the Source Code and Object Code of an interactive wagering game, including its game logic and game engine, necessary to operate or maintain a Game; transactions systems; reporting functionality; and other related applications that facilitate the interoperability of Games with one the OPS;
- nn. **"OPS"** means Open Platform System, SGI's internet-based gaming platform that includes an End User account database, bonus management, payment processing facility and an API layer for third party integrations,
- oo. **"Order Form"** means a Lottery order for additional products or services, that lists any applicable Lottery Costs or Third-Party terms and conditions;
- pp. **"Payouts"** means any amounts payable as winnings to end-users in relation to the iLottery;
- qq. **"Problem Escalation Procedure"** means Contractor's operational procedure defining process management of the iLottery system production incidents, including severity levels of production incidents, escalation and communications process based on Incident severity,
- rr. **"Project"** a project to perform certain Development Services agreed to be provided by SGI to the Lottery in accordance with the terms of this Contract and the applicable PID;
- ss. **"PID"** a project information document prepared by SGI in its standard form including a description of the relevant Project and deliverables and charges together with any particular technical or functional specifications, requirements, dependencies, implementation plans, and/or agreed milestones for the Project;
- tt. **"SGI Cost"** means a cost incurred for the provision of iLottery pursuant to this Contract which may only be passed through to the Commonwealth pursuant to the terms of Appendix 4 (charges);
- uu. **"Secretary"** the Secretary of the Department of Revenue, Commonwealth of Pennsylvania,
- vv. **"Service Level Credit"** means a credit granted to the Lottery which may be applied toward future purchase of product or services from the Contractor;
- ww. **"Services"** means any services to be provided by SGI, directly or through subcontractors, as set out in Appendix 2 (Work Statement) to this Contract, as same may be amended, modified, updated and revised from time to time by mutual written agreement of the parties;
- xx. **"Software"** means a collection of one or more programs, databases or microprograms fixed in any tangible medium of expression that comprises a sequence of instructions (source code) to carry out a process in, or convertible into, a form executable by an electronic computer (object code);

- yy. **"Soft Launch"** means a beta-test launch of the Licensed Software on 13 April 2018, or prior to Commercial Launch if such date is extended by mutual agreement of the parties;
- zz. **"Source Code"** means the human readable form of the Licensed Software;
- aaa. **"Specification"** means a detailed specification of the functionality and other features of a Game or all or part of the Licensed Software,
- bbb. **"Support Services"** means, where applicable, those Services described at Appendix 2 (Work Statement);
- ccc. **"Territory"** means the Commonwealth of Pennsylvania;
- ddd. **"Third-Party Game"** means any Game designed and devised in which all Intellectual Property is owned by that third party, and which is licensed to SGI and integrated with the OGS;
- eee. **"Third-Party Branded Game"** means a Third-Party Game that incorporates Intellectually Property owned by another third party other than that supplying the Third Party Game,
- fff. **"Third-Party Game Terms"** means in each case, the additional terms and conditions governing Lottery's use of any Third-Party Game or Third-Party Branded Game, as may be in effect from time-to-time;
- ggg. **"Updates"** means any enhancements, modifications, additions, translations, compilations, or updates to the Licensed Software, including additional games software or applications relating to the Licensed Software, supplied by SGI to Lottery;
- hhh. **"Website"** means the websites of Lottery and its Lottery Retailers and any replacement or successor of such websites or additional websites on which End Users can access the Licensed Software, including but not limited to, downloadable software applications and web-based applications that communicate with or through the website and any replacement or successor of such websites or additional websites on which End Users can access the Licensed Software. Such websites shall include the EULA as described in section 48; and
- iii. **"White Label Site"** means any online gaming site operated by the Lottery and which has its own URL and a third party's name and branding but which is operated in all material aspects by the Lottery or Lottery Retailers as an "approved brand" endorsed upon the Lottery's on behalf of that third party Lottery ("**White Label Party**").

## APPENDIX 2

**APPENDIX 2**  
**WORK STATEMENT**

SGI undertakes to furnish the Licensed Software and Services as set out in this Appendix 2. Any and all software licensed under this Contract shall be the then current versions as of 31 December 2017. The software will replicate an instance of existing standard products configured for the player user interfaces to be branded for the Pennsylvania Lottery through the existing content management system. To accommodate the defined launch dates, parties have agreed to limit change to the system and operations for launch, and some requirements may be deferred to post-launch for implementation subject to section 7.h of the Contract

**1. SOFT LAUNCH DELIVERABLES**

- a. On or before the Soft Launch SGI shall provide the following software.
  - i. OPS – Open Platform System: Implementation of the core Player Account Management (PAM) platform for managing internet Bets, player account information and wallet. SGI will provide the standard OPS platform configured for Pennsylvania Lottery parameters;
  - ii. OGS – Open Gaming System: Implementation of the digital scratch game integration platform. OGS houses Scientific Games game content, and integrates third party game content.
  - iii. OPS’s standard Front end User Interface (Portal); and
  - iv. Business Analytics Suite or BI – replicated live production for “real-time” web viewing of Lottery’s performance. Features include dashboards, reporting, ad hoc querying and integration with third-party marketing tools for both acquisition and retention. SGI will provide the existing product interfaces to third party tools.
  
- b. On or before the Soft Launch, SGI shall provide the following Services:
  - i. build-out of the Front-End User Interface;
  - ii. integrate the Front-End User Interface with OPS;
  - iii. install and configure the OGS and provide the OPS existing Lottery customer relations management (“CRM”) functionality;
  - iv. hosting services for OPS and OGS as more fully described in Appendix 6;
  - v. provide the Games set out in the Order Form which conform to the Lottery’s requirements and which have been certified by a third party to ensure that the Lottery’s specifications for the game have been met;
  - vi. Mobile App and Single Sign-On Integration (integration of associated iLottery responsive web page/functionality and registration for purchase and gameplay within app and VIP Players Club); SG will integrate the appropriate player registration process, web pages, and digital scratch game content within the VIP Players Club, and the existing mobile application to support iLottery functionality for game purchase and play. Since the mobile application displays the responsive web pages for the VIP Players Club, integration of single sign-on, upgraded registration with KYC verification, digital scratch game purchase and play, will occur from both the desktop and the mobile application as part of this integration,
  - vii. with the cooperation of Lottery, create and implement a launch plan for the Licensed Software and a road map for future development consistent with any project development plans agreed between the parties;
  - viii. configuration of the Licensed Software;

- ix. contract and integrate with all necessary or reasonably required subcontractors or third-party vendors (e.g. payment processors, KYC, geo-location, third-party game suppliers). For launch, integration will be with existing third party suppliers as listed in Appendix 5 (Third Party Software Vendors and Suppliers);
- x. SG shall populate a team of SGI employees dedicated to manage the turnkey iLottery Services, as described herein, leveraging existing SG support teams, and coordination with the Lottery and Lottery's advertising contractor to perform their functions,
- xi. SG will provide the tools and guidance to offer retailer incentives and cross promotion potential between retail and online (i.e. Affiliate Program as provided by Income Access; ability to provide the Lottery methods to incent their Retailers to promote the iLottery and vice versa),
- xii. SG shall provide the tools and assistance, as agreed to and approved by the Lottery, to meet the requirements for claims, tax withholding and debt offsets; and
- xiii. SG shall provide the Lottery with access to reports related to Lottery's system including reports generally provided by SG and ad hoc reports generated by and at the request of the Lottery;
- xiv. Turnkey iLottery Managed Product Services: SG will establish a local turnkey managed services account team in Harrisburg. The team will coordinate with the Lottery and its ad agency on overall account planning and program management, leveraging SG's iLottery existing support teams as defined below.
  1. Product Management - Manages the product roadmap of new features, functionality, payment providers and maintenance updates, Manages games roadmap, launch plan and layout on the site.
  2. Customer Service -24/7/365 End User phone, email, and chat support.
  3. KYC & Fraud Management - Personnel, process, and procedures to detect, mitigate, or prevent underage use of the Licensed Software and fraud or other illegal behavior including AML. Proactive monitoring of behavior and velocity of deposits/withdrawals.
  4. Payments - Full turnkey service payments solution, for all deposits and withdrawals, establish commercial agreements with both the bank(s) and required payment gateways and providers. Offer integration with all relevant payment providers including: ACH; Credit Card; Sightline; Mazooma; Netteller; Paypal; and PayNear Me subject to third party contract and compliance execution. Payment fees are the responsibility of the Lottery.
  5. Responsible Gaming Tools – Full turnkey responsible gaming solutions for End Users which include self-exclusion capabilities for End Users which comply with the iLottery Law, regulations, and Lottery processes and procedures related to the iLottery self-exclusion program. Responsible gaming tools shall also include individual End User time, deposit and spend limits
- xv. Turnkey iLottery Managed Services.
  1. Account Management - Key account liaison working across all functional areas of product, technology and managed services
  2. Acquisition Management - Provide the guidance, resources and tools (internal and integration to third parties) to acquire new customers (End-Users) through marketing activity coordinated with the Lottery and where applicable their ad agency
  3. Retention Management - Provide the guidance, resources and tools (internal and integration to third parties) to monetize and engage existing customers

through marketing activity coordinated with the Lottery and where applicable Lottery's advertising contractor;

4. Content Management- provide the guidance, resources and tools (internal and integration to third parties) to manage content through multiple channels including website, mobile applications and social media in coordination with the Lottery and where applicable Lottery's advertising contractor;
5. Campaign management – guidance, resources and tools (internal and integration to third parties) to manage End User campaigns, promotions and bonuses across all channels and configure such campaigns in the OPS and where required across third party providers.
6. Creative – The coordination and development of creative content, either separately or in conjunction with the Lottery's advertising contractor, for *multiple channels on both external and internal channels, such as TV, Online publishing, social media, website and mobile apps.*

## 2. POST COMMERCIAL LAUNCH ROADMAP

- a. After Commercial Launch, SGI shall provide the following Software and Services to be mutually agreed by the parties:
  - i. Monthly Internet Instant Game releases;
  - ii. Develop and implement the iLottery Retail Voucher (also referred to as "web cash") which can be generated from the Lottery's then existing vending equipment, except ITVMs, which meets the requirements of 4 Pa C.S. §503 (g) (relating to iLottery game cards) and any corresponding regulations and requirements as set forth by the Lottery by a date to be determined by Lottery;
  - iii. Develop and implement an OPS-integrated solution for legally required tax withholding and debt offsets, as agreed to and approved by the Lottery, and for which Lottery shall bear no cost, fee or other remuneration, and which shall be designed, developed and implemented no later than October 29, 2018.
  - iv. Draw and monitor games integration as specified by the Lottery, and
  - v. At the Lottery's option and as agreed by the SGI, custom development work on a time and materials basis, or add-on product, module, or system, (i.e. enterprise business intelligence solutions or functionality). Such time and materials work will be done at SGI's then prevailing rate or at the rate negotiated by the parties at that time and certain products, modules, or systems may be subject to an additional fee.
- b. After the Commercial Launch, SGI shall provide the following Services in addition to those listed above:
  - i. *Penetration Testing* Standard penetration tests conducted by Lottery not more than once in any twelve month period during the Term. Any agreed upon remedial actions to be taken by SGI shall be completed within the mutually agreed time period.
  - ii. *Maintenance Controls*. Meet with Lottery as reasonably requested to review the performance of the Licensed Software and the Services provided in order to meet current and future Lottery demand. If mutually agreed, the parties shall adjust the Services and performance of the Services. Such reviews may include:
    1. business and technical forecasting to understand Lottery demand;
    2. performance review of monthly reports and capacity management planning;
    3. load testing;
    4. scaling plans to support peak times;

5. backup restore testing, and
- 6 disaster recovery failover testing.

## APPENDIX 3

**APPENDIX 3**  
**PA Implementation Timeline**

<b>Task</b>	<b>Duration</b>	<b>Start</b>	<b>End</b>
<b>Game Development, Integration, and Jurisdictional Certification</b>	105 days	Jan. 1	Apr. 16
<b>Third Party Contract and Execution (Payments, KYC, Geo-Location)</b>	105 days	Jan. 1	Apr. 16
<b>Software - Configure</b>	66 days	Jan. 1	Mar. 7
<b>QA - Internal (to continue through UAT)</b>	32 days	Feb 4	Mar. 7
<b>UAT/Regulator Testing (to continue through regression testing)</b>	36 days	Mar. 8	Apr. 12
<b>Regression Testing</b>	23 days	Mar. 19	Apr. 10
<b>Soft Launch</b>	18 days	Apr. 13	Apr. 30
<b>Commercial Launch</b>		May 1	

## APPENDIX 4

## APPENDIX 4

### Charges

#### 1. SGI FEES

In consideration of the provision of its proprietary Licensed Software and Services, excluding the Lottery Costs due from time to time, the applicable fees due and payable to SGI shall be **ZERO DOLLARS**.

#### 2. LOTTERY COSTS

a. The Lottery shall be responsible for payment of any and all Lottery Costs. SGI shall pass through such amounts at cost and without mark-up. The parties acknowledge that the Lottery may pay certain costs *directly as noted below*.

b. As of the Effective Date, the Lottery Costs, estimated for planning purposes only and are impacted by requirements and volume, are set out as follows: :

- i. Third-Party Game fees or royalties - 7%-10% of NGR/monthly;
- ii. Third-Party Branded Game fees or royalties - to be determined based on individual games;
- iii. Prizes - paid directly by Lottery;
- iv. Payment processing services - 6% of NGR;
- v. Banking services and fees - 0.35% - .1% NGR;
- vi. KYC & Geolocation costs - 1.4% of NGR;
- vii. Advertising - paid directly by Lottery;
- viii. Bonusing - paid directly by Lottery;
- ix. Marketing services (other than the SGI employee costs) - 1.6% NGR; and
- x. Promotions, including 3rd party services performing affiliate management, digital advertising, player acquisition and engagement - 0.9% of NGR. .
- xi. Chargebacks 3%-4% of Gross Gaming Revenues;

c. Prior to any product or Service that includes a Lottery Cost going Live, such additional SGI Cost shall be submitted to the Lottery for approval, and if so approved shall be add to the Lottery Costs. If disapproved SGI shall have no obligation to provide such product or Service and it shall not go Live.

#### 3. BILLING REQUIREMENTS

a. Unless the Contractor has been authorized by the Commonwealth for Evaluated Receipt Settlement or Vendor Self-Invoicing, the Contractor shall include in all of its invoices the following minimum information:

- i. Vendor name and "Remit to" address, including SAP Vendor number;
- ii. Bank routing information, if ACH;
- iii. SAP Purchase Order number,
- iv. Delivery Address, including name of Commonwealth agency;
- v. Description of the supplies/services delivered in accordance with SAP Purchase Order (include purchase order line number if possible);

- vi. Quantity provided;
- vii. Unit price,
- viii. Price extension;
- ix. Total price; and
- x. Delivery date of products or Services.

b. *If an invoice does not contain the minimum information set forth in this section, and comply with the provisions located at <http://www.budget.pa.gov/Programs/Pages/E-Invoicing.aspx>, relating to the Commonwealth E-Invoicing Program, the Commonwealth may return the invoice as improper. If the Commonwealth returns an invoice as improper, the time for processing a payment will be suspended until the Commonwealth receives a correct invoice. The Contractor may not receive payment until the Commonwealth has received a correct invoice.*

**4. PAYMENT**

a. *Payment Date.* The Commonwealth shall put forth reasonable efforts to make payment by the required payment date. The required payment date is:

- i. the date on which payment is due under the terms of the Contract;
- ii. thirty (30) days after a proper invoice actually is received at the "Bill To" address if a date on which payment is due is not specified in the Contract (a "proper" invoice is not received until the Commonwealth accepts the service as satisfactorily performed); or
- iii. the payment date specified on the invoice if later than the dates established by subsections (a)(i) and (ii), above.

b. *Delay; Interest.* Payment may be delayed if the payment amount on an invoice is not based upon the price(s) as stated in the Contract. If any payment is not made within fifteen (15) days after the required payment date, the Commonwealth may pay interest as determined by the Secretary of Budget in accordance with Act of December 13, 1982, P.L. 1155, No. 266, 72 P. S. § 1507, (relating to interest penalties on Commonwealth accounts) and accompanying regulations 4 Pa. Code §§ 2.31—2.40 (relating to interest penalties for late payments to qualified small business concerns).

c. Payment should not be construed by the Contractor as acceptance of the Service performed by the Contractor. The Commonwealth reserves the right to conduct further testing and inspection after payment, but within a reasonable time after performance, and to reject the service if such post payment testing or inspection discloses a defect or a failure to meet specifications.

d. *Electronic Payments:*

- i. The Commonwealth will make contract payments through the Automated Clearing House (ACH). Within ten (10) days of award of the Contract, the Contractor must submit or must have already submitted its ACH information within its user profile in the Commonwealth's procurement system (SRM).
- ii. The Contractor must submit a unique invoice number with each invoice submitted. The unique invoice number will be listed on the Commonwealth's ACH remittance advice to enable the Contractor to properly apply the state agency's payment to the invoice submitted.
- iii. It is the responsibility of the Contractor to ensure that the ACH information contained in SRM is accurate and complete. Failure to maintain accurate and complete information may result in delays in payments.

## APPENDIX 5

Redacted

APPENDIX 5

THIRD-PARTY SOFTWARE VENDORS & SUPPLIERS

As of the Effective Date of this Contract, SGI proposes to use the following Suppliers for the iLottery Services in performance of this Contract. Any changes to the Suppliers listed below must be in conformance with the terms of the Contract.

Supplier	EIN
IDology	
GeoComply	
Optimove	
Global Pay	
PaySafe/Neteller/Income Access	
PayNearMe MT, Inc	
PayPal	
Vantiv	
Mazooma	
Sightline	
LexisNexis	
Otherlevels	

## APPENDIX 6

**APPENDIX 6  
HOSTING SERVICES**

During the Term of this Contract SGI shall provide the hosting services set forth below to the Lottery.

*OPS will be hosted on hardware owned and delivered by SGI on servers based in the State of Georgia, United States of America.*

<ul style="list-style-type: none"><li>• Purchase and procurement, of all hardware including adequate spares, multi-year manufacturer's warranty and vendor installation</li></ul>
<ul style="list-style-type: none"><li>• Hardware Support &amp; Monitoring.</li></ul>
<ul style="list-style-type: none"><li>• Purchase and installation of Third-Party Software necessary to operate the Licensed Software, including maintaining up to date licensing and support contracts.</li></ul>
<ul style="list-style-type: none"><li>• Provide or arrange at its expense mutually acceptable back up hardware and software, with backups that can be relocated offsite.</li></ul>
<ul style="list-style-type: none"><li>• Operation of routine backups of the Licensed Software data and delivery to the Lottery's third-party offsite storage vendor</li></ul>
<ul style="list-style-type: none"><li>• Data center physical space, electricity, internet connectivity, adequate bandwidth, server room temperature control, and fire suppression.</li></ul>
<ul style="list-style-type: none"><li>• Data center physical security monitoring and management.</li></ul>
<ul style="list-style-type: none"><li>• Development of security plan and routine internal testing of the Licensed Software. SGI agrees to facilitate and cooperate with the Lottery in connection with all Lottery security plan requests.</li></ul>
<ul style="list-style-type: none"><li>• Creation of a technical incidents manual and training of Lottery's data center IT staff who will be responsible for monitoring the data center.</li></ul>
<ul style="list-style-type: none"><li>• Initial attempts to diagnose, categorize, and resolve technical incident alerts using the common technical incidents manual prior to escalating incidents to SGI.</li></ul>
<ul style="list-style-type: none"><li>• Periodic Licensed Software and database optimization, tuning, and hardware scalability assessments.</li></ul>
<ul style="list-style-type: none"><li>• User identity access management of employee application administration.</li></ul>
<ul style="list-style-type: none"><li>• User identity access management of administrative users.</li></ul>

## APPENDIX 7

**APPENDIX 7**

**iLOTTERY SERVICE LEVEL AGREEMENTS (SLA)**

The following sets forth the Lottery's service level requirements of the Licensed Software and Services to be provided under the Contract generally, and specifically in conformance with Appendix 2 (Work Statement). The Lottery may in its discretion assess service credits as set forth in this SLA. In the event the Lottery determines that service credits are to be assessed, the Lottery will notify the Contractor of the potential assessment in writing. The availability of any period for cure, other than set forth in this SLA or the underlying Contract, will depend upon the situation as determined by the Lottery. Where possible, both parties will act in good faith to cure any failure to meet an applicable service level in lieu of assessment.

SLA	Description	Performance Metric	Definition	Measurement Method	Assessment Cycle	Service Credit
iLottery Availability	iLottery must be accessible for placement of Bets 99.85% of the time without any concurrent outages	99.85%	<p>iLottery's availability, excluding force majeure situations, and third party systems such as banking, KYC, geolocation, and planned systems maintenance periods</p> <p>Contractor shall not be responsible for any unavailability of the iLottery due to (i) players' or third party devices or networks, or (ii) third party systems or networks. Performance shall be measured by the response at the Contractor's Central System</p> <p>Central System is defined to mean Contractor's hardware and software systems located at its production data center to operate the iLottery system</p>	<p>The Lottery may receive credit for system downtime above the described SLA. This credit will be calculated using the total 13 week average of Lottery net revenue per minute derived from iLottery sales during the 13 week period prior to the date failure occurred. This excludes any unavailability due to planned maintenance, the first 7 days after Commercial Launch or major planned system upgrades</p> <p>13 week average/13=week avg                      Week average/10,080=per minute avg                      Multiplied by the average % net revenue to the Lottery</p>	Quarterly	Dollar amount shall be determined as described in the Credit Calculation. Total service credit shall not exceed \$50,000 per quarter.

**APPENDIX 7**

**iLOTTERY SERVICE LEVEL AGREEMENTS (SLA)**

Service	Description	Availability	Performance	Remedy	Penalty	Comments
Response Time	It is the sole responsibility of the Contractor to effectively manage iLottery to achieve the desired response time	99.85%	iLottery must have a response time that appears to be without unreasonable delay. At no time should the player have the appearance of an unreasonable wait time caused by the system when a valid key is pressed.  Contractor shall not be responsible for any delays in response time due to (i) players' or third party devices or networks, or (ii) third party systems or networks. Performance shall be measured by the response at the Contractor's Central System.	Contractor has 24 hours to rectify the underlying cause of the delay in response time from receipt of notification from the Lottery of a recurring issue.	Lottery may seek credit whenever the user community complains about recurring response time issues and Lottery can verify the complaint is accurate.	\$5,000 per day from the recurring response time issue until rectified.
System Sizing	During the term of the Contract, Contractor will be solely responsible for the adequate sizing of the iLottery to meet the System Availability and Response Time SLAs.	100%	iLottery must be able to handle the entire user community. Due to the expertise of the Contractor on this platform, it will be Contractor's sole responsibility to project, plan, and maintain a system that can accommodate the iLottery traffic.	Contractor has 24 hours to identify the plan to rectify from notification of a recurring issue.  The parties agree that the Contractor is relying solely on information provided by the Lottery to determine the appropriate size of iLottery for Commercial Launch. Therefore, this service level shall not be applied to the Contractor's performance during the first twelve (12) months following Commercial Launch.	Per Occurrence	\$5,000 per day for each day that a new user cannot be added to the system due to a technical error of iLottery or the overall player experience is materially diminished due to system limitations.

APPENDIX 7

iLOTTERY SERVICE LEVEL AGREEMENTS (SLA)

Service	Description	Availability	Definition	Event Calculation	Frequency of Review	Service Period
Escalation Process	<p>The Contractor must follow its approved Problem Escalation Procedure</p> <p>The "Problem Escalation Procedure" is Contractor's operational procedure that defines process management of any iLottery production incidents, including severity levels of such production incidents, escalation procedures and communications process based on incident severity</p>	100%	For "material production issues" as defined in the Problem Escalation Procedure, the Contractor must ensure that it follows the defined process in its Problem Escalation Procedure,	N/A	Quarterly	N/A
Help Desk	The Contractor will be solely responsible for appropriately staffing a help desk to resolve issues for End Users	100%	Contractor must provide prompt remedies to the End User's issue related to the Contractor's iLottery. If the issue is one that cannot quickly be resolved during the phone call, chat, or email, Contractor must enact its approved Problem Escalation Process. For issues unrelated to the Contractor's iLottery, such as mobile and internet service providers, geolocation, banks, or identification related issues, players will be referred to those providers	N/A	Quarterly Performance Review	N/A

**APPENDIX 7**

**iLOTTERY SERVICE LEVEL AGREEMENTS (SLA)**

SLA	Description	Performance Target	Description	Event Definition	Penalty	Remedy
Unauthorized iLottery Changes/Unauthorized Software Installations	iLottery changes and software installations require Lottery approval	100%	Except for changes required to address emergency system support as defined in the Problem Escalation Procedure, any changes to visual representations of games, the game playing experience or use of iLottery generally that indicates a change to what the players see or experience requires the express written consent of the Executive Director or designee. Software installations also require the express written consent of the Executive Director of the Lottery or his designee.	Unauthorized software changes	Per Occurrence	Lottery will receive a credit of \$5,000 per occurrence.
Incident Awareness	The Contractor must communicate errors	100%	Upon discovering and issue, the Contractor notify the Executive Director in a method and timeframe that is agreed upon by the Parties. An incident is defined as anything that may cause or has caused any material and detectable issue that is likely to cause the integrity of the Lottery or the Lottery's products or services to be questioned. The incident must be communicated as mutually agreed by the Parties as defined in the Problem Escalation Procedures.	Violation of Incident Notification	Per incident	Lottery will receive a credit of \$5,000 for any incident not reported in the manner mutually agreed to by the parties.
Security	Contractor must provide a secure environment and iLottery	100%	It is the responsibility of the Contractor to provide, install and maintain security for their offices, service facilities, and data centers. All security must be approved by the Lottery Director of Security which approval shall not be unreasonably withheld or delayed. Further, the Lottery will not unreasonably withhold or delay approvals to implement security changes recommended by the Contractor.	Any material violation of the approved security plans or any breach of security subject to a 24 hour cure period.	Per Occurrence	Lottery will receive a credit of \$5,000.

**APPENDIX 7**

**iLOTTERY SERVICE LEVEL AGREEMENTS (SLA)**

SLA	Description	Percentage	Definition	Consequence/Event	Frequency of Review	Remedy/Action
Reporting	The Contractor must provide timely accurate reports	100%	The Lottery relies heavily on reporting. The Contractor must provide timely and accurate reports from the Contractor's iLottery, as set forth in the SRS according to the agreed upon time frames	Reports must be available at times and intervals as mutually agreed by the Parties. Critical late reports not provided as agreed will trigger this SLA subject to the following conditions. In the event the Contractor fails to provide the Lottery with such reports, the Contract shall have 48 hours from notification to provide such missing reports to the Lottery. The list of critical reports will be mutually agreed by the parties.	Per Occurrence	Lottery will receive a credit of \$500 per day for any critical late reports after the defined cure period.

**APPENDIX 8**

## APPENDIX 8

### Safeguarding Contract Language

#### CONTRACT LANGUAGE FOR TECHNOLOGY SERVICES

##### I. PERFORMANCE

In performance of this contract, the contractor agrees to comply with and assume responsibility for compliance by his or her employees with the following requirements:

- (1) All work will be done under the supervision of the contractor or the contractor's employees.
- (2) The contractor and the contractor's employees with access to or who use FTI must meet the background check requirements defined in IRS Publication 1075.
- (3) Any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material will be treated as confidential and will not be divulged or made known in any manner to any person except as may be necessary in the performance of this contract. Disclosure to anyone other than an officer or employee of the contractor will be prohibited.
- (4) All returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output will be given the same level of protection as required for the source material.
- (5) The contractor certifies that the data processed during the performance of this contract will be completely purged from all data storage components of his or her computer facility, and no output will be retained by the contractor at the time the work is completed. If immediate purging of all data storage components is not possible, the contractor certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.
- (6) Any spoilage or any intermediate hard copy printout that may result during the processing of IRS data will be given to the agency or his or her designee. When this is not possible, the contractor will be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and will provide the agency or his or her designee with a statement containing the date of destruction, description of material destroyed, and the method used.
- (7) All computer systems receiving, processing, storing or transmitting FTI must meet the requirements defined in IRS Publication 1075. To meet functional and assurance requirements, the security features of the environment must provide for the managerial, operational, and technical controls. All security features must be available and activated to protect against unauthorized use of and access to Federal Tax Information.
- (8) No work involving Federal Tax Information furnished under this contract will be subcontracted without prior written approval of the IRS.
- (9) The contractor will maintain a list of employees authorized access. Such list will be provided to the agency and, upon request, to the IRS reviewing office.

(10) The agency will have the right to void the contract if the contractor fails to provide the safeguards described above.

## II. CRIMINAL/CIVIL SANCTIONS

(1) Each officer or employee of any person to whom returns or return information is or may be disclosed will be notified in writing by such person that returns or return information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such returns or return information for a purpose or to an extent unauthorized herein constitutes a felony punishable upon conviction by a fine of as much as \$5,000 or imprisonment for as long as 5 years, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized further disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount not less than \$1,000 with respect to each instance of unauthorized disclosure. These penalties are prescribed by IRCs 7213 and 7431 and set forth at 26 CFR 301.6103(n)-1.

(2) Each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of the contract. Inspection by or disclosure to anyone without an official need-to-know constitutes a criminal misdemeanor punishable upon conviction by a fine of as much as \$1,000 or imprisonment for as long as 1 year, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized inspection or disclosure of returns or return information may also result in an award of civil damages against the officer or employee [United States for Federal employees] in an amount equal to the sum of the greater of \$1,000 for each act of unauthorized inspection or disclosure with respect to which such defendant is found liable or the sum of the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure plus in the case of a willful inspection or disclosure which is the result of gross negligence, punitive damages, plus the costs of the action. These penalties are prescribed by IRC 7213A and 7431 and set forth at 26 CFR 301.6103(n)-1.

(3) Additionally, it is incumbent upon the contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a(i)(1), which is made applicable to contractors by 5 U.S.C. 552a(m)(1), provides that any officer or employee of a contractor, who by virtue of his/her employment or official position, has possession of or access to agency records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than \$5,000.

(4) Granting a contractor access to FTI must be preceded by certifying that each individual understands the agency's security policy and procedures for safeguarding IRS information. Contractors must maintain their authorization to access FTI through annual recertification. The initial certification and recertification must be documented and placed in the agency's files for review. As part of the certification and at least annually afterwards, contractors must be advised of the provisions of IRCs 7431, 7213, and 7213A (see Exhibit 4, Sanctions for Unauthorized Disclosure, and Exhibit 5, Civil

*Damages for Unauthorized Disclosure*). The training provided before the initial certification and annually thereafter must also cover the incident response policy and procedure for reporting unauthorized disclosures and data breaches. (See Section 10) For both the initial certification and the annual certification, the contractor must sign, either with ink or electronic signature, a confidentiality statement certifying their understanding of the security requirements.

### **III. INSPECTION**

The IRS and the Agency, with 24 hour notice, shall have the right to send its inspectors into the offices and plants of the contractor to inspect facilities and operations performing any work with FTI under this contract for compliance with requirements defined in IRS Publication 1075. The IRS' right of inspection shall include the use of manual and/or automated scanning tools to perform compliance and vulnerability assessments of information technology (IT) assets that access, store, process or transmit FTI. On the basis of such inspection, corrective actions may be required in cases where the contractor is found to be noncompliant with contract safeguards.

## APPENDIX 9

*Copies maintained independently by the Department and the Contractor. Contains proprietary information/trade secrets not for public disclosure.*

## APPENDIX 10

Copies maintained independently by the Department and the Contractor. Contains proprietary information/trade secrets not for public disclosure.

## **APPENDIX 11**

**Copies maintained independently by the Department and the Contractor. Contains proprietary information/trade secrets not for public disclosure.**

## APPENDIX 12

Copies maintained independently by the Department and the Contractor. Contains proprietary information/trade secrets not for public disclosure.

## **APPENDIX 13**

**Copies maintained independently by the Department and the Contractor. Contains proprietary information/trade secrets not for public disclosure.**

THIRD AMENDMENT TO  
AGREEMENT FOR INSTANT LOTTERY GAMES SERVICES

BETWEEN

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE  
PENNSYLVANIA LOTTERY

AND

SCIENTIFIC GAMES INTERNATIONAL, INC.

I. RECITALS

This Third Amendment (the "Third Amendment"), dated as of September 11, 2017 to the Agreement for Instant Lottery Games Services, dated as of August 21, 2007, as amended (collectively, the "AGREEMENT"), is made and entered into by and between the COMMONWEALTH OF PENNSYLVANIA (hereinafter referred to as the "COMMONWEALTH"), DEPARTMENT OF REVENUE, for the PENNSYLVANIA LOTTERY (hereinafter referred to as the "DEPARTMENT" and "LOTTERY," respectively), and SCIENTIFIC GAMES INTERNATIONAL, INC., (hereinafter referred to as the "SGI" or "CONTRACTOR"), a duly organized and existing Delaware Corporation, authorized to conduct business within Pennsylvania by the issuance of a Certificate of Authority by the Pennsylvania Department of State, with offices at 1500 Bluegrass Lakes Parkway, Alpharetta, Georgia, 30004, and having Federal Employer Identification Number [REDACTED], collectively referred to as the Parties.

**WHEREAS**, the DEPARTMENT has, among its responsibilities, the operation and management of the Pennsylvania State Lottery in accordance with the provisions of Act No. 91 of 1971, P.L. 351, known as the "State Lottery Law," as currently amended; and,

**WHEREAS**, under the provisions of the State Lottery Law, the DEPARTMENT has the authority and duty to pay costs incurred in the operation and administration of the LOTTERY; and,

**WHEREAS**, the DEPARTMENT further has the authority to expend monies from the State Lottery Fund to pay the expenses of the operation of the LOTTERY; and,

**WHEREAS**, SGI agrees to work cooperatively with the LOTTERY to provide the LOTTERY certain goods, services, incentives and investments not otherwise available to the LOTTERY in order to create opportunities for the LOTTERY to expand its business, grow its sales revenue and increase the returns to the LOTTERY's beneficiaries in the COMMONWEALTH; and

**WHEREAS**, the DEPARTMENT and the LOTTERY have determined that it is in the COMMONWEALTH's best interest to exercise its discretion under 62 Pa. C.S. §§ 515 (a) (10) to forego a competitive procurement for LOTTERY instant ticket games and related services at the current time and under the current circumstances and to award a further extension of the AGREEMENT to SGI;

**WHEREAS**, the Term of this AGREEMENT will expire August 21, 2017, and as a result would require LOTTERY to potentially select and integrate a new vendor on a schedule that may negatively impact the business interests of the LOTTERY and the needs of the COMMONWEALTH and on a schedule that does not align with the stated

Term of the Contract for Lottery Games and Related Services, dated as of December 19, 2008, as amended (Contract Number 4400004702, hereinafter "CONTRACT");

**WHEREAS**, this AMENDMENT would allow LOTTERY to align the Term of this AGREEMENT with that of the CONTRACT and protect the interests of the COMMONWEALTH;

and

**WHEREAS**, pursuant to Paragraph 28 of the AGREEMENT, the parties have the right to modify, amend or extend the AGREEMENT, and now desire to modify and amend the AGREEMENT by agreeing to modifications and amendments set forth herein.

**NOW, THEREFORE**, in consideration of the foregoing recitals and of the mutual promises hereinafter set forth and intending to be legally bound, the Parties hereto agree as follows:

## II. AMENDMENT

As of the effective date of this Third Amendment, the AGREEMENT shall be amended as follows:

1. The DEPARTMENT hereby extends the term of the AGREEMENT for a period of approximately twenty-two (22) months and ten (10) days, through June 30, 2019. Section 5, CONTRACT TERM AND EXTENSIONS, of the AGREEMENT is hereby amended by

adding the following after the end of the last paragraph thereof:

"The Term of this AGREEMENT is hereby extended for a period of approximately Twenty-Two (22) months and ten (10) days, commencing August 21, 2017, and expiring at midnight, June 30, 2019. The Commonwealth contemplates awarding a contract for LOTTERY instant ticket games and related services prior to the expiration of this Third Amendment. If the COMMONWEALTH determines it is in its best interest, the LOTTERY may further extend the AGREEMENT to provide for uninterrupted and continuous services as provided for in this CONTRACT by SGI to LOTTERY, with remuneration for services rendered by SGI to be provided through an appropriate procurement mechanism as provided for in the Commonwealth Procurement Code (62 Pa.C.S.A. §§ 101 et seq.), which may include further extension of the term, until such time that the LOTTERY enters into a new contract for a LOTTERY instant ticket games and related services.

2. LOTTERY Sales Force Consulting Services: SGI agrees to provide periodic consulting services for the LOTTERY's sales force management employees at times and locations to be agreed upon by the Parties. The scope of such services will include sales management consulting and training for the LOTTERY's

Sales Representatives and key account managers designed to improve LOTTERY sales performance at retail.

3. Additional Consideration:

As additional consideration for the extension in Section 1 above, SGI agrees to make a single lump sum payment of \$3,000,000 to the LOTTERY within thirty (30) days of the execution of this Third Amendment. The parties acknowledge and agree that such payment shall (i) be deemed additional consideration for both this Third Amendment and the proposed Fourth Amendment and extension of the Contract for Lottery Games System and Related Services, dated as of December 19, 2008, as amended, (the "CONTRACT"), and (ii) be deemed full consideration of any potential liability of SGI that is known as of the date of this Third Amendment, and is deemed currently outstanding under the AGREEMENT OR CONTRACT. For the avoidance of confusion, the total additional consideration paid by SGI for the extension of both the AGREEMENT and the CONTRACT shall be \$3,000,000.

4. Except as modified herein, all terms and conditions of the AGREEMENT are hereby ratified and affirmed as being in full force and effect and enforceable by either Party according to their terms.

IN WITNESS WHEREOF, the Parties have executed this Third Amendment to the AGREEMENT, to be duly executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE

SCIENTIFIC GAMES  
INTERNATIONAL, INC.

C. Daniel Hassell 8-17-17  
C. Daniel Hassell Date  
Secretary of Revenue  
Department of Revenue

\_\_\_\_\_  
James Kennedy Date  
\_\_\_\_\_  
Title

Approved as to legality and manner of execution:

Thomas Gonsler 8-17-17  
THOMAS GONSLER  
Chief Counsel  
Department of Revenue

Dominic J. Johnson 8/29/17  
Office of Attorney General

Christine S. Patton 8/29/17  
Office of General Counsel

Certified as to Availability of Funds:

Pamela Mellott

9/11/17

Comptroller Operations

Date

IN WITNESS WHEREOF, the Parties have executed this Third Amendment to the AGREEMENT, to be duly executed as of the day and year first above written.

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE

SCIENTIFIC GAMES  
INTERNATIONAL, INC.

C. Daniel Hassell 8-17-17  
C. Daniel Hassell Date  
Secretary of Revenue  
Department of Revenue

John Schulz 08/16/2017  
John Schulz Date  
SVP, Instant Products  
Title

Approved as to legality and manner of execution:

\_\_\_\_\_  
Chief Counsel  
Department of Revenue

\_\_\_\_\_  
Office of Attorney General

\_\_\_\_\_  
Office of General Counsel

Certified as to Availability of Funds:

[Fiscal - kindly insert relevant cost and GL codes]

Janet Mellott  
Comptroller Operations

9/14/17  
Date

# SOURCE JUSTIFICATION FORM

The objective of this form is to capture all relevant documentation an Agency may have to assist the Department of General Services ("DGS"), Bureau of Procurement, in expediting the source justification review process. This form must be completed electronically, signed, and submitted with all relevant documentation to DGS. If a question is neither mandatory nor applicable, please indicate "N/A". Please use standard terminology and define acronyms.

## SECTION A

1. Agency Name:	Revenue		
2. Procurement Description: <small>This description will appear on the eMarketplace website (on public viewing).</small>	Instant Lottery Games Services		
Materials Description:			
Services Description:	Instant Lottery Games Services		
3. Materials Shopping Cart # or Services SPRC:	4400009728	Estimated Cost:	\$5M +
		Initial Contract Term:	22 months
		Renewals:	None
4. Supplier Name:	Scientific Games International		
Full Address:	1500 Bluegrass Lakes Parkway, Alpharetta, GA 30004		
Contact Name:	James Kennedy		
Telephone:	[REDACTED]	FAX:	
E-mail:	[REDACTED]		
SRM Supplier #:	168713		
5. Delivery or Service Location:	PA Lottery 1200 Fulling Mill Road, Suite 1, Middle		

## SECTION B

<input type="checkbox"/>	1. <b>Sole Source:</b> Only known source - Not available from another supplier.
<input type="checkbox"/>	2. <b>Material/Repair/Maintenance:</b> Material or service MUST be compatible with existing equipment. Documentation must be provided from the manufacturer.
<input type="checkbox"/>	3. <b>Used Equipment:</b> Value set by 2 independent 3rd party appraisals.
<input type="checkbox"/>	4. <b>Professional Expert:</b> Describe in detail in Section C.
<input type="checkbox"/>	5. <b>Exempt (Law):</b> A federal or state statute or regulation exempts the procurement from the competitive procedure. Any applicable information precluding the procurement from competitive procedures must be attached.
<input checked="" type="checkbox"/>	6. <b>Feasibility:</b> Clearly not feasible to award the contract on a competitive basis.

# SOURCE JUSTIFICATION FORM

## SECTION C

1. Is possible the subject services will be provided by the provider's company's employees (if applicable, attach a statement of work (SOW)?

Contract 4400009728 provides for Instant Games Services that include the printing and distribution of instant lottery games for the PA Lottery. The existing contract meets the Department's current needs, however, a sole source is required to extend the existing contract. An extension of the contract from 8/21/17 through 6/30/19 (approximately 22 months), allows the Department to continue to sell instant products and return the profit to the Lottery Fund that funds programs for older Pennsylvanians. This extension will also allow the Department to complete RFP 6100042856, which will result in a new award of a contract for Instant Games Services, and allow the Department to marry the expiration date of the current contract with the expiration of Contract 4400004702, the Contract for Lottery Games Systems and Related Services. All pricing, terms, and conditions of the existing contract will remain the same.

2. Do you have a list of all the vendors that has been considered to provide the services necessary to be the sole source?

N/A

3. Does the supplier offer a delivery schedule, service, response, etc. that is not available locally?

No

4. Are there any special quality requirements or surveillance requirements with warranty or service agreement that are not available locally?

N/A

5. Has any the material or service been procured by the past? Please provide previous contract numbers and/or contract #s for the material or service.

Instant Games Services have been procured through a competitive procurement process - see contract 4400009728 and PO 4300502041. RFP 6100042856, currently underway, will procure the subject services after the expiration of this extension.

6. If obtained, among the local providers, please provide a list of all the vendors and a comparison of their services with the qualifications of the supplier.

N/A

7. If a sole source is needed, after the 30-day period, please describe why it is needed.

N/A

8. With the Department's approval, will you be the sole source?

The Lottery will not have a vendor that can produce and distribute instant games. The Lottery Fund would not receive the profits generated from the sale of instant games.

9. If you are the vendor, what is the time period and why?

Current contract 4400009728 expires on 8/20/2017. This sole source will extend the existing contract until a new contract is awarded through RFP 6100042856, which is currently underway.

# SOURCE JUSTIFICATION FORM

Bureau of Procurement

10. Is any other information relevant to the justification of this procurement as an emergency?

N/A

11. Do you have any other information relevant to the justification of this procurement as an emergency?

Yes, see attached





**Sole Source Determination Summary (Services)**

Date: 8/14/2017

Commodity Specialist's Name: Thomas Schwartz

Commodity Specialist's Recommendation:  Approved  Disapproved

If disapproved, agency contacted

Agency: Revenue

Supplier Number: 168713

Supplier: Scientific Games International

Sole Source ID Number: 30014

Estimated Dollar Amount: \$50,100,000

Federal Funds  Yes  No

Check box below and complete Agency name if request is over \$250,000

The Department of General Services delegates to the Department of Revenue the authority to act as purchasing agency for the procurement of the service(s) listed below.

*Please keep in mind that this delegation requires that you carry out this procurement according to requirements of Section 518 of the Commonwealth Procurement Code (62 Pa C S. 518) and to the policies and procedures outlined by DGS in the Procurement Handbook.*

**Services:**

Instant Lottery Games Services

**Agency Summary:**

Contract 4400009728 provides for Instant Games Services that include the printing and distribution of instant lottery games for the PA Lottery. The existing contract meets the Department's current needs, however, a sole source is required to extend the existing contract. An extension of the contract from 8/21/17 through 6/30/19 (approximately 22 months), allows the Department to continue to sell instant products and return the profit to the Lottery Fund that funds programs for older Pennsylvanians. This extension will also allow the Department to complete RFP 6100042856, which will result in a new award of a contract for Instant Games Services, and allow the Department to marry the expiration date of the current contract with the expiration of Contract 4400004702, the Contract for Lottery Games Systems and Related Services. All pricing, terms, and conditions of the existing contract will remain the same.

Without this extension, the PA Lottery will not have a vendor that can produce and distribute instant games. The Lottery Fund would not receive the profits generated from the sale of instant games.

**Procurement Summary:**

Approved. The PA Lottery is in the process of a new RFP to replace this contract, but it would not be feasible to continue the services being offered today without the extension requested.

RECEIVED  
SD LOTTERY  
DEC 11 2018

**CONTRACT FOR**  
**ONLINE LOTTERY GAMING SYSTEM AND RELATED SERVICES**

This Contract for Online Lottery Gaming System and Related Services (the "Contract") is made this 14 day of December 2018 ("Effective Date"), by and between IGT Global Solutions Corporation (the "Vendor") and the South Dakota Lottery, a division of the South Dakota Department of Revenue (the "Lottery") pursuant to Request for Proposal #1160 Online Central System, Video Lottery Central System, and Related Services (the "RFP") issued January 31, 2018. Separately the Vendor and Lottery may be referred to as "Party" and together as "Parties").

WHEREAS, the Lottery issued the RFP pursuant to SDCL ch.42-7A with a goal to obtain access to certain online lottery gaming system and related services for its lottery operations; and

WHEREAS, the Vendor is a recognized vendor that provides hosting and online gaming services and wishes to provide these services to the Lottery; and

WHEREAS, the Lottery determined the best interests of the Lottery and the State of South Dakota will be served by awarding a contract to the Vendor to provide these services.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual agreements contained herein, and for good and valuable consideration, the receipt of which is hereby acknowledged, the Lottery and the Vendor agree as follows:

**I. CONTRACT DOCUMENTS**

The terms and conditions of this Contract are as set forth in the RFP, and in the Vendor's response thereto ("Vendor's Proposal"), which are incorporated herein by reference and made part of this Contract, as modified below. Capitalized terms used but not defined in this Contract shall have the meanings ascribed to them within the RFP or Vendor's Proposal. In the event of any inconsistency between the RFP, Amendment to the RFP, Vendor Question and Answers, the Vendor's Proposal and this Contract, the documents will be interpreted in the following order of priority:

1. Contract as executed by the parties, including negotiated amendments and clarifications to the RFP and the Vendor's Proposal submitted in response to the RFP as set forth herein;
2. Vendor's Proposal which relates specifically to the On-line Central System and related services. For avoidance of doubt, Section 5 of Vendor's Proposal will be fully removed from the Contract. Additionally, sections that provide for services specifically related to Video Lottery Terminals (VLT), or the Video Lottery Central System (VLCS), as clearly specified in Vendor's Proposal, will be removed and are not applicable to this Contract.

3. The RFP, as amended by all addenda thereto and all written answers provided by the Lottery on March 9, 2018 and March 30, 2018 respectively, that apply to the On-line Central System and related services. For avoidance of doubt, sections of the RFP that relate solely to Video Lottery Terminals (VLT), or the Video Lottery Central System (VLCS), requirements will be removed and are not applicable to this Contract. Such sections of the RFP that are excluded from this Contract include: Section 2.3 General Information for Video Lottery Central System; Sections 29 and 30 of Section 3.25.2.9 Liquidated Damages section; and Section 5 Technical Specifications: Video Lottery Central System (VLCS).

## II. TERM

The initial term shall commence on November 3, 2019 and shall end on November 2, 2026 (the "Initial Term") provided however that the Vendor shall commence installation and conversion activities on or before the commencement of the Initial Term. The Lottery may, at its sole option, extend this Contract after the Initial Term for up to eight (8) one-year terms or any combination thereof (the "Extension Term" and the Initial Term and any Extension Term the "Term") for a total contract term not to exceed fifteen (15) years, provided that the Lottery will notify the Vendor in writing of its intent to extend this Contract not later than ninety (90) days before the end of the Initial Term or any such Extension Term.

## III. COMPENSATION

During each year of the Term, the Lottery shall pay Vendor fees in the amount of the Total Cost (as defined in Section 2 below). The Lottery shall also pay the One-Time Payment (defined in Section 1 below) to the Vendor.

1. **One-time Payment.** The Lottery shall pay a one-time payment of five hundred thousand dollars (\$500,000) (the "One-time Payment") to the Vendor for services provided under this Contract, payable no later than thirty (30) days after receipt of an invoice from the Vendor.
2. **Total Cost.** Each year of the Initial Term and Extension Term, the Lottery shall pay to the Vendor a total fee equal to the Online Services Fee (defined in Section 2(A) below) along with the Specified Optional Services Fee, Invited Optional Services Fee and Offered Optional Services Fee for the Initial Term and the Renewal Online Services Fee (defined in Section 2(B) below) along with the Specified Optional Services Fee, Invited Optional Services Fee and Offered Optional Services Fee for the Extension Term, which amounts collectively equal the total cost per year specified directly below in the columns titled "Total Cost" (the "Total Cost") as follows:

Product/Services	Total Cost		
	Year 1- 7 of Initial Term	Year 8-10 of Extension Terms	Year 11-15 of Extension Terms
All hosting services for the software, access to all hardware, training, and conversion, all hardware and software maintenance costs & options specified below	7.2270% of Total Sales	7.2270% of Total Sales (or as mutually agreed upon by the parties at the time of extension)	6.5043% of Total Sales (or as mutually agreed upon by the parties at the time of extension)

**A. Initial Term –Online Services Fee**

The Lottery shall pay to the Vendor a fee to cover all hosting services for the software, access to all hardware, training, and conversion to include all hardware and software maintenance costs for the Initial Term, before specified, invited and offered options, in the amount of 5.5551% of Total Sales (defined below) for the Initial Term (the “Online Services Fee”).

Total Sales is defined as Net Sales of Draw Game tickets, plus Instant Ticket Settlements less returns and adjustments. Total Sales does not include Instant Tickets provided for promotional purchases.

**B. Extension Term – Renewal Online Services Fee**

In the event the Lottery extends the Contract beyond the Initial Term, the Lottery shall pay a renewal fee to cover all hosting services for the software, access to all hardware, and training, to include all hardware and software maintenance costs for each year of any Extension Term (the “Renewal Online Services Fee” or “Renewal Fee”).

- In each of years 8-10 of the Extension Term the Lottery shall pay to the Vendor the Renewal Fee, before specified, invited and offered options, in the amount of 5.5551% of Total Sales.
- In each of years 11-15 of the Extension Term the Lottery shall pay to the Vendor a Renewal Fee, before specified, invited and offered options, in the amount of 4.8324% of Total Sales.

**C. Specified Optional Services, Invited Optional Services and Offered Optional Services**

The Lottery has accepted the specified, invited and offered optional services specified below and the Lottery shall pay to the Vendor the amounts shown in the columns titled Specified Optional Service Fee, Invited Optional Services Fee, and Offered Optional Services Fee below:

**Specified Optional Services Fee**

Products/Services	Specified Optional Services Fee	
	Year 1- 7 of Initial Term	Year 8-15 of Extension Terms
Aurora Instants Processing System (RFP Sections 4.2.1.1A, 4.2.14, 4.5.8, 4.5.9, 4.5.19)	0.4484% of Total Sales	0.4484% of Total Sales
Aurora Claims and Payments Manager (RFP Section 4.5.7.4.1).	0.1509% of Total Sales	0.1509% of Total Sales
Order Wizard (RFP Section 4.5.17)	0.1151% of Total Sales	0.1151% of Total Sales
Retailer Wizard (RFP Section 4.5.21)	0.3104% of Total Sales	0.3104% of Total Sales
Aurora Retailer Manager (RFP Section 4.5.7.4.2)	0.0831% of Total Sales	0.0831% of Total Sales
Performance Wizard (RFP Sections 4.5.11, 4.5.12)	Included in Total Cost	Included in Total Cost
Marketing Support (RFP Section 4.8.4)	Included in Total Cost	Included in Total Cost
Sales Support (RFP Section 4.8.11) Assumes that all sales personnel including any new hires are employed by the Lottery. If the Vendor employs a prospective Sales Manager on behalf of the Lottery the rate is 0.35810% of Total Sales	Included in Total Cost	Included in Total Cost
Product Support (RFP Section 4.8.1)	Included in Total Cost	Included in Total Cost
Retailer Recruitment (RFP Section 4.8.10)	Included in Total Cost	Included in Total Cost

**Invited Optional Services Fee**

Products/Services	Invited Optional Services Fee	
	Year 1- 7 of Initial Term	Year 8-15 of Extension Terms
Sales Wizard (RFP Section 4.5.13)	0.5640% of Total Sales	0.5640% of Total Sales

**Offered Optional Services Fee**

Products/Services	Offered Optional Services Fee	
	Year 1- 7 of Initial Term	Year 8-15 of Extension Terms
GEMINI Ultra Player Activated Terminals (RFP Section 4.3.30) Pricing for Offered Optional Service includes fifty (50) refurbished GEMINI Ultra units deployed in existing Retailer locations including development of the GEMINI Ultra software application	Included in Total Cost	Included in Total Cost
During the conversion process the Lottery's current 1-watt ODUs will be upgraded to the industry standard 2-watt ODUs. All other VSAT equipment will remain the same.	Included in Total Cost	Included in Total Cost
iSpeak	Included in Total Cost	Included in Total Cost

3. **Invoicing.** The Vendor shall issue an invoice for the One-Time payment no later than thirty (30) days after the Effective Date of this Contract. The Vendor shall issue invoices for the amounts due pursuant to Section III (2) each week during the Term. The Lottery shall pay Vendor in the amount of said invoices within seven (7) business days of receipt.
4. **Payment Method.** Payments to the Vendor shall be made by wire transfer to an account determined by the Vendor, details of which shall be given to the Lottery by written notice, as such account and account details may be modified by the Vendor from time to time in its discretion.

5. **Upgrades.** The Lottery may, from time to time during the term of this Contract, request Vendor to present opportunities for upgrades and additional services not contemplated in this Contract, the RFP, or Vendor's Proposal and which are outside of the scope of goods or services the parties have agreed to. Any additional services and/or products negotiated after the date hereof shall be at pricing and rates to be agreed upon by the parties.
6. **GEMINI Ultra Player Activated Terminals.** No installation of the above referenced GEMINI Ultra Player Activated Terminals will occur without written authorization from the Lottery. Sales from the GEMINI Ultra Player Activated Terminals will be included in Total Sales as defined in III(A) as the terminals are installed and become fully operational. In the event that a retailer in possession of a GEMINI Ultra Player Activated Terminal changes ownership of its retail establishment and such GEMINI Ultra Player Activated Terminal is used by the new owner, Vendor shall not consider any such change of ownership as the addition of a GEMINI Ultra Player Activated Terminal. Price for any additional player activated terminals shall be negotiated in good faith by the parties.

#### **IV. AMENDMENTS TO RFP**

- A. By mutual agreement of the Parties, the following sections of the RFP are amended and restated to read:
  1. RFP Section 3.7.1.D Any Software used pursuant to this Contract that is created to meet the requirements of the Lottery for the on-line gaming system or to perform the Contract and all modifications to Software to meet the requirements of the Lottery or to perform the Contract, excluding any software that was developed prior to the date of the Contract or developed independent of the Contract by the Vendor, (collectively, "Customized Software") is fit for the particular purpose for which the Customized Software is created or modified and the Customized Software will operate and perform in accordance with the functions and Specifications set forth in the Contract. The Lottery hereby notifies the Vendor that the Lottery is relying upon the Vendor's skill and judgment to create and modify suitable Customized Software for the Lottery's particular purpose.
  2. RFP Section 3.7.1.E. Any Software developed by or owned by the Vendor prior to the award of the Contract and which is used to perform the Contract ("Proprietary Software") and any Software developed or owned by the Vendor's Subcontractors and which is used to perform the Contract ("Subcontractor Proprietary Software") is fit for the particular purpose for which it is used under the Contract (operation and maintenance of on-line gaming system) and the Proprietary Software and Subcontractor Proprietary Software will operate and perform in accordance with the functions and Specifications set forth in the Contract. The Lottery hereby notifies the Vendor that the Lottery is relying upon the Vendor's skill and judgment to select and furnish suitable Proprietary Software and Subcontractor Proprietary Software for the

Lottery's particular purpose. The Lottery has no rights to maintain or enhance the Proprietary Software. The Lottery may request customization of the Proprietary Software. Proprietary Software shall not include software that is developed by or for the Vendor independent of the Contract.

3. RFP Section 3.8.2. Proprietary Software. The Vendor grants the Lottery the right to access for the Lottery's use, all software, including Proprietary Software, during the term of the Contract. The Lottery has the right to access such software via the hosted services provided by Vendor. For the avoidance of doubt, the Lottery does not have the right to take possession of such software at any point during the contract term and install the software on its own or third-party hardware. The Lottery may take temporary physical possession of such software should the Vendor not be able to perform its duties, and a Release Event is triggered in accordance with the Escrow Agreement, for the period of time required for the Vendor to resume its responsibilities, or until the Lottery can find an alternative provider. The Lottery's hosting service includes the right to all updates, upgrades, or other enhancements produced by or for the Vendor. The payments paid by the Lottery, as ultimately determined in accordance with Section III of this Contract shall be the sole source of payment for the cost of such updates, upgrades, or other enhancements during the term of the Contract.
4. RFP Section 3.25.2.9 item 23:  
23. Unapproved Claimed Tickets:
  - i. Condition: The lottery gaming system shall neither produce nor validate a ticket that the Lottery does not determine to be a valid winning game ticket according to its game rules and prize claim procedures.
  - ii. Damages: The Vendor shall be liable for the amount of the ticket as well as any associated damages the Lottery incurs in investigating or curing the situation. Prior to paying out any unapproved ticket claims, the Lottery will provide the Vendor the opportunity to dispute the claim and negotiate with the Lottery for the amount of the prize or ticket.
5. RFP Section 3.25.2.9 item 24:  
24. Defective or Non-Conforming Ticket:
  - i. Condition: The lottery gaming system shall not produce defective or non-conforming tickets due to any terminal equipment or printer malfunction or failure that causes loss of revenue or the inability to pay appropriate prizes. This does not apply to one-off miss-cuts or jams.
  - ii. Damages: Up to twenty-five thousand dollars (\$25,000) per incident plus any liability for the ticket.
6. RFP Appendix A, to this Contract, is amended, restated and attached to this Contract labeled below as Exhibit A.

**V. DELETION FROM THE RFP**

The following section of the RFP is hereby deleted in their entirety:

1. Section 4.2.15 of the RFP, Lottery Information Technology (IT) Allowance Mandatory Feature(s), is deleted.

#### **VI. CLARIFICATIONS TO THE RFP**

The following sections of the RFP are clarified by mutual agreement of the Parties:

1. Cyber Liability Insurance. The Vendor will evidence \$10 Million in Cyber Insurance, which will satisfy both the Cyber Insurance requirement in RFP Appendix A and the Cyber Insurance requirement in RFP Section 3.14.1(D)(g).

#### **VII. ADDITIONAL TERMS**

The following terms are incorporated and made part of this Contract by mutual agreement of the Parties:

1. Title and risk of loss to all hardware and Proprietary Software, including but not limited, to Central System hardware and software, ICS System hardware and software, POS equipment and communication equipment, will at all times be retained by the Vendor.
2. Pursuant to Section 4.7 of the RFP, Vendor and the Lottery agree to utilize Elsym Consulting Inc. as the Internal Control System vendor.
3. This Contract depends on the continued availability of appropriated funds and expenditure authority from the Legislature for this purpose. If for any reason the Legislature fails to appropriate funds or grant expenditure authority, or funds become unavailable by operation of law, this Contract will be terminated by the Lottery. Termination for any of these reasons is not a default by the Lottery, nor does it give rise to a claim against the Lottery.
4. This Contract may not be assigned without the express written consent of the Lottery. This Contract may not be amended except in writing, which writing shall be expressly identified as a part hereof, and shall be signed by an authorized representative of each of the parties hereto.
5. This Contract shall be governed by and construed in accordance with the laws of the State of South Dakota. Any lawsuit pertaining to or affecting this Contract shall be venued in Circuit Court, Sixth Judicial Circuit, Hughes County, South Dakota.

#### **VIII. CAPTIONS**

The descriptive headings of this Contract are for convenience only and shall not be deemed to affect the meaning of any provision.

(THE NEXT PAGE IS THE SIGNATURE PAGE)

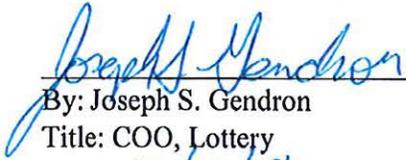
Signature Page for  
CONTRACT FOR ONLINE LOTTERY GAMING SYSTEM  
AND RELATED SERVICES

dated this 14 day of December, 2018

**South Dakota Lottery, a Division of  
The Department of Revenue**

**IGT Global Solutions Corporation**

  
By: Andy Gerlach  
Title: Secretary  
Date: 12-14-2018

  
By: Joseph S. Gendron  
Title: COO, Lottery  
Date: 12/10/18

**South Dakota Bureau of Information  
And Telecommunications**  
(signatory as to Exhibit A only)

  
By: Pat Snow  
Title: Commissioner  
Date: 12-12-18

## EXHIBIT A

### Appendix A: BIT Standard State Technology Contract Terms

#### CONFIDENTIALITY OF INFORMATION

For purposes of this Contract, "Confidential Information" shall include all information disclosed by a Party ("Discloser") to the other Party ("Recipient") which is marked "confidential" or is identified as confidential at the time of disclosure. Neither party may disclose any Confidential Information to any third person for any reason without the express written permission of the Discloser with authority to authorize the disclosure. The Disclosing Party, or the Disclosing Party's Subcontractors, agents, assigns and/or affiliated entities shall not: (i) disclose any Confidential Information to any third person unless otherwise specifically allowed under this Contract; (ii) make any use of Confidential Information except to exercise rights and perform obligations under this Contract; (iii) make Confidential Information available to any of its employees, officers, agents or third party consultants except those who have a need to access such information and who have agreed to obligations of confidentiality at least as strict as those set out in this Contract. The Disclosing Party, and the Disclosing Party's Subcontractors, agents, assigns and/or affiliated entities are held to the same standard of care in Confidential Information as it applies to its own confidential or proprietary information and materials of a similar nature, and no less than holding Confidential Information in the strictest confidence. The Disclosing Party and the Disclosing Party's Subcontractors, agents, assigns and/or affiliated entities shall protect the confidentiality of the Confidential Information from the time of receipt to the time that such information is either returned to the Disclosing Party or destroyed to the extent that it cannot be recalled or reproduced. The Recipient, and Recipient Subcontractors, agents, assigns and/or affiliated entities agree to return all information received from the Disclosing Party to Disclosing Party's custody upon the end of the term of this Contract, unless otherwise agreed in writing signed by both Parties. Confidential Information shall not include information that:

- (i) was in the public domain at the time it was disclosed to the Recipient, and Recipient's Subcontractors, agents, assigns and/or affiliated entities;
- (ii) was known to the Recipient, and Recipient's Subcontractors, agents, assigns and/or affiliated entities without restriction at the time of disclosure from the Disclosing Party;
- (iii) that was disclosed with the prior written approval of Disclosing Party's officers or employees having authority to disclose such information;
- (iv) was independently developed by the Recipient, and Recipient's Subcontractors, agents, assigns and/or affiliated entities without the benefit or influence of the Disclosing Party's information;
- (v) becomes known to the Recipient, and Recipient's Subcontractors, agents, assigns

and/or affiliated entities without restriction from a source not connected to the Disclosing Party.

Confidential Information can include names, social security numbers, employer numbers, addresses and other data about applicants, employers or other clients to whom the Disclosing Party provides services of any kind. Recipient understands that this information is confidential and protected under State (defined as South Dakota) law. The Parties mutually agree that neither of them nor any Recipient, and Recipient's Subcontractors, agents, assigns and/or affiliated entities shall disclose the contents of this Contract except as required by applicable law or as necessary to carry out the terms of the Contract or to enforce that Party's rights under this Contract. Vendor acknowledges that the State and its agencies are public entities and thus may be bound by South Dakota open meetings and open records laws. It is therefore not a breach of this Contract for the State to take any action that the State reasonably believes is necessary to comply with South Dakota open records or open meetings laws.

#### **DISPOSAL OF CONFIDENTIAL INFORMATION**

The Recipient, and Recipient's Subcontractors, agents, assigns and/or affiliated entities shall securely dispose of all data in all forms, such as disk, CD/ DVD, backup tape and paper, when requested by the Disclosing Party. Data shall be permanently deleted and shall not be recoverable, according to National Institute of Standards and Technology (NIST) approved methods. Certificates of Destruction shall be provided to the Disclosing Party upon request.

#### **CYBER LIABILITY INSURANCE**

The Vendor shall maintain cyber liability insurance with liability limits in the amount of \$10,000,000 to protect any and all State data the Vendor receives as part of the project covered by this Contract including State data that may reside on devices, including laptops and smart phones, utilized by Vendor employees, whether the device is owned by the employee or the Vendor. If the Vendor has a contract with a third-party to host any State data the Vendor receives as part of the project under this Contract, then the Vendor shall include a requirement for cyber liability insurance as part of the contract between the Vendor and the third-party hosting the data in question. The third-party cyber liability insurance coverage will include State data that resides on devices, including laptops and smart phones, utilized by third-party employees, whether the device is owned by the employee or the third-part consultant or vendor. The cyber liability insurance shall cover expenses related to the management of a data breach incident, the investigation, recovery and restoration of lost data, data subject notification, call management, credit checking for data subjects, legal costs, and regulatory fines. Before beginning work under this Contract, the Vendor shall furnish the State with properly executed Certificates of Insurance which shall clearly evidence all insurance required in this Contract and which provide that such insurance may not be canceled, except on 30 days prior written notice to the Lottery. The Vendor shall furnish copies of insurance policies if requested by the State. The insurance will stay in effect for 2 years after the work covered by this Contract is completed.

#### **CHANGE MANAGEMENT PROCESS**

From time to time it may be necessary or desirable for either Party to propose changes to the

Services provided. Such changes shall be effective only if they are in writing and contain the dated signatures of authorized representatives of both parties. Unless otherwise indicated, a change or amendment shall be effective on the date it is signed by both Parties. Automatic upgrades to any software used by the Vendor to provide any services that simply improve the speed, efficiency, reliability, or availability of existing services and do not alter or add functionality, are not considered "changes to the Services" and such upgrades will be implemented by the Vendor on a schedule no less favorable than that provided by the Vendor to any other customer receiving comparable levels of services.

### **WORK PRODUCTS**

The Vendor shall be responsible for the professional quality, technical accuracy, timely completion, and coordination of all services furnished by the Vendor and any subcontractors, if applicable, under this Contract. It shall be the duty of the Vendor to assure that the services and the system are technically sound and in conformance with all pertinent Federal, State and local statutes, codes, ordinances, resolutions and other regulations. The Vendor shall, without additional compensation, correct or revise any errors or omissions in its work products.

Vendor hereby acknowledges and agrees that all reports, plans, specifications, technical data, miscellaneous drawings, agreements, Confidential Information, any information discovered by the State, End User Data, Personally Identifiable Information (PII), data protected under Family Educational Rights and Privacy Act (FERPA), Personal Health Information (PHI), Federal Tax Information (FTI) or any information defined under state statute as confidential, and all information contained therein provided to the State by the Vendor in connection with its performance under this Contract shall belong to the creating Party and is the property of the Party that creates or owns the data, and will not be used in any way by the other Party without the written consent of the Party that creates or owns the data.

Papers, reports, forms or other material which are a part of the work under this Contract will not be copyrighted without written approval of the owning Party. In the event that any copyright does not fully belong to a Party the Party that owns a share in the property reserves a royalty-free, non-exclusive, non-transferable and irrevocable license to reproduce, publish, and otherwise use and to authorize others to use on the Party's behalf any such work.

### **PRODUCT CONFORMITY**

The State has twelve (12) months following final acceptance of the product(s) delivered by the Vendor pursuant to this Contract to verify that the product(s) conform to the requirements of this Contract and perform according to the Vendor's system design specifications. Upon the State's recognition of an error, deficiency, or defect, the Vendor shall be notified by the State. The notification shall cite any specific deficiency (deficiency being defined as the Vendor having performed incorrectly with the information previously provided by the Lottery, not the Vendor having to modify a previous action due to additional and/or corrected information from the State). The Vendor, at no additional charge to the State, shall provide a correction or provide a mutually acceptable plan for correction within thirty (30) days following the receipt of the State's notice to the Vendor. If the Vendor's correction is inadequate to correct the deficiency, or defect, or if error recurs, the

State may, at its option, act to correct the problem. The Vendor shall be required to reimburse the State for any such costs incurred or the State will consider this to be a breach of the Contract. Payment by the Vendor pursuant to this provision does not waive any other rights and remedies available to the State.

#### **CURING OF BREACH OF AGREEMENT**

In the event of a breach of these representations and warranties the State may, at the State's discretion, provide the Vendor with the opportunity to rectify the breach. The Vendor shall immediately, after notice from the State, begin work on curing such breaches. If the notice is telephonic the State will provide, at the Vendor's request, a written notice to reaffirm the telephonic notice. If such problem remains unresolved after fifteen (15) days, at State's discretion, Vendor will send, at Vendor's sole expense, at least one qualified and knowledgeable representative to the Lottery's site where the system is located. This representative will continue to address and work to remedy the deficiency, failure, malfunction, defect, or problem at the site. The rights and remedies provided in this paragraph are in addition to any other rights or remedies provided in this Contract or by law.

#### **SERVICE BUREAU**

Consistent with use limitations specified in the Contract, the State may use the Product to provide services to the various branches and constitutional offices of the State of South Dakota as well as county and city governments and school districts. The State will not be considered a service bureau while providing these services and no additional fees may be charged unless agreed to in writing by the State.

#### **SOURCE CODE ESCROW**

- A. Deposit in Escrow: "Source Code" means all source code of the Vendor Software, together with all commentary and other materials supporting, incorporated into or necessary for the use of such source code, including all supporting configuration, documentation, and other resource files and identification by Vendor and version number of any software (but not a license to such third-party software) used in connection with the source code and of any compiler, assembler, or utility used in generating object code.
  1. Upon written request of the State, within ninety (90) days of the Start-up date, assuming the Start-up date is different than the Effective Date, Vendor shall establish an escrow account ("Escrow Account") and deposit the Source Code for the software with a nationally recognized software escrow company (subject to the approval of the State, not to be unreasonably withheld) (the "Escrow Agreement"). Once the Escrow Account is established, then within thirty (30) days after delivery to Lottery of any major update, Vendor shall deposit the Source Code for such update with the Escrow Agent pursuant to the Escrow Agreement. For all other updates, Vendor shall deposit the Source Code for updates on an annual basis with the Escrow Agent pursuant to the Escrow Agreement.

2. The Parties agree that the Escrow Agreement is an “agreement supplementary to” the Contract as provided in Section 365(d) of Title 11, United States Code (the “Bankruptcy Code”). Immediately upon termination of this Contract, the Source Code shall be released back to Vendor.
- B. Conditions for release: The State will have the right to obtain the Source Code in accordance with and subject to the terms and conditions of this Section and the Escrow Agreement provided that all of the following three conditions are met (collectively a “Release Event”):
1. Vendor winds down its business or liquidates its business under a Chapter 7 Bankruptcy proceeding; or Vendor discontinues maintenance and support to the Software,
  2. No entity has succeeded to Vendor’s obligations to provide maintenance and support on the Software in accordance with the Contract in effect between the Parties, and
  3. The State is not in breach of its obligations under this Contract.
- C. Source Code: In no event shall the State have the right to use the Source Code “barring a Release Event” for any purpose, and the State is specifically prohibited from using the Source Code to reverse engineer, develop derivative works or to sublicense the right to use the Source Code to any other person or entity for any purpose. The Lottery will also be obligated to treat the Source Code as Confidential Information of the Vendor under the Contract. If a Release Event occurs, the Lottery shall require any subcontractors or third parties to enter into a non-disclosure and restriction-on-use agreement if the Lottery needs disclose the software to a third party to operate the lottery system.
- D. The cost for establishing and maintaining the Escrow Account will be that of the Vendor.

#### **PROVISION OF DATA**

Upon notice of termination by either party, the State will be provided by the Vendor all current State Data and End User Data in a non-proprietary form. Upon the effective date of the termination of the Contract, the State will again be provided by the Vendor with all current State Data and End User Data in a non-proprietary form.

#### **SECURITY INCIDENT & BREACH NOTIFICATION**

The Vendor will implement, maintain and update Security Incident & Breach procedures that comply with all State of South Dakota standards and Federal requirements. A Security Incident is a violation of any BIT security or privacy policies or contract agreements involving sensitive information, or the known imminent threat of a violation. A Security Breach is a violation of any BIT security or privacy policies or contract agreements where

sensitive information has knowingly been compromised. The BIT security policies can be found in the Information Technology Security Policies attached to the RFP. The State requires notification of a Security Incident or Breach, as defined in this paragraph, involving any of the State's sensitive data in the Vendor's possession. The Parties agree that, to the extent probes and reconnaissance scans common to the industry constitute Security Incidents, this Contract constitutes notice by Vendor of the ongoing existence and occurrence of such Security Incidents for which no additional notice to the State shall be required. Probes and scans include, without limitation, pings and other broadcast attacks in the Vendor's firewall, port scans, and unsuccessful log-on attempts, as long as such probes and reconnaissance scans do not result in a Security Incident as defined above. Except as required by other legal requirements the Vendor shall only provide notice of the incident to the State. The State will determine if notification to the public will be by the State or by the Vendor. The method and content of the notification of the affected parties will be coordinated with, and is subject to approval by the State, unless required otherwise by legal requirements. If the State decides that the Vendor will be distributing, broadcasting to or otherwise releasing information on the Security Incident or Breach to the news media, the State will decide to whom the information will be sent and the State must approve the content of any information on the Security Incident or Breach before it may be distributed, broadcast or otherwise released. The Vendor must reimburse the State for any costs associated with the notification, distributing, broadcasting or otherwise releasing information on the Security Incident or Breach.

- A. The Vendor shall notify the State Contact within one (1) hour of the Vendor becoming aware that a Security Breach has occurred.

If notification of a Security Breach to the State Contact is delayed because it may impede a criminal investigation or jeopardize homeland or federal security, notification must be given to the State within one (1) hour after law-enforcement provides permission for the release of information on the Security Incident (1) hour after law-enforcement provides permission for the release of information on the Security Breach.

- B. Notification of a Security Breach at a minimum is to consist of the nature of the data exposed, the time the incident occurred and a general description of the circumstances of the incident. If not all of the information is available for the notification within the specified time period Vendor shall provide the State with all of the available information along with the reason for the incomplete notification. A delay in excess of one (1) hour is acceptable only if it is necessitated by other legal requirements.
- C. At the State's discretion within twenty-four (24) hours the Vendor must provide to the State all data available including: (i) Name of and contact information for the Vendor's point of contact for the Security Breach; (ii) date and time of the Security Breach; (iii) date and time the Security Breach was discovered; (iv) description of the Security Breach including the data involved, being as specific as possible; (v) the potential number of records, and if unknown the range of records; (vi) address

where the Security Breach occurred; and, (vii) the nature of the technologies involved. If not all of the information is available for the notification within the specified time period Vendor shall provide the State with all of the available information along with the reason for the incomplete information. A delay in excess of twenty-four (24) hours is acceptable only if it is necessitated by other legal requirements.

- D. If the information from the Breach of System Security includes residents of South Dakota whose personal or protected information was, or is reasonably believed to have been, acquired by an unauthorized person, Vendor must notify the resident(s) in accordance with South Dakota Codified Law (SDCL) Chapter 22-40. If there are two-hundred fifty (250) or more residents' records involved, Vendor must notify the South Dakota Attorney General. All notifications must be within sixty (60) days of the discovery of the breach. The Vendor shall also notify, without reasonable delay, all consumer reporting agencies, as defined under 15 U.S.C § 1681a in effect as of January 1, 2018, and any other credit bureau or agency that compiles and maintains files on consumers on a nationwide basis, of the timing, distribution, and content of the notice. The Vendor is not required to make a disclosure under this section if, following an appropriate investigation and notice to the Attorney General, the Vendor reasonably determines that the breach will not likely result in harm to the affected person(s). The Vendor shall document the determination under this section in writing and maintain the documentation for not less than three (3) years. These statements of requirements under SDCL ch. 22-40 are neither comprehensive nor all inclusive, and Vendor shall comply with all applicable provisions of that chapter.

For the purposes of this Contract the Security Incident definition in the State's Information Technology Security Policy does not apply.

#### **HANDLING OF SECURITY BREACH**

At the State's discretion the Vendor will preserve all evidence including but not limited to communications, documents, and logs. The Vendor will also:

- (i) fully investigate the Security Breach,
- (ii) cooperate fully with the State's investigation of, analysis of, and response to the breach,
- (iii) make a best effort to implement necessary remedial measures as soon as it is possible and,
- (iv) document responsive actions taken related to the Security Breach, including any post-incident review of events and actions taken to implement changes in business practices in providing the services covered by this Contract.

At the State's discretion and at the Vendor's expense the Vendor will use a credit monitoring service, call center, forensics company, advisors, or public relations firm services that are acceptable to the State, if the Vendor was at fault for the Breach. At the State's discretion the Vendor shall offer 2 year's credit monitoring to each person whose

data was compromised if the Vendor was at fault for the Breach. The State will set the scope of any investigation. The State can require a risk assessment of the Vendor, the State mandating the methodology to be used as well as the scope. At the State's discretion a risk assessment may be performed by a third party at the Vendor's expense, if the Vendor was at fault for the Breach.

If the Vendor is required by federal law or regulation to conduct a Security Incident or Security Breach investigation, the results of the investigation must be reported to the State within one (1) hour of the investigation report being completed. If the Vendor is required by federal law or regulation to notify the affected parties, the State must also be notified, unless otherwise required by legal requirements.

Notwithstanding any other provision of this Contract, and in addition to any other remedies available to the State under law or equity, the Vendor will reimburse the State in full for all costs incurred by the State in investigation and remediation of the Security Incident or Security Breach including, but not limited, to providing notification to regulatory agencies or other entities as required by law or contract. The Vendor shall also pay any and all legal fees, audit costs, fines, and other fees imposed by regulatory agencies or contracting partners as a result of the Security Breach if the Vendor was at fault for the Breach.

**REJECTION OR EJECTION OF VENDOR, AND VENDOR'S  
SUBCONTRACTORS, AGENTS, ASSIGNS AND/OR AFFILIATED  
ENTITIES EMPLOYEE(S)**

The State, at its option, may require the vetting of any of the Vendor, and Vendor's Subcontractors, agents, assigns and/or affiliated entities that will provide services under this Contract. The Vendor is required to assist in this process as needed. The State reserves the right to reject any person from the project who the State believes would be detrimental to the project or is considered by the State to be a security risk.

The State reserves the right to require the Vendor to remove from the project any person the State believes is detrimental to the project or is considered by the State to be a security risk. The State will provide the Vendor with notice of its determination, and the reasons removal is deemed necessary. If the State signifies that a potential security violation exists with respect to the request, the Vendor shall immediately remove the individual from the project.

**SECURITY ACKNOWLEDGEMENT FORM**

The Vendor will be required to sign the Security Acknowledgement form which is attached to the RFP. The signed Security Acknowledgement form must be submitted to the State and approved by the South Dakota Bureau of Information and Telecommunications and communicated to the Vendor by the State contact before work on the Contract may begin. This form constitutes the agreement of Vendor to be responsible and liable for ensuring that the Vendor, Vendor's employee(s), and Subcontractor's, agents, assigns and or affiliated entities and all of their employee(s), providing services under this Contract, participating in the work will abide by the terms of the Information Technology Security Policy- Vendor (ITSP) attached to the RFP. Failure to abide by the requirements of the ITSP or the Security Acknowledgement form can be considered a breach of this Contract at the discretion of the

State. It is also a breach of this Contract, at the discretion of the State, if the Vendor does not sign another Security Acknowledgement form covering any employee(s) and any Subcontractor's, agents, assigns and or affiliated entities employee(s), any of whom are participating in the work covered by this Contract, and who begin working under this Contract after the project has begun. Any disciplining of the Vendor's, Vendor's employee(s) or Subcontractor's, agents, assigns and or affiliated entities employee(s) that provide services under this Contract, due to a failure to abide by the terms of the Security Acknowledgement Form will be done at the discretion of the Vendor or Subcontractor's, agents, assigns and or affiliated entities and in accordance with the Vendor's or Subcontractor's, agents, assigns and or affiliated entities personnel policies. Regardless of the actions taken by the Vendor and Subcontractor's, agents, assigns and or affiliated entities, the State shall retain the right to require at its discretion the removal of the employee(s) from the project covered by this Contract.

#### **INFORMATION TECHNOLOGY STANDARDS**

Any software or hardware provided under this Contract will comply with state standards which can be found at <http://bit.sd.gov/standards/>.

#### **THE STATE OF SOUTH DAKOTA TECHNOLOGY OVERSIGHT**

Pursuant to South Dakota Codified Law 1-33-44, the Bureau of Information and Telecommunications ("BIT") oversees the acquisition of office systems technology, software and services; telecommunication equipment, software and services; and data processing equipment, software, and services for departments, agencies, commissions, institutions and other units of state government. It is understood and agreed to by all parties that BIT, as the State's technology governing organization, has reviewed only the technology portion of this agreement. Before renewal of this Agreement BIT must review and approve the technology portion of this Agreement as still being current. BIT's evaluation will be based on changes in the IT security or regulatory requirements. Changes to the Agreement must be approved in writing by all parties before they go into effect and a renewal of this Agreement is possible. The most current version of the State's Information Technology Security Policy will also be provided to the Consultant with the understanding that the Consultant will adhere to the most current State IT security policies.

**MISSISSIPPI LOTTERY CORPORATION**

**REQUEST FOR PROPOSALS NO. 4**

**REQUEST FOR PROPOSALS FOR INSTANT TICKET LOTTERY GAME SERVICES**

**PROPOSAL SUBMISSION DEADLINE: AUGUST 2, 2019 (2:00 P.M. CST)**

**PROPOSAL DUE TO: MISSISSIPPI LOTTERY CORPORATION  
INSTANT TICKET BID  
DR. MICHAEL J. MCGREVEY, CHAIRMAN  
C/O REBECCA SANFORD  
BALCH & BINGHAM LLP  
188 E. CAPITOL STREET, SUITE 1400  
JACKSON, MS 39201**

**JUNE 27, 2019**

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## MISSISSIPPI LOTTERY CORPORATION

### REQUEST FOR PROPOSALS FOR INSTANT TICKET LOTTERY GAME SERVICES

#### RFP NO. 4

### PART I - GENERAL INFORMATION

#### 1.1 INTRODUCTION

The Alyce G. Clarke Mississippi Lottery Law, Senate Bill 2001 (First Extraordinary Session 2018) (the “**Act**”), formed the Mississippi Lottery Corporation (the “**Corporation**”) to administer the State of Mississippi’s first lottery (the “**Mississippi Lottery**”). The Corporation’s Board of Directors (the “**Board**”) governs the Corporation. The Board is comprised of five (5) members appointed by the Governor, with the advice and consent of the Senate, in addition to the Commissioner of the Department of Revenue and the State Treasurer as ex officio members. Composing the current Board are Dr. Michael J. McGrevey, Dr. Cass Pennington, Kimberly LaRosa, Gerard Gibert, Philip Chamblee, Commissioner Herb Frierson, and Treasurer Lynn Fitch. The Act mandates that the Board appoint a President of the Corporation, subject to the approval of the Governor. The Board appointed Thomas N. Shaheen as President of the Corporation (the “**President**”), who was subsequently approved by Governor Phil Bryant.

In accordance with the Act, the Corporation must act for the benefit of the people of Mississippi through the operation of a lottery and strive to maximize lottery revenues to the State of Mississippi.

The purpose of this procurement (the “**Procurement**”) and Request for Proposal (“**RFP**”) is to invite responsible proposals (“**Proposals**”) from qualified and reputable vendors in the lottery industry (“**Vendors**”) for the provision, implementation and operation of instant ticket lottery game services and systems and certain marketing services and other purposes described herein (collectively, the “**System**”). It is the Corporation’s desire to select a single Vendor that is able to provide a comprehensive System and solution to its instant ticket operations, to include the manufacture of instant tickets, warehousing and distribution and marketing support services covered by this RFP.

The Corporation currently intends to execute a contract (the “**Contract**”) as a result of this Procurement of the System, if any Contract is executed at all, encompassing all of the products and services contemplated in this RFP and Procurement; provided, however, nothing herein obligates the Corporation to sign any Contract, or only one Contract, and the Corporation reserves the right to sign one or more Contracts, or no Contracts, as it determines in its sole discretion to be in the best interests of the Corporation and the State of Mississippi. Notwithstanding any provision of this RFP to the contrary, the Corporation may in its sole discretion favor multiple Proposals and accordingly select multiple “**Successful Vendors**” (as defined in this Section 1.1) and execute multiple Contracts.

This RFP is being used by the Corporation to take maximum advantage of the design capabilities, implementation knowledge and operational knowledge of the marketplace for the design, implementation and operation of the Corporation's statewide instant ticket sales and related activities. All Vendors must fully acquaint themselves with the Corporation's needs and requirements and obtain all necessary information and understandings to be able to develop an appropriate solution and to submit responsive and effective Proposals. Vendors are encouraged to be creative in their Proposals and provide best in class and creative solutions so that the Corporation can maximize the revenues it raises as responsibly as possible.

The Corporation is an independent, self-supporting and revenue-raising corporation of the State of Mississippi, created by the Act. It plans to employ approximately eighty (80) people statewide and have approximately three (3) regional claim center offices (the "**Claim Center Offices**") in addition to the Corporation's headquarters to be located in Hinds, Rankin or Madison Counties, Mississippi (the "**Greater Jackson Metropolitan Area**") by the start-up of instant ticket sales on or before December 1, 2019. The exact numbers of employees, retailers selling the Corporation products and Claim Center Offices is subject to change in the discretion of the Corporation. The Corporation is committed to maximizing revenues to the State of Mississippi by providing entertaining lottery products and quality customer service to retailers and players, while maintaining its integrity and the integrity of its games.

The Corporation requires that instant ticket sales begin on or before December 1, 2019 (the "**Startup Deadline**"); thus, all components of the System and instant ticket operation must be in place, fully operational and tested prior to that Startup Deadline. The Corporation also requires that online ticket sales begin on or before February 10, 2020 (the "**Online Deadline**"); thus, all of the online lottery game products, services and systems must be in place, fully operational and tested prior to that Online Deadline. The Corporation currently expects to begin with instant ticket price points at \$1, \$2, \$3, \$5 and \$10 and may offer higher instant ticket denominations within the Contract term. The Corporation plans for the Vendor that is selected to provide the System, goods and services contemplated by this RFP (the "**Successful Vendor**") to develop and implement software and systems and do all things necessary to enable the Corporation to achieve all of its objectives as set forth in this RFP.

The Corporation's retailer base ("**Retailers**") as of the Startup Deadline is currently expected to be approximately fifteen hundred (1,500) to seventeen hundred (1700) (subject to change in the discretion of the Corporation). Thereafter, based on subsequent developments and sales and the recommendation of the President to the Board, the Retailer base may be expanded to three thousand (3,000) or more during the term of the Contract. Additionally, the Corporation currently plans to staff and operate three (3) Claim Center Offices throughout the State of Mississippi in addition to its headquarters to be located in the Greater Jackson Metropolitan Area. Accordingly, the System proposed by the Vendors must be sufficiently scalable and fully functional to properly handle the growing needs of the Corporation as they evolve from time to time in the discretion of the Corporation.

## **1.2 CORPORATION OBJECTIVES**

All Proposals in response to this RFP shall reflect at least the following overall goals and objectives of the Corporation:

- To acquire a System and instant ticket operation that will suit the requirements of the Corporation now and into the future;
- To make prize payouts of a least fifty percent (50%) of the total annual gross revenues accruing from the sale of lottery tickets;
- To annually increase revenue to the Lottery Proceeds Fund in the Mississippi State Treasury (the “**Lottery Proceeds Fund**”), and meet the Act’s requirement to transfer the net proceeds of total annual gross revenues accruing from the sale of lottery tickets (after payment of prizes to the holders of winning lottery tickets and payment of costs incurred in the operation and administration of the lottery) to the Lottery Proceeds Fund;
- To market high quality products that provide entertainment and customer satisfaction;
- To ensure that the lottery receives services from Vendors who are financially sound and experienced and who maintain favorable reputations within the lottery industry for proper ethics and contract performance;
- To ensure that the Successful Vendor is capable of providing the Systems and services called for in this RFP, and that the Successful Vendor will be capable of continuing to provide the System and those services during the term of the Contract;
- To ensure that the System is fully operational and installed and all instant ticket products are in retail locations and available for sale to the public in all Retailer locations approved by the Corporation at least two weeks prior to the December 1, 2019 Startup Deadline;
- To ensure that the Successful Vendor is capable of full compliance with “**Applicable Laws**” (as defined in Section 3.13) in the operations proposed to be conducted under any Contract awarded as a result of this Procurement;
- To provide for innovation and the ability to respond to changes in the industry and the demands of the marketplace;
- To obtain the highest quality goods and services at competitive prices; and
- To start up and operate the Mississippi Lottery as an extremely successful lottery, while maintaining its efficiency, security and integrity.

### **1.3 SUCCESSFUL VENDOR/CORPORATION RELATIONSHIP**

The nature of this RFP and the Contract that will result from this Procurement will result in a relationship between the Successful Vendor and the Corporation, which relationship must be founded on mutual trust and respect. The Successful Vendor must adopt the same attitudes, concerns and commitment towards the Corporation’s games, financial performance, legal compliance, integrity and security as are held by the Corporation.

## 1.4 GOVERNING LAW

All Proposals and the Contract are automatically subject to the requirements of, and must comply with, the Act and the regulations, policies and procedures of the Corporation as they may be adopted or amended from time to time (collectively, the “**Regulations, Policies and Procedures**”), regardless of whether or not specifically addressed in either this RFP or the Proposal. All potential Vendors must read and be familiar with the Act and the Regulations, Policies and Procedures of the Corporation, a copy of which may be obtained either from the Corporation or through a link on the Corporation’s official web site, [www.mslotteryhome.com](http://www.mslotteryhome.com) (the “**Website**”). The Regulations, Policies and Procedures are subject to change from time to time in the sole discretion of the Corporation and no advance written notice of any such changes must be provided to any Vendor or other individual or entity. Unless otherwise indicated therein, any changes in the Regulations, Policies and Procedures adopted by the Corporation become effective thirty (30) days after their being published and posted on the Website. A Vendor may obtain the latest Regulations, Policies and Procedures at any time upon a written request to the Corporation. Thus, all Vendors are required to continually monitor and pay close attention to the Regulations, Policies and Procedures and all changes thereto. All Vendors shall automatically be deemed to be on notice of, and subject to, the latest Regulations, Policies and Procedures of the Corporation. All Vendors are precluded from alleging that any particular Regulations, Policies and Procedures are not applicable to them because of their lack of knowledge of their existence or modification.

## 1.5 PROPOSAL SUBJECT TO PUBLIC RECORDS ACT AND OPEN MEETINGS ACT

All Proposal data, materials and documentation originated, prepared and submitted to the Corporation pursuant to this RFP shall belong exclusively to the Corporation. Unless required by Applicable Laws, the Corporation will not release any Proposal data, materials and documentation originated, prepared and submitted to the Corporation pursuant to this RFP during the evaluation process or prior to an award of a Contract. After all Vendors have been notified of the award of a Contract, Vendors’ Proposals will be available for public review, subject to the limitations of the Mississippi Public Records Act of 1983, *Miss. Code Ann.* §§ 25-61-1 *et seq.*, as amended, and the Corporation’s Public Records Request Policy (the “**Open Records Laws**”).

Vendors should properly and conspicuously identify any trade secrets or confidential commercial or financial information which are confidential information in accordance with the Open Record Laws (collectively, “**Confidential Information**”) and in writing by page, paragraph and sentence prior to or upon submission to the Corporation of Confidential Information to be protected. It is the responsibility of the Vendors to identify all Confidential Information. All markings of identification must be conspicuous; use color, bold, underlining or some other method in order to conspicuously mark and distinguish the Confidential Information from the other text. If a portion of a Proposal is improperly marked as Confidential Information or similar designation, the Corporation may, in its sole discretion, determine it non-responsive. Do not mark the entire page if only portions of a page are protected. Vendors should also state the reasons such confidentiality is necessary. However, under no circumstance will the Corporation be liable to any Vendor or to any other person or entity for any disclosure of any such

Confidential Information, including any trade secrets contained therein. The Corporation will not consider any Proposal which is declared, or a substantial portion of which is declared, by the Vendor submitting such Proposal to constitute Confidential Information.

Vendors are hereby notified that all meetings of the Board are subject to and shall be conducted pursuant to the Mississippi Open Meetings Act, *Miss. Code Ann. §§ 25-41-1 et seq.*, as amended.

#### **1.6 MISUNDERSTANDING OR LACK OF INFORMATION**

By submitting a Proposal, Vendors covenant and agree that they fully understand and will abide by the terms and conditions of this RFP and all Regulations, Policies and Procedures and they will not make any claims for, nor have any rights to, cancellation, remedy or relief because of any misunderstanding or lack of information.

#### **1.7 REJECTION OF PROPOSALS AND CANCELLATION OF RFP; REISSUE OF RFP**

Issuance of this RFP does not constitute a commitment on the part of the Corporation to award or execute a Contract. The Corporation retains the right, in its sole discretion, at any time to reject any or all Proposals, in whole or in part, and to cancel or cancel and reissue this RFP, before or after receipt and opening of Proposals in response thereto, or take any other actions, if it considers it to be in the best interests of the Corporation. Any Proposal that does not meet the requirements or specifications of this RFP may be considered to be non-responsive to this RFP and the Proposal may be rejected by the Corporation in its sole discretion. Any Proposal that restricts the rights of the Corporation or otherwise qualifies the Proposal may be considered to be non-responsive to this RFP and may be rejected in the sole discretion of the Corporation. The Corporation shall have the right, in its sole discretion, to reissue or not reissue an RFP and to negotiate a Contract or not negotiate a Contract, all without any liability to any Vendor. Vendors submit proposals at their own risk and with no expectation that a Contract will be awarded to them or at all.

#### **1.8 INCURRED EXPENSES**

The Corporation shall not, under any circumstance, be liable or responsible for any costs, expenses, reimbursements or fees incurred by a Vendor (or any other individual or entity) in preparing and submitting a Proposal or in performing any other action in connection with this Procurement, including, without limitation, any site visits, System demonstrations, negotiations, questions and answers, procurements or other activities of any kind or nature.

#### **1.9 PROPOSAL VALIDITY**

All Proposals shall remain valid for one hundred and eighty (180) calendar days (the “**Proposal Offer Period**”) from 2:00 p.m. Central Standard Time (“**CST**”) August 2, 2019 (the “**Proposal Deadline**”) and as provided in *Attachment A* to this RFP. A Proposal constitutes an offer by the Vendor to contract with the Corporation in accordance with the terms of the Proposal and this RFP, which offer is irrevocable for the duration of the Proposal Offer Period and may not be withdrawn or amended during the Proposal Offer Period without the written consent of the Corporation.

By submitting a Proposal, a Vendor certifies that it is not currently debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi or federal government, and that it is not an agent of a person or entity that is currently debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi or federal government.

#### **1.10 RIGHT TO USE INFORMATION IN THE PROPOSAL**

Upon submission, all materials submitted to the Corporation by Vendors shall become the property of the Corporation and may be used as the Corporation deems appropriate.

### **PART II - PROPOSAL PROCESS**

Vendors are advised that all contents of this RFP, any amendments thereto, any “Answers” (defined in Section 2.4) prepared and published in accordance with this RFP by the Corporation to “Questions” (defined in Section 2.4) regarding this RFP and Procurement, the Successful Vendor’s Proposal and the Contract, will constitute the substantive terms and conditions, among others, of the relationship, if any occurs, between a Successful Vendor and the Corporation, all as further described herein.

#### **2.1 CONTACT PERSON**

The sole point of contact (the “Contact Person”) for inquiries and additional information concerning this RFP and Procurement will be Rebecca Sanford, who can be reached as follows:

Email: [rsanford@balch.com](mailto:rsanford@balch.com)

#### **IF DELIVERED SOLELY BY US POSTAL SERVICE**

Mississippi Lottery Corporation Instant Ticket Bid  
Dr. Michael J. McGrevey, Chairman  
c/o Rebecca Sanford  
Balch & Bingham LLP  
P.O. Box 22587  
Jackson, MS 39225

#### **IF DELIVERED BY ANY OTHER MEANS (INCLUDING HAND DELIVERY)**

Mississippi Lottery Corporation Instant Ticket Bid  
Dr. Michael J. McGrevey, Chairman  
c/o Rebecca Sanford  
Balch & Bingham LLP  
188 E. Capitol Street, Suite 1400  
Jackson, MS 39201

#### **2.2 PROHIBITION AGAINST UNAUTHORIZED CONTACTS**

The Corporation is committed to a competitive procurement process that maintains the highest level of integrity, ethics and professionalism. Therefore, except as expressly contemplated in

this RFP, or in connection with normal business activities not associated with this Procurement, no direct or indirect contact or other solicitation initiated by Vendors, or any employees or representatives of Vendors, including but not limited to their attorneys, representatives or others promoting their position, will be allowed with the President, any Board member (a “**Director**”), any member of an evaluation committee created by the Board for this Procurement (the “**Evaluation Committee**”) or any public official, or with any Corporation officer, employee, consultant or adviser, individually or otherwise, from and after the release of this RFP until the Corporation selects a Successful Vendor (the “**Quiet Period**”). During the Quiet Period, all contact and other solicitations made by a Vendor submitting a Proposal, or any person or entity employed by or on behalf of such a Vendor shall be directed towards the Contact Person identified in Section 2.1 of this RFP or otherwise as directed by the Corporation as part of the RFP, Procurement and evaluation processes (e.g., in connection with official site visits of a Vendor, or in response to the Evaluation Committee’s requests for information, or as a result of a required interaction with an Evaluation Committee member in the exercise of such member’s job). Any violation of this prohibition may result in the immediate disqualification of a Vendor and possible censure or other consequences in the sole discretion of the Corporation. Any attempt to intimidate or influence any Corporation employees, officers, consultants, advisors, Directors, the President or members of the Evaluation Committee with respect to this Procurement, whether such attempt is oral or written, formal or informal, successful or unsuccessful is strictly prohibited, will not be tolerated and will result in immediate, and possibly permanent, disqualification in the sole discretion of the Corporation. The Corporation takes its ethics, integrity and professionalism responsibilities extremely seriously and admonishes all Vendors to do the same or risk serious consequences!

### **2.3 HIRING OF CORPORATION PERSONNEL**

Vendors are expressly prohibited from officially or unofficially hiring, making any employment offer or proposing any similar representation, consulting or business arrangement whatsoever with any Corporation employee, officer or Director, whether directly or through an entity owned thereby, for compensation of any kind, from the time this RFP is issued until the earlier of either: (i) one (1) year after the execution of any Contract; or (ii) the rejection of all Proposals received by the Corporation.

Notwithstanding anything in this Section 2.3 to the contrary, Vendors are hereby notified that the Corporation’s Conflict of Interest/Ethics Policy prohibits (i) former Corporation employees, officers or Directors representing any Successful Vendor before the Corporation, and (ii) former Corporation officers and Directors, whether directly or through an entity owned thereby, soliciting or accepting employment or entering into a contact for compensation of any kind with a Successful Vendor, each for a period of one (1) year after such person ceases to be a Corporation employee, officer or Director, as the case may be.

### **2.4 INQUIRIES**

All inquiries or concerns regarding this RFP must be submitted in the form of questions or requests for clarification (collectively, the “**Questions**”). Such Questions must be in writing and received by the Contact Person identified in Section 2.1 of this RFP on or before 2:00 p.m. CST on July 8, 2019 (the “**Question Deadline**”). Waiting until the submission of a Proposal or after

the Question Deadline to raise any Questions may result in rejection of a Vendor's Proposal without recourse. The Corporation will not accept, review or respond to any Questions received improperly or after the Question Deadline. The Corporation is under no obligation to respond to any Questions submitted; however, responses to Questions properly received prior to the Question Deadline to which the Corporation chooses to respond (the "Answers") will be posted on the Website on or before 5:00 p.m. CST on July 16, 2019 (the "Answer Deadline").

## **2.5 PROPOSAL SUBMISSION**

Proposals must be received by the Contact Person identified above in Section 2.1 of this RFP no later than the Proposal Deadline of 2:00 p.m. CST on August 2, 2019 in sealed containers marked "Proposal Package." No extensions or exceptions will be made. A Vendor will submit a signed original and seven (7) reproduced complete copies of its Proposal. The original Proposal must be signed in blue or black ink by the Vendor's authorized agent. All copies of the cost/price portion of the Proposal required by Part VI must be submitted in sealed and labeled envelopes separate from the information required by all other parties of this RFP. The container shall also be clearly labeled with the name of the Vendor and the RFP to which the Proposal relates, and directed to the attention of the Contact Person. Proposals shall be mailed or hand-delivered to the Contact Person as stipulated in Section 2.1. No Proposals delivered by email or facsimile will be accepted. Proposals which fail to comply with the provisions of this RFP may, in the sole discretion of the Corporation, not be considered. Late Proposals will not be accepted, and shall be rejected and returned to the Vendor unopened. The Corporation reserves the right to refuse to accept any late Proposal even if the delay is occasioned by inclement weather or other events of force majeure, and thus Vendors should plan accordingly.

## **2.6 PROPOSAL FORMAT**

Each Vendor shall take steps to completely and totally familiarize itself with the requirements of this RFP and Procurement. Vendors must prepare and submit Proposals following the format of this RFP. Vendors must provide responses for all numbered items in Parts IV, V and VI which request or call for a response or information, and responses and signatures are required for any Attachments referenced within, or attached to, this RFP that are due with the Proposal.

A Proposal shall be prepared simply and economically to provide a straightforward and concise but complete delineation of the capabilities of a Vendor to satisfy the requirements set forth in this RFP, in accordance with the format prescribed in this RFP. Proposals that do not comply with this format may, in the sole discretion of the Corporation, be considered non-responsive and be rejected and not considered. Proposals shall be complete and must convey all of the information requested by the Corporation. The words "shall," "must," "will" and words of similar import denote material and essential requirements of this RFP. Failure to comply with any material and essential requirement may result in a rejection of a Proposal in the sole discretion of the Corporation.

## **2.7 MULTIPLE VENDORS AND JOINT PROPOSALS**

If the response submitted is a joint Proposal that includes multiple Vendors, it must define completely the roles, responsibilities, duties and obligations that each entity that is a part of a

joint venture, strategic partnership or prime contractor team proposes to undertake, as well as the proposed responsibilities of each subcontractor of each entity. The Proposal must be signed by an authorized officer or agent of each entity. Also, the Proposal must designate a single authorized official from one of the entities to serve as the sole contact between the Corporation and the joint venture, strategic partnership or prime contractor team. Any Contract resulting from a joint Proposal must be signed by an authorized officer or agent of each entity. Any entity which is part of a joint venture, strategic partnership or prime contractor team included in the submission of a joint Proposal will be jointly and severally liable during the term of the Contract.

The Successful Vendor that submits a Proposal whereby any subcontractor will provide some portion of the specifications of this RFP shall retain ultimate responsibility for all design, implementation, operation, performance, maintenance and services provided by any subcontractor, and any claims or liabilities arising from or related to the subcontractor's performance. Furthermore, each subcontractor of a Successful Vendor must comply with all of the requirements contained in this RFP. A Vendor that submits a Proposal whereby any subcontractor will provide some portion of the specifications of this RFP must also provide the information described in Part IV – "Required Information" for each such subcontractor.

## **2.8 CHANGES, MODIFICATIONS AND CANCELLATION**

The Corporation reserves the right, in its sole discretion, at any time prior to the Proposal Deadline of 2:00 p.m. CST on August 2, 2019, to make changes to this RFP by issuance of written addendum(s) or amendment(s) or to cancel all or part of this RFP and Procurement. Any addendum(s), amendment(s) or cancellation(s) will be posted on the Website.

## **2.9 MODIFICATION OR WITHDRAWAL OF PROPOSAL**

A submitted Proposal may be modified or withdrawn by written notice received by the Contact Person identified in Section 2.1 of this RFP at any time *prior* to the Proposal Deadline. After the Proposal Deadline, no Proposal may be modified or withdrawn.

A Vendor is under a continuing obligation to notify the Corporation following the submission of a Proposal of any changes to the Proposal information, data or facts submitted in response to Part IV, Part V and Part VI and the Attachments to this RFP which could reasonably be expected to affect the Corporation's consideration of the Proposal. The Corporation reserves the right to request additional information or clarification on the contents of a Proposal in its sole discretion. However, unless requested by the Corporation, no Vendor is authorized or permitted to submit any additional information or further clarifications after the Proposal Deadline.

## **2.10 ADDITIONAL INFORMATION**

The Corporation reserves the right, and a Vendor by submitting a Proposal grants to the Corporation the right, to obtain any information the Corporation desires from any lawful source regarding the Vendor, its officers, directors, employees, owners, team members, partners, joint venturers and/or subcontractors, and its or their past business history, practices, contracts, abilities, performance, reputation or track record. All such information may be taken into consideration in evaluating the Proposals and no Vendor may complain or object to the obtaining or consideration of any such information. If a Vendor is concerned about any such negative

publicly available information being considered by Corporation, it may provide any factual and lawful explanation of such information along with its Proposal. Failure to provide such explanations with its Proposal, which the Corporation can consider or not consider in its sole discretion, estops a Vendor from complaining about the consideration of any such information obtained by the Corporation.

## **2.11 PROPOSAL EVALUATION**

### **2.11.1 INTRODUCTION**

The deadlines stated in this RFP are critical. Time is of the essence. It is not the intent of the Corporation to disqualify any Proposal based on minor technicalities. However, the Corporation reserves the right to determine if a particular deficiency or inadequacy is significant enough to disqualify the Proposal and Vendor. It is the intent of the evaluation procedure established by the Corporation to determine whether each Proposal meets the needs of the Corporation, as outlined in this RFP, and then to determine which Proposal best suits those needs. A variety of factors shall be considered by the Corporation in determining the Successful Vendor it believes provides the best overall solution at a fair and reasonable price and consistent with the goals and objectives of the Corporation. No one factor can or will be so paramount that the most favorable bidder in that category automatically is the Successful Vendor. While price and total cost are both important factors, as is a price/value analysis, the total System solution and maximizing net revenues for the Lottery Proceeds Fund in the most professional and responsible manner with integrity is most critical. Thus, while Vendors are strongly encouraged to offer the lowest price and total cost and highest value possible, the Vendor offering the lowest price and total cost may not be selected as the Successful Vendor.

### **2.11.2 EVALUATION COMMITTEE**

The Corporation will conduct a fair, comprehensive and impartial evaluation of all Proposals deemed responsive and received in accordance with this RFP and Procurement using an Evaluation Committee selected by the Board. Legal counsel and consultants may provide such assistance to the Corporation and the Evaluation Committee as is deemed necessary or helpful. Any attempt to intimidate or influence the Evaluation Committee (or their advisors) will be met with the most severe remedies and will include disqualification, in the sole discretion of the Corporation. Any contacts by Vendors with Evaluation Committee members must be professional, ethical and limited to the specific business purpose for which such contact was initiated by the Evaluation Committee member.

### **2.11.3 EVALUATION PROCEDURE**

The Evaluation Committee will review all responsive Proposals timely and properly submitted in accordance with this RFP. The Evaluation Committee may, in its sole discretion, request clarifications or answers to any questions it may have of a Vendor as a result of any information or representations contained in its Proposal or otherwise identified, and may ask a Vendor to address technical questions or seek additional

information regarding any Proposal before completing the initial evaluation. The Evaluation Committee may conduct site visits and/or require Vendors to make oral presentations to it as part of its evaluation process. Requests for clarification from Vendors, and any information received in response thereto, will be in, and will become part of, the evaluation record and the Contract if that Vendor is selected as the Successful Vendor. The Corporation may designate the Successful Vendor as a Vendor who submits a responsive Proposal as a result of this RFP and, in the opinion of the Corporation, in its sole discretion (all of the following being collectively defined as the “**Optimal Selection Objectives**”):

- (1) is the responsible lottery Vendor who submits the best proposal that maximizes the benefits to the State of Mississippi;
- (2) is able, and is otherwise qualified in all material respects, to perform fully the Contract requirements without delay;
- (3) has the integrity, professionalism, reliability and System to assure good faith and complete performance of the Contract;
- (4) successfully passes, to the satisfaction of the Corporation, the background, business practices, ethical, reputation, criminal record, civil litigation, competence, integrity and regulatory compliance checks and investigations conducted by the Evaluation Committee, the Board, the President or as required by the Act or other Applicable Laws;
- (5) whose Proposal as determined by the Corporation, in its sole discretion:
  - (a) conforms in all material respects to this RFP, the Procurement, the Act and other Applicable Laws;
  - (b) represents the best value to the Corporation; and
  - (c) offers what the Corporation in its sole discretion believes can provide:
    - (i) the greatest long-term benefit to the Lottery Proceeds Fund and the State of Mississippi;
    - (ii) the greatest integrity for the Corporation; and
    - (iii) the preferred System, services and products for the Corporation and public taking into consideration the evaluation factors as deemed appropriate by the Evaluation Committee and the Corporation.

When the evaluation is completed, the Evaluation Committee will prepare a written recommendation to the President, who may meet with the Evaluation Committee to ask questions regarding the recommendation or require further work in connection therewith.

The President may approve, disapprove, amend, modify, accept or reject the terms of the recommendation by the Evaluation Committee or require further work to be done. The President shall then ultimately submit his final written recommendation to the Board for the Board's consideration. The Board may approve, disapprove, amend, modify, accept or reject the terms of the recommendation by the President or require further work to be done. Additionally, before the Contract may be awarded to and signed by a Vendor, the President must obtain the Board's approval of such Contract award.

The Corporation shall promptly notify the Successful Vendor in writing of the Contract award and the Successful Vendor must commence work immediately following notification of the award, regardless of whether or not a Contract has been signed.

#### **2.11.4 EVALUATION CATEGORIES**

In evaluating the Proposals, the Evaluation Committee will be guided by various factors pertinent to the System and services sought as detailed in this RFP, and such factors shall include, but not necessarily be limited to, the following factors, which are not necessarily listed in the order of importance.

- Experience, including lottery start-up experience;
- Integrity;
- Background;
- Financial viability and ability to perform the Contract as required and proposed;
- Marketing plan;
- Operations plan, including printing, warehousing, distribution, ticket inventory control and management;
- Security plan and security track record;
- Proposed technical solution; and
- Cost/price and value to the Corporation.

This RFP is intended to foster creative approaches to the implementation of the Mississippi Lottery in all respects. The RFP process will afford a Vendor the latitude to propose its best possible solution for the Corporation and will offer the Corporation a wide range of alternatives and allow it to consider all possible alternatives in determining the best solution for implementing the Mississippi Lottery.

The Corporation shall select a Vendor that it believes can best satisfy and achieve the Optimal Selection Objectives outlined in Section 2.11.3. Notwithstanding anything herein to the contrary, the Successful Vendor must, in the opinion of the Corporation, also successfully pass, to the satisfaction of the Corporation, the background, business

practices, ethical, reputation, criminal record, civil litigation, competence, integrity, and regulatory compliance checks and investigations conducted by the Evaluation Committee, the Board, the President or as required by the Act or other Applicable Laws.

## **2.12 DISPUTE PROCEDURE**

All claims and disputes, including but not limited to protests related to this RFP, the Procurement and the award of the Contract to the Successful Vendor shall be handled solely and exclusively under and in accordance with Section 17 of the Act and the Corporation's Dispute Resolution Procedures (the "**Dispute Procedures**"), as adopted and/or amended from time to time by the Corporation in accordance with the authority granted to it in the Act. The Dispute Procedures are automatically considered to be a part of the Regulations, Policies and Procedures of the Corporation. All Vendors should read and be familiar with the Dispute Procedures which are available through a link on the Website. The Dispute Procedures include provisions governing the deadline for the filing of a Dispute Resolution Request. Any Vendor that submits a Proposal hereby expressly acknowledges and agrees that: (a) the Dispute Procedures represent the exclusive procedure and the exclusive forum for binding resolution of all claims, disputes, complaints and Dispute Resolution Requests of any kind relating in any way to any RFP, Procurement, Contract, bid, offer, quote, proposal or agreement entered into by the Corporation; (b) it is estopped from objecting to any court, agency or other entity as to the Dispute Procedures being such sole and exclusive forum for binding resolution; and (c) it agrees to be completely, solely and irrevocably bound by such Dispute Procedures. In addition, each Vendor submitting a Proposal irrevocably waives any claim they might have had to protest or object to this RFP or its contents.

## **2.13 SUMMARY OF KEY DATES**

The Corporation reserves the right to change any dates and schedule contained in this RFP, including those shown below. If changes are made, the changes will be communicated in accordance with Section 2.8.

<b>June 27, 2019</b>	RFP Issuance Date
<b>July 8, 2019</b>	Intent To Bid Letter due to Corporation by 2:00 p.m. CST
<b>July 8, 2019</b>	Questions Deadline 2:00 p.m. CST
<b>July 16, 2019</b>	Answers to Written Questions Posted on Website by 5:00 p.m. CST
<b>August 2, 2019</b>	Deadline for Submission of Proposals 2:00 p.m. CST

**IF DELIVERED SOLELY BY US POSTAL SERVICE**

Mississippi Lottery Corporation Instant Ticket Bid  
Dr. Michael J. McGrevey, Chairman  
c/o Rebecca Sanford  
Balch & Bingham LLP  
P.O. Box 22587  
Jackson, MS 39225

**IF DELIVERED BY ANY OTHER MEANS (INCLUDING HAND DELIVERY)**

Mississippi Lottery Corporation Instant Ticket Bid  
Dr. Michael J. McGrevey, Chairman  
c/o Rebecca Sanford  
Balch & Bingham LLP  
188 E. Capitol Street, Suite 1400  
Jackson, MS 39201

- |                        |   |
|------------------------|---|
| <b>August 2, 2019</b>  | Commence Evaluation of Proposals  |
| <b>August 16, 2019</b> | Proposals Evaluated and Oral Presentations Held (if Requested by Corporation) |
| <b>August 23, 2019</b> | Target Date for Corporation Decision of Successful Vendor                     |
| <b>August 30, 2019</b> | Target Date for Contract Execution with Successful Vendor                     |

**2.14 INTENT TO BID LETTER**

All Vendors interested in submitting a Proposal are requested to deliver to the Contact Person an Intent To Bid Letter by the Questions Deadline of 2:00 p.m. CST on July 8, 2019 stating their intent to provide a Proposal in accordance with this RFP. Vendors not submitting an Intent To Bid Letter may still submit a Proposal in accordance with this RFP.

**2.15 PROPOSAL CONSTITUTES OFFER**

By submitting a Proposal, a Vendor agrees to be governed by the terms and conditions set forth in this RFP, and any amendments thereto, and further agrees that the Contract will incorporate the terms and conditions of this RFP and any amendments hereto and the Questions and Answers, the Vendor's Proposal and any terms and conditions subsequently negotiated with such Vendor. A Vendor submitting a Proposal must complete and submit, as part of its Proposal, the Vendor Certification Form included as *Attachment A*, and made a part hereof. All Proposals shall remain valid for one hundred and eighty (180) calendar days from the Proposal Deadline (the "**Proposal Offer Period**"). A Proposal constitutes an offer by the Vendor to contract with the Corporation in accordance with the terms of the Proposal, which offer is irrevocable for the duration of the Proposal Offer Period, and may not be withdrawn or amended during the Proposal Offer Period without the written consent of the Corporation.

## 2.16 NEGOTIATION AND EXECUTION OF CONTRACT

A Successful Vendor under this RFP shall negotiate and execute a Contract containing such terms and conditions as shall be satisfactory to, and required by, the Corporation in the sole discretion of the Corporation and its legal counsel. Initially, the Corporation may, in its sole discretion, negotiate only with the Vendor whose Proposal is the highest rated Proposal (the “**Apparent Successful Bidder**”), or it may, in its sole discretion, negotiate with several Vendors simultaneously or in seriatim. The occurrence of negotiations with any Vendor(s) conveys no right or status on such Vendor(s). In the event that negotiations with the Apparent Successful Bidder fail to result in a Contract, or if for any other reason a Contract with the Apparent Successful Bidder is not executed within fifteen (15) days of the Corporation’s selection of a Successful Vendor, the Corporation is not obligated to negotiate a Contract with the Apparent Successful Bidder and it may instead conduct negotiations with other Vendors until a Contract is successfully executed. By submitting a Proposal, each Vendor acknowledges and agrees that the Corporation may negotiate with one or more Vendors, under such circumstances, at such times and in such a manner as it determines to be in the best interests of the Corporation, and no Vendor may object to the fact that the Corporation has not negotiated with it but may have negotiated with one or more other Vendors.

## PART III - CONTRACTUAL TERMS AND CONDITIONS

### 3.1 GOVERNING LAW

The procurement process, the award procedure, and any Contract resulting from this RFP shall be governed by and construed in accordance with the laws of the State of Mississippi, including the Act. Any and all claims or disputes arising under or in connection with this RFP or the Contract shall be exclusively governed by the Dispute Procedures, as they may be adopted or amended from time to time by the Corporation.

### 3.2 CONTRACT ELEMENTS

The Contract will follow the general format specified by the Corporation in this RFP. The terms of this RFP, as may be amended by the Corporation from time to time, and the Proposal of the Successful Vendor will be incorporated into and form a part of the Contract, as will the Questions and Answers. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: the Contract, this RFP and any amendments thereto as well as Answers to the Questions, Proposal of the Successful Vendor, all of which must comply with the Act.

The currently proposed draft Contract is attached to this RFP as *Exhibit A* (the “**Proposed Contract**”). This Proposed Contract shall be the Contract executed by the Successful Vendor, subject only to: (a) any changes thereto made by the Corporation (which if made prior to the Proposal Deadline will be noticed in accordance with Section 2.8, and which in any event shall automatically become incorporated as a part of the Proposed Contract); and (b) any other changes proposed by the Successful Vendor and agreed to by the Corporation, in the Corporation’s sole discretion. If a Vendor has any changes it desires to make to the Proposed Contract, it must provide the exact wording of such changes and a redlined revised version of the

Proposed Contract for the Corporation's consideration as a part of the Vendor's Proposal. Failure to provide any such suggested specific changes and redlined revised Proposed Contract along with its Proposal shall estop the Vendor from further negotiating the Contract if it is selected as the Successful Vendor, and in such case the Proposed Contract as prepared by the Corporation shall be the Contract that the Successful Vendor is required to execute. Merely because a Vendor has offered suggested changes to the Proposed Contract along with its Proposal does not bind the Corporation nor does it require the Corporation to accept any such suggestions or changes in whole or in part. The Corporation reserves the right to insist that all or any portion of the Proposed Contract be executed as presented by the Corporation.

### **3.3 AMENDMENTS**

The Contract may be amended only by the signed written agreement of each party thereto.

### **3.4 SUCCESSORS AND ASSIGNS**

Subject to the limitations on assignment contained herein, the Contract shall be binding on and inure to the benefit of the Successful Vendor, its subcontractors, successors and permitted assigns.

### **3.5 SUBCONTRACTING; ASSIGNMENT**

The Successful Vendor is prohibited from subletting, conveying, assigning or otherwise disposing of the Contract, its rights, duties, obligations, title, or interest therein, or its power to execute the Contract to any person or entity without the prior written approval of the Corporation in its sole discretion. If any portion of the Contract is to be subcontracted to a third party, the Corporation must approve same in advance and in writing and such third party must comply with the requirements of the Act, the Corporation, the Contract, this RFP and any amendments thereto and any other Applicable Law.

### **3.6 BACKGROUND INVESTIGATIONS**

The Corporation shall conduct background and other investigations, as required by the Act and Applicable Law, as it deems appropriate and as may be outlined in Section 4.5 of this RFP, of the Successful Vendor and its officers, directors, principals, shareholders, investors, owners, subcontractors, employees or other associates, parent companies, subsidiaries and affiliates.

### **3.7 COMPLIANCE**

The Successful Vendor shall comply with all applicable rules, procedures and regulations as adopted and/or amended from time to time by the Corporation under the Act, including but not limited to the Regulations, Policies and Procedures, and all other applicable federal, state and local laws, rules and regulations.

### **3.8 TERM OF CONTRACT**

The Contract shall commence as of its effective date and shall continue, unless sooner terminated, for a term of seven (7) years from the Startup Deadline of December 1, 2019 or such

earlier start date as proposed by the Successful Vendor and agreed by the Corporation in the Contract, subject to the Corporation's sole option to exercise three (3) one (1) year extensions of the term of the Contract, which exercise by the Corporation may occur annually, in multiples of two (2) or three (3) years, or not at all.

### **3.9 OWNERSHIP OF MATERIALS AND RIGHTS OF USE**

Neither the Successful Vendor nor any of its approved subcontractors or joint venturers shall have any proprietary rights or interests in the software, hardware, patents, copyrights, equipment, firmware, mask works, trademarks (and the goodwill associated therewith) and service marks (and the goodwill associated therewith), products, materials, intellectual properties developed, data, documentation, approaches, systems, programs, methodologies, or concepts developed, produced or provided in connection with the services provided exclusively for the Corporation under the Contract (collectively, the "**Corporation Intellectual Properties**"). All such Corporation Intellectual Properties, including all intellectual property rights therein, shall belong exclusively to the Corporation, and shall, to the greatest extent possible be deemed to be "works made for hire" for the Corporation.

The Corporation grants to the Successful Vendor during the period from the effective date of the Contract until the Contract expires or is otherwise terminated a non-exclusive license to use, sublicense, modify and create derivative works of the Corporation Intellectual Properties which are owned by the Corporation and created solely by the Successful Vendor, or its approved subcontractors or joint venturers, provided such use by the Vendor is only for the benefit of the Corporation and solely for the purpose of performing the Contract.

The Successful Vendor grants to the Corporation a perpetual, royalty free license to use, sublicense the use of, modify and create derivative works of any and all proprietary materials owned by it including, but not limited to, software, hardware, patents, copyrights, equipment, firmware, mask works, trademarks (and the goodwill associated therewith) and service marks (and the goodwill associated therewith) and used in connection with the System or performance of the Contract (collectively, the "**Vendor Licensed Intellectual Properties**"), and the Successful Vendor irrevocably grants to the Corporation necessary rights and authority to modify such Vendor Licensed Intellectual Properties and to create derivative works in any manner the Corporation deems necessary. It is the intent of the Corporation that it has control over all such Vendor Licensed Intellectual Properties in a manner consistent with ownership thereof. The intent of the Corporation is that the Corporation is able to continue to use any or all of the Vendor Licensed Intellectual Properties that it chooses in the conduct of its the lottery games and other activities, if in the discretion of the Corporation it is in the best interests of the lottery and the Corporation to do so, after the expiration or termination of the Contract. A necessary component of such operations is for the Corporation to have access to the source code, operational diagrams and other proprietary materials so that the Corporation, or contractors engaged by Corporation, if the Successful Vendor is unable or unwilling to supply upgrades, modifications or other necessary support, can perform such functions so as not to jeopardize the operation of the Lottery. The Successful Vendor shall deposit the source code to all software in the Corporation Intellectual Properties, Vendor Licensed Intellectual Properties and other proprietary materials with an independent third party, acceptable to the Corporation and under

terms acceptable to Corporation, to be accessed by the Corporation in the event of breach, expiration or termination of the Contract.

### **3.10 PATENTS, COPYRIGHTS, TRADEMARKS, TRADE SECRETS AND OTHER INTELLECTUAL PROPERTY**

The Successful Vendor represents and warrants that its performance under the Contract, its System and its Vendor Licensed Intellectual Properties does not and will not infringe any patent, copyright, trademark, service mark or other intellectual property rights of any other person or entity, and that it and they will not constitute the unauthorized use or disclosure of any trade secret of any other person or entity.

### **3.11 TRADEMARK AND SERVICE MARK SEARCH AND REGISTRATION**

The Successful Vendor, at its sole expense, will conduct trademark and service mark searches for all game names used during the term of the Contract. Copies of all such search reports will be delivered to the Corporation and its legal counsel. New trademarks and service marks developed for the Corporation will be registered by legal counsel chosen by the Corporation solely in the name of the Corporation for its sole use.

### **3.12 INTELLECTUAL PROPERTY INDEMNIFICATION**

The Successful Vendor shall indemnify and hold harmless the Corporation, its officers, Directors, agents, Retailers and employees and the State of Mississippi from and against any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses of any nature or kind, including, without limitation, court costs, attorneys' fees and other damages, arising out of, in connection with or resulting from the development, possession, license, modification, disclosure or use of any Vendor Licensed Intellectual Properties, copyrighted or non-copyrighted materials, trademark, service mark, patent, trade secret, confidential information, secure process, invention, process or idea (whether patented or not), article or appliance furnished or used in the performance of the Contract.

### **3.13 WARRANTIES**

The Successful Vendor warrants that it currently is, and will at all times during the term of the Contract remain, lawfully organized and constituted under all federal, state and local laws, ordinances and other authorities of its domicile and that it currently is, and will at all times remain in full compliance with all legal requirements, laws, statutes, rules, regulations and orders of any court, agency or entity that has jurisdiction over it, including, without limitation, the Act and all applicable laws of its domicile, the State of Mississippi and the United States of America (all of the forgoing being collectively defined as, the "**Applicable Laws**").

The Successful Vendor warrants that (i) it has never been found guilty of a felony related to the security or integrity of the lottery in this or any other jurisdiction and has never been found to be in possession of any illegal lottery device; (ii) it has obtained a signed tax clearance from the Mississippi Commissioner of Revenue indicating that it is current in filing all applicable tax returns and in payment of all taxes, interest and penalties owed to the State of Mississippi, excluding items under formal appeal pursuant to applicable statutes; (iii) it currently is, and shall

at all times during the term of the Contract remain, qualified to do business in the State of Mississippi; and (iv) at all times during the term of the Contract, it shall file appropriate tax returns as provided by the laws of the State of Mississippi.

The Successful Vendor represents, warrants and agrees that all Systems, analyses, items designed and other items procured pursuant to this RFP, its Proposal and the Contract have been and shall be prepared or done in a workman-like manner consistent with the highest standards of the industry in which the services are normally performed. The Successful Vendor further represents and warrants that all computer programs implemented for performance under the Contract, if any, shall meet the performance standards required thereunder and shall correctly and accurately perform their intended functions on the equipment supplied by the Corporation or the Successful Vendor.

The Successful Vendor represents, warrants and agrees that it will keep all equipment provided to the Corporation, or used by it for the benefit of the Corporation, in good condition and repair, and it shall make all reasonable efforts to prevent anything that may materially impair the operations thereof. The Successful Vendor shall not permit any such equipment to be used in violation of any provision of the Contract, this RFP or any Applicable Laws, and shall not encumber such equipment or otherwise dedicate the use of such equipment in such a way as to compromise the ability of the Successful Vendor to perform the services provided in the Contract.

The Successful Vendor must warrant that the actual prize pool for each game will be within the limits set out in the “**Working Papers**” mutually agreed upon by the Successful Vendor and the Corporation as further described herein. The Successful Vendor must warrant that all tickets will have a unique validation number within each game.

### **3.14 TERMINATION FOR BREACH**

The Corporation may terminate the Contract: (a) if certain material breaches are not cured within seventy-two (72) hours; and (b) if any other breaches are not cured within thirty (30) days of notice (all as more particularly described in the draft Contract attached hereto as *Exhibit A*).

### **3.15 BOOKS AND RECORDS**

The Successful Vendor shall maintain its books, records and other evidence pertaining to the Contract in accordance with the Act, good business practices, United States generally accepted accounting principles (or other applicable accounting principles or policies) and Applicable Laws records retention requirements.

### **3.16 AUDIT REQUIREMENTS**

The Successful Vendor shall maintain all documentation and records as required by the Act and other applicable Mississippi laws. The books, documents, papers, accounting records and other evidence pertaining to System, products and/or services to be provided or performed or money received under the Contract shall be maintained in accordance with all requirements of the Act and all other Applicable Laws and for a period of not less than five (5) full years from the date of the final payment and shall be subject to audit or inspection at any reasonable time and upon

reasonable notice by the Corporation, or its duly appointed representatives, including, without limitation, the Corporation's auditors, the Office of the Mississippi State Treasurer, the Mississippi State Auditor or any other appropriate representative of Mississippi state government. The Successful Vendor shall make such materials available at its offices, and copies thereof shall be furnished to the Corporation or its duly appointed representative by the Successful Vendor, at no cost to the Corporation or its duly appointed representative, if requested by the Corporation or its duly appointed representative. Such records shall be maintained in accordance with the Act and any applicable provisions of United States generally accepted accounting principles (or other applicable accounting principles or policies) and any other applicable procedures established by the Corporation from time to time. A copy of the annual financial statements of the Successful Vendor, with an independent audit opinion expressed without reservation or qualification, shall be provided to the Corporation within six (6) months of the fiscal year end. The Corporation and its auditor, the Mississippi State Auditor, the Office of the Mississippi State Treasurer and any other appropriate representative of the State of Mississippi shall have the right to audit the records and operations of the Successful Vendor as relates to the Corporation and the System.

### **3.17 INDEMNIFICATION**

The Successful Vendor shall indemnify and hold harmless the Corporation, its officers, Directors, agents, employees and Retailers, and the State of Mississippi from and against any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses, including court costs and attorney's fees, which may be incurred, suffered, or required, in whole or in part, by an actual or alleged act or omission of the Successful Vendor, or a subcontractor or joint venturer of the Successful Vendor, or any person directly or indirectly employed by the Successful Vendor or a subcontractor of the Successful Vendor whether the claim, liability, loss, damage, cost or expense is based on negligence, strict liability or any other action or omission.

### **3.18 BONDS AND INSURANCE**

All required bonds and insurance as provided under the Act or other Applicable Laws must be issued by companies or financial institutions which are financially rated "A" or better (or equivalent ratings) by a nationally recognized rating agency and are duly licensed, admitted and authorized to transact business in the State of Mississippi.

### **3.19 PERFORMANCE BOND**

Contemporaneously with the delivery of a Proposal, the Vendor must post a bond or letter of credit from a bank or credit provider acceptable to the Corporation in the amount of Five Hundred Thousand Dollars (\$500,000.00) to secure, in part, the Vendor's obligation to pay the cost of the Corporation's investigation of the Vendor under Section 35 of the Act and criminal record check of the Vendor conducted under Section 36 of the Act. In addition, contemporaneously with the execution of the Contract, the Successful Vendor shall provide a performance bond, letter of credit from a bank, or deposit securities, pursuant to Section 35 of the Act and acceptable to the Corporation, in the amount of not less than Ten Million Dollars (\$10,000,000.00). The amount of the above-noted performance bond, letter of credit or

securities may be reduced after the third year of the Contract term, in the sole discretion of the Corporation.

### **3.20 INSURANCE**

The Successful Vendor shall be required to maintain at least the following types and amounts of insurance during the term of the Contract from reputable and solvent carriers reasonably acceptable to the Corporation, and designating the Corporation as an additional insured on each policy:

- General liability insurance in the amount of at least \$5,000,000.00;
- Property insurance in the amount of replacement cost;
- Errors and omissions insurance in the amount of at least \$5,000,000.00;
- Automobile liability insurance in the amount of at least \$5,000,000.00;
- Crime insurance in the amount of at least \$5,000,000.00;
- Cyber and Privacy insurance in the amount of at least \$5,000,000.00;
- Social Engineering Fraud insurance in the amount of at least \$5,000,000.00;
- Workman's Compensation Insurance at or above the levels required by the State of Mississippi;
- Self-insurance with respect to equipment associated with this Proposal; and
- Such other types and amounts of insurance as the Corporation shall from time to time reasonably require.

The Successful Vendor shall provide the Corporation with certificates of insurance within ten (10) days after the Contract date and evidence of any renewed bonds or insurance policies within five (5) days prior to the expiration of then existing bonds or insurance policies during the term of the Contract.

### **3.21 LIQUIDATED DAMAGES**

A Vendor must complete and submit as part of its Proposal, and the Contract will contain provisions and maximum amounts for each of the following types of liquidated damages :

- Delay in the start of the lottery;
- Delay in the start of a new game;
- Shortage of tickets;
- Failure to distribute tickets within two (2) business days of ordering;
- Security violations;
- Untimely reports;

- Untimely Working Papers;
- Unauthorized modifications to Working Papers;
- Claimed prize tickets not approved by the Corporation;
- Defective or nonconforming tickets; and
- Incomplete or incorrect game validation files.

The Successful Vendor will remit damages directly to the Corporation, or at the option of the Corporation, the Corporation may withhold amounts otherwise due to the Successful Vendor.

### **3.22 FORCE MAJEURE/DELAY OF PERFORMANCE**

In the event that either party to the Contract is unable to perform any of its obligations under the Contract, or to enjoy any of its benefits because of natural disaster, actions or decrees of governmental bodies, or other events of force majeure not the fault of the affected party, the affected party shall immediately give notice to the other party and shall use its best efforts to resume performance. Upon receipt of such notice, each party's obligations under the Contract shall be immediately suspended. Any such causes of delay or failure shall, in the exercise of reasonable diligence, extend the period of performance, for a reasonable period, until after such causes of delay or failure have been removed. However, if delays resulting from any foregoing causes extends for more than thirty (30) days and the parties have not agreed upon a revised basis for continuing the work at the end of the delay, including adjustment for price, then either party, upon written notice may terminate the Contract and in due course collect monies properly due up to and including the date of such termination.

### **3.23 TAXES, FEES AND ASSESSMENTS**

The Corporation shall have no responsibility whatsoever for the payment of any federal, state or local taxes which become payable by the Successful Vendor or its subcontractors, joint venturers, agents, officers or employees. The Successful Vendor shall pay and discharge all such taxes when due.

### **3.24 NEWS RELEASE**

The Successful Vendor shall not issue any news releases or participate in any media interview pertaining to this RFP, Procurement or the Contract without the express prior written consent of the Corporation in each instance, and then only in cooperation with the Corporation.

### **3.25 ADVERTISING**

The Successful Vendor agrees not to use the Corporation's names, trademarks, service marks, logos, images, or any data arising or resulting from this RFP or the Contract as a part of any commercial advertising or proposal without the express prior written consent of the Corporation in each instance.

### **3.26 CODE OF CONDUCT FOR SUCCESSFUL VENDOR**

The Corporation is an extremely sensitive enterprise because of the nature of the lottery industry and its status as a corporation of the State of Mississippi, created by the Act. Therefore, it is

essential that its operation, and the operation of other enterprises which would be linked to it in the public mind, avoid not only actual impropriety but also the appearance of impropriety. Accordingly, the Successful Vendor is expected to establish and enforce a code of conduct for all employees, independent vendors and subcontractors that will help achieve these objectives as well as follow the rules and procedures established, and from time to time amended, by the Corporation.

### **3.27 CONSULTANTS AND LOBBYISTS**

The Successful Vendor and its approved subcontractors shall disclose all written and oral agreements with all lobbyists and consultants doing work on its behalf in the State of Mississippi and before the federal government. The Successful Vendor and its approved subcontractors shall also comply with all state and federal lobbying Applicable Laws.

Any Contract with the Successful Vendor who has not complied with these disclosure requirements is voidable at the sole option and discretion of the Corporation. Failure to provide the Corporation with timely disclosure updates during the term of the Contract may result in the termination of the Contract by the Corporation.

### **3.28 CONTRACT CONVERSION**

It is contemplated that the Corporation, prior to the expiration of the term of the Contract resulting from this RFP, will award a new contract for replacement of the instant lottery games and the System. The parties understand and agree that the Corporation may utilize the last specified number of days of the Contract term, as agreed upon by the parties to the Contract, for conversion or transfer of equipment, supplies, materials, ticket inventory and functions. The Successful Vendor will cooperate fully with this process.

The continuation of games without any service interruption is of the highest priority to the Corporation. Accordingly, the Successful Vendor agrees to cooperate with any subsequent new Vendor to ensure the continuation, or the seamless transition, of the instant games and System, without any service interruption.

### **3.29 USUFRUCT**

If, for any reason other than breach of Contract by the Corporation, the Successful Vendor should become unable to service the Contract resulting from this RFP, the Corporation shall acquire a usufruct (or the equivalent thereof) in all contractual items owned or licensed by the Successful Vendor in conjunction with the Contract which are necessary to provide such services.

## **PART IV - REQUIRED INFORMATION**

### **4.1 MANDATORY COMPONENTS**

The integrity of the Mississippi Lottery is essential. The Corporation must maintain control over all functions and be assured that they are performed to provide the greatest long-term benefit to

the State of Mississippi, the greatest integrity for the Corporation and the best service and products for the public, all in a manner consistent with the dignity of the State of Mississippi. This RFP sets forth the minimum requirements, specifications, functions, marketing services and equipment that the Corporation believes must be provided by a Vendor that is committed to the implementation of such a program.

#### **4.2 STATEMENT OF UNDERSTANDING**

Any deviation from any requirement set forth in this RFP may affect the evaluation of a Proposal and may cause its rejection as non-responsive to this RFP.

#### **4.3 VENDOR COMMITMENT**

A Vendor must sign and submit the Proposal Signature and Certification Form included as *Attachment B* and made a part hereof. The form must be signed by a person duly authorized to legally bind such Vendor.

#### **4.4 VENDOR CONTACT PERSON**

A Vendor shall provide the name, address, telephone number, e-mail address and facsimile number of the person to provide notification or contact concerning questions regarding its Proposal.

Until the Corporation is notified otherwise by the Successful Vendor, this contact person shall serve as such to all joint ventures, strategic partners and prime contractor team members throughout the term of the Contract, if awarded and executed.

#### **4.5 BACKGROUND INFORMATION**

The Corporation will investigate, at a minimum, the financial responsibility, security and integrity of any Vendor that submits a Proposal.

A Vendor must complete and submit as part of its Proposal the Contract compliance and Financial Disclosure Form, included as *Attachment C* and made a part hereof. Vendors must also fully comply and cooperate with all investigations conducted under Sections 35 and 36 and other applicable Sections of the Act or Applicable Laws.

A Vendor must complete and submit, as part of its Proposal, for itself and all of the individuals listed in this paragraph, the Authorization for Investigation and Release Form, included as *Attachment D* and made a part hereof, and Consent Form, included as *Attachment E* and made a part hereof, in both cases to allow the Corporation access to the criminal history of the Vendor and its employees assigned to this project. Such Authorization for Investigation Form and Consent Form shall authorize access to the criminal history and backgrounds of the following persons, as well as the Vendor, as applicable: (i) if the Vendor is a corporation, the officers, directors and each stockholder known to the corporation to own beneficially five percent (5%) or more of such corporation's securities, as well as the same information for every business entity that is a direct or indirect five percent (5%) or greater shareholder of such Vendor corporation; (ii) if the Vendor is a limited liability company, the equivalent disclosure of that required for

corporations; (iii) if the Vendor is a trust, the trustee and all persons entitled to receive income or benefits from the trust; (iv) if the Vendor is an association, the members, officers and directors; and (v) if the Vendor is a partnership or joint venture, all of the general partners, limited partners or joint ventures.

A Contract resulting from this RFP shall not be entered into with any Vendor who has not complied with the disclosure requirements of this RFP, the Act and Applicable Laws. Any Contract with a Successful Vendor who has supplied false disclosure information is voidable at the option of the Corporation. A Contract with the Successful Vendor who does not comply with the requirements for periodically updating such disclosures as specified by the Contract during the term or the Contract may be terminated by the Corporation.

#### **4.6 DISCLOSURE OF LITIGATION AND LEGAL MATTERS**

A Vendor must include in its Proposal a complete disclosure of any civil or criminal litigation or indictment involving such Vendor. A Vendor must also disclose any civil or criminal litigation or indictment involving any of its joint venturers, strategic partners, prime contractor team members and subcontractors. Specifically, the Vendor must disclose, on behalf of itself, its joint venturers, strategic partners, prime contractor team members and subcontractors, and each of the persons or entities described in Section 4.5, all of the items and information requested in Questions 10-12 of *Attachment C*. Failure to comply with these minimum required disclosures can result in the Vendor's Proposal being deemed to be non-conforming and the Vendor being disqualified. This disclosure requirement is a continuing obligation, and any civil or criminal litigation or indictment commenced after a Vendor has submitted a Proposal under this RFP must be disclosed to the Corporation in writing within five (5) days after it is filed.

#### **4.7 SUBCONTRACTORS**

For any subcontractor, such Vendor shall disclose all of the information required by Sections 4.5 and 4.6 for such subcontractor as if the subcontractor itself was the Vendor.

#### **4.8 FINANCIAL SOUNDNESS**

A Vendor must provide adequate information to permit an evaluation of its capabilities to undertake and complete satisfactorily any Contract awarded and executed pursuant to this RFP. A Vendor must provide evidence of financial responsibility and stability for performance of a Contract of this magnitude. A Vendor must demonstrate the ability to finance the project described by the Vendor's submission and must also disclose any outside financial resources that will be utilized.

In addition, a Vendor must submit a copy of its last three (3) years financial statements that have been audited by an independent public accounting firm. A Vendor's failure to submit the requested financial statements will result in a disqualification of its Proposal.

#### **4.9 IMPLEMENTATION PLAN SUMMARY**

A Vendor must provide a summary overview and an implementation plan for the entire project being proposed. The intent of this requirement is to provide the Corporation with a concise but

functional summary (the “**Executive Summary**”) discussion of each phase of the Vendor’s plan in the order of progression. While the Corporation expects a Vendor to provide full details in each of the Sections in other areas of the RFP relating to its plan, the Executive Summary will provide a “map” for the Corporation to use while reviewing the Proposal.

Each area summarized must be listed in chronological order, beginning with the date of Contract execution, to provide a clear indication of the flow and duration of the project. A Vendor may use graphics, charts, pre-printed marketing pieces or other enhancements as a part of this Section to support the chronology or add to the presentation. Any such materials must be included in the original and each copy of the Proposal.

#### **4.10 EXPERIENCE**

A Vendor, and its joint venturers, strategic partners and prime contractor team members must outline their experience in the marketing, creative design, computer programming for ticket generation, imaging, ticket production, distribution, warehousing and inventory control and security of instant lottery games, including instant ticket game start-up experience, as well as that of their subcontractors. A Vendor and its subcontractors must demonstrate overall experience in the functions described in this RFP. In addition, the joint venturers, strategic partners, prime contractor team members and subcontractors proposed to perform specific tasks, duties or functions must clearly document that they possess the qualifications and experience necessary to fulfill the relevant requirements of this RFP.

The Corporation reserves the right to verify all information provided via direct contact with a Vendor’s and its joint venturers’, strategic partners’, prime contractor team members’ and subcontractors’ prior project or client personnel, and a Vendor and its joint venturers, strategic partners, prime contractor team members and subcontractors agree to provide any release necessary for the Corporation to check on any previous projects. Misstatements of experience, scope of prior projects or results thereof may result in the disqualification of the Proposal.

#### **4.11 PROJECT STAFF**

A Vendor’s Proposal shall include an organization diagram and a staffing plan. Key staff must be identified, the nature and scope of each person’s responsibilities and duties must be outlined and detailed resumes must be provided. In addition to all other persons needed by the Successful Vendor to perform all services required under this Procurement, a Vendor must provide and identify three (3) additional experienced start-up professionals who will be made available to the Corporation for on-site general start-up assistance as determined by the Corporation from the date of Contract Award through the first two (2) months after start-up.

#### **4.12 COMPUTATION OF LIQUIDATED DAMAGES**

A Vendor must propose a program of liquidated damages to cover the damages listed in Section 3.21 and provide the rationale and the computation formula used to determine the level of damage penalties that are included in this response. All proposed liquidated damages amounts shall be subject to the satisfaction of the Corporation.

## **PART V - INSTANT TICKET LOTTERY GAME SERVICES**

### **5.1 TECHNICAL SPECIFICATIONS**

The objective of this RFP is to encourage Vendors to provide a solution for the challenges facing the Corporation associated with the start-up of instant ticket sales and operation of the Mississippi Lottery. Vendors should be innovative in developing their Proposals. However, the Corporation also believes that Vendors should be provided with guidelines as to the functionality desired by the Corporation. For this reason, the Corporation has provided the specifications, requirements and functional features in this Part V of the RFP. The portions of Proposals that address the functional requirements of the RFP will provide the Corporation with the information necessary to conduct a fair evaluation of the proposed technical solutions from all Vendors.

Any items that are not specifically mentioned in this RFP but which are integral to the smooth efficient operation of the proposed services should be included in a Vendor's Proposal and pricing. Those items not specifically requested under this RFP shall be identified in the appropriate Sections of the Proposal. All required supplies and materials necessary for the success of the overall operation of the Mississippi Lottery are to be included in the base Proposal price, even though those items may not be specifically requested under this RFP.

#### **5.1.1 GAME SPECIFICATIONS**

It is the Corporation's intent to receive Proposals for the printing of instant game tickets using "state of the art" production techniques, including the services necessary to design and produce secure, high quality instant tickets. A Vendor's Proposal should include recommended specifications as to the following:

- "Working Paper" structure;
- Ticket stock construction and durability;
- Ticket size and orientation;
- Perforations;
- Industry tolerances;
- Display/graphics printing;
- Overprint design and rub-off cover;
- Printing design security;
- Barcode technology;
- Benday patterns;
- Prize fund management;
- Retailer validation codes;
- Colors, ink and coating characteristics;
- Game data fonts and sizes;
- Design and reconstruction of barcode validation number;
- Shelf life;
- Ticket, game and package numbering;
- Ticket packaging;

- Universal product codes and/or any other bar codes currently utilized by lotteries on instant game tickets;
- Security certifications; and
- Any other pertinent ticket specifications.

### **5.1.2 LIMITATIONS AND EXCEPTIONS**

If a Vendor has any limitations in regard to the capability of printing a variety of words, letters, number, characters, or unique symbols in various combinations of colors, these must be fully and clearly specified in the Proposal.

### **5.1.3 UV COATING**

All tickets printed by the Successful Vendor pursuant to the Contract must contain full UV coating or similar technique or substance over the entire front surface of the ticket to provide a glossy finish.

### **5.1.4 COMPULSIVE OR PROBLEM GAMBLING LANGUAGE**

The Act mandates, and the Corporation shall require as part of any contract for the production or printing of lottery tickets, that all tickets printed by the Successful Vendor pursuant to the Contract contain the toll-free telephone number of any state or national organization that provides information and referral services regarding compulsive or problem gambling, as approved by the Corporation.

## **5.2 QUALITY SPECIFICATIONS**

Vendor’s Proposal must address quality specifications in order for the Corporation to ensure the acquisition of instant game products that are marketable and of high quality and durability. Vendors will be required to produce tickets of varying sizes. The ticket dimensions shall not vary by more than two percent (2%) of the size established in the Working Papers for each instant game. Regardless of the type of ticket design or designs proposed, the final product must be tamper-proof by any practical means. Quality limitations and/or deviations that adversely affect the security of the tickets are unacceptable.

## **5.3 GAME PLANNING PROCESS**

The instant ticket planning process will play a vital role in the success of the Corporation’s instant ticket sales. Recognizing the aggressive game launch schedule, the Corporation will work with the Successful Vendor on a continual basis to quickly monitor the relative success of each game. Games that appear to indicate they will have a longer than average sales life will be quickly reordered and reprinted. Quick turnarounds and flexibility in print schedules are imperative in the planning and production processes to ensure that ticket inventory remains available for ordering, with no lapses in sales for any game.

A Vendor’s Proposal must include a complete description and timeline of the instant ticket planning process for a game, from the development stage to the “available in the warehouse for distribution” stage. This should be provided for a new game launch, as well as a reorder.

Describe the team that will be available to the Corporation for such processes, as well as the percentage of time expected to be dedicated to Corporation. The Corporation's requirement to reorder successful games, as necessary, should be taken into account.

#### **5.4 OVERALL SECURITY SPECIFICATIONS**

A Vendor shall provide an overall security plan by which it intends to produce the recommended instant game tickets including:

- Plant security;
- Game ticket construction security;
- Anti-counterfeiting and validation security;
- Redemption security; and
- Game design security.

A Vendor must fully describe methods to be employed in the construction of tickets to avoid security problems. These methods include protective measures against unauthorized invasion utilizing all types of known techniques. Also to be included is a description of measures that have been taken to minimize and detect ticket alteration and counterfeiting attempts. A Vendor shall identify potential security problems in the type of tickets proposed and specify its method for handling these problems.

An understanding of the overriding importance of security in all phases of design, materials procurement, production, transportation, storage, distribution, validation and disposition of game tickets is to be made manifest in the procedures, methods, controls and accounting systems of the security plan. It is intended that all Sections and paragraphs of this RFP have implied the essential need for security, though such may not be explicitly stated. A Vendor's Proposal must make clear and specify the precautions, safeguards, inspections, reporting and other measures that will relate to the entire program and its parts.

The Successful Vendor will have the capability and integrity required to maintain constant vigilance against any breach of security. Failure to meet or to maintain the Corporation approved security standards will be grounds for exclusion from further consideration, or if a Contract has been awarded, will be grounds for immediate cancellation of the Contract.

##### **5.4.1 TICKET SECURITY REQUIREMENTS**

Neither winning tickets nor non-winning tickets shall be recognizable by the human eye from any characteristics of the tickets other than by the play symbols concealed by the rub-off material. In particular, and without limitation, the following must be true:

- (a) *Physical Features.* The odds of winning any prize of any level on a given ticket must not vary from the approved prize structure by virtue of any characteristics of the tickets, including, but not limited to, any variation or irregularity in the front or back display printing, stock, perforations, cuts, exposed pack number, exposed ticket numbers, bar code, staples, folds, packaging, color or thickness or texture of rub-off material, overprints,

protective coating, and printing registration or misregistration. If the game is produced in more than one production batch, winners shall be recreated for each such batch and shall not bear any identifying characteristics. Describe the control of “odds” at all levels and overall, when tickets are printed in more than one production batch for a game.

- (b) *Invasive Techniques.* It shall not be possible to ascertain whether a ticket is a winning or non-winning ticket, using a practical or economical technique, unless the application of the technique renders the ticket not saleable to the public or easily recognizable as having been tampered with. In particular, it shall not be possible to “see-through” the rub-off spots, or the back of paper card stock tickets, with any practically available device or technique, including, without limitation, high-intensity light, infrared light, ultraviolet light, x-rays, photography, microscopes, optical fibers, heat, freezing, mechanical means, cutting or peeling, electrostatics, chemical means, electrical means, coping machine intrusion techniques, or microsurgery.

#### **5.4.2 SECURITY CERTIFICATION**

A Vendor shall submit with its Proposal copies of the most recent and applicable laboratory test reports and other certifications assuring the security of said instant lottery tickets against practical compromise by reasonably comprehensive technical effort. The Corporation reserves the right to cancel the Contract at any time if the Successful Vendor’s or the Corporation’s tests show any representative sample of production tickets to be practically compromisable. Tickets shall not bear any works, symbols, or numbers that in any way would permit a person to determine the location of a winning ticket.

#### **5.4.3 PLANT SECURITY**

The plant(s) and warehouse(s) in which the lottery tickets are to be produced and stored must be equipped with a complete plant security system that is acceptable to the Corporation. The plant(s) and warehouse(s) may be inspected for security prior to or after Proposal opening if the Corporation deems such an inspection is necessary.

A Vendor shall describe how it will protect the Corporation from financial loss in the event of a disaster at the warehouse that destroys the inventory of tickets.

#### **5.4.4 EMPLOYEE SECURITY**

The Successful Vendor must establish a program to ensure that all those involved in the design, production, distribution or sale of the instant lottery tickets are precluded from ascertaining or being knowledgeable of the location of winning tickets. The Proposal should outline the procedures that will be implemented to address this requirement.

#### **5.4.5 TICKET TESTING**

The Corporation may arrange for quality, security, and bar code testing of tickets by an independent laboratory selected by the Corporation as deemed necessary. The Successful Vendor shall be responsible for all costs for up to three (3) such tests per year. Testing in excess of once per game shall be the responsibility of the Corporation unless it is necessitated by a failure on the first test. The purpose of the testing will be to determine if the ticket meets the following three (3) primary, minimum quality and security criteria:

- (a) *Marketability.* Is construction of the ticket secure enough for the ticket to endure reasonable environmental rigors and still be readily marketable?
- (b) *Compromisability.* Is construction of the ticket secure enough for the ticket to withstand attempts to determine if the ticket is a winning or a non-winning ticket without removing a readily noticeable amount of the coatings on the play area of the ticket within a reasonable time frame, by methods and materials available to the Retailers?
- (c) *Alterability.* Is construction of the ticket secure enough for the ticket to withstand attempts to alter the play data, prize amounts, or bar code and produce a redeemable winning ticket from a non-winning ticket, and/or increase the prize amount on the ticket by methods and materials available to the public?

Failure of any ticket to pass any of the tests will be cause for additional testing. The objective of the additional testing will be to:

- (a) Determine the repeatability and practicality of the method; and
- (b) Determine the range of ticket production pools in which the problem is repeated.

If ten percent (10%) or more of the pools within a game are rejected, then the Corporation shall be entitled, at its sole option, to reject the whole game.

#### **5.4.6 GAME PRODUCTION AND PRIZE GUARANTEES**

A Vendor's Proposal shall describe the methods and procedures by which it guarantees:

That each game is printed in conformity with all game specifications included in the Working Papers;

That each game is printed in conformity with the prize structure included in the Working Papers so that prizes will constitute no more than the percentage of revenue stated, and larger prizes are all present in delivered tickets within stated tolerances; and

That winning tickets are distributed with no discernible pattern throughout the entire population of a game.

The Successful Vendor will be required to submit, at no additional cost to the Corporation, a report by a certified public accounting firm relating to agree-upon procedures for each game's production related to the above.

#### **5.4.7 SECOND CHANCE LOYALTY PROGRAM**

The Successful Vendor will provide a second chance drawing loyalty program for instant, and possibly online games, as well as other promotions (the "Loyalty Program").

A Vendor should describe in detail the manner in which the Loyalty Program is structured. The cost of the Loyalty Program must be included in the single cost quotation provided by a Vendor pursuant to Section 6.2.

#### **5.4.8 WINNER'S FILE**

The Successful Vendor will submit a computer file containing all prizes for the game, including grand prize entry tickets and annuity type prizes, if any. Low tier prizes will be separate from mid and high tier prizes or as specified in the Working Papers. The information will include only validation number, play spots and prize code (prize amount) for the tickets actually produced and delivered.

A Vendor should describe all possible secure methods for transmitting the file to the Corporation or an online systems Vendor, as may be required.

### **5.5 WAREHOUSING OF NEW TICKETS**

The Successful Vendor will be responsible for the storage of new tickets from the time they are printed until they are distributed to Retailers or the Corporation's offices. Facilities, organization and procedures must be designed to ensure the security and integrity of the games.

Submit a warehouse-staffing plan, including the resume of the perspective warehouse manager.

Procedures and controls must be in place to ensure the confidentiality and integrity of game information. In particular, printing systems and data must not be accessible to those involved in the warehousing activities and vice versa. A Vendor shall specify the methods and carriers by which packaged tickets are to be transported from the Vendor's plant to the warehouse.

The warehouse must contain a minimum of 7,000 square feet of secured space for use by the Corporation (for point-of-sale or other materials).

The warehouse must include dedicated, secure office space for at least two (2) Corporation representatives. This space will be used by management, auditors, security personnel and others as necessary to coordinate and monitor warehousing activities.

The Proposal must address the requirements set out above and must include:

- A description of the security controls, including the access control system(s) and procedures;
- Security equipment and procedures;
- Intrusion detection and monitoring equipment and procedures; and
- Fire prevention and detection, and flood detection.

All procedures and controls must be approved by the Corporation. The proposed location of the warehouse must be in the Greater Jackson Metropolitan Area, and it must be approved by the Corporation.

#### **5.6 TICKET INVENTORY CONTROL AND MANAGEMENT**

The Proposal must provide a plan to ensure that an adequate supply of tickets is always available for distribution. Status reports must be routinely given to the Corporation.

#### **5.7 DISTRIBUTION OF TICKETS FROM OTHER VENDORS**

The Successful Vendor may be required to warehouse and distribute up to eight (8) instant ticket games purchased by the Corporation from other Vendors. These tickets will be distributed along with the Successful Vendor's tickets, and the Successful Vendor will not be reimbursed for warehousing and distributing these tickets, nor will they be paid a percentage of sales, when the tickets are sold.

#### **5.8 TICKET ORDER PACKAGING**

The Successful Vendor will be responsible for the filling and packing of ticket orders. The procedures to be used must focus on the need for security, integrity, efficiency and accuracy.

The Successful Vendor may be required to include additional materials, at no additional cost to the Corporation, in packages containing tickets to be delivered to Retailers.

The Proposal must contain a detailed plan for the packaging of tickets for delivery to Retailers. It should address all aspects of the operation including:

- Staffing and organization;
- Physical layout of packing area;
- The amount of training that would be provided to staff;
- Hours of operation during the week, on weekends and during holiday periods;
- Picking and packing procedures and controls; and
- Packing materials.

## **5.9 INSTANT TICKET DISTRIBUTION**

The Successful Vendor will be responsible for delivering instant tickets to Retailers and the Corporation's offices. Deliveries must be made as soon as possible, but no later than two (2) business days after the order is placed. Proof of delivery must be obtained. The Successful Vendor must ensure that the distribution is secure, effective, and efficient and presents a positive image of the Corporation to Retailers and others. The Proposal should include a complete description of the distribution plan, including staffing training, and procedures. The Successful Vendor shall assume full financial responsibility for picking up any tickets printed by the Successful Vendor that must be picked up as a result of exigent circumstances.

In addition to tickets, the Successful Vendor may, in special instances, be required to deliver other Corporation materials (such as point of sale material, online game supplies, Retailer manuals and newsletters) at no additional charge to the Corporation.

## **5.10 RETURNED TICKETS**

The Successful Vendor will be responsible for the return of undeliverable and unaccepted tickets. In addition, the Successful Vendor will also be responsible for processing the return of all unsold partial and full packs of tickets. The response must include a description of the procedures that will be used to return, document, and store full and partial packs (including damaged tickets) returned from Retailers. Undamaged full packs of returned tickets from active games should be reissued.

## **5.11 INSTANT TICKET DESTRUCTION**

The Successful Vendor must provide for the secure disposal of unsold, damaged and/or returned tickets in an environmentally responsible manner. The Corporation may also require for secure disposal of other similar materials, such as tickets returned for second chance drawings. This response must include a plan for ticket destruction and a description of all ticket destruction procedures.

## **5.12 MARKETING SERVICES**

The Corporation expects the Successful Vendor to play a significant role in the Corporation's marketing program. The Successful Vendor will work closely with the Corporation as decisions are being made regarding games and implementation schedules.

The marketing support services associated with the design and implementation of an instant lottery game are to include, but not be limited to, the following items:

- Creative design of instant lottery games;
- Development of each instant game in detail, with accepted game design, prize structure and proposed "HOW TO PLAY" rules; draft proposed regulations for the purpose of defining the rules of the game for defining what constitutes a winning ticket in the game, for defining the security tests that claimed tickets must satisfy in order to be validated as a winner, for defining conditions which will invalidate a ticket;

- Mechanical art work and color separations for each game and specifications of the game ticket layout consistent with security requirements and methods; and
- All support personnel required by the Corporation for management consultation relating to the items above as needed before and during game design, the cost of which must be included in the specified price, since no additional charge will be allowed.

The Proposal should include a marketing plan for the first eighteen (18) months of the Contract. The plan should address the overall strategy for marketing instant games in Mississippi including:

- Vendor staffing;
- Focus group testing;
- Prize structures/payouts;
- Incentives and promotions; and
- Sales data and trend analyses, etc.

The Corporation will require a minimum of one (1) full-time, on-site staff person, in addition to warehouse staffings, residing in the Greater Jackson Metropolitan Area assigned to service this account. This staff individual must be identified in the Proposal and a complete resume of such individual must be submitted. The Successful Vendor may be required to rent office space at the Corporation's headquarters for this individual at the Successful Vendor's cost. Consideration will be given during the evaluation process to Vendors providing highly qualified personnel and services that add to the value of their Proposal.

The Corporation is interested in knowing what service(s) or product(s) Vendors shall offer, over and above those, which are specifically required in this RFP. A Vendor should explain why such service(s) or product(s) would benefit the Corporation.

Services described in this Section 5.12 should be included in the proposed ticket price.

### **5.13 START-UP PLAN**

The Successful Vendor will have the responsibility for developing and implementing a plan to start-up instant ticket sales, and set up related facilities, arrange for necessary services and obtain the necessary inventory. As part of the Proposal, a Vendor shall include a start-up plan and timeline for the first twelve (12) months following the execution of the Contract. Each Vendor should include recommendations for the number of games and quantity of tickets for each game for this time period.

### **5.14 INSTANT TICKET DISPENSERS**

A Vendor's Proposal must include a plan to provide sufficient and appropriate dispensers that securely store, display and dispense the required number of full packs of instant tickets using the

best marketing and sales approaches. At least thirty thousand (30,000) stackable single unit instant ticket dispensers or their equivalents must be provided each year during the Contract term. A Vendor's Proposal must include a separate price for instant ticket dispensers required by the Corporation above thirty thousand (30,000) per annum.

#### **5.15 RETAILER AND EMPLOYEE TRAINING**

The Proposal should include Retailer and Corporation employee training on the various aspects of handling the instant game process, as appropriate. Training may be provided in conjunction with an online gaming system Vendor.

#### **5.16 ADDITIONAL REQUIRED OPERATIONAL ITEMS**

A Vendor must list in this Section other significant services, procedures, materials, supplies, programs, policies, equipment, facilities, etc., necessary for the successful daily operational aspects of the proposed products and services, even though there are no specific requirements for those items listed in this RFP. The Successful Vendor is not released from the responsibility of providing all needed items to make the proposed products and services successful.

#### **5.17 MATERIAL, SUPPLIES AND EQUIPMENT**

All material, supplies and equipment offered and furnished must be new except as otherwise specified herein.

### **PART VI - COST**

#### **6.1 INTRODUCTION**

The Corporation will offer a compensation package that is based on a percentage of "Net Sales" (as defined in Section 6.3). A Proposal must meet both the immediate and long-term needs of the Corporation. Therefore, the objective of this RFP is to develop a program of compensation that rewards the Successful Vendor for excellent performance while ensuring that the Corporation will achieve its desired goals regarding start-up of the lottery and instant ticket operations, including the maximization of net proceeds of total annual gross revenues accruing from the sale of lottery tickets (after payment of prizes to the holders of winning lottery tickets and payment of costs incurred in the operation and administration of the lottery) to the Lottery Proceeds Fund.

#### **6.2 PRICING FORMULA**

The method of compensation that will be utilized is a percentage of total Net Sales achieved by the Corporation during the term of the Contract. A Vendor must state the percentage of total sales required for compensation to accomplish the tasks specified in the Proposal. The single cost quotation should be presented on a separate, signed page and be expressed as a numeric percentage of Net Sales carried to no more than four (4) decimal places. For example, 1.0000%.

Vendors are reminded that the cost quotation should cover the entire System, and all of the products and services covered by this RFP and Procurement, to be provided by the Successful

Vendor during the full term of the Contract, as may be extended pursuant to Section 3.8, including:

- Marketing support services;
- Instant ticket printing;
- Distribution and warehousing;
- A minimum of thirty thousand (30,000) single unit instant ticket dispensers annually;
- Distribution, along with other instant ticket products, of a maximum of eight (8) games per year purchased by the Corporation from other Vendors; and
- All other services deemed necessary by the Vendor.

ALL PRICES QUOTED ARE APPLICABLE FOR TEN (10) YEARS FROM THE STARTUP DEADLINE OF DECEMBER 1, 2019 OR SUCH EARLIER START-UP DATE AS MAY BE AGREED-UPON BY THE CORPORATION.

### **6.3 DETERMINATION OF NET SALES**

At the end of each full week of sales after start-up, Net Sales will be calculated to determine the amount subject to compensation. "Net Sales" shall equal:

- The total face value of the Vendor's tickets activated for sale during the week (exclusive of any activations from instant tickets purchased by the Corporation from other Vendors);
- LESS the sum of the total face value of: (i) activated tickets returned by Retailers during the given week; and (ii) defective tickets based on numbers reported to the Corporation during the given week; and
- LESS the total face value of promotional tickets issued by the Corporation during the given week.

Adjustments for active field inventory will be made at the Contract conclusion.

### **6.4 PAYMENT**

Upon determination of the amount due to the Successful Vendor for any week, payment (less applicable damages and penalties which may be deducted) will be processed in an expedited manner. Vendors may propose any alternative methods or schedules of payments, which will be considered during Contract negotiations with the Apparent Successful Vendor.

### **6.5 PROGRAM ENHANCEMENTS**

The Successful Vendor may be requested by the Corporation to perform tasks, provide equipment or otherwise perform in a manner that was not originally contemplated in the

Contract. By mutual agreement, those functions may be performed for a specific fee to be mutually agreed upon. This procedure is not intended to avoid a competitive solicitation for goods and services that might appropriately be provided by other potential suppliers. However, the Corporation may decide to separately procure any option not covered in the Successful Vendor's Proposal.

As part of the basic compensation that has been proposed by the Successful Vendor, all items represented in the Proposal must be provided for unless specifically identified as options. If programs, equipment or services represented in the Proposal are not clearly indicated as options, the Corporation will rightfully assume that the cost is included in the percentage of Net Sales quotation in the Proposal.

## **6.6 PRICING ASSUMPTIONS**

The following assumptions and estimates should be factored into the calculation of the percentage of Net Sales compensation formula:

- At start-up of instant ticket sales, the Corporation plans to have approximately four (4) games for sale simultaneously, and an additional four (4) games within two (2) weeks of start-up;
- The Corporation anticipates that it will introduce forty-five (45) to sixty (60) new games each year and that successful games will be reordered/reprinted during the year;
- At start-up of instant ticket sales, the Corporation plans to have approximately fifteen hundred (1,500) to seventeen hundred (1,700) Retailers selling instant tickets; and
- The Corporation will pay the Successful Vendors the same percentage of Net Sales for instant tickets, regardless of font, price point, ticket size, or shape.

## **6.7 SUBMIT COST PORTION OF PROPOSAL SEPARATELY**

All copies of the cost portion of a Proposal required under this Part VI must be submitted in sealed and labeled envelopes separate from the information required by Parts IV and V of this RFP. Any Proposal which fails to adequately separate the cost portion of the Proposal from the other information required by this RFP may be considered non-responsive and rejected by the Corporation.

## ATTACHMENT A

### VENDOR CERTIFICATION

#### INSTANT TICKET LOTTERY GAME SERVICES

I hereby do certify as follows:

1. the initial prices and other terms and provisions included in the Proposal submitted by \_\_\_\_\_ (the “**Proposing Vendor**”) are accurate and binding for 180 days from the Proposal due date (the “**Proposal Offer Period**”);
2. all charges are, to the best of my knowledge, accurate and complete;
3. the Proposing Vendor acknowledges and agrees that this Proposal will be considered valid and irrevocable for the Proposal Offer Period and, if an award is not made within the Proposal Offer Period or if a Contract with the Successful Vendor is for any reason not executed within the Proposal Offer Period, it shall be incumbent upon the Proposing Vendor to notify the designated contact person identified in Section 2.1 of the RFP in writing if it does not want its Proposal to be further considered beyond the Proposal Offer Period (i.e., in the event of a breach or termination, the Corporation may decide to return to the remaining Vendors’ Proposals). Failure on the part of the Proposing Vendor to notify the designated contact person identified in Section 2.1 of this RFP will mean that its Proposal remains valid even after the Proposal Offer Period;
4. the cost and other terms and provisions contained in the Proposal accurately reflect the Proposing Vendor’s total proposed cost, including any applicable discounts, and the Proposing Vendor would deliver the services and related items for that amount and according to those terms and provisions if the Corporation wanted to accept the prices and other terms and provisions described in its Proposal without negotiation;
5. all inquiries to the Corporation and other pre-Proposal review and evaluation efforts have been completed and that no extra costs or payments to any entity, including this Proposing Vendor, will be allowed for any miscalculation, deficiency, oversight and failure to make suggestions regarding possible additional needs for desired features, or any other difference in cost if later discovered;
6. by submission of this Proposal, the Proposing Vendor agrees to fully comply with all requirements of the RFP, and its separate parts, and any deviation noted in the Proposing Vendor’s submission may be the basis for rejection of its Proposal by the Corporation without recourse;
7. the Proposing Vendor has read and understands the Act and all of the requirements contained in the RFP and any amendments thereto, the responses to written questions submitted by Vendors and its Proposal, and agrees to be bound by all the terms and conditions contained in each of these documents, without exception;

8. the Proposing Vendor has taken appropriate steps to completely and fully familiarize itself with the requirements of the RFP in order to render full performance under any resulting relationship between the Corporation and Proposing Vendor; and
9. the Proposing Vendor had the opportunity to submit written questions regarding the RFP and thereby address any concerns related to the RFP, and therefore, the Proposing Vendor has availed itself of every opportunity to understand its obligations contained in the RFP and any amendments thereto, the response to written questions and the Proposal.

---

(Signature of Authorized Representative)

---

(Print Name)

---

(Title)

---

(Date)

**ATTACHMENT B**

**PROPOSAL SIGNATURE AND CERTIFICATION**

I certify that this Proposal is made without prior understanding, agreement, or connection with any corporation, firm or person submitting a Proposal for the same materials, supplies, equipment or services and is in all respects fair and without collusion or fraud. I understand collusive bidding is a violation of State and federal law and can result in fines, prison sentences and civil damage awards. I understand and agree to abide by all conditions of the RFP and this Proposal and certify that I am authorized to sign this Proposal for \_\_\_\_\_ (name of company submitting Proposal).

Date: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Company Name: \_\_\_\_\_

## ATTACHMENT C

### CONTRACT COMPLIANCE AND FINANCIAL DISCLOSURE FORM

Note: For any subcontractor that will provide some portion of the specifications of this RFP (a “Subcontractor”), disclose all the same information for each Subcontractor as if each Subcontractor were itself the Vendor. In addition, disclose all of the same information for each member of a joint venture, a strategic partnership or a prime contractor team as if each such joint venturer, strategic partner or member of a prime contractor team were itself the Vendor. (Vendor and all members of a joint venture, a strategic partnership or a prime contractor team are sometimes herein referred to as “Vendor Team”).

[These pages may be copied and used as needed]

#### PLEASE PROVIDE THE FOLLOWING INFORMATION:

1. Name of Business:
2. Type of legal entity and the state under whose laws the business entity is organized:
3. Address:
  - a. All prior addresses for the prior ten (10) years:
4. Telephone Number, including area code:
5.
  - a. List any trade names or assumed names used:
  - b. List all states where each name is or has been used:
  - c. Attach verification of authorization to conduct business in the State of Mississippi.

List the name, address, area code and telephone number, and social security number of the Vendor’s officers, directors and each stockholder if the Vendor is a corporation (in the case of a publicly-traded corporation, only those stockholders known to the corporation to own beneficially five percent (5%) or more of such corporation’s securities), as well as the same information for every business entity that is a direct or indirect five percent (5%) or greater shareholder of such Vendor corporation; if the Vendor is a limited liability company, the equivalent disclosure of that required for corporations; if the Vendor is a trust, the trustee and all persons entitled to receive income or benefits from the trust; if the Vendor is an association, the members, officers and directors; if the Vendor is a partnership or joint venture, all general partners, limited partners or joint venturers:

- a. Name:

Relationship to Vendor:

Address:

Telephone number, including area code:

Social Security number:

b. Name:

Relationship to Vendor:

Address:

Telephone number, including area code:

Social Security number:

c. Name:

Relationship to Vendor:

Address:

Telephone number, including area code:

Social Security number:

7. Disclose all the states and jurisdictions (domestic and foreign) in which any member of the Vendor Team does business and the nature of the business for each such state or jurisdiction:

8. Disclose all the states and jurisdictions (domestic and foreign) in which any member of the Vendor Team has contracts to supply gaming goods or services, including, but not limited to, lottery goods and services, and the nature of the good or services involved for each such state or jurisdiction:

9. List all states and jurisdictions (domestic and foreign) in which any member of the Vendor Team has applied for, sought renewal of, has received, has been denied, has pending, or has had revoked a lottery or gaming license or lottery contract of any kind, or has had fines or penalties assessed to his or its license, contract or operation and the disposition of such in each such state or jurisdiction. Include all facts or circumstances underlying the revocation or non-renewal of any lottery or gaming license or contract or any lottery or gaming license or application that has been either denied or is pending and has remained pending for more than six (6) months:

a. State:

Type of license:

Status of license:

Fines or penalties:

Circumstances:

b. State:

Type of license:

Status of license:

Fines or penalties:

Circumstances:

c. State:

Type of license:

Status of license:

Fines or penalties:

Circumstances:

10. For each member of the Vendor Team, if applicable, list the details of any finding or pleas, conviction or adjudication of guilt in a state or federal court, or in another jurisdiction, for any felony or any other criminal offense other than a traffic violation, including, but not limited to, felonies related to the security or integrity of a lottery:

Charge:

Date of proceeding:

Custodian of records concerning this proceeding:

Outcome of proceeding:

Charge:

Date of proceeding:

Custodian of records concerning this proceeding:

Outcome of proceeding:

11. For each member of the Vendor Team, if applicable, list the details of any finding or plea, conviction or adjudication of guilt in a state or federal court, or in another jurisdiction, of any charge or offense involving gambling, prostitution, theft, computer

offenses, forgery, perjury, dishonesty or for unlawfully selling or providing a product or substance to a minor:

Charge:

Date of proceeding:

Custodian or records concerning this proceeding:

Outcome of proceeding:

Charge:

Date of proceeding:

Custodian or records concerning this proceeding:

Outcome of proceeding:

12. For each member of the Vendor Team, if applicable, list the details of any bankruptcy, insolvency, reorganization, corporate or individual purchase or takeover of another business, including bonded indebtedness, or any pending litigation:

a. Filing or action:

Date of filing or action:

Court of filing or action:

Date of discharge if bankruptcy:

Pending litigation:

b. Filing or action:

Date of filing or action:

Court of filing or action:

Date of discharge if bankruptcy:

Pending litigation:

13. List the business entities that are a part of the Vendor Team, and list the Fiscal Years for each team member. Complete an Authorization for Investigation and Release for each (see *Attachment D*).

14. List all the individuals constituting the Vendor Team who will work on the Contract. Complete a Consent Form for each (see *Attachment E*).

15. Does the Vendor Team or any individual member thereof have an ownership interest in any entity that has supplied consultation services under contract to the Corporation regarding this RFP? If yes, please provide details.
16. Does any "public officer" or employee of such public officer have an ownership interest of five percent (5%) or more in any member of the Vendor Team? If yes, please provide details.
17. List any conflict of interest with the products, promotions and goals contemplated by the Corporation that could result from other projects in which the Vendor Team or any of the staff members designated to work on the project are involved. Failure to disclose any such conflict may be cause for Contract termination or disqualification of the Proposal.
18. List all lobbyists and consultants working on behalf of the Vendor Team in connection with this Proposal or any subsequent Contract.

**Certification**

I, \_\_\_\_\_, hereby certify that I am duly authorized to act on behalf of the Vendor and Vendor Team. In that capacity, I hereby certify that the Vendor and all members of the Vendor Team have filed appropriate tax returns as provided by the laws of the State of Mississippi. I further warrant that the information contained in this Contract Compliance and Financial Disclosure Form is true and complete, and acknowledge that a finding that it is not true or complete may result in a cancellation of the Contract.

I further certify that the Vendor and each member of the Vendor Team recognizes and acknowledges that there are certain limitations on their activities, now and in the future, including, but not limited to, limitation on certain political contributions, limitation of the ability to submit proposals, in response to subsequent request for proposals issued by the Corporation, limitation on the ability to purchase lottery tickets. The restrictions on the ability to purchase lottery tickets and entering into contracts or other arrangements apply to the employees of the Vendor and the members of the Vendor Team as well as the members of all such employees' households, and the Vendor and each member of the Vendor Team will enforce such restrictions upon its employees and subcontractors.

Date: \_\_\_\_\_ Printed Name: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTACHMENT D**

**AUTHORIZATION FOR INVESTIGATION AND RELEASE**

\_\_\_\_\_, hereby authorize the Mississippi Lottery Corporation or its designee to conduct a Vendor background investigation pursuant to Sections 35 and 26 of The Alyce G. Clarke Mississippi Lottery Law, including but not limited to the criminal and financial credit history of \_\_\_\_\_, and hereby release the Mississippi Lottery Corporation, its officers, Board of Directors, agents and employees and the State of Mississippi from any liability arising out of, in connection with or resulting therefrom. Further, I hereby release all organizations, individuals, agencies, and other employees and agents from any liability that may result from their furnishing such information and authorize all organizations, individuals, agencies and their employees and agents contacted by the Mississippi Lottery Corporation or its designee to provide such information. A photocopy of this release will be valid as an original thereof, even though said photocopy does not contain an original writing of my signature.

Business Address: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT E**

**CONSENT FORM**

I hereby authorize the Mississippi Lottery Corporation or its designee to request and receive any criminal history record information pertaining to me that may be in the files of any criminal justice agency.

\_\_\_\_\_  
Full Name Printed  
(First, Middle, Last – *no initials*)

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City State Zip

\_\_\_\_\_  
Sex

\_\_\_\_\_  
Race

\_\_\_\_/\_\_\_\_/\_\_\_\_  
Date of Birth

\_\_\_\_\_  
SSN

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Notary

Date: \_\_\_\_\_

**INSTANT TICKET LOTTERY GAMES SERVICES AGREEMENT**

THIS INSTANT TICKET LOTTERY GAMES SERVICES AGREEMENT (the "**Agreement**") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2019 (the "**Effective Date**"), by and between MISSISSIPPI LOTTERY CORPORATION ("**MLC**"), a corporation of the State of Mississippi, created pursuant to the Alyce G. Clarke Mississippi Lottery Law (*Miss. Code Ann. §§ 27-115-1 et seq.*) (as may be amended from time to time, the "**Act**"), and \_\_\_\_\_, a corporation organized under the laws of the State of \_\_\_\_\_ (the "**VENDOR**").

**W I T N E S S E T H:**

WHEREAS, MLC was created to organize and operate a state lottery in the State of Mississippi (the "**Lottery**");

WHEREAS, VENDOR, on behalf of itself and certain of its "**Subcontractors**" (as defined in Section 3(a) hereof) with which it will enter into contracts, submitted the proposal dated \_\_\_\_\_, 2019, attached hereto as Exhibit A and incorporated herein by reference (the "**Proposal**"), to MLC in response to MLC's Request For Proposals for Instant Ticket Lottery Games Services dated June 27, 2019, attached hereto as Exhibit B and incorporated herein by reference (the "**RFP**"), as interpreted by MLC's Answers to Questions concerning the RFP, which were published by MLC on \_\_\_\_\_, 2019, attached hereto as Exhibit C and incorporated herein by reference (the "**Answers**"); and

WHEREAS, subject to the terms and conditions hereinafter set forth, MLC desires to retain VENDOR to provide instant ticket lottery games systems, products, equipment and services to MLC, and VENDOR desires to provide such systems and perform such services for MLC.

NOW, THEREFORE, for and in consideration of the premises, the mutual promises, covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties hereto hereby agree as follows:

**1. SERVICES**

Subject to the terms and conditions set forth in this Agreement, MLC retains VENDOR to provide instant ticket lottery games systems, products, equipment and services to MLC as contemplated by the RFP, the Answers and the Proposal, and VENDOR agrees to provide such systems and render such services to MLC.

**2. DUTIES AND RESPONSIBILITIES OF VENDOR AND SUBCONTRACTORS**

(a) VENDOR and its Subcontractors will work in conjunction with the President of MLC (the "**President**"), MLC staff, MLC Board of Directors (the "**Board**") and the other vendors, subcontractors, employees, agents, retailers and consultants of MLC. VENDOR and its Subcontractors will provide instant ticket lottery games systems, products, equipment and services to MLC as detailed in the RFP, the Answers and the Proposal and

will perform such specific services and provide such deliverables as requested, from time to time, orally or in writing, by the President, his designee(s) or the Board, provided such services and deliverables are within the scope set forth in any of this Agreement, the RFP, the Answers or the Proposal. Except as otherwise set forth herein, VENDOR agrees that all systems, deliverables, equipment and services to be provided to MLC under this Agreement shall be capable of the full level of capacity and capability required by the RFP and the Answers.

(b) VENDOR, and its Subcontractors as requested from time to time, shall meet regularly with the President or his designee(s) and shall establish work plans, implementation schedules and timetables for completion as and when required by the President or his designee(s).

(c) VENDOR hereby agrees to use its best efforts to make available to MLC such of its employees and its Subcontractors as may be necessary or appropriate for the timely performance of VENDOR's obligations pursuant to this Agreement. No employee or agent of VENDOR or any of its Subcontractors shall undertake or participate in, during the term of this Agreement, any other engagement which will interfere with the completion of the work contemplated by this Agreement. VENDOR will provide to MLC, as requested from time to time, written reports of the names and work schedules of VENDOR's and the Subcontractors' employees who will be performing services pursuant to this Agreement.

### 3. SUBCONTRACTORS

(a) None of VENDOR or any Subcontractors will subcontract or otherwise assign any or all of its duties or obligations under this Agreement to any individual or entity without the prior written consent of MLC in each instance, which consent may be withheld in MLC's sole discretion. VENDOR will provide MLC with the name, qualifications, experience and expected duties of each proposed subcontractor under this Agreement each time it desires to retain a subcontractor. All subcontractors which are approved by MLC for work pursuant hereto will be defined collectively as the "**Subcontractors**" and individually as a "**Subcontractor**" and will become a subcontractor for purposes hereof and must execute such agreements or other documentation as may be necessary pursuant to the Act or as MLC may require. VENDOR agrees that it will obtain the prior consent of the President or his designee(s) prior to having any Subcontractor perform any activities for MLC under this Agreement.

(b) Upon the request of MLC, VENDOR will promptly provide MLC with copies of all subcontracts and other agreements entered into by VENDOR with respect to its obligations under this Agreement. No such subcontract or other agreement may contain any terms or conditions inconsistent or in conflict with the terms and conditions contained in this Agreement. In the event of any such inconsistent or conflicting provisions, such inconsistencies or conflicts will be resolved in favor of this Agreement.

(c) MLC shall have the right, at any time and from time to time, to instruct VENDOR not to use the services of any Subcontractor, individual or employee in connection with the

work to be performed for MLC under this Agreement, and VENDOR agrees to comply with all such instructions.

(d) Notwithstanding anything herein to the contrary, VENDOR will remain fully liable and responsible for all work to be performed under this Agreement, whether or not subcontracted to or performed by a Subcontractor or any other person or entity retained by VENDOR or under VENDOR's control, and VENDOR will ensure the compliance of its employees, and will exercise its best efforts to ensure the compliance of, and in any event be responsible for, Subcontractors and their employees with the terms of this Agreement, the Act and all other applicable laws which govern the performance of services pursuant to this Agreement and such other standards or policies as MLC may establish from time to time.

**4. INDEPENDENT CONTRACTOR.**

(a) Both MLC and VENDOR, in the performance of this Agreement, will be acting in their own separate capacities and not as agents, employees, partners, joint venturers or associates of one another. The employees or agents of one party shall not be deemed or construed to be the employees, agents or partners of the other party for any purposes whatsoever. Neither party will assume any liability for any injury (including death) to any persons, or any damage to any property or other claim arising out of the acts or omissions of the other party or any of its agents, employees or subcontractors. It is expressly understood and agreed that VENDOR is an independent contractor of MLC in all manners and respects and that neither party to this Agreement is authorized to bind the other party to any liability or obligation or to represent that it has any such authority, and no Subcontractor is authorized to bind MLC to any liability or obligation or to represent that it has any such authority.

(b) VENDOR shall be solely responsible for all payments to Subcontractors and all compensation, withholding taxes and benefits for its employees and for providing all necessary unemployment and workmen's compensation insurance for its employees.

**5. COMPENSATION**

(a) As full and complete compensation for all goods and services provided by VENDOR pursuant to this Agreement, MLC will pay VENDOR, and VENDOR will accept, an amount equal to \_\_\_\_\_ percent (\_\_\_\_%) of "Net Sales" which shall be defined as:

- (i) the total face value of VENDOR's tickets activated for sale during the week (exclusive of any activations from instant tickets purchased by MLC from other Vendors; minus
- (ii) the sum of the total face value of: (A) activated tickets returned by retailers during the given week; and (B) activated defective tickets, based on numbers reported to MLC during the given week; minus

- (iii) the total face value of activated promotional tickets issued by MLC during the given week.

Adjustments for active field inventory will be made at the conclusion of the term of the Agreement.

For purposes of this Section 5, a "week" shall mean the period beginning 12:01 a.m. Tuesday and ending at midnight Monday.

(b) Subject to the availability of funds and any other restrictions imposed by the Act, the "**Governing Laws and Regulations**" (as defined in Section 14) or this Agreement, MLC will pay to VENDOR all uncontested amounts due under this Agreement on a weekly basis, unless the parties otherwise agree upon a less frequent payment schedule, in accordance with the policies and procedures established by MLC from time to time and subject to setoff or offset for all sums owed by VENDOR or its Subcontractors.

(c) Within thirty (30) days after the expiration of the term of this Agreement, the parties shall in good faith mutually agree upon the reimbursement amount due MLC with respect to instant tickets activated during the term of this Agreement and: (i) returned; (ii) given as "free ticket" prizes; (iii) returned as defective; (iv) reported stolen by a retailer; or (v) issued by MLC as a promotion after the term of this Agreement. The parties hereby agree that the historical percentages based on the ten (10) week period immediately prior to the termination of this Agreement for each of the categories set forth in the subparagraphs of this Section 5(c) shall be used as the guidelines for such negotiations. VENDOR shall pay such reimbursable amount to MLC within fifteen (15) days after the conclusion of such negotiations.

## 6. **TERM**

(a) Unless sooner terminated in accordance with the provisions of Section 18 or other provisions of this Agreement, the RFP or the Answers, and subject to the provisions of Section 25 hereof, the term of this Agreement shall commence as of the Effective Date and shall continue for a period of seven (7) years after December 1, 2019, the date on which MLC expects to commence instant ticket sales (the "**Instant Ticket Start-Up Date**"), subject to three (3) one (1) year extensions of the term of this Agreement as set forth below.

(b) At the sole option of MLC, MLC may exercise up to three (3) one (1) year extensions of the term of this Agreement, which exercise may occur annually, in multiples of two (2) or three (3) years, or not at all. MLC shall exercise any extension and notify VENDOR of same no later than one hundred eighty (180) days prior to the expiration of the term of this Agreement, as extended (if applicable).

(c) VENDOR acknowledges and agrees that, prior to the expiration of the term of this Agreement, MLC will award a new contract for replacement of the instant ticket lottery games systems, products, equipment and services provided by VENDOR under this Agreement and that VENDOR has no right or expectation in or to any such new contract. VENDOR further agrees that MLC may use the final one hundred eighty (180) days of the

term of this Agreement to convert to the use of such replacement instant ticket lottery games systems, products, equipment and services; provided that VENDOR shall continue to be compensated in accordance with Section 5 hereof during such one hundred eighty (180) day period. VENDOR shall cooperate fully and in good faith and shall assist MLC and the new contractor, to the extent reasonable and practical, to accomplish such conversion in a timely and efficient manner, at no additional cost to MLC or such new contractor.

7. **WORK STANDARD**

(a) VENDOR hereby agrees that it and its Subcontractors shall at all times comply with and abide by all terms and conditions set forth in this Agreement, and all requirements of the Act and Governing Laws and Regulations. VENDOR further agrees that it and its Subcontractors shall perform their respective duties and responsibilities as set forth in this Agreement by following and applying the highest professional and technical guidelines and standards.

(b) VENDOR hereby agrees that it and its Subcontractors will perform their respective duties and responsibilities as set forth in this Agreement with integrity and dignity and free from political influence, collusion and fraud. VENDOR further agrees that none of it, its Subcontractors, nor any of their respective employees or agents will solicit or accept, or attempt to solicit or accept, any kickbacks or other inducements from any offeror, supplier, manufacturer or subcontractor in connection with the performance of its obligations under this Agreement.

(c) If MLC becomes dissatisfied with the work product of or the working relationship with any of the individuals assigned to perform services under this Agreement by VENDOR or any Subcontractors, MLC may require the prompt replacement of any or all of such individuals. Personnel identified in the Proposal as performing services under this Agreement will continue to perform such services in their designated capacities until such services are completed unless they cease to be employed by VENDOR or a Subcontractor or unless MLC requests their removal, in which case a person or persons of suitable competency and acceptable to MLC, in its discretion, will be substituted forthwith.

(d) Nothing in this Section 7 shall be construed to prevent VENDOR from using the services of others to perform tasks ancillary to those tasks which directly require the expertise of such key personnel, including secretarial, clerical and common labor duties. VENDOR shall at all times remain responsible for the performance of all necessary tasks under the scope of this Agreement, whether performed by key personnel or other workers.

(e) Nothing in this Agreement shall prohibit MLC from retaining the services of any individual or entity to perform any services on its behalf, whether or not such or similar services were initially contemplated to be performed by VENDOR or a Subcontractor. MLC is not prohibited by this Agreement from retaining the services of any individual or entity to perform any services it requires, and it is under no obligation to exclusively use the services of VENDOR or any Subcontractors. If MLC desires to add an item provided

by an entity other than VENDOR or a Subcontractor to VENDOR's instant ticket lottery games systems, products, equipment or services provided pursuant hereto, then VENDOR and MLC agree to negotiate in good faith an amendment to this Agreement (if necessary) or a separate agreement which contains all of the mutually agreed-upon terms and conditions, including, without limitation, any price, liquidated damages and other terms. To the extent VENDOR is capable of providing any such comparable item, MLC will consider any offer tendered by VENDOR with respect thereto.

(f) VENDOR hereby designates \_\_\_\_\_, or such other person or persons as it may from time to time notify MLC, as its primary contact with MLC for purposes of this Agreement.

#### **8. PROGRESS REPORT AND INSTALLATION**

(a) To assure MLC that its work under this Agreement is progressing and is being performed in a manner consistent with MLC's policies until the start of lottery instant ticket sales, VENDOR will submit written progress reports to MLC, no less frequently than weekly, covering all work performed by VENDOR and all Subcontractors in form and substance satisfactory to the President.

(b) VENDOR hereby agrees, represents and warrants that all components of the instant ticket lottery games systems, products, equipment and services it is providing pursuant hereto will be fully operational and installed, and all required instant ticket products and equipment shall be installed, and available for sale to the public, in retail locations approved by MLC at least two (2) weeks prior to the Instant Ticket Start-Up Date.

#### **9. CHANGES IN WORK**

By written or oral request by the President or his designee(s) to VENDOR, MLC may from time to time make changes in the services, equipment or deliverables to be provided by VENDOR or any Subcontractor, or the place of delivery or performance of such services, equipment or any requested deliverables; provided, however, to the extent any such changes in services, equipment or deliverables are outside the scope of any of this Agreement, the RFP, the Answers or the Proposal, MLC and VENDOR shall in good faith negotiate mutually acceptable terms and compensation. VENDOR and all applicable Subcontractors shall promptly comply with such requests and take all necessary or appropriate actions to effect such change.

#### **10. BOOKS AND RECORDS**

VENDOR and each Subcontractor shall provide, as soon as it is available, to MLC on an annual basis a copy of its audited financial statements for such year; provided, however, if a Subcontractor does not obtain audited financial statements, then its financial statements must be certified by its chief financial officer. VENDOR and all Subcontractors shall maintain all books, documents, papers, accounting records and other evidence pertaining to the services to be performed under this Agreement in accordance with the Act, Governing Laws and Regulations, generally accepted accounting principles and any other applicable procedures established by MLC from time to time. VENDOR and all Subcontractors shall make all such materials available at its

offices, at all reasonable times during the term of this Agreement and for five (5) years after the date of final payment under this Agreement, for inspection by MLC, or by any authorized representative of MLC, and copies thereof shall be furnished to MLC by the appropriate entity, at no cost to MLC, if requested by MLC. MLC shall have the right to audit the records and operations of VENDOR and each Subcontractor with respect to the goods to be provided and services to be performed pursuant to this Agreement. VENDOR and Subcontractor shall also comply with all other requirements of the Act and Governing Laws and Regulations.

#### **11. CONFIDENTIALITY; OWNERSHIP OF WORK PRODUCT**

(a) For purposes of this Agreement:

- (i) "**Confidential Information**" means any and all items or information of a party which are: (A) marked "Confidential" or some such similar designation; or are (B) valuable, proprietary and confidential information belonging to or pertaining to such party that does not constitute a "**Trade Secret**" (as hereafter defined) and that is not generally known but is generally known only to said party and those of its employees, independent contractors or agents to whom such information must be confided for business purposes, including, without limitation, information regarding said party's customers, suppliers, manufacturers and distributors; and
- (ii) a "**Trade Secret**" means business or technical information, including but not limited to a formula, pattern, program, device, compilation of information, method, technique, or process that: (A) derives independent actual or potential commercial value from not being generally known or readily ascertainable thorough independent development or reverse engineering by persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(b) In recognition of the need of VENDOR to protect its legitimate business interests, MLC hereby covenants and agrees that with regard to any: (i) VENDOR Confidential Information, at all times during the term of this Agreement and for a period of three (3) years following the expiration or termination of this Agreement for any reason; and (ii) VENDOR Trade Secrets, at all times such information remains a Trade Secret under applicable law, MLC will regard and treat all such items as strictly confidential and wholly owned by VENDOR and will not, for any reason or in any fashion, either directly or indirectly use, disclose, transfer, assign, disseminate, reproduce, copy, or otherwise communicate any such VENDOR Confidential Information or VENDOR Trade Secrets to any individual or entity for any purpose other than in accordance with this Agreement, pursuant to the instructions from a duly authorized representative of VENDOR or except to the extent necessary to fulfill the purposes of this Agreement or conduct the Mississippi Lottery. MLC shall not be liable, however, to VENDOR or to any other person or entity, if despite MLC's reasonable efforts, VENDOR Confidential Information is disclosed in breach of the foregoing. Notwithstanding anything hereto the contrary, the entirety of

Section 1.5 of the RFP, the Act, the MLC's Public Records Request Policy, the Governing Laws and Regulations, the Mississippi Open Meetings Act (*Miss. Code Ann. §§ 25-41-1 et seq.*, as amended) and the Mississippi Public Records Act of 1983, *Miss. Code Ann. §§ 25-61-1 et seq.*, as amended) (collectively, the "**Superseding Provisions and Statutes**") shall supersede and control any provision of this Agreement, and MLC's confidentiality and nondisclosure obligations and liabilities set forth herein, or in the RFP, Answers or Proposal, shall be subject to, and never be greater than, as set forth in any of the Superseding Provisions and Statutes.

(c) In recognition of the need of MLC to protect its legitimate business interests, VENDOR hereby covenants and agrees that with regard to any: (i) MLC Confidential Information, at all times during the term of this Agreement and for a period of three (3) years following the expiration or termination of this Agreement for any reason; and (ii) MLC Trade Secrets, at all times such information remains a Trade Secret under applicable law, VENDOR and all Subcontractors will regard and treat all such items as strictly confidential and wholly owned by MLC and will not, for any reason or in any fashion, either directly or indirectly use, disclose, transfer, assign, disseminate, reproduce, copy, or otherwise communicate any such MLC Confidential Information or MLC Trade Secrets to any individual or entity for any purpose other than in accordance with this Agreement or pursuant to the instructions from a duly authorized representative of MLC. In addition, to the extent the Act, the Governing Laws and Regulations or any other law imposes any greater restrictions or prohibitions with respect to any MLC Confidential Information, MLC Trade Secrets or other information or property of MLC, VENDOR covenants and agrees that it and all Subcontractors shall comply with such greater restrictions or prohibitions. To ensure the compliance by it and all Subcontractors with the provisions of this Section 11(c), VENDOR shall use its best efforts, including, without limitation, obtaining written confidentiality agreements with all Subcontractors which incorporate requirements no less restrictive than those set forth herein and which contain provisions which permit MLC to independently enforce the requirements set forth in such agreements.

(d) All work product, property, data, documentation or information or materials conceived, discovered, developed or created by VENDOR or any Subcontractor pursuant to this Agreement exclusively and specifically for MLC and solely for MLC's use (collectively, the "**Work Product**") shall be owned exclusively by MLC. Notwithstanding the foregoing, nothing contained herein shall limit or be deemed to limit VENDOR's intellectual property ownership rights in its basic, unmodified proprietary software systems which are generally provided to its customers. To the greatest extent possible, any Work Product shall be deemed to be a "**work made for hire**" (as defined in the Copyright Act, 17 U.S.C.A. § 101 *et seq.*, as amended) and owned exclusively by MLC. VENDOR hereby unconditionally and irrevocably transfers and assigns to MLC, and VENDOR shall cause all Subcontractors and others it retains to irrevocably transfer and assign to MLC, all right, title and interest in or to any Work Product, including, without limitation, all patents, copyrights, Trade Secrets, trademarks, service marks and other intellectual property rights therein. VENDOR agrees to execute and deliver to MLC, and to cause its Subcontractors and others it retains to execute and deliver, any transfers, assignments, documents or other

instruments which MLC may deem necessary or appropriate, from time to time, to vest complete title and ownership of any Work Product, and all associated intellectual property and other rights, exclusively in MLC. During the performance of the services and provisions of the goods specified herein, VENDOR shall be responsible for any loss or damage to any Work Product while in the possession of VENDOR or any Subcontractor, and any loss or damage thereto shall be restored at VENDOR's expense. MLC shall have full, immediate and unrestricted access to all Work Product during the term of this Agreement.

(e) MLC hereby grants to VENDOR a fully paid-up, non-exclusive, perpetual and transferable license to use, sublicense, modify and create derivative works of software, hardware, equipment, firmware and mask works which are owned by MLC and created solely by VENDOR or any Subcontractor, and which constitute Work Product (the "**Created Work Product Items**"). While MLC has the free rights to use, modify and create derivative works of such Created Work Product Items for its own use, it agrees not to license any of the rights licensed to VENDOR to any other entity unless VENDOR: (i) ceases to function as a going concern; (ii) files, or has filed against it, any bankruptcy or insolvency proceeding of any kind; (iii) dissolves, liquidates or otherwise ceases its corporate existence; (iv) makes an assignment for the benefit of its creditors; or (v) VENDOR announces it will cease, or actually ceases, to perform continuing maintenance, support or enhancement services with regard to Created Work Product Items (any of the foregoing events being defined as "**Material Event**"). Upon the occurrence of any Material Event, the license granted by this Section 11(e) to VENDOR with respect to the Created Work Product Items, and any restrictions of MLC's rights with respect to such Created Work Product Items set forth in this Section 11(e) shall immediately terminate and cease, and MLC shall have the right, without limitation, to grant to another entity a license to use, modify and create derivative works of Created Work Product Items for the use or benefit of MLC.

(f) VENDOR hereby grants to MLC a fully paid-up, non-exclusive, perpetual, non-transferable license for MLC to use all software which is provided by VENDOR or Subcontractors for the use by or benefit of MLC pursuant to this Agreement, whether such software is currently set forth in the Proposal or subsequently provided (collectively, the "**VENDOR Software**"). Upon the occurrence of a Material Event, in addition to any rights or licenses which MLC may acquire pursuant to any source code escrow agreement required by Section 3.9 of the RFP or otherwise entered into for the benefit of MLC, MLC's license to the VENDOR Software shall automatically be expanded to include the license and right for MLC, or others on behalf of MLC, to use, modify and create derivative works of the VENDOR Software for MLC's use or benefit.

(g) Notwithstanding the foregoing, the nondisclosure restrictions of Section 11(b) shall not apply to VENDOR information that is: (i) generally known to the public other than due to a disclosure by MLC; (ii) already known to MLC at the time it is disclosed by VENDOR to MLC; (iii) independently developed by MLC; or (iv) received by MLC from a party that MLC believed in good faith had the right to make such disclosure.

(h) Notwithstanding the foregoing, the nondisclosure restrictions of Section 11(c) shall not apply to MLC information that is: (i) generally known to the public other than due to a disclosure by VENDOR or a Subcontractor; (ii) already known to VENDOR at the time it is disclosed by MLC to VENDOR; (iii) independently developed by VENDOR; or (iv) received by VENDOR from a third party that VENDOR believed in good faith had the right to make such disclosure.

**12. LIMITATION OF LIABILITY**

**THE PAYMENT OBLIGATIONS UNDERTAKEN BY MLC UNDER THIS AGREEMENT ARE SUBJECT TO THE AVAILABILITY OF FUNDS TO MLC. THERE SHALL BE NO LIABILITY ON THE PART OF MLC EXCEPT TO THE EXTENT OF AVAILABLE FUNDS PERMITTED TO BE PAID FROM THE PROCEEDS OF LOTTERY OPERATIONS AND OTHER FUNDS AVAILABLE TO MLC. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, UNDER NO CIRCUMSTANCES WILL THE STATE OF MISSISSIPPI, ITS GENERAL FUND OR ANY OF ITS AGENCIES OR POLITICAL SUBDIVISIONS BE RESPONSIBLE OR LIABLE AS A RESULT OF THIS AGREEMENT OR ANY LIABILITY CREATED HEREBY OR ARISING HEREUNDER.**

**13. ANTITRUST ACTIONS**

VENDOR hereby conveys, sells, assigns and transfers to MLC all of its right, title and interest in and to all causes of action it may now have or hereafter acquire under the antitrust laws of the United States of America and the State of Mississippi relating to any systems, equipment and services acquired by MLC under this Agreement.

**14. COMPLIANCE WITH LAWS**

VENDOR agrees to comply with all applicable rules, policies, procedures and regulations adopted from time to time by MLC under the Act and all other applicable federal, state and local laws, rules, regulations, ordinances or executive orders, including, without limitation, the Americans with Disabilities Act of 1990 (42 U.S.C. §§ 1201 *et seq.*) and all other labor, employment and anti-discrimination laws, and all provisions required thereby to be included herein, are hereby incorporated by reference (all of the foregoing being sometimes referred to collectively as the "**Governing Laws and Regulations**").

**15. REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS**

VENDOR hereby represents, warrants or covenants, as the case may be, to MLC, on its own behalf and with respect to each of its Subcontractors that as of the Effective Date and at all times throughout the term of this Agreement, as follows:

(a) VENDOR has the power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and VENDOR has taken all necessary and appropriate action to authorize the execution and delivery of this Agreement and the

performance of its obligations under this Agreement. The execution and delivery of this Agreement and the performance of its obligations under this Agreement are not in contravention of any provisions of law or any material indenture or agreement by which VENDOR is bound and do not require the consent or approval of any governmental body, agency, authority or other person or entity which has not been obtained. This Agreement constitutes the valid and legally binding obligation of VENDOR, enforceable against VENDOR in accordance with its terms.

(b) VENDOR and its Subcontractors have disclosed or will disclose to MLC all matters required to be disclosed under the Governing Laws and Regulations. In addition, VENDOR recognizes and acknowledges that there are certain limitations on its activities, and the activities of its Subcontractors, now and in the future, including, but not limited to, limitations on certain political contributions, limitations on the ability to submit proposals in response to subsequent requests for proposals issued by MLC, limitations on the ability to enter into or perform contracts or other arrangements with certain third parties, and limitations on the ability to purchase lottery tickets, all of which shall be honored. Some of these restrictions also apply to the employees of VENDOR and the members of such employees' households, and VENDOR will enforce such restrictions upon its employees and Subcontractors.

(c) Neither VENDOR, the Subcontractors nor any of its or their respective officers, directors, partners or major shareholders (i) have ever been found guilty of, or plead guilty to, any crime in any way related to the security, integrity or operation of any lottery in any jurisdiction; (ii) currently under indictment for any crime in any way related to the security, integrity or operation of any lottery in any jurisdiction; or (iii) have ever been found to be in possession of any illegal lottery device.

(d) Neither VENDOR, the Subcontractors nor any of its or their respective officers, directors, partners or major shareholders has an ownership interest in any entity that has supplied consultation services under contract to MLC with respect to the RFP.

(e) No "public official" has an ownership interest of five percent (5%) or more in VENDOR or any of the Subcontractors.

(f) VENDOR and all Subcontractors (i) are, and will remain at all times during the term of this Agreement, qualified to do business in the State of Mississippi; (ii) have obtained a signed tax clearance from the Mississippi Commissioner of Revenue indicating that it is current in filing all applicable tax returns and in payment of all taxes, interest and penalties owed to the State of Mississippi, excluding items under formal appeal pursuant to applicable statutes; and (iii) will file Mississippi income tax returns at all times during the term of this Agreement.

(g) Neither VENDOR nor any Subcontractor are currently debarred from contracting with any political subdivision or agency of the State of Mississippi or federal government, and neither VENDOR nor any Subcontractor is an agent of a person or entity that is

currently debarred from contracting with any political subdivision or agency of the State of Mississippi or federal government.

(h) All Work Product: (i) shall be prepared, worked on and completed solely by employees of VENDOR or a Subcontractor in the scope of their employment or by independent contractors of VENDOR or a Subcontractor working under the strict and direct supervision of such employees; (ii) shall be original works of authorship; (iii) shall not infringe, plagiarize, pirate or constitute misappropriations of any copyrights, trademarks, service marks, trade names, patents, Confidential Information, Trade Secrets or other intellectual properties or proprietary rights of any individuals or entities; and (iv) shall not be false, misleading, actionable, defamatory, libelous or constitute an invasion of privacy of any individual or entity.

(i) None of VENDOR or any Subcontractors, nor any of its or their respective employees, officers, directors, partners or major shareholders, shall issue any press release, conduct any press or news conference, participate in any media interview or otherwise make any public statement or announcement on behalf of, with respect to or in connection with this Agreement, MLC or the Lottery without the prior written consent of the President or his designee(s) in each instance.

(j) None of VENDOR or any Subcontractors, nor any of its or their respective employees, officers, directors, partners or major shareholders, shall use MLC's or the Lottery's name, logos, images or any other information or data related to the services to be provided pursuant to this Agreement as a part of or in connection with any commercial advertising without the prior written consent of the President or his designee(s) in each instance.

(k) VENDOR's and all Subcontractors' computer or other systems, and all of its or their respective equipment and components, used in connection with this Agreement shall in all respects meet any requirements, performance standards and specifications of the RFP, the Answers, the Proposal and this Agreement, and shall be suitable and fit for the purposes of instant ticket lottery games systems, products, equipment and services.

(l) All equipment and components provided by VENDOR and all Subcontractors to MLC, other than as permitted by the RFP, shall be new equipment and shall conform to the manufacturer's current official published specifications. Unless MLC is otherwise notified by VENDOR, all such equipment and components not manufactured by VENDOR or a Subcontractor shall carry manufacturer warranties of merchantability and warranties against defects in materials and workmanship. All adjustments, repairs and replacement parts necessary to maintain such equipment and components in good working order shall be promptly provided and performed by VENDOR. Any such equipment or components not meeting the requirements set forth herein shall be replaced by VENDOR as soon as feasible and without cost to MLC.

(m) VENDOR and all Subcontractors shall keep all of their hardware and equipment used in connection with the Lottery in good condition and repair and shall make all

reasonable efforts to prevent anything that may materially impair the operations thereof. Such hardware and equipment shall not be used in violation of this Agreement, the RFP, the Act or any of the Governing Laws and Regulations, and neither VENDOR nor any Subcontractor shall pledge, grant a security interest or lien on, hypothecate or otherwise encumber such hardware or equipment or otherwise dedicate the use of such hardware or equipment in such a way as to compromise the ability of MLC to use same for the proper functioning of the Lottery or the ability of VENDOR or any Subcontractor to perform its or their obligations under this Agreement.

(n) VENDOR and all instant ticket printer Subcontractors warrant that: (i) the actual prize pool for each game will be within the limits set out in the Working Papers mutually agreed upon by VENDOR and MLC; and (ii) all tickets will have a unique validation number within each game; and (iii) the ticket dimensions shall not vary by more than two percent (2%) from the size established in the working papers for each instant ticket game; and (iv) regardless of the type of ticket design or designs proposed, the final product must be tamper-proof by any practical means; and (v) each game is printed in conformity with the prize structure included in the Working Papers so that prizes will constitute no more than the percentage of revenue stated, and larger prizes are all present in delivered tickets within stated tolerances; and (vi) winning tickets are distributed with no discernible pattern throughout the entire population of a game; and (vii) all instant ticket games provided by VENDOR pursuant to this Agreement shall in all respects conform to, and function in accordance with, their specifications, designs and Working Papers, as approved by MLC.

(o) All systems analysis, systems design and programming prepared or done by VENDOR or any Subcontractor in connection with this Agreement, the RFP or the Proposal have been and shall be prepared or done in a workmanlike manner consistent with the highest professional and technical guidelines and standards of the industry in which VENDOR is engaged.

(p) All computer programs and equipment implemented by VENDOR or any Subcontractor for performance under this Agreement shall meet their stated performance standards and shall correctly and accurately perform their intended functions in all material respects on all hardware and other equipment supplied by MLC, VENDOR or any Subcontractor.

## **16. OBLIGATIONS OF VENDOR**

(a) VENDOR shall provide to MLC on an annual basis an updated certificate of existence showing that it and each Subcontractor are qualified to transact business in the State of Mississippi.

(b) VENDOR agrees to fully disclose to MLC all matters materially affecting MLC, this Agreement or the performance of this Agreement and all matters reasonably necessary to perform background and security investigations with respect to VENDOR, the Subcontractors, their respective officers, directors, partners, shareholders and employees, and the individuals performing services pursuant to this Agreement or otherwise for the

benefit of MLC or the Lottery. In addition, VENDOR acknowledges that some or all of its employees, officers, directors, partners and shareholders, and its Subcontractors and their respective employees, officers, directors, partners and shareholders, may be required to submit to background and other investigations, and VENDOR shall cause any such individuals or Subcontractors to fully cooperate with any such investigations and to provide all necessary information and authorizations in connection therewith. VENDOR further agrees that it will routinely and continuously update all information disclosed to MLC pursuant to this Agreement or the RFP, including, without limitation, any breaches of all representations, warranties and additional covenants set forth in Section 15 hereof, no less often than every six (6) months; provided, however, VENDOR shall as soon as possible notify MLC upon the occurrence of any event the effect or results of which VENDOR would be required to disclose, or to update a previous disclosure, to MLC under this Agreement or the RFP and which materially affect MLC, VENDOR, the Subcontractors, any of their respective officers, directors, partners, shareholders or employees, this Agreement or the performance of this Agreement. VENDOR further agrees to notify MLC: (i) as soon as possible, but no more than five (5) days after the filing of any criminal proceeding or issuance of any indictment involving VENDOR or any Subcontractor or any officer, director or employee of Vendor or any Subcontractor; and (ii) within thirty (30) days of VENDOR's first learning of any civil or administrative proceeding involving VENDOR or any Subcontractor or any officer, director or employee of Vendor or any Subcontractor; provided, however, if any such proceeding would have a material adverse effect on VENDOR or a Subcontractor or their ability to perform pursuant to this Agreement, then such notice must be delivered to MLC no more than five (5) days after VENDOR learns of such proceeding.

(c) VENDOR must, contemporaneously with the execution of this Agreement, post and maintain at least throughout the term of this Agreement a performance bond (the "**Bond**"), letter of credit from a bank, or deposit securities, pursuant to Section 35 of the Act and acceptable to the MLC in its sole discretion, in an amount equal to Ten Million Dollars (\$10,000,000). The security provided by VENDOR pursuant to this Section 16(c) shall provide funds to MLC in the event MLC suffers any liability, loss, damage or expense as a result of VENDOR's failure to fully and completely perform any or all of the requirements contained in this Agreement, including, without limitation, VENDOR's obligation to pay any liquidated damages due hereunder or to indemnify MLC pursuant hereto. The Bond may be renewable annually, provided that: (i) it provides that, in the event the Bond will not be renewed for an additional year, MLC will be provided written notice thereof at least thirty (30) days prior to the expiration thereof; and (ii) if any such Bond is not renewed for an additional year, VENDOR must obtain a replacement equivalent Bond or letter of credit to be in place so that at no time is VENDOR in violation of its obligation pursuant to this Section 16(c) to maintain a performance bond at least throughout the term of this Agreement.

(d) VENDOR shall maintain the following types and amounts of insurance during the term of this Agreement, designating MLC as an additional insured on each policy:

- (i) General liability insurance in the amount of \$5,000,000.00;

- (ii) Property insurance in the amount of replacement cost;
- (iii) Errors and omissions insurance in the amount of \$5,000,000.00;
- (iv) Automobile liability insurance in the amount of \$5,000,000.00;
- (v) Crime insurance in the amount of \$5,000,000.00;
- (vi) Cyber and Privacy insurance in the amount of \$5,000,000.00;
- (vii) Social Engineering Fraud insurance in the amount of \$5,000,000.00;
- (viii) Workman's Compensation Insurance at or above the levels required by the State of Mississippi;
- (ix) Self-insurance with respect to equipment in the field; and
- (x) Such other types and amounts of insurance as MLC shall from time to time reasonably require.

(e) VENDOR shall provide MLC with certificates of insurance within ten (10) days after the date hereof and evidence of any renewed bonds or insurance policies within five (5) days prior to the expiration of the then existing bonds or insurance policies. All bonds and insurance required of VENDOR by this Agreement must be issued by companies or financial institutions which are financially rated "A" or better (or a comparable rating) by a nationally recognized rating agency and duly licensed, admitted and authorized to transact business in the State of Mississippi.

(f) VENDOR agrees to escrow the source codes to all applicable software and other similar proprietary materials developed or provided by VENDOR or any Subcontractor in connection with its performance under this Agreement, in accordance with a standard Source Code Escrow Agreement in form and substance acceptable to MLC, in its sole discretion. VENDOR hereby grants to MLC a perpetual, non-exclusive, non-transferable, non-sublicensable license to use any and all proprietary materials owned by it and used in connection with its performance under this Agreement. VENDOR hereby further grants to MLC all rights and authority to modify such proprietary materials in any manner MLC deems necessary following the occurrence of a Material Event or in the event they are released from escrow pursuant to any Source Code Escrow Agreement.

(g) VENDOR shall, at its own expense, conduct trademark and service mark searches with respect to the names of all instant ticket games provided by VENDOR for use in connection with the Lottery.

(h) VENDOR and its Subcontractors shall allow any authorized representatives of MLC to inspect, at reasonable times with notice upon arrival, the plants, places of business and job sites of VENDOR or any Subcontractors which are being used in connection with the performance of this Agreement. VENDOR shall not change the location of its

warehousing, printing, systems, offices or service facilities used in connection with this Agreement without the prior written approval of MLC.

(i) VENDOR shall establish and maintain a physical and software security program that is acceptable to MLC and shall adhere to all security requirements established from time to time by MLC.

#### 17. TAXES

MLC will not be responsible for any taxes levied on VENDOR or any Subcontractor as a result of the execution, delivery or performance of this Agreement. VENDOR and Subcontractors shall pay and discharge any and all such taxes in a timely manner.

#### 18. TERMINATION

(a) Notwithstanding anything herein to the contrary, MLC may cancel and terminate this Agreement: (i) if VENDOR fails to correct or cure any breach of any of Sections 7(b), 15(c), 15(d), 15(e), 15(i), 16(b), 16(h) or 16(i) of this Agreement (collectively, the "**Major Sections**") within seventy-two (72) hours of the earlier of: (A) VENDOR's having knowledge of such breach; or (B) VENDOR's receiving oral or written notice of such breach from MLC; or (ii) if VENDOR fails to correct or cure any breach of any other provisions or Sections of this Agreement, other than Major Sections, after thirty (30) calendar days' prior written notice from MLC.

(b) If MLC, after thirty (30) calendar days' prior written notice from VENDOR, fails to correct or cure any breach of this Agreement, then VENDOR may cancel and terminate this Agreement and in due course collect monies properly due up to and including the date of such termination.

(c) In the event that either party hereto is unable to perform any of its obligations under this Agreement, or to enjoy any of its benefits because of natural disaster, actions or decrees of governmental bodies or communication line failure, or other events of force majeure not the fault of the affected party, the affected party shall immediately give notice to the other party and shall do everything possible to resume performance. Upon receipt of such notice, each party's obligations under this Agreement shall be immediately suspended. If the period of non-performance exceeds thirty (30) days from the receipt of notice of an event described in this Section 18(c), the party whose ability to perform has not been so affected may terminate this Agreement by giving written notice thereof to the other party.

(d) If, for any reason other than a breach of this Agreement by MLC, VENDOR is unable to perform its obligations hereunder, MLC shall acquire a usufruct (or the equivalent thereof) in all property owned by VENDOR or any Subcontractor which is used in conjunction with, and is necessary to, the performance of this Agreement, which usufruct shall exist until the expiration or termination of this Agreement.

**(LIQUIDATED DAMAGES PROVISIONS, DESCRIPTIONS AND LEVELS MUST BE NEGOTIATED, REVIEWED AND CONFORMED TO RFP, PROPOSAL AND FINAL AGREED-UPON NEGOTIATED PROVISIONS)**

**19. LIQUIDATED DAMAGES**

(a) If any of the below-described events occurs, MLC shall have the right to assess VENDOR for liquidated damages subject to the maximum liquidated damage amounts set forth below corresponding to each such event:

- (i) Delay in the start of the lottery (\$ \_\_\_\_\_);
- (ii) Delay in the start of a new game (\$ \_\_\_\_\_);
- (iii) Shortage of tickets (\$ \_\_\_\_\_);
- (iv) Failure to distribute tickets within two (2) business days of ordering (\$ \_\_\_\_\_);
- (v) Security violations (\$ \_\_\_\_\_);
- (vi) Untimely vending machine repair (\$ \_\_\_\_\_);
- (vii) Untimely reports (\$ \_\_\_\_\_);
- (viii) Untimely Working Papers (\$ \_\_\_\_\_);
- (ix) Unauthorized modifications to Working Papers (\$ \_\_\_\_\_);
- (x) Claimed prize tickets not approved by MLC (\$ \_\_\_\_\_);
- (xi) Defective or nonconforming tickets (\$ \_\_\_\_\_); and
- (xii) Incomplete or incorrect game validation files (\$ \_\_\_\_\_).

(b) VENDOR and MLC hereby acknowledge and agree that:

- (i) MLC's damages following the occurrence of any event set forth in Section 19(a) hereof are difficult or impossible to accurately estimate or calculate;
- (ii) the liquidated damages amounts set forth in Section 19(a) hereof are reasonable pre-estimates of what MLC's damages would be in the event of the occurrence of any such events and, if assessed, shall be MLC's sole remedy with respect to such events;
- (iii) it is their mutual intention that Section 19(a) hereof provide for liquidated damages to compensate MLC upon the occurrence of such an event, rather

than penalties to deter VENDOR from breaching this Agreement and/or to punish VENDOR upon the occurrence of such an event;

- (iv) to the extent an event occurs for which liquidated damages are assessable under more than one subsection of Section 19(a), MLC shall recover under only such subsection that provides for the highest amount of liquidated damages; and
- (v) MLC shall have the right, in its sole discretion, to waive (in whole or in part) payment by VENDOR of liquidated damages due hereunder. A waiver in any one instance shall be strictly limited to that specific instance and shall not in any way constitute or be construed to be a waiver of the payment of any other liquidated damages that are due or may become due hereunder.

## 20. INDEMNIFICATION

(a) VENDOR agrees to indemnify, defend and hold harmless MLC, the Board, its agents, officers, directors and employees, the State of Mississippi and its agencies and political subdivisions, and their respective agents, officers and employees, against any and all suits, damages, expenses (including, without limitation, court costs, attorneys' fees and other damages), losses, liabilities and claims of any kind, caused by or resulting from any breach of this Agreement or any other act or omission of VENDOR, the Subcontractors, or any of its or their respective agents or employees, whether the same may be the result of negligence, responsibility under strict liability standards, any other substandard conduct or otherwise.

(b) In addition, VENDOR agrees to indemnify, defend and hold harmless MLC, the Board, its agents, officers, directors and employees, the State of Mississippi and its agencies and political subdivisions, and their respective agents, officers and employees, against any and all suits, damages, expenses (including, without limitation, court costs, attorneys' fees and other damages), losses, liabilities and claims of any kind, arising out of, in connection with or resulting from the development, possession, license, modifications or use of any copyrighted or non-copyrighted composition, trademark, service mark, service process, patented invention or item, trade secret, article or appliance furnished to MLC, or used in the performance of this Agreement, by VENDOR or any Subcontractor, excluding claims for personal injury.

## 21. CONFLICT RESOLUTION PROCEDURES

Prior to bringing any judicial enforcement action with respect to any claims or controversies arising in connection with the performance of this Agreement, VENDOR must first pursue and exhaust any and all remedies available to it in accordance with the dispute resolution procedures adopted by MLC, as amended from time to time (collectively, the "**Dispute Resolution Procedures**").

## 22. NOTICES

(a) All notices and statements provided for or required by this Agreement shall be in writing, and shall be delivered personally to the other designated party, or mailed by certified or registered mail, return receipt requested, or delivered by a recognized national overnight courier service, as follows:

If to MLC: Mississippi Lottery Corporation  
c/o Balch & Bingham LLP  
188 E. Capitol Street, Suite 1400  
Jackson, MS 39201  
Attn: Thomas N. Shaheen, President

with a copy to: Lucien Smith  
Balch & Bingham LLP  
188 E. Capitol Street, Suite 1400  
Jackson, MS 39201

If to VENDOR: VENDOR  
\_\_\_\_\_  
\_\_\_\_\_  
Attn:

with a copy to: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn:

(b) Either party hereto may change the address and/or person to which notice is to be sent by written notice to the other party in accordance with the provisions of this Section 22.

**23. MISCELLANEOUS**

(a) This Agreement, together with the Proposals, the Answers and the RFP, contains the entire agreement and understanding concerning the subject matter hereof between the parties hereto. Notwithstanding anything herein to the contrary, in the event of an inconsistency among this Agreement, the Proposal, the Answers and/or the RFP, the terms of this Agreement, as may be amended pursuant hereto, shall control the Answers, the terms of the Answers shall control the RFP, and the terms of the RFP shall control the Proposal. No waiver, termination or discharge of this Agreement, or any of the terms or provisions hereof, shall be binding upon either party hereto unless confirmed in writing. This Agreement may not be modified or amended, except by a writing executed by both parties hereto. No waiver by either party hereto of any term or provision of this Agreement

or of any default hereunder shall affect such party's rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.

**(b) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MISSISSIPPI. ONLY AFTER EXHAUSTION OF ALL REMEDIES AND PROCEDURES IN THE DISPUTE RESOLUTION PROCEDURES OF MLC, IF APPLICABLE LAW PERMITS ANY FURTHER APPEALS, ANY SUCH APPEAL MUST BE BROUGHT SOLELY IN THE CHANCERY COURT OF \_\_\_\_\_ COUNTY, MISSISSIPPI. VENDOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT WHICH IT MAY NOW OR HEREAFTER HAVE TO APPEAL ANY FINAL DECISIONS OF THE BOARD MADE PURSUANT TO THE DISPUTE RESOLUTION PROCEDURES, AND VENDOR IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY APPEAL BEING SOLELY IN THE CHANCERY COURT OF \_\_\_\_\_ COUNTY, MISSISSIPPI.**

(c) Neither party hereto shall assign this Agreement, in whole or in part, without the prior written consent of the other party hereto, and any attempted assignment not in accordance herewith shall be null and void and of no force or effect; provided, however, nothing herein shall prevent MLC from freely assigning this Agreement, without requiring VENDOR's prior written consent, to any entity which operates or will operate the Lottery. For purposes of this Section 23(c), any sale or transfer of a controlling equity interest in, or substantially all of the assets of, VENDOR will be deemed an assignment for which MLC's consent is required.

(d) This Agreement shall be binding on VENDOR, and its Subcontractors, successors and permitted assigns.

(e) The headings contained herein are for the convenience of the parties only and shall not be interpreted to limit or affect in any way the meaning of the language contained in this Agreement.

(f) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute the same Agreement. Any signature page of any such counterpart, or any electronic facsimile thereof, may be attached or appended to any other counterpart to complete a fully executed counterpart of this Agreement, and any telecopy or other facsimile transmission of any signature shall be deemed an original and shall bind such party.

(g) If any provision of this Agreement shall be held void, voidable, invalid or inoperative, no other provision of this Agreement shall be affected as a result thereof, and accordingly, the remaining provisions of this Agreement shall remain in full force and

effect as though such void, voidable, invalid or inoperative provision had not been contained herein.

(h) Upon the request of either party, the other party agrees to take, and VENDOR agrees to cause any Subcontractor to take, any and all actions, including, without limitation, the execution of certificates, documents or instruments, necessary or appropriate to give effect to the terms and conditions set forth in this Agreement.

(i) VENDOR agrees to act in accordance with any policy which shall be adopted by MLC which shall prescribe minimum sales volumes for Lottery retailers.

**24. ADDITIONAL SERVICES**

In the event MLC desires to retain the services of VENDOR for activities in addition to those contemplated by this Agreement, and VENDOR agrees to perform such services, payment therefor shall not exceed the rates identified in this Agreement unless agreed to in writing by MLC. Any such services, the rates, and the terms of payment shall be approved, in writing, prior to the commencement of any such additional work. In no event shall VENDOR or any Subcontractor be paid for work not authorized, or for work in excess of that authorized, in writing by MLC.

**25. APPROVAL OF MLC AND REQUIRED INVESTIGATIONS**

MLC and VENDOR hereby agree that this Agreement, and all of the terms and conditions contained herein, is subject to the approval of the Board and the completion of all criminal and other background investigations required by the Act, Governing Laws and Regulations or MLC. This Agreement will not be binding upon MLC until the completion of all such investigations and the Board has expressly approved the awarding of the Agreement to VENDOR and executed this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Agreement to be effective as of the Effective Date.

"MLC"

MISSISSIPPI LOTTERY CORPORATION

By: Michael J. McGrevey  
Its: Chairman

"VENDOR"

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Exhibit A  
[Proposal]

Exhibit B  
[RFP]

Exhibit C  
[Questions  
and  
Answers]

# **MISSISSIPPI LOTTERY CORPORATION**

## **REQUEST FOR PROPOSALS NO. 5**

### **REQUEST FOR PROPOSALS FOR ONLINE LOTTERY GAMING SYSTEM**

**PROPOSAL SUBMISSION DEADLINE: AUGUST 2, 2019 (2:00 P.M. CST)**

**PROPOSAL DUE TO: MISSISSIPPI LOTTERY CORPORATION  
ONLINE GAMING SYSTEM BID  
DR. MICHAEL J. MCGREVEY, CHAIRMAN  
C/O REBECCA SANFORD  
BALCH & BINGHAM LLP  
188 E. CAPITOL STREET, SUITE 1400  
JACKSON, MS 39201**

**JUNE 27, 2019**

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**MISSISSIPPI LOTTERY CORPORATION**

**REQUEST FOR PROPOSALS NO. 5**

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DR. MICHAEL J. MCGREVEY, CHAIRMAN  
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BALCH & BINGHAM LLP  
188 E. CAPITOL STREET, SUITE 1400  
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**JUNE 27, 2019**

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# MISSISSIPPI LOTTERY CORPORATION

## REQUEST FOR PROPOSALS FOR ONLINE LOTTERY GAMING SYSTEM

### RFP NO. 5

#### PART I - GENERAL INFORMATION

##### 1.1 INTRODUCTION

The Alyce G. Clarke Mississippi Lottery Law, Senate Bill 2001 (First Extraordinary Session 2018) (the “**Act**”), formed the Mississippi Lottery Corporation (the “**Corporation**”) to administer the State of Mississippi’s first lottery (the “**Mississippi Lottery**”). The Corporation’s Board of Directors (the “**Board**”) governs the Corporation. The Board is comprised of five (5) members appointed by the Governor, with the advice and consent of the Senate, in addition to the Commissioner of the Department of Revenue and the State Treasurer as ex officio members. Composing the current Board are Dr. Michael J. McGrevey, Dr. Cass Pennington, Kimberly LaRosa, Gerard Gibert, Philip Chamblee, Commissioner Herb Frierson, and Treasurer Lynn Fitch. The Act mandates that the Board appoint a President of the Corporation, subject to the approval of the Governor. The Board appointed Thomas N. Shaheen as President of the Corporation (the “**President**”), who was subsequently approved by Governor Phil Bryant.

In accordance with the Act, the Corporation must act for the benefit of the people of Mississippi through the operation of a lottery and strive to maximize lottery revenues to the State of Mississippi.

The purpose of this procurement (the “**Procurement**”) and Request for Proposal (“**RFP**”) is to invite responsible proposals (“**Proposals**”) from qualified and reputable vendors in the lottery industry (“**Vendors**”) for the provision, implementation and operation of a fully integrated online lottery gaming system, a statewide communications network, the provision of online lottery game products and services, associated lottery management services, instant ticket validation, and certain marketing services and other purposes described herein (collectively, the “**System**”). The System should include comprehensive equipment and services required to implement and maintain both the online game products, services and systems for the Corporation and instant ticket validation and certain marketing services. It is the Corporation’s desire to select a single Vendor that is able to provide a comprehensive System covered by this RFP.

The Corporation currently intends to execute a contract (the “**Contract**”) as a result of this Procurement of the System, if any Contract is executed at all, encompassing all of the products and services contemplated in this RFP and Procurement; provided, however, nothing herein obligates the Corporation to sign any Contract, or only one Contract, and the Corporation reserves the right to sign one or more Contracts, or no Contracts, as it determines in its sole discretion to be in the best interests of the Corporation and the State of Mississippi. Notwithstanding any provision of this RFP to the contrary, the Corporation may in its sole discretion favor multiple Proposals and accordingly select multiple “**Successful Vendors**” (as defined in this Section 1.1) and execute multiple Contracts.

This RFP is being used by the Corporation to take maximum advantage of the design capabilities, implementation knowledge and operational knowledge of the marketplace for the design, implementation and operation of the Corporation's instant and online lottery games and operations. All Vendors must fully acquaint themselves with the Corporation's needs and requirements and obtain all necessary information and understandings to be able to develop an appropriate solution and to submit responsive and effective Proposals. Vendors are encouraged to be creative in their Proposals and provide best in class and creative solutions so that the Corporation can maximize the revenues it raises as responsibly as possible.

The Corporation is an independent, self-supporting and revenue-raising corporation of the State of Mississippi, created by the Act. It plans to employ approximately eighty (80) people statewide and have approximately three (3) regional claim center offices (the "**Claim Center Offices**") in addition to the Corporation's headquarters to be located in Hinds, Rankin or Madison Counties, Mississippi (the "**Greater Jackson Metropolitan Area**") by the start-up of instant ticket sales on or before December 1, 2019. The exact numbers of employees, retailers selling the Corporation products and Claim Center Offices is subject to change in the discretion of the Corporation. The Corporation is committed to maximizing revenues to the State of Mississippi by providing entertaining lottery products and quality customer service to retailers and players, while maintaining its integrity and the integrity of its games.

The Corporation requires that instant ticket sales begin on or before December 1, 2019 (the "**Startup Deadline**"); thus, all components of the System must be in place, fully operational and tested prior to that Startup Deadline. The Corporation requires that online ticket sales begin on or before February 10, 2020 (the "**Online Deadline**"); thus, all of the Systems and online lottery game products and services must be in place, fully operational and tested prior to that Online Deadline. The Corporation currently expects to begin with instant ticket price points at \$1, \$2, \$3, \$5 and \$10 and may offer higher instant ticket denominations within the Contract term. The Corporation plans for the Vendor that is selected to provide the System, goods and services contemplated by this RFP (the "**Successful Vendor**") to develop and implement software and systems and do all things necessary to enable the Corporation to offer at a minimum the following online games during the course of the Contract:

- 3 DIGIT
- 4 DIGIT
- 5 DIGIT
- POWERBALL
- MEGA MILLIONS
- CASH4LIFE
- LOTTO AMERICA

The Corporation's retailer base ("**Retailers**") as of the Startup Deadline is currently expected to be approximately fifteen hundred (1,500) to seventeen hundred (1,700) (subject to change in the discretion of the Corporation). Thereafter, based on subsequent developments and sales and the recommendation of the President to the Board, the Retailer base may be expanded to three thousand (3,000) or more during the term of the Contract. Additionally, the Corporation currently plans to staff and operate three (3) Claim Center Offices throughout the State of Mississippi in addition to its headquarters to be located in the Greater Jackson Metropolitan

Area. Accordingly, the System proposed by the Vendors must be sufficiently scalable and fully functional to properly handle the growing needs of the Corporation as they evolve from time to time in the discretion of the Corporation.

## 1.2 CORPORATION OBJECTIVES

All Proposals in response to this RFP shall reflect at least the following overall goals and objectives of the Corporation:

- To acquire a System in accordance with the Act and all of the needs of the Corporation that fully integrates instant games, online games and all related administrative systems and services that will suit the requirements of the Corporation now and into the future;
- To make prize payouts of a least fifty percent (50%) of the total annual gross revenues accruing from the sale of lottery tickets;
- To annually increase revenue to the Lottery Proceeds Fund in the Mississippi State Treasury (the “**Lottery Proceeds Fund**”), and meet the Act’s requirement to transfer the net proceeds of total annual gross revenues accruing from the sale of lottery tickets (after payment of prizes to the holders of winning lottery tickets and payment of costs incurred in the operation and administration of the lottery) to the Lottery Proceeds Fund;
- To market high quality products that provide entertainment and customer satisfaction;
- To ensure that the lottery receives services from Vendors who are financially sound and experienced and who maintain favorable reputations within the lottery industry for proper ethics and contract performance;
- To ensure that the Successful Vendor is capable of providing the Systems and services called for in this RFP, and that the Successful Vendor will be capable of continuing to provide the System and those services during the term of the Contract;
- To ensure that the System is fully operational and installed prior to the December 1, 2019 Startup Deadline supporting all instant ticket game functions in all Retailer locations approved by the Corporation at least two weeks prior to the Startup Deadline;
- To ensure that all aspects of the System and online ticket operations are fully operational, installed and tested in Retailer locations and that online tickets are available for sale to the public on or before the Online Deadline of February 10, 2020;

- To ensure that the Successful Vendor is capable of full compliance with “**Applicable Laws**” (as defined in Section 3.13) in the operations proposed to be conducted under any Contract awarded as a result of this Procurement;
- To provide for innovation and the ability to respond to changes in the industry and the demands of the marketplace;
- To obtain the highest quality goods and services at competitive prices; and
- To start up and operate the Mississippi Lottery as an extremely successful lottery, while maintaining its efficiency, security and integrity.

### **1.3 SUCCESSFUL VENDOR/CORPORATION RELATIONSHIP**

The nature of this RFP and the Contract that will result from this Procurement will result in a relationship between the Successful Vendor and the Corporation, which relationship must be founded on mutual trust and respect. The Successful Vendor must adopt the same attitudes and concerns and commitment towards the Corporation’s games, financial performance, legal compliance, integrity and security as are held by the Corporation.

### **1.4 GOVERNING LAW**

All Proposals and the Contract are automatically subject to the requirements of, and must comply with, the Act and the regulations, policies and procedures of the Corporation as they may be adopted or amended from time to time (collectively, the “**Regulations, Policies and Procedures**”), regardless of whether or not specifically addressed in either this RFP or the Proposal. All potential Vendors must read and be familiar with the Act and the Regulations, Policies and Procedures of the Corporation, a copy of which may be obtained either from the Corporation or through a link on the Corporation’s official web site, [www.mslotteryhome.com](http://www.mslotteryhome.com) (the “**Website**”). The Regulations, Policies and Procedures are subject to change from time to time in the sole discretion of the Corporation and no advance written notice of any such changes must be provided to any Vendor or other individual or entity. Unless otherwise indicated therein, any changes in the Regulations, Policies and Procedures adopted by the Corporation become effective thirty (30) days after their being published and posted on the Website. A Vendor may obtain the latest Regulations, Policies and Procedures at any time upon a written request to the Corporation. Thus, all Vendors are required to continually monitor and pay close attention to the Regulations, Policies and Procedures and all changes thereto. All Vendors shall automatically be deemed to be on notice of, and subject to, the latest Regulations, Policies and Procedures of the Corporation. All Vendors are precluded from alleging that any particular Regulations, Policies and Procedures are not applicable to them because of their lack of knowledge of their existence or modification.

### **1.5 PROPOSAL SUBJECT TO PUBLIC RECORDS ACT AND OPEN MEETINGS ACT**

All Proposal data, materials and documentation originated, prepared and submitted to the Corporation pursuant to this RFP shall belong exclusively to the Corporation. Unless required

by Applicable Laws, the Corporation will not release any Proposal data, materials and documentation originated, prepared and submitted to the Corporation pursuant to this RFP during the evaluation process or prior to an award of a Contract. After all Vendors have been notified of the award of a Contract, Vendors' Proposals will be available for public review, subject to the limitations of the Mississippi Public Records Act of 1983, *Miss. Code Ann. §§ 25-61-1 et seq.*, as amended, and the Corporation's Public Records Request Policy (the "**Open Records Laws**").

Vendors should properly and conspicuously identify any trade secrets or confidential commercial or financial information which are confidential information in accordance with the Open Record Laws (collectively, "**Confidential Information**") and in writing by page, paragraph and sentence prior to or upon submission to the Corporation of Confidential Information to be protected. It is the responsibility of the Vendors to identify all Confidential Information. All markings of identification must be conspicuous; use color, bold, underlining or some other method in order to conspicuously mark and distinguish the Confidential Information from the other text. If a portion of a Proposal is improperly marked as Confidential Information or similar designation, the Corporation may, in its sole discretion, determine it non-responsive. Do not mark the entire page if only portions of a page are protected. Vendors should also state the reasons such confidentiality is necessary. However, under no circumstance will the Corporation be liable to any Vendor or to any other person or entity for any disclosure of any such Confidential Information, including any trade secrets contained therein. The Corporation will not consider any Proposal which is declared, or a substantial portion of which is declared, by the Vendor submitting such Proposal to constitute Confidential Information.

Vendors are hereby notified that all meetings of the Board are subject to and shall be conducted pursuant to the Mississippi Open Meetings Act, *Miss. Code Ann. §§ 25-41-1 et seq.*, as amended.

#### **1.6 MISUNDERSTANDING OR LACK OF INFORMATION**

By submitting a Proposal, Vendors covenant and agree that they fully understand and will abide by the terms and conditions of this RFP and all Regulations, Policies and Procedures and they will not make any claims for, nor have any rights to, cancellation, remedy or relief because of any misunderstanding or lack of information.

#### **1.7 REJECTION OF PROPOSALS AND CANCELLATION OF RFP; REISSUE OF RFP**

Issuance of this RFP does not constitute a commitment on the part of the Corporation to award or execute a Contract. The Corporation retains the right, in its sole discretion, at any time to reject any or all Proposals, in whole or in part, and to cancel or cancel and reissue this RFP, before or after receipt and opening of Proposals in response thereto, or take any other actions, if it considers it to be in the best interests of the Corporation. Any Proposal that does not meet the requirements or specifications of this RFP may be considered to be non-responsive to this RFP and the Proposal may be rejected by the Corporation in its sole discretion. Any Proposal that restricts the rights of the Corporation or otherwise qualifies the Proposal may be considered to be non-responsive to this RFP and may be rejected in the sole discretion of the Corporation. The Corporation shall have the right, in its sole discretion, to reissue or not reissue an RFP and to

negotiate a Contract or not negotiate a Contract, all without any liability to any Vendor. Vendors submit proposals at their own risk and with no expectation that a Contract will be awarded to them or at all.

### **1.8 INCURRED EXPENSES**

The Corporation shall not, under any circumstance, be liable or responsible for any costs, expenses, reimbursements or fees incurred by a Vendor (or any other individual or entity) in preparing and submitting a Proposal or in performing any other action in connection with this Procurement, including, without limitation, any site visits, System demonstrations, negotiations, questions and answers, procurements or other activities of any kind or nature.

### **1.9 PROPOSAL VALIDITY**

All Proposals shall remain valid for one hundred and eighty (180) calendar days (the “**Proposal Offer Period**”) from 2:00 p.m. Central Standard Time (“**CST**”) August 2, 2019 (the “**Proposal Deadline**”) and as provided in *Attachment A* to this RFP. A Proposal constitutes an offer by the Vendor to contract with the Corporation in accordance with the terms of the Proposal and this RFP, which offer is irrevocable for the duration of the Proposal Offer Period and may not be withdrawn or amended during the Proposal Offer Period without the written consent of the Corporation.

By submitting a Proposal, a Vendor certifies that it is not currently debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi or federal government, and that it is not an agent of a person or entity that is currently debarred from submitting proposals for contracts issued by any political subdivision or agency of the State of Mississippi or federal government.

### **1.10 RIGHT TO USE INFORMATION IN THE PROPOSAL**

Upon submission, all materials submitted to the Corporation by Vendors shall become the property of the Corporation and may be used as the Corporation deems appropriate.

## **PART II - PROPOSAL PROCESS**

Vendors are advised that all contents of this RFP, any amendments thereto, any “**Answers**” (defined in Section 2.4) prepared and published in accordance with this RFP by the Corporation to “**Questions**” (defined in Section 2.4) regarding this RFP and Procurement, the Successful Vendor’s Proposal and the Contract, will constitute the substantive terms and conditions, among others, of the relationship, if any occurs, between a Successful Vendor and the Corporation, all as further described herein.

### **2.1 CONTACT PERSON**

The sole point of contact (the “**Contact Person**”) for inquiries and additional information concerning this RFP and Procurement will be Rebecca Sanford, who can be reached as follows:

Email: rsandford@balch.com

**IF DELIVERED SOLELY BY US POSTAL SERVICE**

Mississippi Lottery Corporation Online Gaming System Bid  
Dr. Michael J. McGrevey, Chairman  
c/o Rebecca Sanford  
Balch & Bingham LLP  
P.O. Box 22587  
Jackson, MS 39225

**IF DELIVERED BY ANY OTHER MEANS (INCLUDING HAND DELIVERY)**

Mississippi Lottery Corporation Online Gaming System Bid  
Dr. Michael J. McGrevey, Chairman  
c/o Rebecca Sanford  
Balch & Bingham LLP  
188 E. Capitol Street, Suite 1400  
Jackson, MS 39201

**2.2 PROHIBITION AGAINST UNAUTHORIZED CONTACTS**

The Corporation is committed to a competitive procurement process that maintains the highest level of integrity, ethics and professionalism. Therefore, except as expressly contemplated in this RFP, or in connection with normal business activities not associated with this Procurement, no direct or indirect contact or other solicitation initiated by Vendors, or any employees or representatives of Vendors, including but not limited to their attorneys, representatives or others promoting their position, will be allowed with the President, any Board member (a “**Director**”), any member of an evaluation committee created by the Board for this Procurement (the “**Evaluation Committee**”) or any public official, or with any Corporation officer, employee, consultant or adviser, individually or otherwise, from and after the release of this RFP until the Corporation selects a Successful Vendor (the “**Quiet Period**”). During the Quiet Period, all contact and other solicitations made by a Vendor submitting a Proposal, or any person or entity employed by or on behalf of such a Vendor shall be directed towards the Contact Person identified in Section 2.1 of this RFP or otherwise as directed by the Corporation as part of the RFP, Procurement and evaluation processes (e.g., in connection with official site visits of a Vendor, or in response to the Evaluation Committee’s requests for information, or as a result of a required interaction with an Evaluation Committee member in the exercise of such member’s job). Any violation of this prohibition may result in the immediate disqualification of a Vendor and possible censure or other consequences in the sole discretion of the Corporation. Any attempt to intimidate or influence any Corporation employees, officers, consultants, advisors, Directors, the President or members of the Evaluation Committee with respect to this Procurement, whether such attempt is oral or written, formal or informal, successful or unsuccessful is strictly prohibited, will not be tolerated and will result in immediate, and possibly permanent, disqualification in the sole discretion of the Corporation. The Corporation takes its ethics, integrity and professionalism responsibilities extremely seriously and admonishes all Vendors to do the same or risk serious consequences!

### **2.3 HIRING OF CORPORATION PERSONNEL**

Vendors are expressly prohibited from officially or unofficially hiring, making any employment offer or proposing any similar representation, consulting or business arrangement whatsoever with any Corporation employee, officer or Director, whether directly or through an entity owned thereby, for compensation of any kind, from the time this RFP is issued until the earlier of either: (i) one (1) year after the execution of any Contract; or (ii) the rejection of all Proposals received by the Corporation.

Notwithstanding anything in this Section 2.3 to the contrary, Vendors are hereby notified that the Corporation's Conflict of Interest/Ethics Policy prohibits (i) former Corporation employees, officers or Directors representing any Successful Vendor before the Corporation, and (ii) former Corporation officers and Directors, whether directly or through an entity owned thereby, soliciting or accepting employment or entering into a contact for compensation of any kind with a Successful Vendor, each for a period of one (1) year after such person ceases to be a Corporation employee, officer or Director, as the case may be.

### **2.4 INQUIRIES**

All inquiries or concerns regarding this RFP must be submitted in the form of questions or requests for clarification (collectively, the "Questions"). Such Questions must be in writing and received by the Contact Person identified in Section 2.1 of this RFP on or before 2:00 p.m. CST on July 8, 2019 (the "Question Deadline"). Waiting until the submission of a Proposal or after the Question Deadline to raise any Questions may result in rejection of a Vendor's Proposal without recourse. The Corporation will not accept, review or respond to any Questions received improperly or after the Question Deadline. The Corporation is under no obligation to respond to any Questions submitted; however, responses to Questions properly received prior to the Question Deadline to which the Corporation chooses to respond (the "Answers") will be posted on the Website on or before 5:00 p.m. CST on July 16, 2019 (the "Answer Deadline").

### **2.5 PROPOSAL SUBMISSION**

Proposals must be received by the Contact Person identified above in Section 2.1 of this RFP no later than the Proposal Deadline of 2:00 p.m. CST on August 2, 2019 in sealed containers marked "Proposal Package." No extensions or exceptions will be made. A Vendor will submit a signed original and seven (7) reproduced complete copies of its Proposal. The original Proposal must be signed in blue or black ink by the Vendor's authorized agent. All copies of the cost/price portion of the Proposal required by Part VI must be submitted in sealed and labeled envelopes separate from the information required by all other parties of this RFP. The container shall also be clearly labeled with the name of the Vendor and the RFP to which the Proposal relates, and directed to the attention of the Contact Person. Proposals shall be mailed or hand-delivered to the Contact Person as stipulated in Section 2.1. No Proposals delivered by email or facsimile will be accepted. Proposals which fail to comply with the provisions of this RFP may, in the sole discretion of the Corporation, not be considered. Late Proposals will not be accepted, and shall be rejected and returned to the Vendor unopened. The Corporation reserves the right to refuse to accept any late Proposal even if the delay is occasioned by inclement weather or other events of force majeure, and thus Vendors should plan accordingly.

## **2.6 PROPOSAL FORMAT**

Each Vendor shall take steps to completely and totally familiarize itself with the requirements of this RFP and Procurement. Vendors must prepare and submit Proposals following the format of this RFP. Vendors must provide responses for all numbered items in Parts IV, V and VI which request or call for a response or information, and responses and signatures are required for any Attachments referenced within, or attached to, this RFP that are due with the Proposal.

A Proposal shall be prepared simply and economically to provide a straightforward and concise but complete delineation of the capabilities of a Vendor to satisfy the requirements set forth in this RFP, in accordance with the format prescribed in this RFP. Proposals that do not comply with this format may, in the sole discretion of the Corporation, be considered non-responsive and be rejected and not considered. Proposals shall be complete and must convey all of the information requested by the Corporation. The words "shall," "must," "will" and words of similar import denote material and essential requirements of this RFP. Failure to comply with any material and essential requirement may result in a rejection of a Proposal in the sole discretion of the Corporation.

## **2.7 MULTIPLE VENDORS AND JOINT PROPOSALS**

If the response submitted is a joint Proposal that includes multiple Vendors, it must define completely the roles, responsibilities, duties and obligations that each entity that is a part of a joint venture, strategic partnership or prime contractor team proposes to undertake, as well as the proposed responsibilities of each subcontractor of each entity. The Proposal must be signed by an authorized officer or agent of each entity. Also, the Proposal must designate a single authorized official from one of the entities to serve as the sole contact between the Corporation and the joint venture, strategic partnership or prime contractor team. Any Contract resulting from a joint Proposal must be signed by an authorized officer or agent of each entity. Any entity which is part of a joint venture, strategic partnership or prime contractor team included in the submission of a joint Proposal will be jointly and severally liable during the term of the Contract.

The Successful Vendor that submits a Proposal whereby any subcontractor will provide some portion of the specifications of this RFP shall retain ultimate responsibility for all design, implementation, operation, performance, maintenance and services provided by any subcontractor, and any claims or liabilities arising from or related to the subcontractor's performance. Furthermore, each subcontractor of a Successful Vendor must comply with all of the requirements contained in this RFP. A Vendor that submits a Proposal whereby any subcontractor will provide some portion of the specifications of this RFP must also provide the information described in Part IV – "Required Information" for each such subcontractor.

## **2.8 CHANGES, MODIFICATIONS AND CANCELLATION**

The Corporation reserves the right, in its sole discretion, at any time prior to the Proposal Deadline of 2:00 p.m. CST on August 2, 2019, to make changes to this RFP by issuance of written addendum(s) or amendment(s) or to cancel all or part of this RFP and Procurement. Any addendum(s), amendment(s) or cancellation(s) will be posted on the Website.

## **2.9 MODIFICATION OR WITHDRAWAL OF PROPOSAL**

A submitted Proposal may be modified or withdrawn by written notice received by the Contact Person identified in Section 2.1 of this RFP at any time *prior* to the Proposal Deadline. After the Proposal Deadline, no Proposal may be modified or withdrawn.

A Vendor is under a continuing obligation to notify the Corporation following the submission of a Proposal of any changes to the Proposal information, data or facts submitted in response to Part IV, Part V and Part VI and the Attachments to this RFP which could reasonably be expected to affect the Corporation's consideration of the Proposal. The Corporation reserves the right to request additional information or clarification on the contents of a Proposal in its sole discretion. However, unless requested by the Corporation, no Vendor is authorized or permitted to submit any additional information or further clarifications after the Proposal Deadline.

## **2.10 ADDITIONAL INFORMATION**

The Corporation reserves the right, and a Vendor by submitting a Proposal grants to the Corporation the right, to obtain any information the Corporation desires from any lawful source regarding the Vendor, its officers, directors, employees, owners, team members, partners, joint venturers and/or subcontractors, and its or their past business history, practices, contracts, abilities, performance, reputation or track record. All such information may be taken into consideration in evaluating the Proposals and no Vendor may complain or object to the obtaining or consideration of any such information. If a Vendor is concerned about any such negative publicly available information being considered by Corporation, it may provide any factual and lawful explanation of such information along with its Proposal. Failure to provide such explanations with its Proposal, which the Corporation can consider or not consider in its sole discretion, estops a Vendor from complaining about the consideration of any such information obtained by the Corporation.

## **2.11 PROPOSAL EVALUATION**

### **2.11.1 INTRODUCTION**

The deadlines stated in this RFP are critical. Time is of the essence. It is not the intent of the Corporation to disqualify any Proposal based on minor technicalities. However, the Corporation reserves the right to determine if a particular deficiency or inadequacy is significant enough to disqualify the Proposal and Vendor. It is the intent of the evaluation procedure established by the Corporation to determine whether each Proposal meets the needs of the Corporation, as outlined in this RFP, and then to determine which Proposal best suits those needs. A variety of factors shall be considered by the Corporation in determining the Successful Vendor it believes provides the best overall solution at a fair and reasonable price and consistent with the goals and objectives of the Corporation. No one factor can or will be so paramount that the most favorable bidder in that category automatically is the Successful Vendor. While price and total cost are both important factors, as is a price/value analysis, the total System solution and maximizing net revenues for the Lottery Proceeds Fund in the most professional and responsible

manner with integrity is most critical. Thus, while Vendors are strongly encouraged to offer the lowest price and total cost and highest value possible, the Vendor offering the lowest price and total cost may not be selected as the Successful Vendor.

### **2.11.2 EVALUATION COMMITTEE**

The Corporation will conduct a fair, comprehensive and impartial evaluation of all Proposals deemed responsive and received in accordance with this RFP and Procurement using an Evaluation Committee selected by the Board. Legal counsel and consultants may provide such assistance to the Corporation and the Evaluation Committee as is deemed necessary or helpful. Any attempt to intimidate or influence the Evaluation Committee (or their advisors) will be met with the most severe remedies and will include disqualification, in the sole discretion of the Corporation. Any contacts by Vendors with Evaluation Committee members must be professional, ethical and limited to the specific business purpose for which such contact was initiated by the Evaluation Committee member.

### **2.11.3 EVALUATION PROCEDURE**

The Evaluation Committee will review all responsive Proposals timely and properly submitted in accordance with this RFP. The Evaluation Committee may, in its sole discretion, request clarifications or answers to any questions it may have of a Vendor as a result of any information or representations contained in its Proposal or otherwise identified, and may ask a Vendor to address technical questions or seek additional information regarding any Proposal before completing the initial evaluation. The Evaluation Committee may conduct site visits and/or require Vendors to make oral presentations to it as part of its evaluation process. Requests for clarification from Vendors, and any information received in response thereto, will be in, and will become part of, the evaluation record and the Contract if that Vendor is selected as the Successful Vendor. The Corporation may designate the Successful Vendor as a Vendor who submits a responsive Proposal as a result of this RFP and, in the opinion of the Corporation, in its sole discretion (all of the following being collectively defined as the “**Optimal Selection Objectives**”):

- (1) is the responsible lottery Vendor who submits the best proposal that maximizes the benefits to the State of Mississippi;
- (2) is able, and is otherwise qualified in all material respects, to perform fully the Contract requirements without delay;
- (3) has the integrity, professionalism, reliability and System to assure good faith and complete performance of the Contract;
- (4) successfully passes, to the satisfaction of the Corporation, the background, business practices, ethical, reputation, criminal record, civil litigation, competence, integrity and regulatory compliance checks and investigations conducted by the Evaluation Committee, the Board, the President or as required by the Act or other Applicable Laws;
- (5) whose Proposal as determined by the Corporation, in its sole discretion:

- (a) conforms in all material respects to this RFP, the Procurement, the Act and other Applicable Laws;
- (b) represents the best value to the Corporation; and
- (c) offers what the Corporation in its sole discretion believes can provide:
  - (i) the greatest long-term benefit to the Lottery Proceeds Fund and the State of Mississippi;
  - (ii) the greatest integrity for the Corporation; and
  - (iii) the preferred System, services and products for the Corporation and public taking into consideration the evaluation factors as deemed appropriate by the Evaluation Committee and the Corporation.

When the evaluation is completed, the Evaluation Committee will prepare a written recommendation to the President, who may meet with the Evaluation Committee to ask questions regarding the recommendation or require further work in connection therewith. The President may approve, disapprove, amend, modify, accept or reject the terms of the recommendation by the Evaluation Committee or require further work to be done. The President shall then ultimately submit his final written recommendation to the Board for the Board's consideration. The Board may approve, disapprove, amend, modify, accept or reject the terms of the recommendation by the President or require further work to be done. Additionally, before the Contract may be awarded to and signed by a Vendor, the President must obtain the Board's approval of such Contract award.

The Corporation shall promptly notify the Successful Vendor in writing of the Contract award and the Successful Vendor must commence work immediately following notification of the award, regardless of whether or not a Contract has been signed.

#### **2.11.4 EVALUATION CATEGORIES**

In evaluating the Proposals, the Evaluation Committee will be guided by various factors pertinent to the System and services sought as detailed in this RFP, and such factors shall include, but not necessarily be limited to, the following factors, which are not necessarily listed in the order of importance.

- Experience, including lottery start-up experience;
- Integrity;
- Background;
- Financial viability and ability to perform the Contract as required and proposed;

- Marketing plan;
- Online lottery gaming operations plan;
- Lottery gaming System, including telemarketing, ticket ordering software and systems, ticket inventory control, management services and internal control system;
- Security plan and security track record;
- Proposed technical solution; and
- Cost/price and value to the Corporation.

This RFP is intended to foster creative approaches to the implementation of the Mississippi Lottery in all respects. The RFP process will afford a Vendor the latitude to propose its best possible solution for the Corporation and will offer the Corporation a wide range of alternatives and allow it to consider all possible alternatives in determining the best solution for implementing the Mississippi Lottery.

The Corporation shall select a Vendor that it believes can best satisfy and achieve the Optimal Selection Objectives outlined in Section 2.11.3. Notwithstanding anything herein to the contrary, the Successful Vendor must, in the opinion of the Corporation, also successfully pass, to the satisfaction of the Corporation, the background, business practices, ethical, reputation, criminal record, civil litigation, competence, integrity, and regulatory compliance checks and investigations conducted by the Evaluation Committee, the Board, the President or as required by the Act or other Applicable Laws.

## **2.12 DISPUTE PROCEDURE**

All claims and disputes, including but not limited to protests related to this RFP, the Procurement and the award of the Contract to the Successful Vendor shall be handled solely and exclusively under and in accordance with Section 17 of the Act and the Corporation's Dispute Resolution Procedures (the "**Dispute Procedures**"), as adopted and/or amended from time to time by the Corporation in accordance with the authority granted to it in the Act. The Dispute Procedures are automatically considered to be a part of the Regulations, Policies and Procedures of the Corporation. All Vendors should read and be familiar with the Dispute Procedures which are available through a link on the Website. The Dispute Procedures include provisions governing the deadline for the filing of a Dispute Resolution Request. Any Vendor that submits a Proposal hereby expressly acknowledges and agrees that: (a) the Dispute Procedures represent the exclusive procedure and the exclusive forum for binding resolution of all claims, disputes, complaints and Dispute Resolution Requests of any kind relating in any way to any RFP, Procurement, Contract, bid, offer, quote, proposal or agreement entered into by the Corporation; (b) it is estopped from objecting to any court, agency or other entity as to the Dispute Procedures being such sole and exclusive forum for binding resolution; and (c) it agrees to be completely, solely and irrevocably bound by such Dispute Procedures. In addition, each Vendor submitting a

Proposal irrevocably waives any claim they might have had to protest or object to this RFP or its contents.

### **2.13 SUMMARY OF KEY DATES**

The Corporation reserves the right to change any dates and schedule contained in this RFP, including those shown below. If changes are made, the changes will be communicated in accordance with Section 2.8.

<b>June 27, 2019</b>	RFP Issuance Date
<b>July 8, 2019</b>	Intent To Bid Letter due to Corporation by 2:00 p.m. CST
<b>July 8, 2019</b>	Questions Deadline 2:00 p.m. CST
<b>July 16, 2019</b>	Answers to Written Questions Posted on Website by 5:00 p.m. CST
<b>August 2, 2019</b>	Deadline for Submission of Proposals 2:00 p.m. CST

#### **IF DELIVERED SOLELY BY US POSTAL SERVICE**

Mississippi Lottery Corporation Online Gaming System Bid  
Dr. Michael J. McGrevey, Chairman  
c/o Rebecca Sanford  
Balch & Bingham LLP  
P.O. Box 22587  
Jackson, MS 39225

#### **IF DELIVERED BY ANY OTHER MEANS (INCLUDING HAND DELIVERY)**

Mississippi Lottery Corporation Online Gaming System Bid  
Dr. Michael J. McGrevey, Chairman  
c/o Rebecca Sanford  
Balch & Bingham LLP  
188 E. Capitol Street, Suite 1400  
Jackson, MS 39201

<b>August 2, 2019</b>	Commence Evaluation of Proposals
<b>August 16, 2019</b>	Proposals Evaluated and Oral Presentations Held (if Requested by Corporation)
<b>August 23, 2019</b>	Target Date for Corporation Decision of Successful Vendor
<b>August 30, 2019</b>	Target Date for Contract Execution with Successful Vendor

### **2.14 INTENT TO BID LETTER**

All Vendors interested in submitting a Proposal are requested to deliver to the Contact Person an Intent To Bid Letter by the Questions Deadline of 2:00 p.m. CST on July 8, 2019 stating their intent to provide a Proposal in accordance with this RFP. Vendors not submitting an Intent To Bid Letter may still submit a Proposal in accordance with this RFP.

## **2.15 PROPOSAL CONSTITUTES OFFER**

By submitting a Proposal, a Vendor agrees to be governed by the terms and conditions set forth in this RFP, and any amendments thereto, and further agrees that the Contract will incorporate the terms and conditions of this RFP and any amendments hereto and the Questions and Answers, the Vendor's Proposal and any terms and conditions subsequently negotiated with such Vendor. A Vendor submitting a Proposal must complete and submit, as part of its Proposal, the Vendor Certification Form included as *Attachment A*, and made a part hereof. All Proposals shall remain valid for one hundred and eighty (180) calendar days from the Proposal Deadline (the "**Proposal Offer Period**"). A Proposal constitutes an offer by the Vendor to contract with the Corporation in accordance with the terms of the Proposal, which offer is irrevocable for the duration of the Proposal Offer Period, and may not be withdrawn or amended during the Proposal Offer Period without the written consent of the Corporation.

## **2.16 NEGOTIATION AND EXECUTION OF CONTRACT**

A Successful Vendor under this RFP shall negotiate and execute a Contract containing such terms and conditions as shall be satisfactory to, and required by, the Corporation in the sole discretion of the Corporation and its legal counsel. Initially, the Corporation may, in its sole discretion, negotiate only with the Vendor whose Proposal is the highest rated Proposal (the "**Apparent Successful Bidder**"), or it may, in its sole discretion, negotiate with several Vendors simultaneously or in seriatim. The occurrence of negotiations with any Vendor(s) conveys no right or status on such Vendor(s). In the event that negotiations with the Apparent Successful Bidder fail to result in a Contract, or if for any other reason a Contract with the Apparent Successful Bidder is not executed within fifteen (15) days of the Corporation's selection of a Successful Vendor, the Corporation is not obligated to negotiate a Contract with the Apparent Successful Bidder and it may instead conduct negotiations with other Vendors until a Contract is successfully executed. By submitting a Proposal, each Vendor acknowledges and agrees that the Corporation may negotiate with one or more Vendors, under such circumstances, at such times and in such a manner as it determines to be in the best interests of the Corporation, and no Vendor may object to the fact that the Corporation has not negotiated with it but may have negotiated with one or more other Vendors.

## **PART III - CONTRACTUAL TERMS AND CONDITIONS**

### **3.1 GOVERNING LAW**

The procurement process, the award procedure, and any Contract resulting from this RFP shall be governed by and construed in accordance with the laws of the State of Mississippi, including the Act. Any and all claims or disputes arising under or in connection with this RFP or the Contract shall be exclusively governed by the Dispute Procedures, as they may be adopted or amended from time to time by the Corporation.

### **3.2 CONTRACT ELEMENTS**

The Contract will follow the general format specified by the Corporation in this RFP. The terms of this RFP, as may be amended by the Corporation from time to time, and the Proposal of the Successful Vendor will be incorporated into and form a part of the Contract, as will the Questions and Answers. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: the Contract, this RFP and any amendments thereto as well as Answers to the Questions, Proposal of the Successful Vendor, all of which must comply with the Act.

The currently proposed draft Contract is attached to this RFP as *Exhibit A* (the “**Proposed Contract**”). This Proposed Contract shall be the Contract executed by the Successful Vendor, subject only to: (a) any changes thereto made by the Corporation (which if made prior to the Proposal Deadline will be noticed in accordance with Section 2.8, and which in any event shall automatically become incorporated as a part of the Proposed Contract); and (b) any other changes proposed by the Successful Vendor and agreed to by the Corporation, in the Corporation’s sole discretion. If a Vendor has any changes it desires to make to the Proposed Contract, it must provide the exact wording of such changes and a redlined revised version of the Proposed Contract for the Corporation’s consideration as a part of the Vendor’s Proposal. Failure to provide any such suggested specific changes and redlined revised Proposed Contract along with its Proposal shall estop the Vendor from further negotiating the Contract if it is selected as the Successful Vendor, and in such case the Proposed Contract as prepared by the Corporation shall be the Contract that the Successful Vendor is required to execute. Merely because a Vendor has offered suggested changes to the Proposed Contract along with its Proposal does not bind the Corporation nor does it require the Corporation to accept any such suggestions or changes in whole or in part. The Corporation reserves the right to insist that all or any portion of the Proposed Contract be executed as presented by the Corporation.

### **3.3 AMENDMENTS**

The Contract may be amended only by the signed written agreement of each party thereto.

### **3.4 SUCCESSORS AND ASSIGNS**

Subject to the limitations on assignment contained herein, the Contract shall be binding on and inure to the benefit of the Successful Vendor, its subcontractors, successors and permitted assigns.

### **3.5 SUBCONTRACTING; ASSIGNMENT**

The Successful Vendor is prohibited from subletting, conveying, assigning or otherwise disposing of the Contract, its rights, duties, obligations, title, or interest therein, or its power to execute the Contract to any person or entity without the prior written approval of the Corporation in its sole discretion. If any portion of the Contract is to be subcontracted to a third party, the Corporation must approve same in advance and in writing and such third party must comply with the requirements of the Act, the Corporation, the Contract, this RFP and any amendments thereto and any other Applicable Law.

### **3.6 BACKGROUND INVESTIGATIONS**

The Corporation shall conduct background and other investigations, as required by the Act and Applicable Law, as it deems appropriate and as may be outlined in Section 4.5 of this RFP, of the Successful Vendor and its officers, directors, principals, shareholders, investors, owners, subcontractors, employees or other associates, parent companies, subsidiaries and affiliates.

### **3.7 COMPLIANCE**

The Successful Vendor shall comply with all applicable rules, procedures and regulations as adopted and/or amended from time to time by the Corporation under the Act, including but not limited to the Regulations, Policies and Procedures, and all other applicable federal, state and local laws, rules and regulations.

### **3.8 TERM OF CONTRACT**

The Contract shall commence as of its effective date and shall continue, unless sooner terminated, for a term of seven (7) years from the Startup Deadline of December 1, 2019 or such earlier start date as proposed by the Successful Vendor and agreed by the Corporation in the Contract, subject to the Corporation's sole option to exercise three (3) one (1) year extensions of the term of the Contract, which exercise by the Corporation may occur annually, in multiples of two (2) or three (3) years, or not at all

### **3.9 OWNERSHIP OF MATERIALS AND RIGHTS OF USE**

Neither the Successful Vendor nor any of its approved subcontractors or joint venturers shall have any proprietary rights or interests in the software, hardware, patents, copyrights, equipment, firmware, mask works, trademarks (and the goodwill associated therewith) and service marks (and the goodwill associated therewith), products, materials, intellectual properties developed, data, documentation, approaches, systems, programs, methodologies, or concepts developed, produced or provided in connection with the services provided exclusively for the Corporation under the Contract (collectively, the "**Corporation Intellectual Properties**"). All such Corporation Intellectual Properties, including all intellectual property rights therein, shall belong exclusively to the Corporation, and shall, to the greatest extent possible be deemed to be "works made for hire" for the Corporation.

The Corporation grants to the Successful Vendor during the period from the effective date of the Contract until the Contract expires or is otherwise terminated a non-exclusive license to use, sublicense, modify and create derivative works of the Corporation Intellectual Properties which are owned by the Corporation and created solely by the Successful Vendor, or its approved subcontractors or joint venturers, provided such use by the Vendor is only for the benefit of the Corporation and solely for the purpose of performing the Contract.

The Successful Vendor grants to the Corporation a perpetual, royalty free license to use, sublicense the use of, modify and create derivative works of any and all proprietary materials owned by it including, but not limited to, software, hardware, patents, copyrights, equipment, firmware, mask works, trademarks (and the goodwill associated therewith) and service marks (and the goodwill associated therewith) and used in connection with the System or performance

of the Contract (collectively, the “Vendor Licensed Intellectual Properties”), and the Successful Vendor irrevocably grants to the Corporation necessary rights and authority to modify such Vendor Licensed Intellectual Properties and to create derivative works in any manner the Corporation deems necessary. It is the intent of the Corporation that it has control over all such Vendor Licensed Intellectual Properties in a manner consistent with ownership thereof. The intent of the Corporation is that the Corporation is able to continue to use any or all of the Vendor Licensed Intellectual Properties that it chooses in the conduct of its the lottery games and other activities, if in the discretion of the Corporation it is in the best interests of the lottery and the Corporation to do so, after the expiration or termination of the Contract. A necessary component of such operations is for the Corporation to have access to the source code, operational diagrams and other proprietary materials so that the Corporation, or contractors engaged by Corporation, if the Successful Vendor is unable or unwilling to supply upgrades, modifications or other necessary support, can perform such functions so as not to jeopardize the operation of the Lottery. The Successful Vendor shall deposit the source code to all software in the Corporation Intellectual Properties, Vendor Licensed Intellectual Properties and other proprietary materials with an independent third party, acceptable to the Corporation and under terms acceptable to Corporation, to be accessed by the Corporation in the event of breach, expiration or termination of the Contract.

### **3.10 PATENTS, COPYRIGHTS, TRADEMARKS, TRADE SECRETS AND OTHER INTELLECTUAL PROPERTY**

The Successful Vendor represents and warrants that its performance under the Contract, its System and its Vendor Licensed Intellectual Properties does not and will not infringe any patent, copyright, trademark, service mark or other intellectual property rights of any other person or entity, and that it and they will not constitute the unauthorized use or disclosure of any trade secret of any other person or entity.

### **3.11 TRADEMARK AND SERVICE MARK SEARCH AND REGISTRATION**

The Successful Vendor, at its sole expense, will conduct trademark and service mark searches for all game names used during the term of the Contract. Copies of all such search reports will be delivered to the Corporation and its legal counsel. New trademarks and service marks developed for the Corporation will be registered by legal counsel chosen by the Corporation solely in the name of the Corporation for its sole use.

### **3.12 INTELLECTUAL PROPERTY INDEMNIFICATION**

The Successful Vendor shall indemnify and hold harmless the Corporation, its officers, Directors, agents, Retailers and employees and the State of Mississippi from and against any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses of any nature or kind, including, without limitation, court costs, attorneys’ fees and other damages, arising out of, in connection with or resulting from the development, possession, license, modification, disclosure or use of any Vendor Licensed Intellectual Properties, copyrighted or non-copyrighted materials, trademark, service mark, patent, trade secret, confidential information, secure process, invention, process or idea (whether patented or not), article or appliance furnished or used in the performance of the Contract.

### **3.13 WARRANTIES**

The Successful Vendor warrants that it currently is, and will at all times during the term of the Contract remain, lawfully organized and constituted under all federal, state and local laws, ordinances and other authorities of its domicile and that it currently is, and will at all times remain in full compliance with all legal requirements, laws, statutes, rules, regulations and orders of any court, agency or entity that has jurisdiction over it, including, without limitation, the Act and all applicable laws of its domicile, the State of Mississippi and the United States of America (all of the forgoing being collectively defined as, the “**Applicable Laws**”).

The Successful Vendor warrants that (i) it has never been found guilty of a felony related to the security or integrity of the lottery in this or any other jurisdiction and has never been found to be in possession of any illegal lottery device; (ii) it has obtained a signed tax clearance from the Mississippi Commissioner of Revenue indicating that it is current in filing all applicable tax returns and in payment of all taxes, interest and penalties owed to the State of Mississippi, excluding items under formal appeal pursuant to applicable statutes; (iii) it currently is, and shall at all times during the term of the Contract remain, qualified to do business in the State of Mississippi; and (iv) at all times during the term of the Contract, it shall file appropriate tax returns as provided by the laws of the State of Mississippi.

The Successful Vendor represents, warrants and agrees that all Systems, analyses, systems design and programming pursuant to this RFP, its Proposal and the Contract have been and shall be prepared or done in a workman-like manner consistent with the highest standards of the industry in which the services are normally performed. The Successful Vendor further represents and warrants that all computer programs implemented for performance under the Contract shall meet the performance standards required thereunder and shall correctly and accurately perform their intended functions on the equipment supplied by the Corporation or the Successful Vendor.

The Successful Vendor represents, warrants and agrees that it will keep all equipment provided to the Corporation, or used by it for the benefit of the Corporation, in good condition and repair, and it shall make all reasonable efforts to prevent anything that may materially impair the operations thereof. The Successful Vendor shall not permit any such equipment to be used in violation of any provision of the Contract, this RFP or any Applicable Laws, and shall not encumber such equipment or otherwise dedicate the use of such equipment in such a way as to compromise the ability of the Successful Vendor to perform the services provided in the Contract.

### **3.14 TERMINATION FOR BREACH**

The Corporation may terminate the Contract: (a) if certain material breaches are not cured within seventy-two (72) hours; and (b) if any other breaches are not cured within thirty (30) days of notice (all as more particularly described in the draft Contract attached hereto as *Exhibit A*).

### **3.15 BOOKS AND RECORDS**

The Successful Vendor shall maintain its books, records and other evidence pertaining to the Contract in accordance with the Act, good business practices, United States generally accepted

accounting principles (or other applicable accounting principles or policies) and Applicable Laws records retention requirements.

### **3.16 AUDIT REQUIREMENTS**

The Successful Vendor shall maintain all documentation and records as required by the Act and other applicable Mississippi laws. The books, documents, papers, accounting records and other evidence pertaining to System, products and/or services to be provided or performed or money received under the Contract shall be maintained in accordance with all requirements of the Act and all other Applicable Laws and for a period of not less than five (5) full years from the date of the final payment and shall be subject to audit or inspection at any reasonable time and upon reasonable notice by the Corporation, or its duly appointed representatives, including, without limitation, the Corporation's auditors, the Office of the Mississippi State Treasurer, the Mississippi State Auditor or any other appropriate representative of Mississippi state government. The Successful Vendor shall make such materials available at its offices, and copies thereof shall be furnished to the Corporation or its duly appointed representative by the Successful Vendor, at no cost to the Corporation or its duly appointed representative, if requested by the Corporation or its duly appointed representative. Such records shall be maintained in accordance with the Act and any applicable provisions of United States generally accepted accounting principles (or other applicable accounting principles or policies) and any other applicable procedures established by the Corporation from time to time. A copy of the annual financial statements of the Successful Vendor, with an independent audit opinion expressed without reservation or qualification, shall be provided to the Corporation within six (6) months of the fiscal year end. The Corporation and its auditor, the Mississippi State Auditor, the Office of the Mississippi State Treasurer and any other appropriate representative of the State of Mississippi shall have the right to audit the records and operations of the Successful Vendor as relates to the Corporation and the System.

### **3.17 INDEMNIFICATION**

The Successful Vendor shall indemnify and hold harmless the Corporation, its officers, Directors, agents, employees and Retailers, and the State of Mississippi from and against any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses, including court costs and attorney's fees, which may be incurred, suffered, or required, in whole or in part, by an actual or alleged act or omission of the Successful Vendor, or a subcontractor or joint venturer of the Successful Vendor, or any person directly or indirectly employed by the Successful Vendor or a subcontractor of the Successful Vendor whether the claim, liability, loss, damage, cost or expense is based on negligence, strict liability or any other action or omission.

### **3.18 BONDS AND INSURANCE**

All required bonds and insurance as provided under the Act or other Applicable Laws must be issued by companies or financial institutions which are financially rated "A" or better (or equivalent ratings) by a nationally recognized rating agency and are duly licensed, admitted and authorized to transact business in the State of Mississippi.

### **3.19 PERFORMANCE BOND**

Contemporaneously with the delivery of a Proposal, the Vendor must post a bond or letter of credit from a bank or credit provider acceptable to the Corporation in the amount of Five Hundred Thousand Dollars (\$500,000.00) to secure, in part, the Vendor's obligation to pay the cost of the Corporation's investigation of the Vendor under Section 35 of the Act and criminal record check of the Vendor conducted under Section 36 of the Act. In addition, contemporaneously with the execution of the Contract, the Successful Vendor shall provide a performance bond, letter of credit from a bank, or deposit securities, pursuant to Section 35 of the Act and acceptable to the Corporation, in the amount of not less than Fifteen Million Dollars (\$15,000,000.00). The amount of the above-noted performance bond, letter of credit or securities may be reduced after the third year of the Contract term, in the sole discretion of the Corporation.

### **3.20 INSURANCE**

The Successful Vendor shall be required to maintain at least the following types and amounts of insurance during the term of the Contract from reputable and solvent carriers reasonably acceptable to the Corporation, and designating the Corporation as an additional insured on each policy:

- General liability insurance in the amount of at least \$5,000,000.00;
- Property insurance in the amount of replacement cost;
- Errors and omissions insurance in the amount of at least \$5,000,000.00;
- Automobile liability insurance in the amount of at least \$5,000,000.00;
- Crime insurance in the amount of at least \$5,000,000.00;
- Cyber and Privacy insurance in the amount of at least \$5,000,000.00;
- Social Engineering Fraud insurance in the amount of at least \$5,000,000.00;
- Workman's Compensation Insurance at or above the levels required by the State of Mississippi;
- Self-insurance with respect to equipment in the field; and
- Such other types and amounts of insurance as the Corporation shall from time to time reasonably require.

The Successful Vendor shall provide the Corporation with certificates of insurance within ten (10) days after the Contract date and evidence of any renewed bonds or insurance policies within five (5) days prior to the expiration of then existing bonds or insurance policies during the term of the Contract.

### **3.21 LIQUIDATED DAMAGES**

A Vendor must complete and submit as part of its Proposal, and the Contract will contain provisions and maximum amounts for each of the following types of liquidated damages:

- Delay in the start of the lottery;
- Delay in response to Retailer service calls;
- Delay in System operations;
- Delay in the start of a new game;
- System downtime;
- Terminal downtime;
- Delayed monitor repair;
- Insufficient Vendor resources;
- Failure to provide enhancements;
- Shortage of online ticket stock;
- Security violations;
- Untimely vending machine repair;
- Failure to deliver log files;
- Untimely software additions or modifications;
- Untimely reports;
- Claimed prize tickets not approved by the Corporation;
- Defective or nonconforming tickets;
- Unavailability of telemarketing and inventory control system;
- Untimely or unauthorized software modifications; and
- Incomplete or incorrect game validation files.

The Successful Vendor will remit damages directly to the Corporation, or at the option of the Corporation, the Corporation may withhold amounts otherwise due to the Successful Vendor.

### **3.22 FORCE MAJEURE/DELAY OF PERFORMANCE**

In the event that either party to the Contract is unable to perform any of its obligations under the Contract, or to enjoy any of its benefits because of natural disaster, actions or decrees of governmental bodies, or other events of force majeure not the fault of the affected party, the affected party shall immediately give notice to the other party and shall use its best efforts to resume performance. Upon receipt of such notice, each party's obligations under the Contract shall be immediately suspended. Any such causes of delay or failure shall, in the exercise of reasonable diligence, extend the period of performance, for a reasonable period, until after such causes of delay or failure have been removed. However, if delays resulting from any foregoing causes extends for more than thirty (30) days and the parties have not agreed upon a revised basis for continuing the work at the end of the delay, including adjustment for price, then either party, upon written notice may terminate the Contract and in due course collect monies properly due up to and including the date of such termination.

### **3.23 TAXES, FEES AND ASSESSMENTS**

The Corporation shall have no responsibility whatsoever for the payment of any federal, state or local taxes which become payable by the Successful Vendor or its subcontractors, joint venturers, agents, officers or employees. The Successful Vendor shall pay and discharge all such taxes when due.

### **3.24 NEWS RELEASE**

The Successful Vendor shall not issue any news releases or participate in any media interview pertaining to this RFP, Procurement or the Contract without the express prior written consent of the Corporation in each instance, and then only in cooperation with the Corporation.

### **3.25 ADVERTISING**

The Successful Vendor agrees not to use the Corporation's names, trademarks, service marks, logos, images, or any data arising or resulting from this RFP or the Contract as a part of any commercial advertising or proposal without the express prior written consent of the Corporation in each instance.

### **3.26 CODE OF CONDUCT FOR SUCCESSFUL VENDOR**

The Corporation is an extremely sensitive enterprise because of the nature of the lottery industry and its status as a corporation of the State of Mississippi, created by the Act. Therefore, it is essential that its operation, and the operation of other enterprises which would be linked to it in the public mind, avoid not only actual impropriety but also the appearance of impropriety. Accordingly, the Successful Vendor is expected to establish and enforce a code of conduct for all employees, independent vendors and subcontractors that will help achieve these objectives as well as follow the rules and procedures established, and from time to time amended, by the Corporation.

### **3.27 CONSULTANTS AND LOBBYISTS**

The Successful Vendor and its approved subcontractors shall disclose all written and oral agreements with all lobbyists and consultants doing work on its behalf in the State of Mississippi and before the federal government. The Successful Vendor and its approved subcontractors shall also comply with all state and federal lobbying Applicable Laws.

Any Contract with the Successful Vendor who has not complied with these disclosure requirements is voidable at the sole option and discretion of the Corporation. Failure to provide the Corporation with timely disclosure updates during the term of the Contract may result in the termination of the Contract by the Corporation.

### **3.28 CONTRACT CONVERSION**

It is contemplated that the Corporation, prior to the expiration of the term of the Contract resulting from this RFP, will award a new contract for replacement of the System, including online lottery game services. The parties understand and agree that the Corporation may utilize the last specified number of days of the Contract term, as agreed upon by the parties to the

Contract, for conversion or transfer of equipment, supplies, materials, ticket inventory and functions. The Successful Vendor will cooperate fully with this process.

The continuation of games without any service interruption is of the highest priority to the Corporation. Accordingly, the Successful Vendor agrees to cooperate with any subsequent new Vendor to ensure the continuation, or the seamless transition, of the System, including but not limited to the communications network and online lottery game services, without any service interruption.

### **3.29 USUFRUCT**

If, for any reason other than breach of Contract by the Corporation, the Successful Vendor should become unable to service the Contract resulting from this RFP, the Corporation shall acquire a usufruct (or the equivalent thereof) in all contractual items owned or licensed by the Successful Vendor in conjunction with the Contract which are necessary to provide such services.

## **PART IV - REQUIRED INFORMATION**

### **4.1 MANDATORY COMPONENTS**

The integrity of the Mississippi Lottery is essential. The Corporation must maintain control over all functions and be assured that they are performed to provide the greatest long-term benefit to the State of Mississippi, the greatest integrity for the Corporation and the best service and products for the public, all in a manner consistent with the dignity of the State of Mississippi. This RFP sets forth the minimum requirements, specifications, functions, marketing services and equipment that the Corporation believes must be provided by a Vendor that is committed to the implementation of such a program.

### **4.2 STATEMENT OF UNDERSTANDING**

Any deviation from any requirement set forth in this RFP may affect the evaluation of a Proposal and may cause its rejection as non-responsive to this RFP.

### **4.3 VENDOR COMMITMENT**

A Vendor must sign and submit the Proposal Signature and Certification Form included as *Attachment B* and made a part hereof. The form must be signed by a person duly authorized to legally bind such Vendor.

### **4.4 VENDOR CONTACT PERSON**

A Vendor shall provide the name, address, telephone number, e-mail address and facsimile number of the person to provide notification or contact concerning questions regarding its Proposal.

Until the Corporation is notified otherwise by the Successful Vendor, this contact person shall serve as such to all joint ventures, strategic partners and prime contractor team members throughout the term of the Contract, if awarded and executed.

#### **4.5 BACKGROUND INFORMATION**

The Corporation will investigate, at a minimum, the financial responsibility, security and integrity of any Vendor that submits a Proposal.

A Vendor must complete and submit as part of its Proposal the Contract compliance and Financial Disclosure Form, included as *Attachment C* and made a part hereof. Vendors must also fully comply and cooperate with all investigations conducted under Sections 35 and 36 and other applicable Sections of the Act or Applicable Laws.

A Vendor must complete and submit, as part of its Proposal, for itself and all of the individuals listed in this paragraph, the Authorization for Investigation and Release Form, included as *Attachment D* and made a part hereof, and Consent Form, included as *Attachment E* and made a part hereof, in both cases to allow the Corporation access to the criminal history of the Vendor and its employees assigned to this project. Such Authorization for Investigation Form and Consent Form shall authorize access to the criminal history and backgrounds of the following persons, as well as the Vendor, as applicable: (i) if the Vendor is a corporation, the officers, directors and each stockholder known to the corporation to own beneficially five percent (5%) or more of such corporation's securities, as well as the same information for every business entity that is a direct or indirect five percent (5%) or greater shareholder of such Vendor corporation; (ii) if the Vendor is a limited liability company, the equivalent disclosure of that required for corporations; (iii) if the Vendor is a trust, the trustee and all persons entitled to receive income or benefits from the trust; (iv) if the Vendor is an association, the members, officers and directors; and (v) if the Vendor is a partnership or joint venture, all of the general partners, limited partners or joint ventures.

A Contract resulting from this RFP shall not be entered into with any Vendor who has not complied with the disclosure requirements of this RFP, the Act and Applicable Laws. Any Contract with a Successful Vendor who has supplied false disclosure information is voidable at the option of the Corporation. A Contract with the Successful Vendor who does not comply with the requirements for periodically updating such disclosures as specified by the Contract during the term or the Contract may be terminated by the Corporation.

#### **4.6 DISCLOSURE OF LITIGATION AND LEGAL MATTERS**

A Vendor must include in its Proposal a complete disclosure of any civil or criminal litigation or indictment involving such Vendor. A Vendor must also disclose any civil or criminal litigation or indictment involving any of its joint venturers, strategic partners, prime contractor team members and subcontractors. Specifically, the Vendor must disclose, on behalf of itself, its joint venturers, strategic partners, prime contractor team members and subcontractors, and each of the persons or entities described in Section 4.5, all of the items and information requested in Questions 10-12 of *Attachment C*. Failure to comply with these minimum required disclosures

can result in the Vendor's Proposal being deemed to be non-conforming and the Vendor being disqualified. This disclosure requirement is a continuing obligation, and any civil or criminal litigation or indictment commenced after a Vendor has submitted a Proposal under this RFP must be disclosed to the Corporation in writing within five (5) days after it is filed.

#### **4.7 SUBCONTRACTORS**

For any subcontractor, such Vendor shall disclose all of the information required by Sections 4.5 and 4.6 for such subcontractor as if the subcontractor itself was the Vendor.

#### **4.8 FINANCIAL SOUNDNESS**

A Vendor must provide adequate information to permit an evaluation of its capabilities to undertake and complete satisfactorily any Contract awarded and executed pursuant to this RFP. A Vendor must provide evidence of financial responsibility and stability for performance of a Contract of this magnitude. A Vendor must demonstrate the ability to finance the project described by the Vendor's submission and must also disclose any outside financial resources that will be utilized.

In addition, a Vendor must submit a copy of its last three (3) years financial statements that have been audited by an independent public accounting firm. A Vendor's failure to submit the requested financial statements will result in a disqualification of its Proposal.

#### **4.9 IMPLEMENTATION PLAN SUMMARY**

A Vendor must provide a summary overview and an implementation plan for the entire project being proposed. The intent of this requirement is to provide the Corporation with a concise but functional summary (the "Executive Summary") discussion of each phase of the Vendor's plan in the order of progression. While the Corporation expects a Vendor to provide full details in each of the Sections in other areas of the RFP relating to its plan, the Executive Summary will provide a "map" for the Corporation to use while reviewing the Proposal.

Each area summarized must be listed in chronological order, beginning with the date of Contract execution, to provide a clear indication of the flow and duration of the project. A Vendor may use graphics, charts, pre-printed marketing pieces or other enhancements as a part of this Section to support the chronology or add to the presentation. Any such materials must be included in the original and each copy of the Proposal.

#### **4.10 EXPERIENCE**

A Vendor, and its joint venturers, strategic partners and prime contractor team members must demonstrate overall experience in the functions described in this RFP, including System start-up experience, as well as that of their subcontractors. In addition, the joint venturers, strategic partners, prime contractor team members and subcontractors proposed to perform specific tasks, duties or functions must clearly document that they possess the qualifications and experience necessary to fulfill the relevant requirements of this RFP. At a minimum, Vendors must demonstrate the following:

- The ability to complete a System start-up and start-up of online lottery games;
- The ability to install and operate a System and terminals proposed for the Corporation (and the Vendor should provide the lottery name as well as a contact name and telephone number where the Vendor has installed and operated such a System and terminals); and
- A commitment to support all products and services that are proposed.

The Corporation reserves the right to verify all information provided via direct contact with a Vendor's and its joint venturers', strategic partners', prime contractor team members' and subcontractors' prior project or client personnel, and a Vendor and its joint venturers, strategic partners, prime contractor team members and subcontractors agree to provide any release necessary for the Corporation to check on any previous projects. Misstatements of experience, scope of prior projects or results thereof may result in the disqualification of the Proposal.

#### **4.11 PROJECT STAFF**

A Vendor's Proposal shall include an organization diagram and a staffing plan. Key staff must be identified, the nature and scope of each person's responsibilities and duties must be outlined, and detailed resumes must be provided. Reference to System-specific experience should be noted.

In addition to all other persons needed by the Successful Vendor to perform all services required under this Procurement, the Successful Vendor must provide and identify a minimum of four (4) full-time, on-site experienced operations professionals qualified to occupy the following permanent positions, assigned exclusively to service the Mississippi Lottery and made available to the Corporation, at the Successful Vendor's cost, from the date of the Contract Award through the entire term of the Contract:

- General Manager;
- Quality Assurance (duties will include testing of releases and patches);
- Business Analyst (duties will include development of BRS/FRS specification documents for new games); and
- Database Administrator (duties will include provision of ad hoc reports on demand).

The individuals occupying these permanent on-site positions must be identified in the Proposal, and a complete resume of each such individual must be submitted. These individuals will be required to reside in the Greater Jackson Metropolitan Area. The Successful Vendor may be required to rent office space at the Corporation's headquarters for these individuals at the Successful Vendor's cost.

In addition to all other persons needed by the Successful Vendor to perform all services required under this Procurement, and the individuals occupying the aforementioned permanent on-site

positions, a Vendor must provide and identify a minimum of four (4) additional experienced start-up professionals who will be made available to the Corporation for on-site general start-up assistance as determined by the Corporation from the date of Contract Award through the date of the first (1<sup>st</sup>) online game sale.

#### **4.12 COMPUTATION OF LIQUIDATED DAMAGES**

A Vendor must propose a program of liquidated damages to cover the damages listed in Section 3.21 and provide the rationale and the computation formula used to determine the level of damage penalties that are included in this response. All proposed liquidated damages amounts shall be subject to the satisfaction of the Corporation.

#### **4.13 SYSTEM IMPLEMENTATION**

The Vendor must include a comprehensive implementation plan to ensure a smooth start-up of the System and online lottery games. The Corporation requires that operations not be delayed during this process.

The Vendor must propose an implementation plan that addresses, at a minimum, the following:

- Back-office system;
- Data center setups including Retailer support (hotline) equipment;
- Computer hardware and software installations;
- Communication network activities;
- Delivery and installation of Retailer equipment;
- Software development, testing and simulation;
- Staffing requirements and commitments;
- Retailer and Corporation staff training;
- Retailer manual, including binders;
- Project reporting and monitoring; and
- Corporation responsibilities, other than software acceptance testing activities.

The implementation plan must include a detailed timeline beginning with the Contract execution date.

### **PART V - ONLINE LOTTERY GAME SERVICES AND LOTTERY GAMING SYSTEM AND SERVICES**

#### **5.1 TECHNICAL SPECIFICATIONS**

The objective of this RFP is to encourage Vendors to provide a solution for the challenges facing the Corporation associated with the start-up and operation of the Mississippi Lottery. Vendors should be innovative in developing their Proposals. However, the Corporation also believes that Vendors should be provided with guidelines as to the functionality desired by the Corporation. For this reason, the Corporation has provided the specifications, requirements and functional features in this Part V of the RFP. The portions of Proposals that address the functional

requirements of the RFP will provide the Corporation with the information necessary to conduct a fair evaluation of the proposed technical solutions from all Vendors.

Any items that are not specifically mentioned in this RFP but which are integral to the smooth efficient operation of the proposed services should be included in a Vendor's Proposal and pricing. Those items not specifically requested under this RFP shall be identified in the appropriate Sections of the Proposal. All required supplies and materials necessary for the success of the overall operation of the Mississippi Lottery are to be included in the base Proposal price, even though those items may not be specifically requested under this RFP.

### **5.1.1 GAMING SYSTEM**

#### **5.1.1.1 ONLINE LOTTERY GAMES AND OPERATING SYSTEM**

A Vendor must describe and discuss in detail its proposed integrated solution for start-up and operation of the System and related services, including online lottery games. The Successful Vendor must procure, install, operate and maintain the required equipment and software necessary to make functional all primary and back-up data centers, as well as Claim Center Offices and the central prize claim operations. The hardware, software, terminals, game draw personal computers (PCs), monitors and communications equipment should be installed to operate efficiently and dependably and also to allow for future growth and ease of integration with third party applications and/or hardware. The Vendor must certify that the computing equipment, terminals, monitors and PCs are new and unused and meet Underwriters Laboratories or equivalent certification.

A Vendor must provide a recommended location where the primary data center site and hot backsite may be located. Each site must be in a separate location and be approved by the Corporation. A Vendor must describe in detail the benefit to the Corporation of each proposed location. The Successful Vendor will be responsible for all the gaming system related costs of developing, starting, maintaining, upgrading and operating the data center and claim centers. The Corporation will require the Successful Vendor to maintain and provide staffing for the primary and secondary central gaming system sites twenty-four (24) hours a day, seven (7) days a week. The primary and hot backup gaming systems must have a time-synchronizing mechanism to ensure that both locations are processing one hundred (100%) percent of the transaction data.

The Successful Vendor must provide, and the System configuration must support, an anticipated load of fifteen hundred (1,500) to seventeen hundred (1,700) full service online Retailer terminals at start-up with growth capacity to support up to three thousand (3,000) full service online Retailer terminals and three thousand (3,000) color monitors and three thousand (3,000) player activated ticket checkers, whereby players can scan a ticket to determine if it's a winner. The terminal response times must not exceed three (3) seconds per wager measured from the time a wager is entered until the ticket is cut.

Fail-safe operation is required at both the primary and hot backup sites. Fault tolerant hardware and software at each site will satisfy this requirement. The goals of this requirement are to minimize service interruptions, to prevent loss or corruption of data resulting from hardware or software failure and to prevent loss of processing capability resulting from component failure. The System must permit timely switching to a backup processor or site within ten (10) minutes maximum and must permit sales and all other gaming transactions for a minimum of twenty (20) hours per day, seven (7) days per week. The System must record all transactions processed and that information must be available to the Corporation upon request.

#### **5.1.1.2 PRIZE VALIDATION AND PAYMENT REQUIREMENTS**

- The Vendor must ensure that all prizes are paid in accordance with the online game rules and regulations and the prize structure defined in the instant ticket working papers. The System must allow for the validation and payment of prizes in accordance with above rules, regulations and working papers while maintaining a high degree of integrity and security.
- The Vendor must describe in detail how the proposed System will ensure the processing of prize payments in accordance with the above directives. At a minimum, the System must be able to:
- Allow same day validation of prizes for online games with draws occurring more often than once a day or occurring earlier in the day prior to System shutdown;
- Allow dual entry of winning draw information between the Vendor and the Corporation and Internal Control System ("ICS") winner verification, prior to setting any online draw to a "pay" status;
- Allow for varying claim periods based on the individual online or instant game features;
- Verify the validity of a ticket prior to validation; ensure that a ticket has not been previously paid or cancelled, does not fall within a blocked range (if an instant ticket), that it is presented within the required claim period and includes all required validation codes; and
- Process all online and instant ticket validations in real-time (no batching of transactions).

At the Retailer level, the System should provide for the following, at a minimum:

- Cross redemption of online and instant tickets;

- Scanning of ticket bar codes via the terminal scanning device;
- Notification to Retailers for authorization to pay and generate a pay receipt;
- Other appropriate validation status messages to Retailers as may be determined by the Corporation;
- Automatic generation of an exchange/replacement ticket for remaining draws if the ticket is a multi-draw or advance draw ticket; and
- Inquiry capability for online and instant ticket — instant ticket inquiry may be restricted to privileged terminals, as determined by the Corporation.

### **5.1.1.3 REQUIRED SYSTEM INTERFACES**

The Successful Vendor will be required to receive and process instant ticket game inventory data from the instant ticket vendor on a daily, or more frequent, basis. Additionally, the Successful Vendor will be required to provide instant pack status data and certain Retailer maintenance data to the Corporation and instant ticket vendor on, at a minimum, a daily basis.

Vendors must describe how they expect to accomplish these interface requirements, and detail all control and security procedures to ensure the data integrity between the two systems.

### **5.1.1.4 INCIDENT REPORTS**

The Successful Vendor will be required to provide an incident report to the Corporation's President or his designee within twenty-four (24) hours of the occurrence of a system incident (an "**Incident Report**"). Incidents include, but are not limited to, any system issue impacting sales, redemptions, validations, reporting, check writing, system down or any other degraded performance of the gaming system. An Incident Report will include the following information:

- Prepared by (typically the Vendor's Operation Manager);
- Date of incident;
- Time of incident;
- Duration of incident;
- System impacted;
- Vendor escalations, including identification of Vendor personnel notified of issue;
- Lottery notified, including identification of designated Corporation point of contact;
- Time of notification;

- Vendor service ticket number;
- Initial description of incident;
- Incident root cause;
- Impact, specifically who or what was impacted;
- Current status;
- Short term solution; and
- Long term solution.

If the Vendor cannot identify a long term solution within twenty-four (24) hours of the occurrence of a system incident, the Vendor will include in the Incident Report the steps the Vendor is taking to ensure that a long term solution is identified. Upon the Vendor's identification of a long term solution, the Vendor will supplement the Incident Report with the long term solution, and the Incident Report will be considered final.

#### **5.1.1.5 DISASTER RECOVERY PLAN**

Availability of the gaming System is of utmost importance to the Corporation. It is critical that Vendors be able to quickly recovery from any condition resulting from loss of System availability or communication to our Retailers.

Vendors must describe in detail how they expect to recover from any system and/or communications failures, including the expected responsibilities of the Corporation in plan administration. The plan must include the recommended frequency for testing and the method by which the results will be communicated to the Corporation.

#### **5.1.1.6 ADDITION AND MODIFICATION OF GAMES**

The Successful Vendor will add, modify and provide traditional online lottery games to the Corporation for testing within one hundred twenty (120) days of mutual agreement on specifications, or as otherwise mutually agreed in writing.

### **5.1.2 TERMINALS, PERIPHERALS AND SUPPORT**

#### **5.1.2.1 RETAILER OPERATED TERMINALS**

The terminal models proposed shall be of a size and appearance that will ensure Retailer acceptance. The terminals must be new and certified by an approved laboratory such as Underwriters Laboratories. The terminals also must use open system architecture standards and industry standard communication protocols. Each terminal must have an easily operated keyboard or interactive touch screen to allow for sales, the validation and cancellation of online tickets, all instant ticket sales functions and accounting and must print reports. All terminals must allow for fixed length tickets only.

The display screen of each full range terminal must be large enough to display an entire transaction, and each terminal must provide the following features: password protection, key lock (or equivalent), selective receipt of broadcast messages, and sufficient keys to provide for at least the following functions:

- Game selection (at least ten (10));
- Play type;
- Play amounts to accommodate common wager amounts;
- Cash;
- Cancel;
- Repeat/bulk print;
- Advance day of week and multiple draws advance;
- Report;
- Reprint (last of any transaction);
- Subtotal/total;
- Terminal function test key;
- Quick-pick;
- Clear;
- Training mode help;
- Promotions; and
- Bar code and UPC scanning capabilities.

Each full range terminal must accept manual wagers and play slip transactions. Play Slip Readers should allow for the optical scanning capability.

All terminals must validate online and instant tickets.

All terminals must include audio sound alert functionality or other options for alerting players presenting tickets for validation that their ticket is a winner. Retailers must not have the capability of disconnecting, eliminating or reducing the volume of the winning alert system.

Each terminal must have an LED or electronic display unit provided by the Successful Vendor to display winning numbers and jackpot amounts to the player. In addition, the player must be able to see the purchase price and amount won from each terminal.

The Vendor must provide the bar code and PC scan/read rates for their proposed terminal scanning/reader devices and the bar code symbologies the device supports.

The Corporation will consider other options or features proposed that will enhance Retailer acceptance and use.

Retailer terminals must also accomplish the following instant game transactions: pack receipt/confirmation, pack activation, pack settle settlement, pack returns (full and partial) inventory reports and real time "TOP Prize remaining" report

that include top level prize remaining for each instant game and that has the capability of feeding the real time information directly to the Website.

#### **5.1.2.2 FULL SERVICE VENDING MACHINES**

A Vendor's Proposal must include a plan to provide, install, and maintain a minimum of three hundred (300) new compact unit, full product, self-service twenty (20) bin vending machines with sales tracking capabilities at Retailer locations.

This response should provide a plan for using these machines to help achieve the Corporation's sales goal.

A start-up plan to ensure that instant tickets will be sold on or before December 1, 2019 must be provided.

Recommended vending machine specifications must be provided with the Proposal.

All vending machines provided by the Successful Vendor for the use of Retailers will include a light emitting diode ("LED") message display unit or equivalent type messaging unit. Vending machines must be provided to the Corporation on an "as-needed" basis as Retailer locations are established and will not be ordered until such time as Retailer locations are established.

#### **5.1.2.3 LOTTERY MANAGEMENT TERMINALS**

The Vendor must provide an appropriate level of management terminals or management terminal-level access to Corporation staff as will be required to perform gaming-related and back-office management related activities. These will include at a minimum one (1) each at the primary and hot backup sites for Corporation personnel use and one (1) at each of the three (3) Claim Center Offices and the Corporation headquarters to be staffed by the Corporation. The Corporation must have printing capability from all management terminals, but those located at the prize payment offices must have dedicated printers and include check-writing capability with a secured signature card.

Game management features should include, at a minimum, the following:

- Entry and confirmation of winning numbers;
- Online capability to select, sort, view and list a detailed transaction listing;
- Selectively enable or disable any or all Retailer terminals' capability to sell, cancel, validate or cash tickets; and
- Selectively broadcast messages from the central system.

Back-office management features should include, at a minimum, the following:

- Application tracking and contracting;
- Retailer master file maintenance;
- Retailer account, including adjustments; and
- Instant game management, including game start/end, pack status changes, inventory accounting and ticket validation activities.

#### **5.1.2.4 TECHNICAL AND OPERATIONAL SUPPORT**

For the life of the Contract, the Successful Vendor shall provide technical support in the form of consultation, answering questions, assistance in diagnosing problems and providing additional hardware or software capabilities as requested by the Corporation. The Vendor shall specifically describe its plan for providing this support including staff resources and physical location.

#### **5.1.3 GAMING SYSTEM COMMUNICATIONS NETWORK**

The communications network and equipment is to be provided by the Successful Vendor and the installation and operating costs for required connectivity shall be part of the base price. The communications network must support data communications between all computer sites (primary, back up and Corporation headquarters), online and instant game Retailer locations, the Claim Center Offices, the sales kiosk (to be located at Corporation headquarters), and the instant ticket packaging warehouse. The Retailer's normal business line and telephone equipment will be excluded from the base price.

The Successful Vendor must take the appropriate security measures to prevent unauthorized access to the network. The Corporation reserves the right to assume control of the network at any time during the Contract period.

The Vendor should describe the recommended communications network that best meets the overall objectives of this RFP.

Vendors must provide a network design. The Corporation expects Vendors to be creative in network design in order to allow for maximum flexibility, growth, throughput and cost effectiveness. Vendors must explain the network and its cost benefits to the Corporation in clear detail. The proposed communications network must be operational in an existing lottery jurisdiction.

Vendors will be responsible for implementing, monitoring and operating all elements of the network.

Vendors will provide the dedicated communications connection to all online Retailers.

Vendors will be responsible for coordinating interactions among any network providers and contractors that would be involved in the implementation of the network.

Vendors must describe a functional communications network that will handle the immediate needs of the System and accommodate the anticipated growth in the Retailer network. The network must be designated to meet the needs of the online terminals and to connect all network devices to the primary data center as well as the hot backup site.

#### **5.1.4 ONLINE SYSTEM DEVELOPMENT AND SUPPORT**

The Successful Vendor will be responsible for maintaining and modifying the System software once it becomes operational and for developing future software at the request of the Corporation. The Corporation requires a minimum of one (1) full-time, on-site gaming system programmer and one (1) full-time lottery back-office management system programmer for the duration of the Contract. The cost for this support must be included in the overall price.

A Vendor must describe its software change management approach to ensure the quality and data integrity of its software applications, including, at a minimum, its acceptance testing methodology and software change documentation procedures.

#### **5.1.5 LOTTERY BACK-OFFICE MANAGEMENT SYSTEMS**

The Corporation will require the online Vendor to provide the following lottery back-office management systems, to encompass both online and instant game activities.

##### **5.1.5.1 RETAILER APPLICATION AND CONTRACT TRACKING SYSTEM**

The Successful Vendor's System must track and monitor incoming Retailer applications. Describe the functionality and operations regarding this requirement.

##### **5.1.5.2 RETAILER MASTER FILE**

The Successful Vendor will be required to include a Retailer master file as part of its System, consistent with Corporation's anticipated Retailer types. Describe the functionality and maintenance of this file.

##### **5.1.5.3 PRIZE VALIDATION AND PAYMENT SYSTEM**

The Successful Vendor will provide a prize validation and payment system that will enable designated staff to validate and pay prizes of all values for both online and instant games. These functions are to be operated by the Corporation's staff at its headquarters (for prizes of all values, including grand prize annuity payments) and at three (3) Claim Center Offices and one (1) kiosk (for prizes valued up to \$249,999.99). For prizes paid of \$600 or more, Corporation prize checks will include IRS Form W-2G. Check printers and maintenance will be provided by the Successful Vendor.

Pursuant to Section 23 of the Act, the Corporation must withhold from prizes claimed any (i) outstanding child support arrearages; (ii) delinquent debt as submitted by any "claimant agency" under *Miss. Code Ann. §§ 27-7-501 et seq.*; and (iii) outstanding debts owed to the State of Mississippi.

The Corporation requires the following prize payment related functions:

- Validation and payment of "normal" prize claims;
- Validation and payment of grand prize annuity claims;
- Payment of prizes previously validated by Retailers but not paid to players;
- Payment of prizes for tickets legitimately sold within a partially stolen or returned pack; and
- Payment of prizes with a debt setoff.

A Vendor's Proposal must describe how each of these related processes would be accomplished in its System. Describe the equipment and operational steps required, screens and reports available, data retention periods and internal controls inherent in using the System. Describe how the System handles paying multiple prizes to one player. Describe how the System interfaces with the online and instant validation files to ensure the prize payment is legitimate. Describe how periodic annuity payments are tracked and controlled. Discuss the recommended check printer with secured signature plate, its (technical) capacity, useful life, required maintenance/replacement plan, etc.

The Successful Vendor's System must ensure that tickets input for validation, of all types, are legitimate prior to payment. The Corporation prefers a two-step process whereby one person first validates the prize and a second person pays/prints the prize check. Prize validation staff can perform both steps (validate and pay), but not within the same prize claim. Payments, other than for "normal" prizes, should ideally require systematic authority to "pay." Describe the controls in place to ensure that all tickets which are validated, are subsequently paid, and that they are paid only once.

#### **5.1.5.4 RETAILER ACCOUNTING BILLING SYSTEM**

The Successful Vendor will be required to provide a Retailer accounting and billing system for online and instant ticket activities that, at a minimum, provides for the following capabilities:

- Retailer ability to obtain daily, weekly and previous week billing activity at the terminal level, including all related online and instant sales, cashes, commissions and adjustments;
- Retailer ability to review and print the instant ticket pack level detail for packs in confirmed, activated or settled status within an accounting week;

- Corporation staff ability to inquire on variety of search criteria, such as billing week, Retailer number, date range, etc. and to print detailed and summary statements for both individual Retailers and corporate accounts for current and up to fifty-two (52) prior accounting periods;
- Corporation staff ability to enter debit and credit adjustments to a Retailer's account;
- Corporation staff ability to review and print deferred instant ticket liability (instant tickets activated but not yet settled, less commissions) activity for a specific Retailer or a group of Retailers for any date range within fifty-two (52) prior billing weeks;
- Creation of a Retailer statement file in an XML format or other customized format as the Corporation may require from time to time. The Corporation is very interested in electronic transmissions of Retailer billing statement information; and
- The System is required to produce a weekly Electronic Funds Transfer ("EFT") file for processing of funds to/from Retailer bank accounts by the Corporation. The System should have the ability to produce an EFT transaction file for all or specific Retailer(s) on a weekly as well as daily basis. The System must allow for verification and auditing functions to be performed by the Corporation before releasing transactions to/from the bank.

Provide details in this Section as to how the proposed software will accomplish Retailer accounting, billing, and funds transfer. Describe its ability to interact with other system modules. Describe the basic operator requirements to accomplish each, including screens and menus, if applicable.

#### **5.1.5.5 IRS TAX REPORTING SYSTEM**

The Successful Vendor will be required to provide the data files necessary to meet annual IRS tax reporting and remittance requirements. Describe this process and any required Corporation intervention.

#### **5.1.5.6 INSTANT GAME FILE MAINTENANCE**

The Successful Vendor will be required to load instant game related files to the System. These files will include at a minimum, game start/end parameters, prize validation information, pack information and periodic file updates to be received no less frequently than daily from the instant ticket vendor.

The System must be able to provide pack status history information.

#### **5.1.5.7 MANAGEMENT REPORTS**

The Corporation is seeking ways to utilize the data that will exist on the System for purposes of enhanced management reporting capabilities.

A Vendor should describe in detail its proposed System reporting tool and capabilities to provide efficient and effective management reporting capabilities. The proposal should address hardware and reporting functionality.

#### **5.1.6 INTERNAL CONTROL SYSTEMS (ICS)**

The Corporation will procure a third party internal control system (“ICS”). The Successful Vendor is required to provide a near real time transaction data feed from the central gaming system to the lottery ICS. This feed must occur at a minimum every sixty (60) minutes and at draw close for online games. The transmission protocol will be mutually agreed upon by the Successful Vendor and the ICS vendor and approved by the Corporation. The Successful Vendor is required to provide space to co-house a backup to the ICS system at the facility where the backup gaming services are located.

### **5.2 OPERATIONAL SERVICES**

The Successful Vendor will have certain operating responsibilities, while the Corporation will retain overall management and guidance of the entire gaming operation. Those functions for which the Successful Vendor, at its own cost, will be directly responsible, and which should be addressed in the Proposal, are as follows:

#### **5.2.1 RETAILER TRAINING**

When a new Retailer is approved, the Successful Vendor must provide a comprehensive classroom training program in the use of appropriate Retailer terminals as well as training on both the online and instant products. The Successful Vendor will also be responsible for retraining Retailers at the request of the Corporation. Describe your training program, including, but not limited to, the start-up period. At a minimum address the following:

- Numbers of people per session;
- Length of training;
- Method of delivery;
- Procedure for tracking attendance;
- Ongoing training sites;
- Number of training sites;
- Number of start-up training sites and location with a goal that no Retailer should travel more than two (2) hours;
- Who will deliver the training (Successful Vendor or outside source); and
- Provide a sample Retailer manual with binder to be issued to each Retailer.

#### **5.2.2 CORPORATION STAFF TRAINING**

The Successful Vendor will be responsible for training the Corporation sales and administrative staffs in the use of all Retailer terminals. Describe your training program, including but not limited to the start-up period. At a minimum address the following:

- Retailer terminal operation;
- Prize payment;
- Retailer master file maintenance;
- Retailer accounting;
- Prize liability monitoring; and
- Provide a user manual for Corporation staff.

### **5.2.3 EQUIPMENT MAINTENANCE AND SUPPLIES**

The Successful Vendor must establish procedures for the maintenance and repair of the central system hardware, network, printers, Retailer operated terminals, claims terminals and management terminals. The Successful Vendor is required to have sufficient staffing levels to cover repair and maintenance functions of an anticipated load of fifteen hundred (1,500) to seventeen hundred (1,700) full service online terminals at start-up with a growth capacity of up to three thousand (3,000) full service online terminals, up to three thousand (3,000) color monitors and three thousand (3,000) player activated ticket checkers. The number of terminals in operation will vary from start-up until the lottery is fully operational. The Successful Vendor must provide staffing support that is appropriate for the number of terminals in operation at all times. The Successful Vendor will be required to respond to all service requests within two (2) hours in metropolitan areas and within five (5) hours in non-metropolitan areas within the State, as determined by the Corporation. The Successful Vendor will also be responsible for providing all supplies the Corporation and all active Retailers including but not limited to, ticket stock, ribbons, play slips, play stations, pens, pencils and neon or equivalent signs. Cash drawers are to be furnished at a cost to the Retailers. Describe your experience with and provide a detailed proposed plan and the approach you would use to handle this function. Include the following:

- The staffing levels, including during start-up of the System and online lottery games;
- The staffing levels for covering the repair functions;
- The planned location of staff; and
- Repair functions that might be handled by the Corporation's marketing representative and the training required.

### **5.3 MARKETING SUPPORT**

The Corporation will require the Successful Vendor to play a significant role in its marketing program. On an ongoing basis, it will be responsible for providing marketing support for all current online games, as well as for conducting research on possible future games and making

recommendations for the Corporation's approval. At the request of the Corporation, the Successful Vendor will be involved in the development, maintenance and growth of the Retailer network including recruitment support and will also be responsible for suggesting possible incentive programs for online game products. The Successful Vendor will also evaluate sales data, the development of trend analysis and the implementation of programs in response to that data. The Corporation will require the Successful Vendor's corporate marketing group to meet with Corporation personnel no less frequently than quarterly. Describe your expertise in this area and your proposed approach to this function.

The Corporation will require the Successful Vendor to maintain a marketing budget in the amount of Thirty-Five Thousand Dollars (\$35,000.00) annually to be utilized for general marketing purposes approved by the Corporation, including but not limited to expenses associated with Retailer conferences.

In order to assist the Corporation in responding to changes in the industry and the demands of the marketplace, a Vendor should describe its approach to the expanding industry including, but not limited to, the following:

- In-lane ticket sales; and
- New game development (including your existing library of games).

### **5.3.1 HOTLINE SERVICES**

The Successful Vendor will be required to provide a Retailer hotline for purposes of receiving and responding to inquiries and requests from Retailers. The hotline will be housed at the Successful Vendor's main data center. Describe your approach to this function.

A Vendor's Proposal must address how the hotline services will be staffed and managed to ensure timely, professional and accurate responses to all calls, especially during the start-up period.

The hotline should include, at a minimum, the following features:

- Telephone call management equipment must be capable of handling all incoming calls on toll-free circuits. If all circuits are busy, a pre-recorded message must be played and the calls must be queued.
- The call management system must be able to create statistical reports, to be made available to the Corporation upon request.
- The system must allow for recording and monitoring capabilities by the Vendor and/or the Corporation staff.
- Hotline equipment must have display of line and drop status allowing the hotline operator to see if a line is operational, if a drop or line is down, and if a Retailer is signed on or not signed on.

- Hotline staff must be trained to perform diagnostic tests to determine network communications, Retailer or terminal problems.
- The Corporation will maintain a separate hotline for Retailer accounting problem resolution. The Successful Vendor will be responsible for the communications costs for both lines and must indicate how the two systems will interface. The Corporation will consider a single toll-free circuit that will allow Retailers to choose their call destination.

### **5.3.2 CORPORATE ACCOUNTS**

A Vendor's Proposal should address how it will cooperate with the Corporation's corporate account personnel and describe special procedures that will be available to facilitate their marketing and accounting needs. Vendors must provide Retailers access to all accounting functions on a specially designed, Retailer-specific website.

### **5.3.3 RETAILER RECRUITMENT**

Discuss the role of the Successful Vendor in Retailer recruitment and the designation of Retailers for online sales. While the Corporation will maintain control over the contracting function, the Successful Vendor will be expected to become involved in the maintenance and growth of the Retailer network including recruitment of certain designated Retailers and research, recruitment, development and maintenance of Retailers for niche games.

### **5.3.4 TICKET STOCK AND PLAY SLIPS**

The Successful Vendor will provide the ticket stock and play slips for the terminals. The ticket stock must be a premium, top coated, high sensitivity, gaming ticket grade. The requisite specifications are set out in *Attachment F* made a part hereof. Tickets will be a fixed length of 4.66 inches. Describe the size, readability/accuracy rate, etc. of the play slips proposed and provided.

The Act mandates, and the Corporation shall require as part of any contract for the production or printing of lottery tickets, that all tickets printed by the Successful Vendor pursuant to the Contract contain the toll-free telephone number of any state or national organization that provides information and referral services regarding compulsive or problem gambling, as approved by the Corporation.

### **5.3.5 PLAY STATIONS**

The Successful Vendor will be responsible for the purchase, delivery and installation of a play station unit at each approved Retailer location with a maximum of five thousand (5,000) over the term of the Contract.

The Successful Vendor will be responsible for maintenance and repair of the play stations.

- Each play station shall include storage for materials, an area to display posters, winning numbers and related lottery information, space for play slips, brochures and pencils and space for customers to complete play slips.
- A sketch or photograph of the unit proposed for use must be provided.
- Vendors must describe the materials to be used in the construction of the unit, i.e., plastic, wood or metal.
- The Successful Vendor will be required to provide Retailers with a supply of pencils or writing instruments for the completion of play slips.
- The Corporation reserves the right to approve the design of the play station, including the colors.

### **5.3.6 ELECTRONIC DISPLAYS**

The Successful Vendor must provide electronic displays for terminals. The Successful Vendor will be responsible for delivery and installation of these electronic displays at each approved online Retailer location, as needed.

### **5.3.7 LED OR EQUIVALENT SIGNS**

The Successful Vendor will be responsible for the purchase, delivery, installation, maintenance and repair of an LED sign or equivalent at each approved online Retailer location. A sketch or photograph of the unit proposed for use must be provided. The Corporation reserves the right to approve the design and colors of the sign.

## **5.4 SECURITY PLAN**

The Corporation will require the Successful Vendor to maintain a security program that protects the integrity of the transaction processed and protects the physical environment that houses the system's software and hardware components.

A Vendor should describe in detail its approach to ensure that these security control objectives will be met. The Corporation will require the Vendor to have an annual Statement of Auditing Standards (SAS) No. 7 Third Party Controls Review performed at the Vendor's expense by an independent CPA firm to be selected and approved by Corporation.

The plan approach should address, at a minimum, the following:

- Physical security of all facilities;
- The security features of the System proposed;
- Employee security, including background checks of officers, employees and subcontractors;

- Game security, including online game security controls and instant ticket validation controls. At a minimum, the game security features and controls should include:
  - Pool summary data immediately following pool closing;
  - At game cutoff, create a report (printed or electronic) at the management terminals showing (a) time of day, (b) net game pool and (c) total of wagered numbers;
  - Online ability for Corporation to select, sort, view and list a detailed transaction listing;
  - The ability to establish and monitor liability limits for fixed payoff games and initiate the cut-off of wagering as required;
  - All records time stamped to the nearest second;
  - Only completed transactions are recorded on the System;
  - Transactions cannot be duplicated;
  - Tickets cannot be duplicated on terminal equipment;
  - Control of access at file and application levels;
  - All commands executed by System operators and any System warning or problem messages must be logged immediately on a numerically sequenced console log file, a copy of which will be provided daily or more frequently as required by the Corporation;
- Security features and control of ticket stock;
- Adequate organizational segregation of duties;
- Restriction of access to gaming system processing functions, files and programs to authorized users only;
- Physical security restrictions to preclude unauthorized persons from accessing data center site or operations;
- Development of control procedures for software change management and documentation, including updating of service and operational manuals, written procedures and updating of the source code maintained in an escrow account;
- Development of data security requirements, including data encryption, transaction logging with time stamp, terminal and central system re-send and ticket printing confirmation;
- Ensuring that every transaction is written to at least three (3) media before authorization is given to print the ticket, which includes the primary and secondary central systems and the hot backup system at the alternate site;
- Requiring the use of User ID/password for access to authorized software and related programs residing in the terminals and management workstations, and to

provide an audit trail of sign-on attempts and successes on non-erasable/modifiable magnetic media;

- Use of validation algorithms for inquiry, validation and reporting on any winning wagers;
- Serial number encryption for external serial numbers printed on the tickets;
- Establishment of an escrow account for storing of software source code offsite; and
- Establishing appropriate network security firewalls to prevent unauthorized access to the gaming or communications network, and to monitor and prevent viruses from the attacking the system.

## **5.5 MULTI-STATE GAMES**

Vendor shall meet and be in compliance with all Security and Integrity requirements of both the Multi-State Lottery Association/Powerball Game Group and the Mega Millions Consortium, as well as the requirements for any other multi-state games desired for implementation in the State of Mississippi by the Corporation.

## **5.6 TELEMARKETING AND TICKET ORDERING AND INVENTORY CONTROL SYSTEM**

The Successful Vendor will provide a Customer Relations Management System that includes telemarketing and ticket ordering software and systems. Telemarketing sales and ordering functions will be handled by the Corporation employees. The Proposal should describe, at a minimum, how the software accomplishes the ticket order entry processing for:

- Inventory distribution management;
- Retailer initiated orders;
- Emergency orders;
- Reissues of returned packs;
- Capability to restrict a Retailer from ordering;
- Tracking and confirmation of pack deliveries;
- Real-time monitoring of warehouse inventory;
- Initial allocation for new games;
- Sales and account information available to telemarketers;
- Other reporting capabilities; and
- Call features and scheduling.

At a minimum, the System must have the capability to perform as follows:

- Handle all instant ticket processes and functions from any instant ticket printer;

- Accept and process ticket inventory data files produced by one or more secondary instant ticket vendors for up to eight (8) instant games a year for purposes of warehousing and distribution to Retailers;
- Create and provide inventory data files of packs ordered, distributed and returned for transfer to the online gaming system on a daily, or more frequent, based as determined by the Corporation;
- Accept and process ticket inventory data files (i.e., pack statuses, etc.) and Retailer file maintenance data files from the online gaming system on a daily, or more frequent, basis as determined by the Corporation;
- Allow the creation of ad-hoc reports online, and to print certain reports as may be desired by the user; and
- Restrict system access to only authorized Corporation staff and others as approved by the Corporation.

A Vendor must describe in its response the following:

- How the system will allow the Corporation staff appropriate access via proposed hardware/software communication configuration to the software applications;
- A proposed plan for interfaces between the instant inventory system and an online gaming system;
- A proposed backup system plan to ensure little or no interruptions of services, and the business recovery plans to return to normal processing; and
- The proposed security plan including system software (i.e., passwords, data transfer integrity, etc.) and physical controls.

## **5.7 OTHER REQUIREMENTS**

A Vendor must list in this Section other significant services, procedures, materials, supplies, programs, policies, equipment, facilities, etc., necessary for the successful daily operational aspects of the System, even though there are no specific requirements for those items listed in this RFP. The Successful Vendor is not released from the responsibility of providing all needed items to make the System successful.

## **PART VI - COST**

### **6.1 INTRODUCTION**

The Corporation will offer a compensation package that is based on a percentage of “**Net Sales**” (as defined in Section 6.3). A Proposal must meet both the immediate and long-term needs of the Corporation. Therefore, the object of this RFP is to develop a program of compensation that rewards the Successful Vendor for excellent performance while ensuring that the Corporation

will achieve its desired goal regarding start-up of the lottery, including the maximization of net proceeds of total annual gross revenues accruing from the sale of lottery tickets (after payment of prizes to the holders of winning lottery tickets and payment of costs incurred in the operation and administration of the lottery) to the Lottery Proceeds Fund and an integrated lottery System with online lottery game operations and operating efficiency.

## **6.2 PRICING FORMULA**

The method of compensation that will be utilized is a percentage of total Net Sales achieved by the Corporation during the term of the Contract. A Vendor must state the percentage of total sales required for compensation to accomplish the tasks specified in the Proposal. The single cost quotation should be presented on a separate, signed page and be expressed as a numeric percentage of Net Sales carried to no more than four (4) decimal places. For example, 1.0000%.

Vendors are reminded that the cost quotation should cover all of the Systems, products and services covered and required by this RFP and Procurement, as well as other services deemed necessary by the Vendor, to be provided by the Successful Vendor during the full term of the Contract, as may be extended pursuant to Section 3.8.

ALL PRICES QUOTED ARE APPLICABLE FOR TEN (10) YEARS FROM THE STARTUP DEADLINE OF DECEMBER 1, 2019 OR SUCH EARLIER START-UP DATE AS MAY BE AGREED-UPON BY THE CORPORATION.

Each Vendor shall assume in its pricing the use of its top-of-the-line terminal. If a Vendor would like the Corporation to consider some other option, please so indicate as an alternative and additional proposal.

## **6.3 DETERMINATION OF NET SALES**

At the end of each full week of sales after start-up, total Net Sales during the calendar week (or since start-up for the first week) will be calculated to determine the amount subject to compensation. The following factors will apply:

- Instant ticket sales shall be equal to the total number of tickets activated during the week, less any tickets returned.
- For instant games that include "free ticket" prizes, the sales calculation will be reduced to reflect actual sales revenue.
- Total sales will be reduced by the number of defective instant tickets returned or stolen tickets reported by Retailers during any given week.
- Online games shall be equal to all tickets sold during the week, less any tickets cancelled.
- When sales are the result of advance purchases, the amount of advance purchases shall be counted as sales in the weeks when the purchase occurred.

- Total sales will be reduced by the number of promotional tickets issued by the Corporation in any given week.

#### **6.4 PAYMENT**

Upon determination of the amount due to the Successful Vendor for any week, payment (less applicable damages and penalties which may be deducted) will be processed in an expedited manner. Vendors may propose any alternative methods or schedules of payments, which will be considered during Contract negotiations with the Apparent Successful Vendor.

#### **6.5 PROGRAM ENHANCEMENTS**

The Successful Vendor may be requested by the Corporation to perform tasks, provide equipment or otherwise perform in a manner that was not originally contemplated in the Contract. By mutual agreement, those functions may be performed for a specific fee to be mutually agreed upon. This procedure is not intended to avoid a competitive solicitation for goods and services that might appropriately be provided by other potential suppliers. However, the Corporation may decide to separately procure any option not covered in the Successful Vendor's Proposal. The Successful Vendor will provide enhancements to the instant tickets system and the Corporation's back-office management system to the Corporation for testing within one hundred twenty (120) days of mutually agreed upon specifications or as otherwise agreed in writing.

The Corporation anticipates participating in promotional events throughout the State of Mississippi. Describe your solution to provide portable terminals for these events.

As part of the basic compensation that has been proposed by the Successful Vendor, all items represented in the Proposal must be provided for unless specifically identified as options. If programs, equipment or services represented in the Proposal are not clearly indicated as options, the Corporation will rightfully assume that the cost is included in the percentage of Net Sales quotation in the Proposal.

#### **6.6 SUBMIT COST PORTION OF PROPOSAL SEPARATELY**

All copies of the cost portion of a Proposal required under this Part VI must be submitted in sealed and labeled envelopes separate from the information required by Parts IV and V of this RFP. Any Proposal which fails to adequately separate the cost portion of the Proposal from the other information required by this RFP may be considered non-responsive and rejected by the Corporation.

ATTACHMENT A

**VENDOR CERTIFICATION**

**ONLINE SERVICES AND LOTTERY GAMING SYSTEM AND SERVICES**

I hereby do certify as follows:

1. the initial prices and other terms and provisions included in the Proposal submitted by \_\_\_\_\_ (the “**Proposing Vendor**”) are accurate and binding for 180 days from the Proposal due date (the “**Proposal Offer Period**”);
2. all charges are, to the best of my knowledge, accurate and complete;
3. the Proposing Vendor acknowledges and agrees that this Proposal will be considered valid and irrevocable for the Proposal Offer Period and, if an award is not made within the Proposal Offer Period or if a Contract with the Successful Vendor is for any reason not executed within the Proposal Offer Period, it shall be incumbent upon the Proposing Vendor to notify the designated contact person identified in Section 2.1 of the RFP in writing if it does not want its Proposal to be further considered beyond the Proposal Offer Period (i.e., in the event of a breach or termination, the Corporation may decide to return to the remaining Vendors’ Proposals). Failure on the part of the Proposing Vendor to notify the designated contact person identified in Section 2.1 of this RFP will mean that its Proposal remains valid even after the Proposal Offer Period;
4. the cost and other terms and provisions contained in the Proposal accurately reflect the Proposing Vendor’s total proposed cost, including any applicable discounts, and the Proposing Vendor would deliver the services and related items for that amount and according to those terms and provisions if the Corporation wanted to accept the prices and other terms and provisions described in its Proposal without negotiation;
5. all inquiries to the Corporation and other pre-Proposal review and evaluation efforts have been completed and that no extra costs or payments to any entity, including this Proposing Vendor, will be allowed for any miscalculation, deficiency, oversight and failure to make suggestions regarding possible additional needs for desired features, or any other difference in cost if later discovered;
6. by submission of this Proposal, the Proposing Vendor agrees to fully comply with all requirements of the RFP, and its separate parts, and any deviation noted in the Proposing Vendor’s submission may be the basis for rejection of its Proposal by the Corporation without recourse;
7. the Proposing Vendor has read and understands the Act and all of the requirements contained in the RFP and any amendments thereto, the responses to written questions submitted by Vendors and its Proposal, and agrees to be bound by all the terms and conditions contained in each of these documents, without exception;

8. the Proposing Vendor has taken appropriate steps to completely and fully familiarize itself with the requirements of the RFP in order to render full performance under any resulting relationship between the Corporation and Proposing Vendor; and
9. the Proposing Vendor had the opportunity to submit written questions regarding the RFP and thereby address any concerns related to the RFP, and therefore, the Proposing Vendor has availed itself of every opportunity to understand its obligations contained in the RFP and any amendments thereto, the response to written questions and the Proposal.

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(Signature of Authorized Representative)

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(Print Name)

---

(Title)

---

(Date)

**ATTACHMENT B**

**PROPOSAL SIGNATURE AND CERTIFICATION**

I certify that this Proposal is made without prior understanding, agreement, or connection with any corporation, firm or person submitting a Proposal for the same materials, supplies, equipment or services and is in all respects fair and without collusion or fraud. I understand collusive bidding is a violation of State and federal law and can result in fines, prison sentences and civil damage awards. I understand and agree to abide by all conditions of the RFP and this Proposal and certify that I am authorized to sign this Proposal for \_\_\_\_\_ (name of company submitting Proposal).

Date: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Company Name: \_\_\_\_\_

## ATTACHMENT C

### CONTRACT COMPLIANCE AND FINANCIAL DISCLOSURE FORM

Note: For any subcontractor that will provide some portion of the specifications of this RFP (a “**Subcontractor**”), disclose all the same information for each Subcontractor as if each Subcontractor were itself the Vendor. In addition, disclose all of the same information for each member of a joint venture, a strategic partnership or a prime contractor team as if each such joint venturer, strategic partner or member of a prime contractor team were itself the Vendor. (Vendor and all members of a joint venture, a strategic partnership or a prime contractor team are sometimes herein referred to as “**Vendor Team**”).

[These pages may be copied and used as needed]

#### PLEASE PROVIDE THE FOLLOWING INFORMATION:

1. Name of Business:
2. Type of legal entity and the state under whose laws the business entity is organized:
3. Address:
  - a. All prior addresses for the prior ten (10) years:
4. Telephone Number, including area code:
5.
  - a. List any trade names or assumed names used:
  - b. List all states where each name is or has been used:
  - c. Attach verification of authorization to conduct business in the State of Mississippi.

List the name, address, area code and telephone number, and social security number of the Vendor’s officers, directors and each stockholder if the Vendor is a corporation (in the case of a publicly-traded corporation, only those stockholders known to the corporation to own beneficially five percent (5%) or more of such corporation’s securities), as well as the same information for every business entity that is a direct or indirect five percent (5%) or greater shareholder of such Vendor corporation; if the Vendor is a limited liability company, the equivalent disclosure of that required for corporations; if the Vendor is a trust, the trustee and all persons entitled to receive income or benefits from the trust; if the Vendor is an association, the members, officers and directors; if the Vendor is a partnership or joint venture, all general partners, limited partners or joint venturers:

- a. Name:

Relationship to Vendor:

Address:

Telephone number, including area code:

Social Security number:

b. Name:

Relationship to Vendor:

Address:

Telephone number, including area code:

Social Security number:

c. Name:

Relationship to Vendor:

Address:

Telephone number, including area code:

Social Security number:

7. Disclose all the states and jurisdictions (domestic and foreign) in which any member of the Vendor Team does business and the nature of the business for each such state or jurisdiction:

8. Disclose all the states and jurisdictions (domestic and foreign) in which any member of the Vendor Team has contracts to supply gaming goods or services, including, but not limited to, lottery goods and services, and the nature of the good or services involved for each such state or jurisdiction:

9. List all states and jurisdictions (domestic and foreign) in which any member of the Vendor Team has applied for, sought renewal of, has received, has been denied, has pending, or has had revoked a lottery or gaming license or lottery contract of any kind, or has had fines or penalties assessed to his or its license, contract or operation and the disposition of such in each such state or jurisdiction. Include all facts or circumstances underlying the revocation or non-renewal of any lottery or gaming license or contract or any lottery or gaming license or application that has been either denied or is pending and has remained pending for more than six (6) months:

a. State:

Type of license:

Status of license:

Fines or penalties:

Circumstances:

b. State:

Type of license:

Status of license:

Fines or penalties:

Circumstances:

c. State:

Type of license:

Status of license:

Fines or penalties:

Circumstances:

10. For each member of the Vendor Team, if applicable, list the details of any finding or pleas, conviction or adjudication of guilt in a state or federal court, or in another jurisdiction, for any felony or any other criminal offense other than a traffic violation, including, but not limited to, felonies related to the security or integrity of a lottery:

Charge:

Date of proceeding:

Custodian of records concerning this proceeding:

Outcome of proceeding:

Charge:

Date of proceeding:

Custodian of records concerning this proceeding:

Outcome of proceeding:

11. For each member of the Vendor Team, if applicable, list the details of any finding or plea, conviction or adjudication of guilt in a state or federal court, or in another jurisdiction, of any charge or offense involving gambling, prostitution, theft, computer

offenses, forgery, perjury, dishonesty or for unlawfully selling or providing a product or substance to a minor:

Charge:

Date of proceeding:

Custodian or records concerning this proceeding:

Outcome of proceeding:

Charge:

Date of proceeding:

Custodian or records concerning this proceeding:

Outcome of proceeding:

12. For each member of the Vendor Team, if applicable, list the details of any bankruptcy, insolvency, reorganization, corporate or individual purchase or takeover of another business, including bonded indebtedness, or any pending litigation:

a. Filing or action:

Date of filing or action:

Court of filing or action:

Date of discharge if bankruptcy:

Pending litigation:

b. Filing or action:

Date of filing or action:

Court of filing or action:

Date of discharge if bankruptcy:

Pending litigation:

13. List the business entities that are a part of the Vendor Team, and list the Fiscal Years for each team member. Complete an Authorization for Investigation and Release for each (see *Attachment D*).

14. List all the individuals constituting the Vendor Team who will work on the Contract. Complete a Consent Form for each (see *Attachment E*).

15. Does the Vendor Team or any individual member thereof have an ownership interest in any entity that has supplied consultation services under contract to the Corporation regarding this RFP? If yes, please provide details.
16. Does any "public officer" or employee of such public officer have an ownership interest of five percent (5%) or more in any member of the Vendor Team? If yes, please provide details.
17. List any conflict of interest with the products, promotions and goals contemplated by the Corporation that could result from other projects in which the Vendor Team or any of the staff members designated to work on the project are involved. Failure to disclose any such conflict may be cause for Contract termination or disqualification of the Proposal.
18. List all lobbyists and consultants working on behalf of the Vendor Team in connection with this Proposal or any subsequent Contract.

**Certification**

I, \_\_\_\_\_, hereby certify that I am duly authorized to act on behalf of the Vendor and Vendor Team. In that capacity, I hereby certify that the Vendor and all members of the Vendor Team have filed appropriate tax returns as provided by the laws of the State of Mississippi. I further warrant that the information contained in this Contract Compliance and Financial Disclosure Form is true and complete, and acknowledge that a finding that it is not true or complete may result in a cancellation of the Contract.

I further certify that the Vendor and each member of the Vendor Team recognizes and acknowledges that there are certain limitations on their activities, now and in the future, including, but not limited to, limitation on certain political contributions, limitation of the ability to submit proposals, in response to subsequent request for proposals issued by the Corporation, limitation on the ability to purchase lottery tickets. The restrictions on the ability to purchase lottery tickets and entering into contracts or other arrangements apply to the employees of the Vendor and the members of the Vendor Team as well as the members of all such employees' households, and the Vendor and each member of the Vendor Team will enforce such restrictions upon its employees and subcontractors.

Date: \_\_\_\_\_ Printed Name: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Title: \_\_\_\_\_

**ATTACHMENT D**

**AUTHORIZATION FOR INVESTIGATION AND RELEASE**

\_\_\_\_\_, hereby authorize the Mississippi Lottery Corporation or its designee to conduct a Vendor background investigation pursuant to Sections 35 and 26 of The Alyce G. Clarke Mississippi Lottery Law, including but not limited to the criminal and financial credit history of \_\_\_\_\_, and hereby release the Mississippi Lottery Corporation, its officers, Board of Directors, agents and employees and the State of Mississippi from any liability arising out of, in connection with or resulting therefrom. Further, I hereby release all organizations, individuals, agencies, and other employees and agents from any liability that may result from their furnishing such information and authorize all organizations, individuals, agencies and their employees and agents contacted by the Mississippi Lottery Corporation or its designee to provide such information. A photocopy of this release will be valid as an original thereof, even though said photocopy does not contain an original writing of my signature.

Business Address: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Signature: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**ATTACHMENT E**

**CONSENT FORM**

I hereby authorize the Mississippi Lottery Corporation or its designee to request and receive any criminal history record information pertaining to me that may be in the files of any criminal justice agency.

\_\_\_\_\_  
Full Name Printed  
(First, Middle, Last – *no initials*)

\_\_\_\_\_  
Street Address

\_\_\_\_\_  
City State Zip

\_\_\_\_\_  
Sex

\_\_\_\_\_  
Race

\_\_\_\_/\_\_\_\_/\_\_\_\_  
Date of Birth

\_\_\_\_\_  
SSN

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Notary

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Notary

## ATTACHMENT F

### ONLINE PAPER SPECIFICATIONS

**Type:** Thermal, no ground wood allowed. No smudges, watermarks (other than logo patterns or border advertising as approved by the Corporation), embossed or printed patterns shall be present.

**Initiation:** 65.5° C (150°F)

**Functional:** 85°C (185°F)

**Image Intensity:** 5.2 @ 149°C (300°F), average (based on average BNL opacimeter readings).

**Basis Weight:** 20.0 ± 1.0 lbs. (75.20 ± 3.76 g/m<sup>2</sup>); Caliper target 0.0032 in. (0.08 mm).

**Caliper (Thickness):** 0.0030 to 0.0037 in. (0.08 to 0.09 mm).

**Reflectance:** The entire stock shall have a 75% minimum reflectance as measured with a Macbeth PCM II print contrast meter. The face side of the stock must be the thermal coated side.

**Dirt in Paper:** Not to exceed 10 parts per million.

**Smoothness:**

**Face Side (Thermal):** 65 maximum (Sheffield)

**Reverse Side:** 120 maximum (Sheffield)

**Stiffness:**

**Machine Direction:** 100 mg (Gurley) nominal

**Cross Direction:** 80 mg (Gurley) nominal

**Tear Resistance:** The tear resistance is performed using Elmendorf method per TAPPI T414om-88 on an average of no less than 10 measurements.

**Machine Direction:** 37-70 g (Elmendorf)

**Cross Direction:** 40-70 g (Elmendorf)

**Test Conditions:**

**Temperature:** 73.4 ± 1.8°F (23 ± 2°C)

**Relative Humidity:** 50 + 5%

**Durability:** Separate samples with black printed characters shall be exposed to the following durability tests for a period of 24 hours, except milk at 12 hours. The maximum reflectance of the black numbers shall not exceed more than 30% as processed on the Macbeth PCM II Optical tester using a barium sulfate plaque as 100% standard reflectance. Regions on the paper which have been blushed by the thermal printing process shall not have their reflectance increased to more than 30%, when measured by the Macbeth PCM II, when exposed to the following conditions. Regions on the paper which have not been blushed by the thermal printing process shall not have their reflectance changed by more than 5%, as measured by the Macbeth PCM II, when exposed to the following conditions:

- 50°C
- 40 watt fluorescent light, height 1.0 inch from the paper.
- Placed between two PVC sheets with a 15 lb. weight on top.
- Immersed in water at room temperature.
- Immersed in whole milk at room temperature.
- Coated with butter or margarine at room temperature.
- Coated with lanolin softeners at room temperature.

**Ticket Dimensions:** 5" fixed length and 3.5" fixed width

**LOTTERY GAMING SYSTEMS AGREEMENT**

THIS LOTTERY GAMING SYSTEMS AGREEMENT (the "**Agreement**") is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 2019 (the "**Effective Date**"), by and between MISSISSIPPI LOTTERY CORPORATION ("**MLC**"), a corporation of the State of Mississippi, created pursuant to the Alyce G. Clarke Mississippi Lottery Law (*Miss. Code Ann. §§ 27-115-1 et seq.*) (as may be amended from time to time, the "**Act**"), and \_\_\_\_\_, a corporation organized under the laws of the State of \_\_\_\_\_ (the "**VENDOR**").

**WITNESSETH:**

WHEREAS, MLC was created to organize and operate a state lottery in the State of Mississippi (the "**Lottery**");

WHEREAS, VENDOR, on behalf of itself and certain of its "**Subcontractors**" (as defined in Section 3(a) hereof) with which it will enter into contracts, submitted the proposal dated \_\_\_\_\_, 2019, attached hereto as Exhibit A and incorporated herein by reference (the "**Proposal**"), to MLC in response to MLC's Request For Proposals for Online Lottery Gaming System dated June 27, 2019, attached hereto as Exhibit B and incorporated herein by reference (the "**RFP**"), as interpreted by MLC's Answers to Questions concerning the RFP, which were published by MLC on \_\_\_\_\_, 2019, attached hereto as Exhibit C and incorporated herein by reference (the "**Answers**"); and

WHEREAS, subject to the terms and conditions hereinafter set forth, MLC desires to retain VENDOR to provide lottery gaming systems and services to MLC, and VENDOR desires to provide such systems and perform such services for MLC.

NOW, THEREFORE, for and in consideration of the premises, the mutual promises, covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties hereto hereby agree as follows:

**1. SERVICES**

Subject to the terms and conditions set forth in this Agreement, MLC retains VENDOR to provide lottery gaming systems and services to MLC as contemplated by the RFP, the Answers and the Proposal, and VENDOR agrees to provide such systems and render such services to MLC.

**2. DUTIES AND RESPONSIBILITIES OF VENDOR AND SUBCONTRACTORS**

(a) VENDOR and its Subcontractors will work in conjunction with the President of MLC (the "**President**"), MLC staff, MLC Board of Directors (the "**Board**") and the other vendors, subcontractors, employees, agents, retailers and consultants of MLC. VENDOR and its Subcontractors will provide lottery gaming systems, equipment and services to MLC as detailed in the RFP, the Answers and the Proposal and will perform such specific

services and provide such deliverables and equipment as requested, from time to time, orally or in writing, by the President, his designee(s) or the Board, provided such services, deliverables and equipment are within the scope set forth in any of this Agreement, the RFP, the Answers or the Proposal. Except as otherwise set forth herein, VENDOR agrees that all systems, deliverables, equipment and services to be provided to MLC under this Agreement shall be capable of the full level of capacity and capability required by the RFP and the Answers.

(b) VENDOR, and its Subcontractors as requested from time to time, shall meet regularly with the President or his designee(s) and shall establish work plans, implementation schedules and timetables for completion as and when required by the President or his designee(s).

(c) VENDOR hereby agrees to use its best efforts to make available to MLC such of its employees and its Subcontractors as may be necessary or appropriate for the timely performance of VENDOR's obligations pursuant to this Agreement. No employee or agent of VENDOR or any of its Subcontractors shall undertake or participate in, during the term of this Agreement, any other engagement which will interfere with the completion of the work contemplated by this Agreement. VENDOR will provide to MLC, as requested from time to time, written reports of the names and work schedules of VENDOR's and the Subcontractors' employees who will be performing services pursuant to this Agreement.

### 3. SUBCONTRACTORS

(a) None of VENDOR or any Subcontractors will subcontract or otherwise assign any or all of its duties or obligations under this Agreement to any individual or entity without the prior written consent of MLC in each instance, which consent may be withheld in MLC's sole discretion. VENDOR will provide MLC with the name, qualifications, experience and expected duties of each proposed subcontractor under this Agreement each time it desires to retain a subcontractor. All subcontractors which are approved by MLC for work pursuant hereto will be defined collectively as the "**Subcontractors**" and individually as a "**Subcontractor**" and will become a subcontractor for purposes hereof and must execute such agreements or other documentation as may be necessary pursuant to the Act or as MLC may require. VENDOR agrees that it will obtain the prior consent of the President or his designee(s) prior to having any Subcontractor perform any activities for MLC under this Agreement.

(b) Upon the request of MLC, VENDOR will promptly provide MLC with copies of all subcontracts and other agreements entered into by VENDOR with respect to its obligations under this Agreement. No such subcontract or other agreement may contain any terms or conditions inconsistent or in conflict with the terms and conditions contained in this Agreement. In the event of any such inconsistent or conflicting provisions, such inconsistencies or conflicts will be resolved in favor of this Agreement.

(c) MLC shall have the right, at any time and from time to time, to instruct VENDOR not to use the services of any Subcontractor, individual or employee in connection with the

work to be performed for MLC under this Agreement, and VENDOR agrees to comply with all such instructions.

(d) Notwithstanding anything herein to the contrary, VENDOR will remain fully liable and responsible for all work to be performed under this Agreement, whether or not subcontracted to or performed by a Subcontractor or any other person or entity retained by VENDOR or under VENDOR's control, and VENDOR will ensure the compliance of its employees, and will exercise its best efforts to ensure the compliance of, and in any event be responsible for, Subcontractors and their employees with the terms of this Agreement, the Act and all other applicable laws which govern the performance of services pursuant to this Agreement and such other standards or policies as MLC may establish from time to time.

**4. INDEPENDENT CONTRACTOR.**

(a) Both MLC and VENDOR, in the performance of this Agreement, will be acting in their own separate capacities and not as agents, employees, partners, joint venturers or associates of one another. The employees or agents of one party shall not be deemed or construed to be the employees, agents or partners of the other party for any purposes whatsoever. Neither party will assume any liability for any injury (including death) to any persons, or any damage to any property or other claim arising out of the acts or omissions of the other party or any of its agents, employees or subcontractors. It is expressly understood and agreed that VENDOR is an independent contractor of MLC in all manners and respects and that neither party to this Agreement is authorized to bind the other party to any liability or obligation or to represent that it has any such authority, and no Subcontractor is authorized to bind MLC to any liability or obligation or to represent that it has any such authority.

(b) VENDOR shall be solely responsible for all payments to Subcontractors and all compensation, withholding taxes and benefits for its employees and for providing all necessary unemployment and workmen's compensation insurance for its employees.

**5. COMPENSATION**

(a) As full and complete compensation for all goods and services provided by VENDOR pursuant to this Agreement, MLC will pay VENDOR, and VENDOR will accept, an amount equal to \_\_\_\_\_ percent (\_\_\_\_%) of:

- (i) MLC's gross on-line ticket sales revenue less cancelled transactions during the term of this Agreement; plus
- (ii) the total number of instant tickets activated during the week, less instant tickets: (A) returned; (B) given as "free ticket" prizes; (C) returned as defective; (D) reported stolen by a retailer; or (E) issued by MLC as a promotion during the term of this Agreement; multiplied by the "face value" (i.e., non-promotion retail sales price) of instant tickets for the applicable game.

For purposes of this Section 5, a "week" shall mean the period beginning 12:01 a.m. Tuesday and ending at midnight Monday.

(b) Subject to the availability of funds and any other restrictions imposed by the Act, the "**Governing Laws and Regulations**" (as defined in Section 14) or this Agreement, MLC will pay to VENDOR all uncontested amounts due under this Agreement on a weekly basis, unless the parties otherwise agree upon a less frequent payment schedule, in accordance with the policies and procedures established by MLC from time to time and subject to setoff or offset for all sums owed by VENDOR or its Subcontractors.

(c) Within thirty (30) days after the expiration of the term of this Agreement, the parties shall in good faith mutually agree upon the reimbursement amount due MLC with respect to instant tickets activated during the term of this Agreement and: (i) returned; (ii) given as "free ticket" prizes; (iii) returned as defective; (iv) reported stolen by a retailer; or (v) issued by MLC as a promotion after the term of this Agreement. The parties hereby agree that the historical percentages based on the ten (10) week period immediately prior to the termination of this Agreement for each of the categories set forth in the subparagraphs of this Section 5(c) shall be used as the guidelines for such negotiations. VENDOR shall pay such reimbursable amount to MLC within fifteen (15) days after the conclusion of such negotiations.

## 6. **TERM**

(a) Unless sooner terminated in accordance with the provisions of Section 18 or other provisions of this Agreement, the RFP or the Answers, and subject to the provisions of Section 25 hereof, the term of this Agreement shall commence as of the Effective Date and shall continue for a period of seven (7) years after December 1, 2019, the date on which MLC expects to commence instant ticket sales (the "**Instant Ticket Start-Up Date**"), subject to three (3) one (1) year extensions of the term of this Agreement as set forth below.

(b) At the sole option of MLC, MLC may exercise up to three (3) one (1) year extensions of the term of this Agreement, which exercise may occur annually, in multiples of two (2) or three (3) years, or not at all. MLC shall exercise any extension and notify VENDOR of same no later than one hundred eighty (180) days prior to the expiration of the term of this Agreement, as extended (if applicable).

(c) VENDOR acknowledges and agrees that, prior to the expiration of the term of this Agreement, MLC will award a new contract for replacement of the lottery gaming systems, equipment and services provided by VENDOR under this Agreement and that VENDOR has no right or expectation in or to any such new contract. VENDOR further agrees that MLC may use the final one hundred eighty (180) days of the term of this Agreement to convert to the use of such replacement systems; provided that VENDOR shall continue to be compensated in accordance with Section 5 hereof during such one hundred eighty (180) day period. VENDOR shall cooperate fully and in good faith and shall assist MLC and the new contractor, to the extent reasonable and practical, to

accomplish such conversion in a timely and efficient manner, at no additional cost to MLC or such new contractor.

7. **WORK STANDARD**

(a) VENDOR hereby agrees that it and its Subcontractors shall at all times comply with and abide by all terms and conditions set forth in this Agreement, and all requirements of the Act and Governing Laws and Regulations. VENDOR further agrees that it and its Subcontractors shall perform their respective duties and responsibilities as set forth in this Agreement by following and applying the highest professional and technical guidelines and standards.

(b) VENDOR hereby agrees that it and its Subcontractors will perform their respective duties and responsibilities as set forth in this Agreement with integrity and dignity and free from political influence, collusion and fraud. VENDOR further agrees that none of it, its Subcontractors, nor any of their respective employees or agents will solicit or accept, or attempt to solicit or accept, any kickbacks or other inducements from any offeror, supplier, manufacturer or subcontractor in connection with the performance of its obligations under this Agreement.

(c) If MLC becomes dissatisfied with the work product of or the working relationship with any of the individuals assigned to perform services under this Agreement by VENDOR or any Subcontractors, MLC may require the prompt replacement of any or all of such individuals. Personnel identified in the Proposal as performing services under this Agreement will continue to perform such services in their designated capacities until such services are completed unless they cease to be employed by VENDOR or a Subcontractor or unless MLC requests their removal, in which case a person or persons of suitable competency and acceptable to MLC, in its discretion, will be substituted forthwith.

(d) Nothing in this Section 7 shall be construed to prevent VENDOR from using the services of others to perform tasks ancillary to those tasks which directly require the expertise of such key personnel, including secretarial, clerical and common labor duties. VENDOR shall at all times remain responsible for the performance of all necessary tasks under the scope of this Agreement, whether performed by key personnel or other workers.

(e) Nothing in this Agreement shall prohibit MLC from retaining the services of any individual or entity to perform any services on its behalf, whether or not such or similar services were initially contemplated to be performed by VENDOR or a Subcontractor. MLC is not prohibited by this Agreement from retaining the services of any individual or entity to perform any services it requires, and it is under no obligation to exclusively use the services of VENDOR or any Subcontractors. If MLC desires to add an item provided by an entity other than VENDOR or a Subcontractor to VENDOR's hardware or software systems provided pursuant hereto, then VENDOR and MLC agree to negotiate in good faith an amendment to this Agreement (if necessary) or a separate agreement which contains all of the mutually agreed-upon terms and conditions, including, without limitation, any price, liquidated damages and other terms. To the extent VENDOR is

capable of providing any such comparable item, MLC will consider any offer tendered by VENDOR with respect thereto.

(f) VENDOR hereby designates \_\_\_\_\_, or such other person or persons as it may from time to time notify MLC, as its primary contact with MLC for purposes of this Agreement.

#### **8. PROGRESS REPORT AND ON-LINE TERMINAL INSTALLATION**

(a) To assure MLC that its work under this Agreement is progressing and is being performed in a manner consistent with MLC's policies until the start of instant and on-line lottery system ticket sales, VENDOR will submit written progress reports to MLC, no less frequently than weekly, covering all work performed by VENDOR and all Subcontractors in form and substance satisfactory to the President.

(b) VENDOR hereby agrees that it shall have installed and have caused to be fully operational at least: (i) fifteen hundred (1,500) to seventeen hundred (1,700) full service on-line retailer terminals on or before December 1, 2019 (subject to a possible reduction in the number of installed retailers in the discretion of MLC if MLC has certified a fewer number of retailers as of said date); (ii) five hundred (500) additional full service on-line retailer terminals on or before February 1, 2020; (iii) five hundred (500) additional full service on-line retailer terminals no later than April 1, 2020; (iv) three thousand (3,000) color monitors as of a mutually agreed-upon date; and (v) and three thousand (3,000) player activated ticket checkers whereby players can scan a ticket to determine if it's a winner as of a mutually agreed-upon date.

#### **9. CHANGES IN WORK**

By written or oral request by the President or his designee(s) to VENDOR, MLC may from time to time make changes in the services, deliverables or equipment to be provided by VENDOR or any Subcontractor, or the place of delivery or performance of such services or any requested deliverables or equipment; provided, however, to the extent any such changes in services, deliverables or equipment are outside the scope of any of this Agreement, the RFP, the Answers or the Proposal, MLC and VENDOR shall in good faith negotiate mutually acceptable terms and compensation. VENDOR and all applicable Subcontractors shall promptly comply with such requests and take all necessary or appropriate actions to effect such change.

#### **10. BOOKS AND RECORDS**

VENDOR and each Subcontractor shall provide, as soon as it is available, to MLC on an annual basis a copy of its audited financial statements for such year; provided, however, if a Subcontractor does not obtain audited financial statements, then its financial statements must be certified by its chief financial officer. VENDOR and all Subcontractors shall maintain all books, documents, papers, accounting records and other evidence pertaining to the services to be performed under this Agreement in accordance with the Act, Governing Laws and Regulations, generally accepted accounting principles and any other applicable procedures established by MLC from time to time. VENDOR and all Subcontractors shall make all such materials available at its

offices, at all reasonable times during the term of this Agreement and for five (5) years after the date of final payment under this Agreement, for inspection by MLC, or by any authorized representative of MLC, and copies thereof shall be furnished to MLC by the appropriate entity, at no cost to MLC, if requested by MLC. MLC shall have the right to audit the records and operations of VENDOR and each Subcontractor with respect to the goods to be provided and services to be performed pursuant to this Agreement. VENDOR and Subcontractor shall also comply with all other requirements of the Act and Governing Laws and Regulations.

## 11. CONFIDENTIALITY; OWNERSHIP OF WORK PRODUCT

(a) For purposes of this Agreement:

- (i) "**Confidential Information**" means any and all items or information of a party which are: (A) marked "Confidential" or some such similar designation; or are (B) valuable, proprietary and confidential information belonging to or pertaining to such party that does not constitute a "**Trade Secret**" (as hereafter defined) and that is not generally known but is generally known only to said party and those of its employees, independent contractors or agents to whom such information must be confided for business purposes, including, without limitation, information regarding said party's customers, suppliers, manufacturers and distributors; and
- (ii) a "**Trade Secret**" means business or technical information, including but not limited to a formula, pattern, program, device, compilation of information, method, technique, or process that: (A) derives independent actual or potential commercial value from not being generally known or readily ascertainable through independent development or reverse engineering by persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

(b) In recognition of the need of VENDOR to protect its legitimate business interests, MLC hereby covenants and agrees that with regard to any: (i) VENDOR Confidential Information, at all times during the term of this Agreement and for a period of three (3) years following the expiration or termination of this Agreement for any reason; and (ii) VENDOR Trade Secrets, at all times such information remains a Trade Secret under applicable law, MLC will regard and treat all such items as strictly confidential and wholly owned by VENDOR and will not, for any reason or in any fashion, either directly or indirectly use, disclose, transfer, assign, disseminate, reproduce, copy, or otherwise communicate any such VENDOR Confidential Information or VENDOR Trade Secrets to any individual or entity for any purpose other than in accordance with this Agreement, pursuant to the instructions from a duly authorized representative of VENDOR or except to the extent necessary to fulfill the purposes of this Agreement or conduct the Mississippi Lottery. MLC shall not be liable, however, to VENDOR or to any other person or entity, if despite MLC's reasonable efforts, VENDOR Confidential Information is disclosed in breach of the foregoing. Notwithstanding anything hereto the contrary, the entirety of

Section 1.5 of the RFP, the Act, the MLC's Public Records Request Policy, the Governing Laws and Regulations, the Mississippi Open Meetings Act (*Miss. Code Ann. §§ 25-41-1 et seq.*, as amended) and the Mississippi Public Records Act of 1983, *Miss. Code Ann. §§ 25-61-1 et seq.*, as amended) (collectively, the "**Superseding Provisions and Statutes**") shall supersede and control any provision of this Agreement, and MLC's confidentiality and nondisclosure obligations and liabilities set forth herein, or in the RFP, Answers or Proposal, shall be subject to, and never be greater than, as set forth in any of the Superseding Provisions and Statutes.

(c) In recognition of the need of MLC to protect its legitimate business interests, VENDOR hereby covenants and agrees that with regard to any: (i) MLC Confidential Information, at all times during the term of this Agreement and for a period of three (3) years following the expiration or termination of this Agreement for any reason; and (ii) MLC Trade Secrets, at all times such information remains a Trade Secret under applicable law, VENDOR and all Subcontractors will regard and treat all such items as strictly confidential and wholly owned by MLC and will not, for any reason or in any fashion, either directly or indirectly use, disclose, transfer, assign, disseminate, reproduce, copy, or otherwise communicate any such MLC Confidential Information or MLC Trade Secrets to any individual or entity for any purpose other than in accordance with this Agreement or pursuant to the instructions from a duly authorized representative of MLC. In addition, to the extent the Act, the Governing Laws and Regulations or any other law imposes any greater restrictions or prohibitions with respect to any MLC Confidential Information, MLC Trade Secrets or other information or property of MLC, VENDOR covenants and agrees that it and all Subcontractors shall comply with such greater restrictions or prohibitions. To ensure the compliance by it and all Subcontractors with the provisions of this Section 11(c), VENDOR shall use its best efforts, including, without limitation, obtaining written confidentiality agreements with all Subcontractors which incorporate requirements no less restrictive than those set forth herein and which contain provisions which permit MLC to independently enforce the requirements set forth in such agreements.

(d) All work product, property, data, documentation or information or materials conceived, discovered, developed or created by VENDOR or any Subcontractor pursuant to this Agreement exclusively and specifically for MLC and solely for MLC's use (collectively, the "**Work Product**") shall be owned exclusively by MLC. Notwithstanding the foregoing, nothing contained herein shall limit or be deemed to limit VENDOR's intellectual property ownership rights in its basic, unmodified proprietary software systems which are generally provided to its customers. To the greatest extent possible, any Work Product shall be deemed to be a "**work made for hire**" (as defined in the Copyright Act, 17 U.S.C.A. § 101 *et seq.*, as amended) and owned exclusively by MLC. VENDOR hereby unconditionally and irrevocably transfers and assigns to MLC, and VENDOR shall cause all Subcontractors and others it retains to irrevocably transfer and assign to MLC, all right, title and interest in or to any Work Product, including, without limitation, all patents, copyrights, Trade Secrets, trademarks, service marks and other intellectual property rights therein. VENDOR agrees to execute and deliver to MLC, and to cause its Subcontractors and others it retains to execute and deliver, any transfers, assignments, documents or other

instruments which MLC may deem necessary or appropriate, from time to time, to vest complete title and ownership of any Work Product, and all associated intellectual property and other rights, exclusively in MLC. During the performance of the services and provisions of the goods specified herein, VENDOR shall be responsible for any loss or damage to any Work Product while in the possession of VENDOR or any Subcontractor, and any loss or damage thereto shall be restored at VENDOR's expense. MLC shall have full, immediate and unrestricted access to all Work Product during the term of this Agreement.

(e) MLC hereby grants to VENDOR a fully paid-up, non-exclusive, perpetual and transferable license to use, sublicense, modify and create derivative works of software, hardware, equipment, firmware and mask works which are owned by MLC and created solely by VENDOR or any Subcontractor, and which constitute Work Product (the "**Created Work Product Items**"). While MLC has the free rights to use, modify and create derivative works of such Created Work Product Items for its own use, it agrees not to license any of the rights licensed to VENDOR to any other entity unless VENDOR: (i) ceases to function as a going concern; (ii) files, or has filed against it, any bankruptcy or insolvency proceeding of any kind; (iii) dissolves, liquidates or otherwise ceases its corporate existence; (iv) makes an assignment for the benefit of its creditors; or (v) VENDOR announces it will cease, or actually ceases, to perform continuing maintenance, support or enhancement services with regard to Created Work Product Items (any of the foregoing events being defined as "**Material Event**"). Upon the occurrence of any Material Event, the license granted by this Section 11(e) to VENDOR with respect to the Created Work Product Items, and any restrictions of MLC's rights with respect to such Created Work Product Items set forth in this Section 11(e) shall immediately terminate and cease, and MLC shall have the right, without limitation, to grant to another entity a license to use, modify and create derivative works of Created Work Product Items for the use or benefit of MLC.

(f) VENDOR hereby grants to MLC a fully paid-up, non-exclusive, perpetual, non-transferable license for MLC to use all software which is provided by VENDOR or Subcontractors for the use by or benefit of MLC pursuant to this Agreement, whether such software is currently set forth in the Proposal or subsequently provided (collectively, the "**VENDOR Software**"). Upon the occurrence of a Material Event, in addition to any rights or licenses which MLC may acquire pursuant to any source code escrow agreement required by Section 3.9 of the RFP or otherwise entered into for the benefit of MLC, MLC's license to the VENDOR Software shall automatically be expanded to include the license and right for MLC, or others on behalf of MLC, to use, modify and create derivative works of the VENDOR Software for MLC's use or benefit.

(g) VENDOR hereby agrees to develop, test and implement, within one hundred twenty (120) days of when specifications are mutually agreed upon in good faith, any modifications or additional functionality to VENDOR'S back-office, online and instant ticket gaming software system which MLC requests.

(h) Notwithstanding the foregoing, the nondisclosure restrictions of Section 11(b) shall not apply to VENDOR information that is: (i) generally known to the public other than due to a disclosure by MLC; (ii) already known to MLC at the time it is disclosed by VENDOR to MLC; (iii) independently developed by MLC; or (iv) received by MLC from a party that MLC believed in good faith had the right to make such disclosure.

(i) Notwithstanding the foregoing, the nondisclosure restrictions of Section 11(c) shall not apply to MLC information that is: (i) generally known to the public other than due to a disclosure by VENDOR or a Subcontractor; (ii) already known to VENDOR at the time it is disclosed by MLC to VENDOR; (iii) independently developed by VENDOR; or (iv) received by VENDOR from a third party that VENDOR believed in good faith had the right to make such disclosure.

**12. LIMITATION OF LIABILITY**

**THE PAYMENT OBLIGATIONS UNDERTAKEN BY MLC UNDER THIS AGREEMENT ARE SUBJECT TO THE AVAILABILITY OF FUNDS TO MLC. THERE SHALL BE NO LIABILITY ON THE PART OF MLC EXCEPT TO THE EXTENT OF AVAILABLE FUNDS PERMITTED TO BE PAID FROM THE PROCEEDS OF LOTTERY OPERATIONS AND OTHER FUNDS AVAILABLE TO MLC. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, UNDER NO CIRCUMSTANCES WILL THE STATE OF MISSISSIPPI, ITS GENERAL FUND OR ANY OF ITS AGENCIES OR POLITICAL SUBDIVISIONS BE RESPONSIBLE OR LIABLE AS A RESULT OF THIS AGREEMENT OR ANY LIABILITY CREATED HEREBY OR ARISING HEREUNDER.**

**13. ANTITRUST ACTIONS**

VENDOR hereby conveys, sells, assigns and transfers to MLC all of its right, title and interest in and to all causes of action it may now have or hereafter acquire under the antitrust laws of the United States of America and the State of Mississippi relating to any systems, equipment and services acquired by MLC under this Agreement.

**14. COMPLIANCE WITH LAWS**

VENDOR agrees to comply with all applicable rules, policies, procedures and regulations adopted from time to time by MLC under the Act and all other applicable federal, state and local laws, rules, regulations, ordinances or executive orders, including, without limitation, the Americans with Disabilities Act of 1990 (42 U.S.C. §§ 1201 *et seq.*) and all other labor, employment and anti-discrimination laws, and all provisions required thereby to be included herein, are hereby incorporated by reference (all of the foregoing being sometimes referred to collectively as the "**Governing Laws and Regulations**").

**15. REPRESENTATIONS, WARRANTIES AND ADDITIONAL COVENANTS**

VENDOR hereby represents, warrants or covenants, as the case may be, to MLC, on its own behalf and with respect to each of its Subcontractors that as of the Effective Date and at all times throughout the term of this Agreement, as follows:

(a) VENDOR has the power and authority to execute and deliver this Agreement and to perform its obligations under this Agreement, and VENDOR has taken all necessary and appropriate action to authorize the execution and delivery of this Agreement and the performance of its obligations under this Agreement. The execution and delivery of this Agreement and the performance of its obligations under this Agreement are not in contravention of any provisions of law or any material indenture or agreement by which VENDOR is bound and do not require the consent or approval of any governmental body, agency, authority or other person or entity which has not been obtained. This Agreement constitutes the valid and legally binding obligation of VENDOR, enforceable against VENDOR in accordance with its terms.

(b) VENDOR and its Subcontractors have disclosed or will disclose to MLC all matters required to be disclosed under the Governing Laws and Regulations. In addition, VENDOR recognizes and acknowledges that there are certain limitations on its activities, and the activities of its Subcontractors, now and in the future, including, but not limited to, limitations on certain political contributions, limitations on the ability to submit proposals in response to subsequent requests for proposals issued by MLC, limitations on the ability to enter into or perform contracts or other arrangements with certain third parties, and limitations on the ability to purchase lottery tickets, all of which shall be honored. Some of these restrictions also apply to the employees of VENDOR and the members of such employees' households, and VENDOR will enforce such restrictions upon its employees and Subcontractors.

(c) Neither VENDOR, the Subcontractors nor any of its or their respective officers, directors, partners or major shareholders (i) have ever been found guilty of, or plead guilty to, any crime in any way related to the security, integrity or operation of any lottery in any jurisdiction; (ii) currently under indictment for any crime in any way related to the security, integrity or operation of any lottery in any jurisdiction; or (iii) have ever been found to be in possession of any illegal lottery device.

(d) Neither VENDOR, the Subcontractors nor any of its or their respective officers, directors, partners or major shareholders has an ownership interest in any entity that has supplied consultation services under contract to MLC with respect to the RFP.

(e) No "public official" has an ownership interest of five percent (5%) or more in VENDOR or any of the Subcontractors.

(f) VENDOR and all Subcontractors (i) are, and will remain at all times during the term of this Agreement, qualified to do business in the State of Mississippi; (ii) have obtained a signed tax clearance from the Mississippi Commissioner of Revenue indicating that it is current in filing all applicable tax returns and in payment of all taxes, interest and penalties owed to the State of Mississippi, excluding items under formal appeal pursuant

to applicable statutes; and (iii) will file Mississippi income tax returns at all times during the term of this Agreement.

(g) Neither VENDOR nor any Subcontractor are currently debarred from contracting with any political subdivision or agency of the State of Mississippi or federal government, and neither VENDOR nor any Subcontractor is an agent of a person or entity that is currently debarred from contracting with any political subdivision or agency of the State of Mississippi or federal government.

(h) All Work Product: (i) shall be prepared, worked on and completed solely by employees of VENDOR or a Subcontractor in the scope of their employment or by independent contractors of VENDOR or a Subcontractor working under the strict and direct supervision of such employees; (ii) shall be original works of authorship; (iii) shall not infringe, plagiarize, pirate or constitute misappropriations of any copyrights, trademarks, service marks, trade names, patents, Confidential Information, Trade Secrets or other intellectual properties or proprietary rights of any individuals or entities; and (iv) shall not be false, misleading, actionable, defamatory, libelous or constitute an invasion of privacy of any individual or entity.

(i) None of VENDOR or any Subcontractors, nor any of its or their respective employees, officers, directors, partners or major shareholders, shall issue any press release, conduct any press or news conference, participate in any media interview or otherwise make any public statement or announcement on behalf of, with respect to or in connection with this Agreement, MLC or the Lottery without the prior written consent of the President or his designee(s) in each instance.

(j) None of VENDOR or any Subcontractors, nor any of its or their respective employees, officers, directors, partners or major shareholders, shall use MLC's or the Lottery's name, logos, images or any other information or data related to the services to be provided pursuant to this Agreement as a part of or in connection with any commercial advertising without the prior written consent of the President or his designee(s) in each instance.

(k) VENDOR's and all Subcontractors' computer systems, and all of its or their respective equipment and components, used in connection with this Agreement shall in all respects meet any requirements, performance standards and specifications of the RFP, the Answers, the Proposal and this Agreement, and design of and software used in connection with VENDOR's and all Subcontractors' computer systems shall be suitable and fit for the purposes of an on-line, player-selection lottery, instant ticket gaming system and retailer activated bar code reader data collection system.

(l) All equipment and components of VENDOR's and all Subcontractors' computer systems, other than as permitted by the RFP, shall be new equipment and shall conform to the manufacturer's current official published specifications. Unless MLC is otherwise notified by VENDOR, all such equipment and components not manufactured by VENDOR or a Subcontractor shall carry manufacturer warranties of merchantability and

warranties against defects in materials and workmanship. All adjustments, repairs and replacement parts necessary to maintain such equipment and components in good working order shall be promptly provided and performed by VENDOR. Any such equipment or components not meeting the requirements set forth herein shall be replaced by VENDOR as soon as feasible and without cost to MLC.

(m) VENDOR and all Subcontractors shall keep all of their hardware and equipment used in connection with the Lottery in good condition and repair and shall make all reasonable efforts to prevent anything that may materially impair the operations thereof. Such hardware and equipment shall not be used in violation of this Agreement, the RFP, the Act or any of the Governing Laws and Regulations, and neither VENDOR nor any Subcontractor shall pledge, grant a security interest or lien on, hypothecate or otherwise encumber such hardware or equipment or otherwise dedicate the use of such hardware or equipment in such a way as to compromise the ability of MLC to use same for the proper functioning of the Lottery or the ability of VENDOR or any Subcontractor to perform its or their obligations under this Agreement.

(n) All systems analysis, systems design and programming prepared or done by VENDOR or any Subcontractor in connection with this Agreement, the RFP or the Proposal have been and shall be prepared or done in a workmanlike manner consistent with the highest professional and technical guidelines and standards of the industry in which VENDOR is engaged.

(o) All computer programs and equipment implemented by VENDOR or any Subcontractor for performance under this Agreement shall meet their stated performance standards and shall correctly and accurately perform their intended functions in all material respects on all hardware and other equipment supplied by MLC, VENDOR or any Subcontractor.

(p) All Lottery games provided by VENDOR pursuant to this Agreement shall in all respects conform to, and function in accordance with, their specifications and designs, as approved by MLC. Without limiting the generality of the foregoing, VENDOR's computer system: (i) shall issue Lottery tickets only from authorized terminals; (ii) shall only authorize payment on legitimate winning tickets; and (iii) if the game design so provides, shall limit purchases on any given number or numbers.

## **16. OBLIGATIONS OF VENDOR**

(a) VENDOR shall provide to MLC on an annual basis an updated certificate of existence showing that it and each Subcontractor are qualified to transact business in the State of Mississippi.

(b) VENDOR agrees to fully disclose to MLC all matters materially affecting MLC, this Agreement or the performance of this Agreement and all matters reasonably necessary to perform background and security investigations with respect to VENDOR, the Subcontractors, their respective officers, directors, partners, shareholders and employees,

and the individuals performing services pursuant to this Agreement or otherwise for the benefit of MLC or the Lottery. In addition, VENDOR acknowledges that some or all of its employees, officers, directors, partners and shareholders, and its Subcontractors and their respective employees, officers, directors, partners and shareholders, may be required to submit to background and other investigations, and VENDOR shall cause any such individuals or Subcontractors to fully cooperate with any such investigations and to provide all necessary information and authorizations in connection therewith. VENDOR further agrees that it will routinely and continuously update all information disclosed to MLC pursuant to this Agreement or the RFP, including, without limitation, any breaches of all representations, warranties and additional covenants set forth in Section 15 hereof, no less often than every six (6) months; provided, however, VENDOR shall as soon as possible notify MLC upon the occurrence of any event the effect or results of which VENDOR would be required to disclose, or to update a previous disclosure, to MLC under this Agreement or the RFP and which materially affect MLC, VENDOR, the Subcontractors, any of their respective officers, directors, partners, shareholders or employees, this Agreement or the performance of this Agreement. VENDOR further agrees to notify MLC: (i) as soon as possible, but no more than five (5) days after the filing of any criminal proceeding or issuance of any indictment involving VENDOR or any Subcontractor or any officer, director or employee of Vendor or any Subcontractor; and (ii) within thirty (30) days of VENDOR's first learning of any civil or administrative proceeding involving VENDOR or any Subcontractor or any officer, director or employee of Vendor or any Subcontractor; provided, however, if any such proceeding would have a material adverse effect on VENDOR or a Subcontractor or their ability to perform pursuant to this Agreement, then such notice must be delivered to MLC no more than five (5) days after VENDOR learns of such proceeding.

(c) VENDOR must, contemporaneously with the execution of this Agreement, post and maintain at least throughout the term of this Agreement a performance bond (the "**Bond**"), letter of credit from a bank, or deposit securities, pursuant to Section 35 of the Act and acceptable to the MLC in its sole discretion, in an amount equal to Fifteen Million Dollars (\$15,000,000). The security provided by VENDOR pursuant to this Section 16(c) shall provide funds to MLC in the event MLC suffers any liability, loss, damage or expense as a result of VENDOR's failure to fully and completely perform any or all of the requirements contained in this Agreement, including, without limitation, VENDOR's obligation to pay any liquidated damages due hereunder or to indemnify MLC pursuant hereto. The Bond may be renewable annually, provided that: (i) it provides that, in the event the Bond will not be renewed for an additional year, MLC will be provided written notice thereof at least thirty (30) days prior to the expiration thereof; and (ii) if any such Bond is not renewed for an additional year, VENDOR must obtain a replacement equivalent Bond or letter of credit to be in place so that at no time is VENDOR in violation of its obligation pursuant to this Section 16(c) to maintain a performance bond at least throughout the term of this Agreement.

(d) VENDOR shall maintain the following types and amounts of insurance during the term of this Agreement, designating MLC as an additional insured on each policy:

- (i) General liability insurance in the amount of \$5,000,000.00;
- (ii) Property insurance in the amount of replacement cost;
- (iii) Errors and omissions insurance in the amount of \$5,000,000.00;
- (iv) Automobile liability insurance in the amount of \$5,000,000.00;
- (v) Crime insurance in the amount of \$5,000,000.00;
- (vi) Cyber and Privacy insurance in the amount of \$5,000,000.00;
- (vii) Social Engineering Fraud insurance in the amount of \$5,000,000.00;
- (viii) Workman's Compensation Insurance at or above the levels required by the State of Mississippi;
- (ix) Self-insurance with respect to equipment in the field; and
- (x) Such other types and amounts of insurance as MLC shall from time to time reasonably require.

(e) VENDOR shall provide MLC with certificates of insurance within ten (10) days after the date hereof and evidence of any renewed bonds or insurance policies within five (5) days prior to the expiration of the then existing bonds or insurance policies. All bonds and insurance required of VENDOR by this Agreement must be issued by companies or financial institutions which are financially rated "A" or better (or a comparable rating) by a nationally recognized rating agency and duly licensed, admitted and authorized to transact business in the State of Mississippi.

(f) VENDOR agrees to escrow the source codes to all applicable software and other similar proprietary materials developed or provided by VENDOR or any Subcontractor in connection with its performance under this Agreement, in accordance with a standard Source Code Escrow Agreement in form and substance acceptable to MLC, in its sole discretion. VENDOR hereby grants to MLC a perpetual, non-exclusive, non-transferable, non-sublicensable license to use any and all proprietary materials owned by it and used in connection with its performance under this Agreement. VENDOR hereby further grants to MLC all rights and authority to modify such proprietary materials in any manner MLC deems necessary following the occurrence of a Material Event or in the event they are released from escrow pursuant to any Source Code Escrow Agreement.

(g) VENDOR shall, at its own expense, conduct trademark and service mark searches with respect to the names of all on-line games provided by VENDOR for use in connection with the Lottery.

(h) VENDOR and its Subcontractors shall allow any authorized representatives of MLC to inspect, at reasonable times with notice upon arrival, the plants, places of business

and job sites of VENDOR or any Subcontractors which are being used in connection with the performance of this Agreement. VENDOR shall not change the location of its computer system, offices or service facilities used in connection with this Agreement without the prior written approval of MLC.

(i) VENDOR shall establish and maintain a physical and software security program that is acceptable to MLC and shall adhere to all security requirements established from time to time by MLC.

#### **17. TAXES**

MLC will not be responsible for any taxes levied on VENDOR or any Subcontractor as a result of the execution, delivery or performance of this Agreement. VENDOR and Subcontractors shall pay and discharge any and all such taxes in a timely manner.

#### **18. TERMINATION**

(a) Notwithstanding anything herein to the contrary, MLC may cancel and terminate this Agreement: (i) if VENDOR fails to correct or cure any breach of any of Sections 7(b), 15(c), 15(d), 15(e), 15(i), 16(b), 16(h) or 16(i) of this Agreement (collectively, the "**Major Sections**") within seventy-two (72) hours of the earlier of: (A) VENDOR's having knowledge of such breach; or (B) VENDOR's receiving oral or written notice of such breach from MLC; or (ii) if VENDOR fails to correct or cure any breach of any other provisions or Sections of this Agreement, other than Major Sections, after thirty (30) calendar days' prior written notice from MLC.

(b) If MLC, after thirty (30) calendar days' prior written notice from VENDOR, fails to correct or cure any breach of this Agreement, then VENDOR may cancel and terminate this Agreement and in due course collect monies properly due up to and including the date of such termination.

(c) In the event that either party hereto is unable to perform any of its obligations under this Agreement, or to enjoy any of its benefits because of natural disaster, actions or decrees of governmental bodies or communication line failure, or other events of force majeure not the fault of the affected party, the affected party shall immediately give notice to the other party and shall do everything possible to resume performance. Upon receipt of such notice, each party's obligations under this Agreement shall be immediately suspended. If the period of non-performance exceeds thirty (30) days from the receipt of notice of an event described in this Section 18(c), the party whose ability to perform has not been so affected may terminate this Agreement by giving written notice thereof to the other party.

(d) If, for any reason other than a breach of this Agreement by MLC, VENDOR is unable to perform its obligations hereunder, MLC shall acquire a usufruct (or the equivalent thereof) in all property owned by VENDOR or any Subcontractor which is used in conjunction with, and is necessary to, the performance of this Agreement, which usufruct shall exist until the expiration or termination of this Agreement.

(e) If VENDOR is unable to install the appropriate number of on-line lottery terminals by any of the corresponding dates as set forth in any subsection of Section 8(b) hereof due solely to MLC's failure to timely identify for VENDOR the appropriate number of corresponding locations therefore, then, in any such event, VENDOR shall be able to extend the installation deadline set forth in solely the affected subsection of Section 8(b) by the number of days equal to the number of days MLC is late (the "Number of Late Days") in getting such necessary information to VENDOR, and no otherwise applicable liquidated damages or default provisions of this Agreement shall be applicable in solely such instance until the new deadline for such affected subsection of Section 8(b), which shall be amended to be the Number of Late Days after the original deadline set forth herein.

**(LIQUIDATED DAMAGES PROVISIONS, DESCRIPTIONS AND LEVELS MUST BE NEGOTIATED, REVIEWED AND CONFORMED TO RFP, PROPOSAL AND FINAL AGREED-UPON NEGOTIATED PROVISIONS)**

**19. LIQUIDATED DAMAGES**

(a) If any of the below-described events occurs, MLC shall have the right to assess VENDOR for liquidated damages subject to the maximum liquidated damage amounts set forth below corresponding to each such event:

- (i) Delay in the start of the lottery (\$\_\_\_\_\_);
- (ii) Delay in response to Retailer service calls (\$\_\_\_\_\_);
- (iii) Delay in System operations (\$\_\_\_\_\_);
- (iv) Delay in the start of a new game (\$\_\_\_\_\_);
- (v) System downtime (\$\_\_\_\_\_);
- (vi) Terminal downtime (\$\_\_\_\_\_);
- (vii) Delayed monitor repair (\$\_\_\_\_\_);
- (viii) Insufficient Vendor resources (\$\_\_\_\_\_);
- (ix) Failure to provide enhancements (\$\_\_\_\_\_);
- (x) Shortage of online ticket stock (\$\_\_\_\_\_);
- (xi) Security violations (\$\_\_\_\_\_);
- (xii) Failure to deliver log files (\$\_\_\_\_\_);
- (xiii) Untimely software additions or modifications (\$\_\_\_\_\_);

- (xiv) Untimely reports (\$\_\_\_\_\_);
  - (xv) Claimed prize tickets not approved by MLC (\$\_\_\_\_\_);
  - (xvi) Defective or nonconforming tickets (\$\_\_\_\_\_);
  - (xvii) Unavailability of the telemarketing and inventory control system (\$\_\_\_\_\_);
  - (xviii) Untimely or unauthorized software modifications (\$\_\_\_\_\_); and
  - (xix) Incomplete or incorrect game validation files (\$\_\_\_\_\_).
- (b) VENDOR and MLC hereby acknowledge and agree that:
- (i) MLC's damages following the occurrence of any event set forth in Section 19(a) hereof are difficult or impossible to accurately estimate or calculate;
  - (ii) the liquidated damages amounts set forth in Section 19(a) hereof are reasonable pre-estimates of what MLC's damages would be in the event of the occurrence of any such events and, if assessed, shall be MLC's sole remedy with respect to such events;
  - (iii) it is their mutual intention that Section 19(a) hereof provide for liquidated damages to compensate MLC upon the occurrence of such an event, rather than penalties to deter VENDOR from breaching this Agreement and/or to punish VENDOR upon the occurrence of such an event;
  - (iv) to the extent an event occurs for which liquidated damages are assessable under more than one subsection of Section 19(a), MLC shall recover under only such subsection that provides for the highest amount of liquidated damages; and
  - (v) MLC shall have the right, in its sole discretion, to waive (in whole or in part) payment by VENDOR of liquidated damages due hereunder. A waiver in any one instance shall be strictly limited to that specific instance and shall not in any way constitute or be construed to be a waiver of the payment of any other liquidated damages that are due or may become due hereunder.

**20. INDEMNIFICATION**

- (a) VENDOR agrees to indemnify, defend and hold harmless MLC, the Board, its agents, officers, directors and employees, the State of Mississippi and its agencies and political subdivisions, and their respective agents, officers and employees, against any and all suits, damages, expenses (including, without limitation, court costs, attorneys' fees and other damages), losses, liabilities and claims of any kind, caused by or resulting from any

breach of this Agreement or any other act or omission of VENDOR, the Subcontractors, or any of its or their respective agents or employees, whether the same may be the result of negligence, responsibility under strict liability standards, any other substandard conduct or otherwise.

(b) In addition, VENDOR agrees to indemnify, defend and hold harmless MLC, the Board, its agents, officers, directors and employees, the State of Mississippi and its agencies and political subdivisions, and their respective agents, officers and employees, against any and all suits, damages, expenses (including, without limitation, court costs, attorneys' fees and other damages), losses, liabilities and claims of any kind, arising out of, in connection with or resulting from the development, possession, license, modifications or use of any copyrighted or non-copyrighted composition, trademark, service mark, service process, patented invention or item, trade secret, article or appliance furnished to MLC, or used in the performance of this Agreement, by VENDOR or any Subcontractor, excluding claims for personal injury.

**21. CONFLICT RESOLUTION PROCEDURES**

Prior to bringing any judicial enforcement action with respect to any claims or controversies arising in connection with the performance of this Agreement, VENDOR must first pursue and exhaust any and all remedies available to it in accordance with the dispute resolution procedures adopted by MLC, as amended from time to time (collectively, the "**Dispute Resolution Procedures**").

**22. NOTICES**

(a) All notices and statements provided for or required by this Agreement shall be in writing, and shall be delivered personally to the other designated party, or mailed by certified or registered mail, return receipt requested, or delivered by a recognized national overnight courier service, as follows:

If to MLC: Mississippi Lottery Corporation  
c/o Balch & Bingham LLP  
188 E. Capitol Street, Suite 1400  
Jackson, MS 39201  
Attn: Thomas N. Shaheen, President

with a copy to: Lucien Smith  
Balch & Bingham LLP  
188 E. Capitol Street, Suite 1400  
Jackson, MS 39201

If to VENDOR: VENDOR

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn:

with a copy to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn:

(b) Either party hereto may change the address and/or person to which notice is to be sent by written notice to the other party in accordance with the provisions of this Section 22.

**23. MISCELLANEOUS**

(a) This Agreement, together with the Proposals, the Answers and the RFP, contains the entire agreement and understanding concerning the subject matter hereof between the parties hereto. Notwithstanding anything herein to the contrary, in the event of an inconsistency among this Agreement, the Proposal, the Answers and/or the RFP, the terms of this Agreement, as may be amended pursuant hereto, shall control the Answers, the terms of the Answers shall control the RFP, and the terms of the RFP shall control the Proposal. No waiver, termination or discharge of this Agreement, or any of the terms or provisions hereof, shall be binding upon either party hereto unless confirmed in writing. This Agreement may not be modified or amended, except by a writing executed by both parties hereto. No waiver by either party hereto of any term or provision of this Agreement or of any default hereunder shall affect such party's rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.

**(b) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MISSISSIPPI. ONLY AFTER EXHAUSTION OF ALL REMEDIES AND PROCEDURES IN THE DISPUTE RESOLUTION PROCEDURES OF MLC, IF APPLICABLE LAW PERMITS ANY FURTHER APPEALS, ANY SUCH APPEAL MUST BE BROUGHT SOLELY IN THE CHANCERY COURT OF \_\_\_\_\_ COUNTY, MISSISSIPPI. VENDOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT WHICH IT MAY NOW OR HEREAFTER HAVE TO APPEAL ANY FINAL DECISIONS OF THE BOARD MADE PURSUANT TO THE DISPUTE RESOLUTION PROCEDURES, AND VENDOR IRREVOCABLY WAIVES ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY APPEAL BEING SOLELY IN THE CHANCERY COURT OF \_\_\_\_\_ COUNTY, MISSISSIPPI.**

(c) Neither party hereto shall assign this Agreement, in whole or in part, without the prior written consent of the other party hereto, and any attempted assignment not in accordance herewith shall be null and void and of no force or effect; provided, however, nothing herein shall prevent MLC from freely assigning this Agreement, without requiring VENDOR's prior written consent, to any entity which operates or will operate the Lottery. For purposes of this Section 23(c), any sale or transfer of a controlling equity interest in, or substantially all of the assets of, VENDOR will be deemed an assignment for which MLC's consent is required.

(d) This Agreement shall be binding on VENDOR, and its Subcontractors, successors and permitted assigns.

(e) The headings contained herein are for the convenience of the parties only and shall not be interpreted to limit or affect in any way the meaning of the language contained in this Agreement.

(f) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute the same Agreement. Any signature page of any such counterpart, or any electronic facsimile thereof, may be attached or appended to any other counterpart to complete a fully executed counterpart of this Agreement, and any telecopy or other facsimile transmission of any signature shall be deemed an original and shall bind such party.

(g) If any provision of this Agreement shall be held void, voidable, invalid or inoperative, no other provision of this Agreement shall be affected as a result thereof, and accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though such void, voidable, invalid or inoperative provision had not been contained herein.

(h) Upon the request of either party, the other party agrees to take, and VENDOR agrees to cause any Subcontractor to take, any and all actions, including, without limitation, the execution of certificates, documents or instruments, necessary or appropriate to give effect to the terms and conditions set forth in this Agreement.

(i) VENDOR agrees to act in accordance with any policy which shall be adopted by MLC which shall prescribe minimum sales volumes for on-line Lottery gaming retailers.

#### **24. ADDITIONAL SERVICES**

In the event MLC desires to retain the services of VENDOR for activities in addition to those contemplated by this Agreement, and VENDOR agrees to perform such services, payment therefor shall not exceed the rates identified in this Agreement unless agreed to in writing by MLC. Any such services, the rates, and the terms of payment shall be approved, in writing, prior to the commencement of any such additional work. In no event shall VENDOR or any Subcontractor be paid for work not authorized, or for work in excess of that authorized, in writing by MLC.

**25. APPROVAL OF MLC AND REQUIRED INVESTIGATIONS**

MLC and VENDOR hereby agree that this Agreement, and all of the terms and conditions contained herein, is subject to the approval of the Board and the completion of all criminal and other background investigations required by the Act, Governing Laws and Regulations or MLC. This Agreement will not be binding upon MLC until the completion of all such investigations and the Board has expressly approved the awarding of the Agreement to VENDOR and executed this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Agreement to be effective as of the Effective Date.

"MLC"

MISSISSIPPI LOTTERY CORPORATION

By: Michael J. McGrevey  
Its: Chairman

"VENDOR"

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Exhibit A  
[Proposal]

Exhibit B  
[RFP]

Exhibit C  
[Questions  
and  
Answers]

**MISSISSIPPI LOTTERY CORPORATION**

**AMENDMENT NO. 1 TO REQUEST FOR PROPOSALS NO. 5**

**REQUEST FOR PROPOSALS FOR ONLINE LOTTERY GAMING SYSTEM**

**PROPOSAL SUBMISSION DEADLINE: AUGUST 2, 2019 (2:00 P.M. CST)**

**PROPOSAL DUE TO: MISSISSIPPI LOTTERY CORPORATION  
ONLINE GAMING SYSTEM BID  
DR. MICHAEL J. MCGREVEY, CHAIRMAN  
C/O REBECCA SANFORD  
BALCH & BINGHAM LLP  
188 E. CAPITOL STREET, SUITE 1400  
JACKSON, MS 39201**

**JULY 5, 2019**

The following section is added to this RFP, immediately after Section 3.16 and before Section 3.17:

### **3.16A SYSTEM AND ORGANIZATION CONTROLS AUDITS**

The Successful Vendor shall contract with an independent public accounting firm, subject to annual prior written approval by the Corporation, which may not be unreasonably withheld, for annual industry standard "System and Organization Controls Reports" on service organization controls certifying the integrity of the electronic data processing system(s) and manual business processing methods. Such annual audits must include, but may not be limited to, internal controls, the Business Continuity Plan, Security Plan, physical and system security measures followed by the Successful Vendor, and the security of any website(s) implemented and/or hosted by the Successful Vendor for use by or in support of the Corporation. The Corporation will require a SOC 1, Type 2 Report, and SOC 2, Type 2 Report, to fulfill these audit requirements. The Corporation reserves the right to change the type of audit(s) to meet this requirement and may also separately require a Disaster Recovery Review and Attestation Report. The type of system and security audits must be approved by the Corporation annually. Currently, SSAE-18 Standards are required for SOC 1 and SOC 2 reviews; however, the Corporation may consider a Vendor's request to approve an acceptable alternative for all or part of these audits.

///

The following section is added to this RFP, immediately after Section 4.10 and before Section 4.11:

### **4.10A SYSTEM INTEGRITY**

A Vendor shall state whether, over the last three (3) years, it is SOC 1 and SOC 2 compliant in states where Vendor is/was providing services similar to those requested under this RFP, and, if not, Vendor shall describe any findings and reason(s) therefor. Vendor shall also disclose whether any findings noted have been remediated.

///

The following provision is added to Exhibit A (the "Proposed Contract") of this RFP, within and at the end of Section 10:

VENDOR and each sub-service provider shall annually deliver to MLC, beginning no later than December 31, 2020, a copy of the reports required under Section 3.16A of the RFP.

///

## CONTRACT AWARD

Date of Award: August 17, 2007

Contract Number: 09973

PR Number: 013964

Replaces Contract: 03103

Procurement Officer: Neal Farron  
Telephone: 785-296-3122  
E-Mail Address: [neal.farron@ks.gov](mailto:neal.farron@ks.gov)  
Web Address: <http://da.ks.gov/purch>

**Item:** Online Gaming System, Communications Network and Related Services

**Agency:** Kansas Lottery

**Contractor:** IGT Global Solutions Corporation  
10 Memorial Blvd  
Providence, RI 02906  
Telephone: 401-392-7332  
Federal Tax Number: 05-0389840  
SMART System Supplier ID: 0000003064

**Local Contact Information:**

Patrick Craig  
128 N. Kansas Ave  
Suite 101  
Topeka, KS 66603  
Local: 785-861-7039  
Mobile: 785-249-6479  
E-Mail: [Patrick.Craig@IGT.com](mailto:Patrick.Craig@IGT.com)

**Amendments:** Amendment 1 - Information only concerning State of Kansas Procurement Officer  
Amendment 2 - Contract extension from July 1, 2018 through the close of business, 2:00 AM Central Time, on Sunday, July 29, 2018.

**Administrative Fee:** No Administrative Fee will be assessed against purchases from this contract.

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Copies of the above referenced award document may be obtained under the Kansas Open Records Act by sending an e-mail to [janet.miller@da.state.ks.us](mailto:janet.miller@da.state.ks.us) or calling 785-296-0002 to request an estimate of the cost to reproduce the documents. Upon receipt of the funds in the Division of Purchases, the documents will be mailed.

A vendor may also review the proposal file in the Division of Purchases offices. Appointments are recommended.

In any case, information in proposal files shall not be released until a contract has been executed or all proposals have been rejected.

Send payments with a written request for service to:

Kansas Division of Purchases  
Attn: Open Records  
900 SW Jackson, Room 102N  
Topeka, KS 66612-1286  
Facsimile: 785-296-7240

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Conditions:

**Conditions of Contract:** The following terms and conditions of award are incorporated by reference and include: State of Kansas DA-45/146a; specifications and conditions of the proposal including any addenda; vendor's response including any addenda, appendices and exhibits.

**Order of Preference:** Any conflict to the provisions of this contract and the documents incorporated by reference shall be determined by the following priority order:

- a. State of Kansas Contract Provisions Attachment DA-45/146a;
- b. Written modifications and addenda to the executed contract;
- c. The contract document;
- d. The above referenced Request for Proposal (RFP) including any addenda;
- e. Contractors response including any addenda, appendices and exhibits.

**CONTRACT FOR  
ONLINE GAMING SYSTEM  
COMMUNICATIONS NETWORK, AND  
RELATED SERVICES**

This contract is made this 15 day of August, 2007, by and between GTECH Corporation, a wholly-owned subsidiary of Lottomatica S.p.A., hereinafter referred to as "Contractor," and the Kansas Lottery, an agency of the State of Kansas, hereinafter referred to as "Lottery," pursuant to Request for Proposal 09973, hereinafter referred to as "RFP."

WHEREAS, Lottery wishes to obtain certain online and communication services for its lottery operations pursuant to the RFP; and

WHEREAS, Contractor is a recognized vendor of these services and desires to provide them to Lottery; and

WHEREAS, the RFP for a negotiated procurement for acquisition of these services was issued pursuant to K.S.A. 74-8705; and

WHEREAS, a Procurement Negotiating Committee constituted pursuant to Kansas law conducted negotiations and determined the best interests of the Lottery and State of Kansas will be served by awarding a contract to Contractor to provide these services;

THEREFORE, in consideration of the mutual agreements contained below, and for good and valuable consideration, the receipt of which is hereby acknowledged, Lottery and Contractor agree as follows:

**CONTRACT DOCUMENTS**

The contract between Lottery and Contractor consists of the following documents in order of controlling language:

- 1) Form DA-146a, attached to the RFP;
- 2) written modifications to the executed contract executed after the date of this Contract;
- 3) this Contract signed by the parties, including negotiated modifications and clarifications to the RFP as set forth below;
- 4) the RFP, including all addenda thereto;
- 5) Contractor's written proposal submitted in response to the RFP, including all amendments and clarifications to the proposal, and revised pricing proposal.

**TERM**

1) The term of operation and payment of this contract shall begin on the **1<sup>st</sup> day of July, 2008**, and will end on the **30<sup>th</sup> day of June, 2018**; however, upgrade, conversion, and other installation activities shall commence on or before the dates set forth in Contractor's proposal and written amendments/revisions thereto.

2) The Contractor has offered and Lottery has accepted the best and final offer of the Contractor in its revised price proposal of **4.9999% of net online sales**, together with all related revisions to its Base System Pricing and final revisions as contained in the letter from **Algis Valanciunas** dated **May 11, 2007**, which letter is attached hereto as **Exhibit "A"** and incorporated herein by reference as if fully set forth, except that the "LCD customer display" units shall be 17-inch models (also see Section 4.5.35.2, below).

## PAYMENT

Payment shall be in accordance with terms as set out in the RFP on a monthly basis.

## NEGOTIATED MODIFICATIONS TO RFP

The Lottery and Contractor agree that notwithstanding any provisions in the RFP or addenda to the RFP and Contractor's responses thereto, certain sections of the RFP shall be replaced in their entirety (Section 3.6 only) or otherwise clarified or amended, as follows:

**3.5.7** – By way of clarification only, in the event Contractor enters into a subcontract with a vendor for any materials or services Contractor is required to provide the Lottery under the terms and conditions of the contract, Contractor shall remain responsible for providing those items and any failure therein will be the responsibility of Contractor. In the event Contractor chooses to subcontract out any aspect of its duties and responsibilities under the contract it shall remain liable per the contract to the Lottery for any failure therein.

**3.6 - Source Code Escrow** (Section 3.6 is hereby replaced in its entirety with the following):

### **3.6.1 Escrow**

Upon the written request of the Lottery, Contractor shall escrow the following with the escrow agent set forth in the Two-Party Master Depositor Escrow Service Agreement attached hereto as Schedule A (the "Escrow Agreement"): one (1) copy of all source code for Proprietary Software used in performance under the Contract; one (1) copy of all documentation related to the development and maintenance of the Proprietary Software; one (1) copy of all source code for Subcontractor Proprietary Software; and, one (1) copy of all documentation related to the development and maintenance of the Subcontractor Proprietary Software. Escrowed documentation shall include, but is not limited to, build instructions, programming documentation, configuration information, Software development tools, compilers, linkers, libraries and any other documentation or resources used by the Contractor or Subcontractor's programmers to understand the source code or to develop, compile, maintain, or update the escrowed Software. If any such documentation is reasonably available from a commercial source other than the Software owner, the Software owner may substitute in escrow a written identification of that particular documentation and its commercial source. Escrowed documentation shall further include a list of the primary programmers involved in the development and maintenance of the Software and their home addresses and telephone numbers. Contractor and Subcontractors shall update the source code and documentation when a new version of the escrowed source code is used under this Contract.

### **3.6.2 Non-Encryption.**

Contractor and Subcontractors shall warrant in the escrow agreement that the escrowed source code and documentation is readable and useable in its then current form and if any portions of such material is encrypted the necessary decryption tools and keys to read such material are deposited contemporaneously.

### **3.6.3 Verification**

The Lottery may, in its discretion, require the verification of the escrow of source code and documentation as set forth in the Escrow Agreement.

### **3.6.4 Ownership of Escrowed Items and Termination**

Contractor warrants that it is the owner or legal custodian of all escrowed Software and has full authority to deposit such materials with the escrow agent under the Escrow Agreement and direct the disposition in accordance with the terms of the Escrow Agreement. The escrow instructions shall provide that the escrow agent will destroy the escrowed Software and documentation upon the termination of the escrow or return it to the Software owner in a specified manner. The escrow instructions shall authorize termination of the escrow by a mutual, written agreement of the parties or upon written notice from the Lottery or as set forth in Escrow Agreement.

### **3.6.5 Release from Escrow**

The escrow instructions shall authorize the escrow agent to release the escrowed source code and documentation to the Lottery upon the Lottery's provision of evidence satisfactory to the escrow agent of the following:

- a. The Software owner is no longer maintaining the Software and no successor approved by Lottery is maintaining the Software. The parties stipulate that the Software owner's written refusal to maintain the escrowed Software and the failure of the Software owner to respond within three (3) weeks to a written request to maintain the escrowed Software with an affirmative, written promise to maintain the Software shall be satisfactory evidence that the Software owner is not maintaining the Software. The parties further stipulate that the failure of the promising party to maintain the Software within three (3) weeks of such affirmative, written promise shall be satisfactory evidence that the Software owner is not maintaining the Software.
- b. The Contractor or Subcontractor owning the Software is the subject of a petition or proceeding under the U.S. Bankruptcy Code, either voluntary or involuntary, and such petition or proceeding is not dismissed within sixty (60) days after its initiation.
- c. The Contractor or Subcontractor owning the Software becomes insolvent or admits either insolvency or a general inability to pay its debts as they become due.

### **3.6.6 Lottery's Rights Upon Release.**

Upon release of the source code and documentation in trust to the Lottery, the Lottery shall have a license to use and maintain the Software but under strict obligation of confidentiality. Upon the Software owner's ability to maintain the Software, the Lottery shall be obligated to return the source code and documentation to the Software to the escrow agent unless the Escrow Agreement is terminated and, in such case, then to the Contractor.

### **3.6.7 Escrow Costs.**

The Contractor shall pay for all the costs of the escrow during the term of the Contract. The Lottery shall pay the costs of the escrow following termination or expiration of the Contract and all provisions of this section 3.6, Source Code Escrow shall continue to apply to the escrow. If the Lottery requires third party verification of the escrowed Software and documentation, the Lottery shall pay the costs of such verification.

### 3.6.8 Bankruptcy Provisions

This escrow agreement is an agreement supplementary to the licensing of the Proprietary Software and Subcontractor Proprietary Software as provided by 11 U.S.C. Section 365(n). If this Contract, the escrow agreement or the license of the Proprietary Software or Subcontractor Proprietary Software is rejected by the Contractor or Subcontractor as a debtor in possession or a trustee or by any other person or entity under the U.S. Bankruptcy Code, the Lottery may elect to retain its rights as provided in 11 U.S.C. Section 365(n). The source code and documentation deposited under this escrow agreement are an "embodiment" of "intellectual property" as those terms are used in 11 U.S.C. Section 365(n).

3.8.1 - The sentence reading "The Contractor warrants that it has all rights and permissions, including intellectual property rights and rights of publicity necessary to grant copyright, patent, trademark or intellectual property rights, including licenses, to the Lottery in performance under this Contract" is hereby amended to read "The Contractor warrants that to the best of its knowledge and belief it has all rights and permissions, including intellectual property rights and rights of publicity necessary to grant copyright, patent, trademark or intellectual property rights, including licenses, to the Lottery in performance under this Contract". In all other respects this section shall remain unchanged.

3.11 and 3.11.1(b) - Wherever they may appear the terms "additional named insured" and "named insured" shall be changed to "additional insured".

3.11.1(d)(vii) - If Contractor demonstrates to the Lottery's satisfaction there is no access to the internet by the Contractor's central system, Cyber Risk insurance shall not be required.

3.21.2.13, 3.21.2.14, and 3.21.2.12.4 - The Lottery agrees to define the applicable time frame for determining liquidated damages under these sub-sections regarding terminal or hardware failures at retail locations as 7:00a.m. until 9:00p.m. each day.

3.21.2.47 - The Lottery agrees that after Contractor receives notice from the Lottery to replace a retailer terminal or peripheral item, a service call may be made by a Contractor field service technician within the normal service call response times to determine if a terminal or peripheral item may be repaired or otherwise serviced to the satisfaction of the Lottery rather than being replaced; however, a final decision on the necessity replacing the item(s) shall be determined in the sole discretion of the Lottery.

3.21.2.48 - This entire subsection is replaced with the following: "Providing Connectivity: Upon mutual agreement of the parties, and subject to testing and availability, connectivity to third-party software and/or hardware may be developed."

3.21 - Liquidated Damage amounts assessed pursuant to terms of this Contract are negotiable between the Lottery and Contractor based upon a reasonable forecast of actual damages. The Lottery, however, shall still be vested with all rights reserved to the Lottery, including but not necessarily limited to, sole final discretion to assess the amount of the liquidated or actual damages in the event an agreement cannot be otherwise negotiated. Notwithstanding any provision in this Agreement to the contrary regarding any dispute arising under this Section 3.21 or elsewhere in this Agreement, the parties shall be entitled to any and all rights and remedies which may exist in law or equity.

4.3.6 - All retailer terminals shall initially be deployed with internal bar code readers; however, the lottery reserves the right to obtain hand-held bar code readers for any retailer demonstrating a business need for such reader.

**4.3.28 Supermarket In-Lane Selling Solutions** - Lottery chooses not to utilize this feature at start up but reserves the right to utilize it at a later date. The price quoted by Contractor for utilizing this option at startup is subject to negotiation in the event the option is implemented at a later date.

**4.3.35.3(A) Smart Card Reader/Writer Device** – Retailer terminals shall have capability to accept Smart Card Readers and the Lottery reserves the right to require deployment of Smart Card Readers after July 1, 2008.

**4.3.35.3(B) Magnetic Card Reading Device** - Retailer terminals shall have capability to accept Magnetic Card Reading Devices and the Lottery reserves the right to require deployment of Magnetic Card Reading Devices after July 1, 2008.

**4.8.7(A) Player Registration** - Lottery chooses not to utilize this feature at start up but reserves the right to utilize it at a later date. The price quoted by Contractor for utilizing this option at startup is subject to negotiation in the event the option is implemented at a later date.

**4.8.7(B) Subscription System** - Lottery chooses not to utilize this feature at start up but reserves the right to utilize it at a later date. The price quoted by Contractor for utilizing this option at startup is subject to negotiation in the event the option is implemented at a later date.

**4.3.24 Retailer Training Program** - Lottery chooses not to utilize this feature at start up but reserves the right to utilize it at a later date. The price quoted by Contractor for utilizing this option at startup is subject to negotiation in the event the option is implemented at a later date.

**4.3.35.3(E) Instant Ticket Showcases (50 units)** – Lottery shall receive and place up to 10 units prior to start-up, with two or three units available for use by the Lottery at the 2007 Kansas State Fair. The Lottery may or may not request the remaining units be deployed (with a maximum total of 50 units).

**4.8.3 Pick 'N Play Games** - Lottery chooses not to utilize this feature at start up but reserves the right to utilize it at a later date.

**4.5.35.2 Retailer On-Line Terminal Attachment (ESMM)** – The “customer display” monitors shall be 17-inch diagonal LCD units, rather than 17-inch or 19-inch units as is set forth in the letter from Algis Valanciunas dated May 11, 2007.

### CAPTIONS

The descriptive headings of this agreement are for convenience only and shall not be deemed to affect the meaning of any provision.

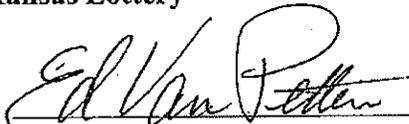
### MODIFICATIONS

This contract may only be modified by the mutual written agreement of the parties.

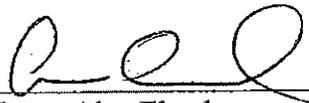
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(Signature Page for CONTRACT FOR ONLINE GAMING SYSTEM COMMUNICATIONS NETWORK, AND RELATED SERVICES dated August 15, 2007).

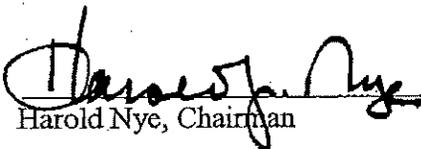
**The Kansas Lottery**

By:   
Ed Van Petten  
Executive Director, Kansas Lottery

**GTECH Corporation**

By:   
Printed Name: Alan Eland  
Title: Senior Vice President GTECH Americas

**Kansas Lottery Commission**

By:   
Harold Nye, Chairman

I hereby certify that the competitive bid/procurement laws of the State of Kansas have been followed regarding the above-referenced RFP and the Contract set forth above.

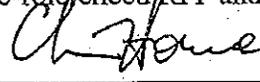
By:   
Chris Howe, Director of Purchasing,  
Kansas Department of Administration

EXHIBIT A (page 1 of 5)

Questions from Sherry Mackey (May 11, 2007):

The Procurement Negotiating Committee (PNC) for the RFP for the Kansas Lottery's Online Gaming System and Communications Network (RFP 09973) has reviewed all proposals and amendments thereto. Because further clarification and requests for concessions are required, no apparent successful bidder has been selected.

No later than 12 noon on May 16, 2007, please respond to the following questions posed by the PNC:

1. Would GTECH modify its proposal to include the following:
  - a. Flat panel LCD LID's measuring no less than 20-inches diagonally (rather than the 20-inch analog televisions now proposed)?
  - b. 19-inch LCD customer display units (rather than the 17-inch units now proposed)?
  - c. LCD or Plasma Keno display units measuring no less than 40-inches diagonally (rather than the Keno enunciator boards now proposed)?
2. For each of the items listed in paragraph 1, would GTECH be willing to supply those enhancements without changing the amount of its most recent bid?
3. If the response to number 2 is anything other than an unconditional "Yes" for each item, state any additional proposed fee or change in GTECH's bid caused by each of those enhancements.
4. Regarding further deployment of the Kansas Hold 'Em game, in the event the Lottery in its sole discretion decides to expand the game beyond the total of 600 retailers set forth in GTECH's proposal (100 presently installed plus an additional 500, which are all included at no additional cost as part of GTECH's base bid), what additional fees or other costs would be incurred by the Lottery, if any?
5. Subsequent to issuance of the Online RFP, the Kansas Department of Administration, Division of Purchases, has approved for use in some state contracts what is known as a "Project Assessment Quotation" (PAQ). Basically speaking, adding a PAQ clause to a contract may allow the state agency to obtain products or services from the same vendor without the necessity for re-bidding, even though the item was not part of the original RFP or contract. Attached hereto is general PAQ language. If GTECH is the apparent successful bidder, please indicate whether GTECH would agree to adding said language to the resulting contract.

We look forward to your timely reply so the PNC may complete its review process. Thank you.

## 1. PROJECT ASSESSMENT QUOTATIONS

The Lottery reserves the right to acquire additional services during the contract period from the Vendor for related activities which are related to the online, communications and related services but outside the specific scope of the contract requirements. Examples of such services include system enhancements and/or revisions that may arise from new legislation, new technology, new policies and/or procedures, etc. Enhancements shall be facilitated through the Project Assessment Quotations (PAQ) process described herein.

### 1.1 PAQ WORKFLOW PROCESS:

The Vendor shall understand and agree that the general protocol for PAQ workflow shall be as described below.

#### STEP 1: PAQ Request

The Lottery's designated Project Director will present a written request for each PAQ to the Vendor, in a standard format determined by the Lottery. The Lottery's request must explain the scope of the project and the tasks the Lottery desires the Vendor to perform, including applicable business and technical specifications. Additionally, the Lottery will specify whether the work must be performed on-site or off-site.

#### STEP 2: Draft PAQ

The Vendor must respond (within a prescribed number of days mutually agreed upon by the Lottery and the Vendor) to each such PAQ request from the Lottery's designated Project Director with a draft PAQ which provides a Statement of Cost and time, technical and strategic alternatives, and solution recommendations.

#### STEP 3: Approval of Draft PAQ

If the draft PAQ is approved by the Lottery's designated Project Director, the Vendor must then prepare a final PAQ for resubmission to the Lottery's designated Project Director for final approval.

#### STEP 4: Final PAQ

The Vendor's final PAQ must include:

- Contract number;
- Lottery name/address;
- Lottery designated project director name and phone number;
- Vendor contact name and phone number;
- Brief title of specific PAQ;
- Final PAQ issue date;
- A detailed itemization and description of all of the project tasks which shall be completed by the Vendor (i.e. project work), including requirements for and specified frequency of any required status reports; the specified project tasks and deliverables must be clearly stated and must be quantifiable;

- The firm, fixed cost;
- Detailed completion schedule for each task/component of the project work;
- Mutually agreed upon turnaround times for the Lottery's designated Project Director to review, approve and formally accept or reject the components of the Vendor's project work in accordance with the approved final PAQ;
- Mutually agreed upon milestones for compensation of project costs for the Vendor's project work, including any mutually agreed upon holdbacks for specified deliverables and holdback release time frames for specified deliverable completion;
- Identification of the specific tasks within each component of the PAQ which must be completed by Lottery personnel;
- Signature and date lines for both the Vendor and the Lottery's designated Project Director to signify approval.

#### **STEP 5: Approval of Final PAQ**

The Vendor and the Lottery's designated Project Director must indicate mutual acceptance of the final PAQ by signing and dating the final PAQ. The Lottery's designated Project Director (1) must retain one signed copy; (2) must forward the original to the Division of Purchasing for inclusion in the contract file and (3) must send one copy to the Vendor's Project Director.

#### **STEP 6: Authorization to Proceed / PAQ Project Work**

An approved final PAQ alone does not constitute an authorization to proceed with project work. Before proceeding with project work, the Vendor must receive a properly authorized Purchase Order except the Lottery may authorize an obligation of less than \$3,000 pursuant to the terms of the contract without the official encumbrance of funds. Project work shall include the Vendor's completion of the tasks identified in the final PAQ.

#### **STEP 7: Formal Acceptance**

Upon the completion of all project work of a given PAQ, the Vendor must notify the Lottery's designated Project Director in writing and shall submit an invoice in accordance with the PAQ approved by the Lottery's designated Project Director. The Lottery's designated Project Director shall review, approve and formally accept or reject the components of the PAQ project work in accordance with the turnaround time outlined in the PAQ. Formal acceptance shall not be unreasonably delayed or withheld by the Lottery.

#### **STEP 8: Cost Recovery for Vendor**

Project costs for the PAQ project work shall be reimbursable upon formal acceptance by the Lottery's designated Project Director in accordance with the milestones for compensation outlined in the PAQ. Vendor expenses in accordance with the State's travel regulations shall be reimbursed by the Lottery. Types of expenses and estimates must be approved by the Lottery's Project Director prior to being accrued by the Vendor.

### **1.2 PAQ GENERAL REQUIREMENTS**

The Vendor shall submit draft and final PAQs in a timely manner. The Lottery and the Vendor shall mutually agree upon the prescribed number of days for the Vendor to submit the draft and final PAQs.

The Lottery's designated Project Director reserves the right to reject any Vendor-submitted PAQ, request the Vendor to submit a revised PAQ with adjustments (revised cost, length of time, solution recommendation, etc.) or rebid for services through a separate competitive procurement.

The Vendor shall not be paid for the preparation of the PAQ.

A PAQ request, the draft and final PAQs, and the Vendor's project work must be related to the scope of the performance requirements identified in the contract for the category(ies) which the Vendor was awarded and must not change any provision of the contract.

The duration of any PAQ must not exceed the effective contract period.

Any changes to the PAQ must be formalized in writing as an official revision to the final PAQ. The format of PAQ revisions shall be consistent with the format of the final PAQ as outlined above, including the distribution of the original to the Division of Purchasing, a copy to the Vendor and retaining a copy for the Lottery's designated Project Director. The Vendor shall agree and understand the firm, fixed cost stated in the final PAQ shall not be increased unless the Lottery requests a corresponding increase in the scope of work under the PAQ. If the scope of work does not increase, the Vendor shall complete all work agreed upon in the PAQ at the firm, fixed cost stated in the PAQ.

The Lottery's designated Project Director shall have the right to terminate the PAQ at any time, for the convenience of the Lottery, without penalty or recourse, by giving written notice to the Vendor at least five business days prior to the effective date of such termination. In the event of termination pursuant to this paragraph, all documents, data, reports, and accomplishments prepared, furnished or completed by the Vendor pursuant to the terms of the contract shall, at the option of the Lottery's designated Project Director become the property of the Lottery. The Vendor shall be entitled to receive just and equitable compensation for that work completed pursuant to the contract prior to the effective date of termination.



10 Memorial Boulevard  
Providence, Rhode Island  
02903 USA

Telephone 401 392-1000  
Fax 401 392-1234

May 11, 2007

Ms. Sherry A. Mackey, Procurement Officer  
Kansas Division of Purchases  
Proposal # 09973  
900 SW Jackson Street, Room 102N  
Topeka, KS 66612-1286

Re: State of Kansas RFP #09973 – PNC Request for Further Clarification

Dear Ms. Mackey and Procurement Committee:

In response to your request for further clarification as per your e-mail dated 5/11/2007, GTECH proposes the following:

- 1a. Yes. GTECH will provide 20-inch flat panel LCD LID's measuring no less than 20-inches diagonally.
- 1b. Yes. However, GTECH's proposal for the 17-inch LCD units is based on the size of displays the Arizona Lottery currently uses – these are the displays the KSL saw during their site visit. Retailers have informed us that a 19-inch display can obstruct the retailer's view of store activity and they prefer a smaller size monitor, so we propose 17-inch monitors as our base offering. If the KSL finds that some retailers prefer the 17-inch LCD, we are willing to provide retailers the option of a 19-inch or 17-inch LCD customer display units.
- 1c. Yes. GTECH is willing to provide LCD Keno display units measuring no less than 40-inches diagonally.
2. Yes.
3. No additional fees.
4. The full cost of installation for a new Kansas Hold 'Em location is \$2600.00 GTECH is willing to share 50% of this cost with the Lottery for any Kansas Hold "Em location beyond the 600 retailers set forth in our proposal. The cost of installation includes: 20-inch or greater LCD monitor, G Board, Poker PC, Bracket, installation, shipping costs and all applicable taxes.
5. Yes

I sincerely hope that my answers to your questions are adequate to permit the PNC to complete its review process.

Sincerely,

A handwritten signature in black ink, appearing to read "Algis Valancius", written over a white background.

Algis Valancius  
Account Development Manager, GTECH

cc: Scott Gunn

## SCHEDULE A

**TWO-PARTY MASTER ESCROW SERVICE AGREEMENT**Master Deposit Account Number: 32027**1. Introduction.**

This Escrow Service Agreement (the "Agreement") is entered into by and between GTECH Corporation, (the "Depositor") and Depositor's affiliates and subsidiaries and by Iron Mountain Intellectual Property Management, Inc. ("Iron Mountain") on this 24<sup>th</sup> day of JULY, 2007 (the "Effective Date"). Depositor and Iron Mountain may be referred to individually as a "Party" or collectively as the "Parties" throughout this Agreement.

The use of the term services in this Agreement shall refer to Iron Mountain services that facilitate the creation, management, and enforcement of software and/or other technology escrow accounts as described in Exhibit A attached hereto ("Services"). Depositor shall request Services under this Agreement by submitting a work request for certain Iron Mountain Services ("Work Request") via written instruction or the online portal maintained at the website located at [www.ironmountainconnect.com](http://www.ironmountainconnect.com) or any other website owned or controlled by Iron Mountain that are linked to that website (collectively the "Iron Mountain Website").

Beneficiary and Depositor have, or will have, entered into a license agreement or other agreement conveying intellectual property rights to the Beneficiary, and the Parties intend this Agreement to be considered as supplementary to such agreement, pursuant to Title 11 United States [Bankruptcy] Code, Section 365(n).

**2. Depositor Responsibilities and Representations.**

- (a) Depositor shall make an initial deposit that is complete and functional of all proprietary technology and other materials covered under this Agreement ("Deposit Material") to Iron Mountain within thirty (30) days of the Effective Date. Depositor may also update Deposit Material from time to time during the Term of this Agreement provided a minimum of one (1) complete and functional copy of Deposit Material is deposited with Iron Mountain at all times. At the time of each deposit or update, Depositor will provide an accurate and complete description of all Deposit Material sent to Iron Mountain via the Iron Mountain Website or using the form attached hereto as Exhibit B.
- (b) Depositor represents that Depositor lawfully possesses all Deposit Material provided to Iron Mountain under this Agreement free of any liens or encumbrances as of the date of their deposit. Any Deposit Material liens or encumbrances made after their deposit will not prohibit, limit, or alter the rights and obligations of Iron Mountain under this Agreement. Depositor warrants that with respect to the Deposit Material, Iron Mountain's proper administration of this Agreement will not violate the rights of any third parties.
- (c) Depositor represents that all Deposit Material is readable and useable in its then current form. If any portion of such Deposit Material is encrypted, the necessary decryption tools and keys to read such material are deposited contemporaneously.
- (d) Depositor may enroll one or more beneficiary ("Beneficiary") under this Agreement. To enroll a Beneficiary, Depositor will either (i) execute and submit to Iron Mountain a Beneficiary Enrollment Form, referenced in this Agreement as Exhibit E, listing each Beneficiary to be enrolled under the Agreement or (ii) enroll the Beneficiary via the online portal maintained at the website located at [www.ironmountainconnect.com](http://www.ironmountainconnect.com). Upon Iron Mountain's receipt of Exhibit E or any additional Exhibit E thereto, Iron Mountain will issue an enrollment letter and a copy of Exhibit C to the Beneficiary. Depositor shall use commercially reasonable efforts to assure that all Beneficiary information contained in Authorized Persons/Notices Table of each Exhibit E submitted to Iron Mountain is current. For avoidance of doubt, Depositor may remove an enrolled Beneficiary from this Agreement by written notice to Iron Mountain. Once such notice is received by Iron Mountain, the Beneficiary shall no longer have any rights under this Agreement.

**3. Iron Mountain Responsibilities and Representations.**

- (a) Iron Mountain agrees to use commercially reasonable efforts to provide the Services requested by Authorized Person(s) (as identified in the "Authorized Person(s)/Notices Table" below) representing the Depositor in a Work Request and permitted requests from a Beneficiary. Iron Mountain may reject a Work Request (in whole or in part) that does not contain all Required Information at any time upon notification to the Party originating the Work Request.
- (b) Iron Mountain will conduct a visual inspection upon receipt of any Deposit Material and associated Exhibit B. If Iron Mountain determines that the Deposit Material does not match the description provided by Depositor represented in Exhibit B attached hereto, Iron Mountain will notify Depositor of such discrepancies and notate such discrepancy on the Exhibit B.

(c) Iron Mountain will hold and protect all Deposit Material in physical or electronic vaults that are either owned or under the direct control of Iron Mountain, unless otherwise agreed to by the Parties.

4. Payment.

Depositor shall pay to Iron Mountain all fees as set forth in the Work Request form attached hereto as Exhibit A ("Service Fees"). Except as set forth below, all Service Fees are due to Iron Mountain within thirty (30) calendar days from the date of invoice in U.S. currency and are non-refundable. Iron Mountain may update Service Fees with a ninety (90) calendar day written notice to Depositor during the term of this Agreement. Depositor is liable for any taxes related to Services purchased under this Agreement or shall present to Iron Mountain an exemption certificate acceptable to the taxing authorities. Applicable taxes shall be billed as a separate item on the invoice, to the extent possible. Any Service Fees not collected by Iron Mountain when due shall bear interest until paid at a rate of one percent 1% per month (12% per annum) or the maximum rate permitted by law, whichever is less. Depositor agrees that if this Agreement terminates during the term for any reason other than for the fault of Iron Mountain, all prepaid fees shall be non-refundable. Notwithstanding, the non-performance of any obligations of Depositor to deliver Deposit Material under the License Agreement or this Agreement Iron Mountain is entitled to be paid all Service Fees that accrue during the Term of this Agreement.

5. Term and Termination.

- (a) The "Term" of this Agreement is for a period of one (1) year from the Effective Date ("Initial Term") and will automatically renew for additional one (1) year terms ("Renewal Term") and continue in full force and effect until one of the following events occur: (i) Depositor provides written instructions of its intent to cancel this Agreement within sixty (60) days to Iron Mountain; (ii) the Agreement terminates under another provision of this Agreement; or (iii) any time after the Initial Term, Iron Mountain provides sixty (60) days' prior written notice to the Depositor of Iron Mountain's intent to terminate this Agreement. If the Effective Date is not specified in the Introduction section, then the last date noted on the signature blocks of this Agreement shall be the Effective Date.
- (b) Unless the express terms of this Agreement provide otherwise, upon termination of this Agreement, Iron Mountain shall return the Deposit Material to the Depositor. If reasonable attempts to return the Deposit Material to Depositor are unsuccessful, Iron Mountain shall destroy the Deposit Material.
- (c) In the event of the nonpayment of undisputed Service Fees owed to Iron Mountain, Iron Mountain shall provide Depositor with written notice of Iron Mountain's intent to terminate this Agreement. Iron Mountain shall have the right to notify any and all Beneficiaries enrolled under this Agreement of nonpayment of Service Fees. Depositor and any enrolled Beneficiary shall have the right to make the payment to Iron Mountain to cure the default. If the past due payment is not received in full by Iron Mountain within thirty (30) calendar days of the date of such written notice, then Iron Mountain shall have the right to terminate this Agreement at any time thereafter by sending written notice of termination to Depositor and any enrolled Beneficiaries. Iron Mountain shall have no obligation to perform the Services (except those obligations that survive termination of this Agreement) so long as any undisputed Service Fees due Iron Mountain under this Agreement remains unpaid.

6. General Indemnity.

Subject to Section 9, each Party shall defend, indemnify and hold harmless the other, their corporate affiliates and their respective officers, directors, employees, and agents and their respective successors and assigns from and against any and all claims, losses, liabilities, damages, and expenses (including, without limitation, reasonable attorneys' fees), arising under this Agreement from the negligent or intentional acts or omissions of the indemnifying Party or its subcontractors, or the officers, directors, employees, agents, successors and assigns of any of them.

7. Warranties.

- (a) IRON MOUNTAIN WARRANTS ANY AND ALL SERVICES PROVIDED HEREUNDER SHALL BE PERFORMED IN A WORKMANLIKE MANNER. EXCEPT AS SPECIFIED IN THIS SECTION, ALL EXPRESS OR IMPLIED CONDITIONS, REPRESENTATIONS, AND WARRANTIES INCLUDING, WITHOUT LIMITATION, ANY IMPLIED WARRANTIES OR CONDITIONS OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SATISFACTORY QUALITY, AGAINST INFRINGEMENT OR ARISING FROM A COURSE OF DEALING, USAGE, OR TRADE PRACTICE, ARE HEREBY EXCLUDED TO THE EXTENT ALLOWED BY APPLICABLE LAW. AN AGGRIEVED PARTY MUST NOTIFY IRON MOUNTAIN PROMPTLY OF ANY CLAIMED BREACH OF ANY WARRANTIES AND SUCH PARTY'S SOLE AND EXCLUSIVE REMEDY FOR BREACH OF WARRANTY SHALL BE RETURN OF THE PORTION OF THE FEES PAID TO IRON MOUNTAIN BY PAYING PARTY FOR SUCH NON-CONFORMING SERVICES. THIS DISCLAIMER AND EXCLUSION SHALL APPLY EVEN IF THE EXPRESS WARRANTY AND LIMITED

REMEDY SET FORTH ABOVE FAILS OF ITS ESSENTIAL PURPOSE. THE WARRANTY PROVIDED IS SUBJECT TO THE LIMITATION OF LIABILITY SET FORTH IN THIS AGREEMENT.

- (b) Depositor warrants that all Depositor Information provided hereunder is accurate and reliable and undertakes to promptly correct and update such Depositor Information during the Term of this Agreement.
- (c) Ownership Warranty. Depositor warrants that it is the owner or legal custodian of the Deposit Material and has full authority to store the Deposit Material and direct its disposition in accordance with the terms of this Agreement. Depositor shall reimburse Iron Mountain for any expenses reasonably incurred by Iron Mountain (including reasonable legal fees) by reason of Iron Mountain's compliance with the instructions of Depositor in the event of a dispute concerning the ownership, custody or disposition of Deposit Material stored by Depositor with Iron Mountain.

8. Confidential Information.

Iron Mountain shall have the obligation to reasonably protect the confidentiality of the Deposit Material. Except as provided in this Agreement Iron Mountain shall not disclose, transfer, make available or use the Deposit Material. Iron Mountain shall not disclose the terms of this Agreement to any third party. If Iron Mountain receives a subpoena or any other order from a court or other judicial tribunal pertaining to the disclosure or release of the Deposit Material, Iron Mountain will notify the Parties to this Agreement unless prohibited by law. After notifying the Parties, Iron Mountain may comply in good faith with such order. It shall be the responsibility of Depositor or Beneficiary to challenge any such order; provided, however, that Iron Mountain does not waive its rights to present its position with respect to any such order. Iron Mountain will cooperate with the Depositor or Beneficiary, as applicable, to support efforts to quash or limit any subpoena, at such party's expense. Any party requesting additional assistance shall pay Iron Mountain's standard charges or as quoted upon submission of a detailed request.

9. Limitation of Liability.

NOTWITHSTANDING ANYTHING ELSE IN THIS AGREEMENT, ALL LIABILITY, IF ANY, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE, OF ANY PARTY TO THIS AGREEMENT SHALL BE LIMITED TO THE AMOUNT EQUAL TO ONE YEAR OF FEES PAID OR OWED TO IRON MOUNTAIN UNDER THIS AGREEMENT. IF CLAIM OR LOSS IS MADE IN RELATION TO A SPECIFIC DEPOSIT OR DEPOSITS, SUCH LIABILITY SHALL BE LIMITED TO THE FEES RELATED SPECIFICALLY TO SUCH DEPOSITS. THIS LIMIT SHALL NOT APPLY TO ANY PARTY FOR: (I) ANY CLAIMS OF INFRINGEMENT OF ANY PATENT, COPYRIGHT, TRADEMARK OR OTHER PROPRIETARY RIGHT; (II) LIABILITY FOR DEATH OR BODILY INJURY; (III) DAMAGE TO TANGIBLE PROPERTY (EXCLUDING THE DEPOSIT ITEMS); (IV) THEFT; OR (V) PROVEN GROSS NEGLIGENCE OR WILLFUL MISCONDUCT.

10. Consequential Damages Waiver.

IN NO EVENT SHALL ANY PARTY TO THIS AGREEMENT BE LIABLE TO ANOTHER PARTY FOR ANY INCIDENTAL, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES, LOST PROFITS OR LOST DATA OR INFORMATION, ANY COSTS OR EXPENSES FOR THE PROCUREMENT OF SUBSTITUTE SERVICES, OR ANY OTHER INDIRECT DAMAGES, WHETHER ARISING IN CONTRACT, TORT (INCLUDING NEGLIGENCE) OR OTHERWISE EVEN IF THE POSSIBILITY THEREOF MAY BE KNOWN IN ADVANCE TO ONE OR MORE PARTIES.

11. General.

- (a) Incorporation of Work Requests. All Depositor Work Requests are incorporated into this Agreement.
- (b) Purchase Orders. In the event that the Depositor or paying party issues a purchase order or other instrument used to pay Service Fees to Iron Mountain, any terms and conditions set forth in the purchase order which constitute terms and conditions which are in addition to those set forth in this Agreement or which establish conflicting terms and conditions to those set forth in this Agreement are expressly rejected by Iron Mountain.
- (c) Right to Make Copies. Iron Mountain shall have the right to make copies of all Deposit Material as reasonably necessary to perform the Services. Iron Mountain shall copy all copyright, nondisclosure, and other proprietary notices and titles contained on Deposit Material onto any copies made by Iron Mountain. Any copying expenses incurred by Iron Mountain as a result of a Work Request to copy will be borne by the Depositor or party requesting the copies. Iron Mountain may request Depositor's reasonable cooperation in promptly copying Deposit Material in order for Iron Mountain to perform this Agreement.

- (d) **Choice of Law.** The validity, interpretation, and performance of this Agreement shall be controlled by and construed under the laws of the Commonwealth of Massachusetts, United States of America, as if performed wholly within the state and without giving effect to the principles of conflicts of laws.
- (e) **Authorized Person(s).** Depositor must authorize and designate one person whose actions will legally bind such party ("Authorized Person(s)") who shall be identified in the Authorized Person(s) Notices Table of this Agreement) and who may manage the Iron Mountain escrow account through the Iron Mountain Website or written instruction. The Authorized Person(s) for the Depositor will maintain the accuracy of their name and contact information provided to Iron Mountain during the term of this Agreement.
- (f) **Right to Rely on Instructions.** Iron Mountain may act in reliance upon any instruction, instrument, or signature reasonably believed by Iron Mountain to be genuine and from an Authorized Person(s), officer, or other employee of a Party. Iron Mountain may assume that such representative of a Party to this Agreement who gives any written notice, request, or instruction has the authority to do so. Iron Mountain will not be required to inquire into the truth or evaluate the merit of any statement or representation contained in any notice or document reasonably believed to be from such representative. With respect to Release and Destruction of Deposit Materials, Iron Mountain shall rely on an Authorized Person.
- (g) **Force Majeure.** No Party shall be liable for any delay or failure in performance due to events outside the defaulting Party's reasonable control, including without limitation acts of God, earthquake, labor disputes, shortages of supplies, riots, war, acts of terrorism, fire, epidemics, or delays of common carriers or other circumstances beyond its reasonable control. The obligations and rights of the excused Party shall be extended on a day-to-day basis for the time period equal to the period of the excusable delay.
- (h) **Notices.** All notices regarding Exhibit C (release) shall be sent by commercial express mail or other commercially appropriate means that provide prompt delivery and require proof of delivery. All other correspondence, including invoices, payments, and other documents and communications, may be sent electronically or via regular mail. Notices to Beneficiaries of Depositor under this Agreement shall be provided to such addresses as Depositor shall provide Iron Mountain. It shall be the responsibility of the Depositor and Iron Mountain to notify each other as provided in this Section in the event of a change of physical or e-mail addresses. For avoidance of doubt, Iron Mountain shall only accept contact data for Beneficiaries from Depositor. Iron Mountain and Depositor shall have the right to rely on the last known address provided by the other Party. Any correctly addressed notice or last known address that is relied on herein that is refused, unclaimed, or undeliverable because of an act or omission of the Party to be notified as provided herein shall be deemed effective as of the first date that said notice was refused, unclaimed, or deemed undeliverable by electronic mail, the postal authorities by mail, through messenger or commercial express delivery services.
- (i) **No Waiver.** No waiver of rights under this Agreement by any Party shall constitute a subsequent waiver of this or any other right under this Agreement.
- (j) **Assignment.** No assignment of this Agreement by Depositor or any rights or obligations of Depositor under this Agreement is permitted without the written consent of Iron Mountain, which shall not be unreasonably withheld or delayed. Iron Mountain shall have no obligation in performing this Agreement to recognize any successor or assign of Depositor or Beneficiary unless Iron Mountain receives clear, authoritative and conclusive written evidence of the change of parties.
- (k) **Severability.** In the event any of the terms of this Agreement become or are declared to be illegal or otherwise unenforceable by any court of competent jurisdiction, such term(s) shall be null and void and shall be deemed deleted from this Agreement. All remaining terms of this Agreement shall remain in full force and effect. If this paragraph becomes applicable and, as a result, the value of this Agreement is materially impaired for either Party, as determined by such Party in its sole discretion, then the affected Party may terminate this Agreement by notice to the other.
- (l) **Independent Contractor Relationship.** Depositor understands, acknowledges, and agrees that Iron Mountain's relationship with Depositor will be that of an independent contractor and that nothing in this Agreement is intended to or should be construed to create a partnership, joint venture, or employment relationship.
- (m) **Attorneys' Fees.** In any suit or proceeding between the Parties relating to this Agreement, the prevailing Party will have the right to recover from the other(s) its costs and reasonable fees and expenses of attorneys, accountants, and other professionals incurred in connection with the suit or proceeding, including costs, fees and expenses upon appeal, separately from and in addition to any other amount included in such judgment. This provision is intended to be severable from the other provisions of this Agreement, and shall survive and not be merged into any such judgment.
- (n) **No Agency.** No Party has the right or authority to, and shall not, assume or create any obligation of any nature whatsoever on behalf of the other Party or bind the other Party in any respect whatsoever.

- (o) **Disputes.** Any dispute, difference or question relating to or arising among any of the Parties concerning the construction, meaning, effect or implementation of this Agreement of any Party hereof will be submitted to, and settled by arbitration by a single arbitrator chosen by the corresponding Regional Office of the American Arbitration Association in accordance with the Commercial Rules of the American Arbitration Association. The Parties shall submit briefs of no more than 10 pages and the arbitration hearing shall be limited to two (2) days maximum. The arbitrator shall apply Massachusetts law. Unless otherwise agreed by the Parties, arbitration will take place in Boston, Massachusetts, U.S.A. Any court having jurisdiction over the matter may enter judgment on the award of the arbitrator. Service of a petition to confirm the arbitration award may be made by regular mail or by commercial express mail, to the attorney for the Party or, if unrepresented, to the Party at the last known business address. If however, Depositor refuses to submit to arbitration, the matter shall not be submitted to arbitration and Iron Mountain may submit the matter to any court of competent jurisdiction for an interpleader or similar action. Unless adjudged otherwise, any costs of arbitration incurred by Iron Mountain, including reasonable attorney's fees and costs, shall be paid by Depositor.
- (p) **Remediations.** All Parties are responsible for and warrant - to the extent of their individual actions or omissions - compliance with all applicable laws, rules and regulations, including but not limited to: customs laws; import; export and re-export laws; and government regulations of any country from or to which the Deposit Material may be delivered in accordance with the provisions of this Agreement.
- (q) **No Third Party Rights.** This Agreement is made solely for the benefits of enrolled Beneficiaries and the Parties to this Agreement and their respective permitted successors and assigns, and no other person or entity shall have or acquire any right by virtue of this Agreement unless otherwise agreed to by all the parties hereto. Enrolled Beneficiaries shall be considered intended third-party beneficiaries and may claim under this Agreement, but shall be bound by all terms and conditions including but not limited to the Limitation of Liability and Consequential Damages Waiver herein.
- (r) **Entire Agreement.** The Parties agree that this Agreement, which includes all the Exhibits attached hereto and all valid Work Requests submitted by the Parties, is the complete agreement between the Parties hereto concerning the subject matter of this Agreement and replaces any prior or contemporaneous oral or written communications between the Parties. There are no conditions, understandings, agreements, representations, or warranties, expressed or implied, which are not specified herein. Each of the parties herein represents and warrants that the execution, delivery, and performance of this Agreement has been duly authorized and signed by a person who meets statutory or other binding approval to sign on behalf of its business organization as named in this Agreement. This Agreement may only be modified by mutual written agreement of the Parties.
- (s) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.
- (t) **Survival.** Sections 5 (Term and Termination), 6 (General Indemnity), 7 (Warranties), 8 (Confidential Information), 9 (Limitation of Liability and Consequential Damages Waiver), and 11 (General) of this Agreement shall survive termination of this Agreement or any Exhibit attached hereto.
- (u) **Affiliates.** "Affiliates", as used herein, shall mean those entities controlled by, or under common control with, a party to this Agreement. For purposes of the foregoing definition "control" (including "controlled by" and "under common control") shall mean ownership of, or the right to acquire: (a) not less than fifty percent (50%) of the voting stock of a corporation, (b) the right to vote not less than fifty (50%) of the voting stock of a corporation, or (c) not less than fifty (50%) ownership interest in a partnership or other business entity. It is the intention of the parties (i) that each Affiliate shall be bound by the terms and conditions of this Agreement, (ii) that all of the services provided under this Agreement be made available to each Affiliate, (iii) each Affiliate shall be entitled to enforce this Agreement against Iron Mountain and that (iv) each Affiliate shall be a third party beneficiary of this Agreement, but shall be bound by all terms and conditions including but not limited to the Limitation of Liability and Consequential Damages Waiver herein.

**NOTE: SIGNATURE BLOCKS, AUTHORIZED PERSON NOTICES TABLE, AND BILLING CONTACT INFORMATION TABLE FOLLOW ON THE NEXT PAGE**

Note: If contracting electronically via the online portal, clicking the "I Accept" button displayed as part of the ordering process, evidences Depositor's agreement to the preceding terms and conditions (the "Agreement"). If you are entering into this Agreement via the online portal on behalf of a company or other legal entity, you represent that you have the authority to bind such entity to these terms and conditions, in which case the terms "you" or "your" shall refer to such entity. If you do not have such authority, or if you do not agree with these terms and conditions, you must select the "I Decline" button.

**DEPOSITOR**

SIGNATURE:	<i>[Handwritten Signature]</i>
PRINT NAME:	Alan Eland
TITLE:	SVP - GTECH Americas
DATE:	
EMAIL ADDRESS:	Alan.eland@gtech.com

**IRON MOUNTAIN INTELLECTUAL PROPERTY MANAGEMENT, INC.**

SIGNATURE:	<i>[Handwritten Signature]</i>
PRINT NAME:	Mary K. English
TITLE:	Director of Operations, IPM
DATE:	7/24/07
EMAIL ADDRESS:	ipmcontracts@ironmountain.com

**AUTHORIZED PERSON(S)/NOTICES TABLE**

Please provide the name(s) and contact information of the Authorized Person(s) under this Agreement. All Notices will be sent electronically and/or through regular mail to the appropriate address set forth below.

PRINT NAME:	Robert Hochstein
TITLE:	Assistant General Counsel
EMAIL ADDRESS:	Robert.hochstein@gtech.com
STREET ADDRESS 1:	10 Memorial Boulevard
PROVINCE/CITY/STATE:	Providence, RI
POSTAL/ZIP CODE:	02903
PHONE NUMBER:	401-392-2067
FAX NUMBER:	401-392-0391

Approved as to Operational Contact:  
Iron Mountain  
*[Handwritten Signature]*  
Name: Felicia Ford  
Contracts Administrator  
Date: 7/24/07

**BILLING CONTACT INFORMATION TABLE**

Please provide the name and contact information of the Billing Contact under this Agreement. All Invoices will be sent to this individual at the address set forth below.

PRINT NAME:	Shulan Clarke
TITLE:	Accounts Payable Coordinator
EMAIL ADDRESS:	Shulan.clarke@gtech.com
STREET ADDRESS 1:	10 Memorial Boulevard
PROVINCE/CITY/STATE:	PROVIDENCE, RI
POSTAL/ZIP CODE:	02903
PHONE NUMBER:	401-392-2067
FAX NUMBER:	401-392-0391

*EX: C*  
Approved as to Operational Contact:  
Iron Mountain  
*[Handwritten Signature]*  
Name: John Trotti, Esq.  
Contracts Manager  
Date: 7/24/07

All notices to Iron Mountain should be sent to [ipmcontracts@ironmountain.com](mailto:ipmcontracts@ironmountain.com) or Iron Mountain Intellectual Property Management, Inc., Attn: Contract Administration, 2100 Norcross Parkway, Suite 150, Norcross, Georgia, 30071, USA.

## CONTRACT AWARD

**Date of Award:** September 13, 2016

**Contract ID:** 42015

**Event ID:** EVT0003852

**Replace Contract:** 11173, 11173AC, 38455

**Procurement Officer:** Brienne Wilkins  
**Telephone:** 785/296-2770  
**E-Mail Address:** [brienne.wilkins@ks.gov](mailto:brienne.wilkins@ks.gov)  
**Web Address:** <http://admin.ks.gov/offices/procurement-and-contracts>

**Item:** Production of Instant Tickets

**Agency/Business Unit:** Kansas Lottery

**Period of Contract:** Date of Award through June 30, 2022  
(With the option to renew for four (4) additional one (1) year renewals periods)

**Contractor:** POLLARD BANKNOTE LIMITED  
140 OTTER STREET  
WINNIPEG, MANITOBA, R3T 0M8

**Vendor ID:** 0000168079  
**FEIN:** 98-0665125

**Contact Person:** Jennifer Westbury  
**E-Mail:** [jwestbury@pbl.ca](mailto:jwestbury@pbl.ca)  
**Local Telephone:** 204-474-2323 ext 217  
**Cell Phone Number:** 204-229-4590  
**Fax:** 204-453-1375

**Payment Terms:** Net 30

**Political Subdivisions:** Pricing is not available to the political subdivisions of the State of Kansas.

**Procurement Cards:** Agencies may not use a P-Card for purchases from this contract.

**Administrative Fee:** No Administrative Fee will be assessed against purchases from this contract.

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The above referenced contract award was recently posted to Procurement and Contracts website. The document can be downloaded by going to the following website: <http://www.da.ks.gov/purch/Contracts/>.

## 1. Terms and Conditions

### 1.1. Contract Documents

The bid event, any amendments, the response and any response amendments of the Contractor, and the State of Kansas DA-146a (Contractual Provision Attachment) shall be incorporated into the written contract, which shall compose the complete understanding of the parties.

In the event of a conflict in terms of language among the documents, the following order of precedence shall govern:

- Form DA 146a;
- written modifications to the executed contract;
- written contract signed by the parties;
- the Bid Event documents, including any and all amendments; and
- Contractor's written offer submitted in response to the Bid Event as finalized.

### 1.2. Captions

The captions or headings in this contract are for reference only and do not define, describe, extend, or limit the scope or intent of this contract.

### 1.3. Definitions

A glossary of common procurement terms is available at <http://admin.ks.gov/offices/procurement-and-contracts>, under the "Procurement Forms" link.

### 1.4. Contract Formation

No contract shall be considered to have been entered into by the State until all statutorily required signatures and certifications have been rendered and a written contract has been signed by the contractor.

### 1.5. Notices

All notices, demands, requests, approvals, reports, instructions, consents or other communications (collectively "notices") that may be required or desired to be given by either party to the other shall be IN WRITING and addressed as follows:

Kansas Procurement and Contracts  
900 SW Jackson, Suite 451-South  
Topeka, Kansas 66612-1286  
RE: Contract Number 42015

or to any other persons or addresses as may be designated by notice from one party to the other.

### 1.6. Statutes

Each and every provision of law and clause required by law to be inserted in the contract shall be deemed to be inserted herein and the contract shall be read and enforced as though it were included herein. If through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then on the application of either party the contract shall be amended to make such insertion or correction.

During the Term of this contract, Contractor shall comply with all provisions of laws, codes, ordinances, rules, regulations and tariffs.

### 1.7. Governing Law

This contract shall be governed by the laws of the State of Kansas and shall be deemed executed in Topeka, Shawnee County, Kansas.

### 1.8. Jurisdiction

The parties shall bring any and all legal proceedings arising hereunder in the State of Kansas District Court of Shawnee County, unless otherwise specified and agreed upon by the State of Kansas. Contractor waives personal service of process, all defenses of lack of personal jurisdiction and forum non conveniens. The Eleventh Amendment of the United States Constitution is an inherent and incumbent protection with the

State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this Agreement shall be deemed a waiver of the Eleventh Amendment

### **1.9. Mandatory Provisions**

The provisions found in Contractual Provisions Attachment (DA 146a) are incorporated by reference and made a part of this contract.

### **1.10. Termination for Cause**

The Director of Purchases may terminate this contract, or any part of this contract, for cause under any one of the following circumstances:

- the Contractor fails to make delivery of goods or services as specified in this contract;
- the Contractor provides substandard quality or workmanship;
- the Contractor fails to perform any of the provisions of this contract;
- the Contractor fails to make progress as to endanger performance of this contract in accordance with its terms or,
- the Contractor declares any form of Bankruptcy.

The Director of Purchases shall provide Contractor with written notice of the conditions endangering performance. If the Contractor fails to remedy the conditions within ten (10) days from the receipt of the notice (or such longer period as State may authorize in writing), the Director of Purchases shall issue the Contractor an order to stop work immediately. Receipt of the notice shall be presumed to have occurred within three (3) days of the date of the notice.

### **1.11. Termination for Convenience**

The Director of Purchases may terminate performance of work under this contract in whole or in part whenever, for any reason, the Director of Purchases shall determine that the termination is in the best interest of the State of Kansas. In the event that the Director of Purchases elects to terminate this contract pursuant to this provision, it shall provide the Contractor written notice at least 30 days prior to the termination date. The termination shall be effective as of the date specified in the notice. The Contractor shall continue to perform any part of the work that may have not been terminated by the notice.

### **1.12. Rights and Remedies**

If this contract is terminated, the State, in addition to any other rights provided for in this contract, may require the Contractor to transfer title and deliver to the State in the manner and to the extent directed, any completed materials. The State shall be obligated only for those services and materials rendered and accepted prior to the date of termination.

In the event of termination, the Contractor shall receive payment prorated for that portion of the contract period services were provided to or goods were accepted by State subject to any offset by State for actual damages including loss of federal matching funds.

The rights and remedies of the State provided for in this contract shall not be exclusive and are in addition to any other rights and remedies provided by law.

### **1.13. Antitrust**

If the Contractor elects not to proceed with performance under any such contract with the State, the Contractor assigns to the State all rights to and interests in any cause of action it has or may acquire under the anti-trust laws of the United States and the State of Kansas relating to the particular products or services purchased or acquired by the State pursuant to this contract.

### **1.14. Hold Harmless**

The Contractor shall indemnify the State against any and all loss or damage to the extent arising out of the Contractor's negligence in the performance of services under this contract and for infringement of any copyright or patent occurring in connection with or in any way incidental to or arising out of the occupancy, use, service, operations or performance of work under this contract.

The State shall not be precluded from receiving the benefits of any insurance the Contractor may carry which provides for indemnification for any loss or damage to property in the Contractor's custody and control, where such loss or destruction is to state property. The Contractor shall do nothing to prejudice the State's right to recover against third parties for any loss, destruction or damage to State property.

**1.15. Force Majeure**

The Contractor shall not be held liable if the failure to perform under this contract arises out of causes beyond the control of the Contractor. Causes may include, but are not limited to, acts of nature, fires, tornadoes, quarantine, strikes other than by Contractor's employees, and freight embargoes.

**1.16. Breach**

Waiver or any breach of any contract term or condition shall not be deemed a waiver of any prior or subsequent breach. No contract term or condition shall be held to be waived, modified, or deleted except by a written instrument signed by the parties thereto.

If any contract term or condition or application thereof to any person(s) or circumstances is held invalid, such invalidity shall not affect other terms, conditions, or applications which can be given effect without the invalid term, condition or application. To this end the contract terms and conditions are severable.

**1.17. Assignment**

The Contractor shall not assign, convey, encumber, or otherwise transfer its rights or duties under this contract without the prior written consent of the State. State may reasonably withhold consent for any reason.

This contract may terminate for cause in the event of its assignment, conveyance, encumbrance or other transfer by the Contractor without the prior written consent of the State.

**1.18. Third Party Beneficiaries**

This contract shall not be construed as providing an enforceable right to any third party.

**1.19. Waiver**

Waiver of any breach of any provision in this contract shall not be a waiver of any prior or subsequent breach. Any waiver shall be in writing and any forbearance or indulgence in any other form or manner by State shall not constitute a waiver.

**1.20. Injunctions**

Should Kansas be prevented or enjoined from proceeding with the acquisition before or after contract execution by reason of any litigation or other reason beyond the control of the State, Contractor shall not be entitled to make or assert claim for damage by reason of said delay.

**1.21. Staff Qualifications**

The Contractor shall warrant that all persons assigned by it to the performance of this contract shall be employees of the Contractor (or specified Subcontractor) and shall be fully qualified to perform the work required. The Contractor shall include a similar provision in any contract with any Subcontractor selected to perform work under this contract.

Failure of the Contractor to provide qualified staffing at the level required by the contract specifications may result in termination of this contract or damages.

**1.22. Subcontractors**

The Contractor shall be the sole source of contact for the contract. The State will not subcontract any work under the contract to any other firm and will not deal with any subcontractors. The Contractor is totally responsible for all actions and work performed by its subcontractors. All terms, conditions and requirements of the contract shall apply without qualification to any services performed or goods provided by any subcontractor.

### **1.23. Independent Contractor**

Both parties, in the performance of this contract, shall be acting in their individual capacity and not as agents, employees, partners, joint ventures or associates of one another. The employees or agents of one party shall not be construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor accepts full responsibility for payment of unemployment insurance, workers compensation, social security, income tax deductions and any other taxes or payroll deductions required by law for its employees engaged in work authorized by this contract.

### **1.24. Worker Misclassification**

The Contractor and all lower tiered subcontractors under the Contractor shall properly classify workers as employees rather than independent contractors and treat them accordingly for purposes of workers' compensation insurance coverage, unemployment taxes, social security taxes, and income tax withholding. Failure to do so may result in contract termination.

### **1.25. Immigration and Reform Control Act of 1986 (IRCA)**

All contractors are expected to comply with the Immigration and Reform Control Act of 1986 (IRCA), as may be amended from time to time. This Act, with certain limitations, requires the verification of the employment status of all individuals who were hired on or after November 6, 1986, by the Contractor as well as any subcontractor or sub-contractors. The usual method of verification is through the Employment Verification (I-9) Form.

The Contractor hereby certifies without exception that such Contractor has complied with all federal and state laws relating to immigration and reform. Any misrepresentation in this regard or any employment of persons not authorized to work in the United States constitutes a material breach and, at the State's option, may subject the contract to termination for cause and any applicable damages.

Unless provided otherwise herein, all contractors are expected to be able to produce for the State any documentation or other such evidence to verify Contractor's IRCA compliance with any provision, duty, certification or like item under the contract.

### **1.26. Proof of Insurance**

Upon request, the Contractor shall present an affidavit of Worker's Compensation, Public Liability, and Property Damage Insurance to Procurement and Contracts.

### **1.27. Conflict of Interest**

The Contractor shall not knowingly employ, during the period of this contract or any extensions to it, any professional personnel who are also in the employ of the State and providing services involving this contract or services similar in nature to the scope of this contract to the State. Furthermore, the Contractor shall not knowingly employ, during the period of this contract or any extensions to it, any state employee who has participated in the making of this contract until at least two years after his/her termination of employment with the State.

### **1.28. Nondiscrimination and Workplace Safety**

The Contractor agrees to abide by all federal, state and local laws, and rules and regulations prohibiting discrimination in employment and controlling workplace safety. Any violations of applicable laws or rules or regulations may result in termination of this contract.

### **1.29. Confidentiality**

The Contractor may have access to private or confidential data maintained by State to the extent necessary to carry out its responsibilities under this contract. Contractor must comply with all the requirements of the Kansas Open Records Act (K.S.A. 45-215 et seq.) in providing services under this contract. Contractor shall accept full responsibility for providing adequate supervision and training to its agents and employees to ensure compliance with the Act. No private or confidential data collected, maintained or used in the course of performance of this contract shall be disseminated by either party except as authorized by statute, either during the period of the contract or thereafter. Contractor agrees to return any or all data furnished by the State promptly at the request of State in whatever form it is maintained by Contractor. On the termination or

expiration of this contract, Contractor shall not use any of such data or any material derived from the data for any purpose and, where so instructed by State, shall destroy or render it unreadable.

### **1.30. Environmental Protection**

The Contractor shall abide by all federal, state and local laws, and rules and regulations regarding the protection of the environment. The Contractor shall report any violations to the applicable governmental agency. A violation of applicable laws or rule or regulations may result in termination of this contract for cause.

### **1.31. Care of State Property**

The Contractor shall be responsible for the proper care and custody of any state owned personal tangible property and real property furnished for Contractor's use in connection with the performance of this contract. The Contractor shall reimburse the State for such property's loss or damage caused by the Contractor, except for normal wear and tear.

### **1.32. Prohibition of Gratuities**

Neither the Contractor nor any person, firm or corporation employed by the Contractor in the performance of this contract shall offer or give any gift, money or anything of value or any promise for future reward or compensation to any State employee at any time.

### **1.33. Retention of Records**

Unless the State specifies in writing a different period of time, the Contractor agrees to preserve and make available at reasonable times all of its books, documents, papers, records and other evidence involving transactions related to this contract for a period of five (5) years from the date of the expiration or termination of this contract.

Matters involving litigation shall be kept for one (1) year following the termination of litigation, including all appeals, if the litigation exceeds five (5) years.

The Contractor agrees that authorized federal and state representatives, including but not limited to, personnel of the using agency; independent auditors acting on behalf of state and/or federal agencies shall have access to and the right to examine records during the contract period and during the five (5) year post contract period. Delivery of and access to the records shall be within five (5) business days at no cost to the state.

### **1.34. Off-Shore Sourcing**

If, during the term of the contract, the Contractor or subcontractor plans to move work previously performed in the United States to a location outside of the United States, the Contractor shall immediately notify the Procurement and Contracts and the respective agency in writing, indicating the desired new location, the nature of the work to be moved and the percentage of work that would be relocated. The Director of Purchases, with the advice of the respective agency, must approve any changes prior to work being relocated. Failure to obtain the Director's approval may be grounds to terminate the contract for cause.

### **1.35. On-Site Inspection**

Failure to adequately inspect the premises shall not relieve the Contractor from furnishing without additional cost to the State any materials, equipment, supplies or labor that may be required to carry out the intent of this Contract.

### **1.36. Indefinite Quantity Contract**

This is an open-ended contract between the Contractor and the State to furnish an undetermined quantity of a good or service in a given period of time. The quantities ordered will be those actually required during the contract period, and the Contractor will deliver only such quantities as may be ordered. No guarantee of volume is made. An estimated quantity based on past history or other means may be used as a guide.

### **1.37. Prices**

Prices shall remain firm for the entire contract period. Prices shall be net delivered, including all trade, quantity and cash discounts. Any price reductions available during the contract period shall be offered to

the State of Kansas. Failure to provide available price reductions may result in termination of the contract for cause.

### **1.38. Payment**

Payment Terms are Net 30 days. Payment date and receipt of order date shall be based upon K.S.A. 75-6403(b). This Statute requires state agencies to pay the full amount due for goods or services on or before the 30th calendar day after the date the agency receives such goods or services or the bill for the goods and services, whichever is later, unless other provisions for payment are agreed to in writing by the Contractor and the state agency. NOTE: If the 30th calendar day noted above falls on a Saturday, Sunday, or legal holiday, the following workday will become the required payment date.

Payments shall not be made for costs or items not listed in this contract.

Payment schedule shall be on a frequency mutually agreed upon by both the agency and the Contractor.

### **1.39. Invoices**

Each purchase order must be individually invoiced. Invoices shall be forwarded to the using agency in duplicate and shall state the following:

- date of invoice.
- date of shipment (or completion of work);
- purchase order number and contract number;
- itemization of all applicable charges; and
- net amount due.

### **1.40. Accounts Receivable Set-Off Program**

If, during the course of this contract the Contractor is found to owe a debt to the State of Kansas, a state agency, municipality, or the federal government, agency payments to the Contractor may be intercepted / setoff by the State of Kansas. Notice of the setoff action will be provided to the Contractor. Pursuant to K.S.A. 75-6201 et seq, Contractor shall have the opportunity to challenge the validity of the debt. The Contractor shall credit the account of the agency making the payment in an amount equal to the funds intercepted.

K.S.A. 75-6201 et seq. allows the Director of Accounts & Reports to setoff funds the State of Kansas owes Contractors against debts owed by the Contractors to the State of Kansas, state agencies, municipalities, or the federal government. Payments setoff in this manner constitute lawful payment for services or goods received. The Contractor benefits fully from the payment because its obligation is reduced by the amount subject to setoff.

### **1.41. Federal, State and Local Taxes**

Unless otherwise specified, the contracted price shall include all applicable federal, state and local taxes. The Contractor shall pay all taxes lawfully imposed on it with respect to any product or service delivered in accordance with this Contract. The State of Kansas is exempt from state sales or use taxes and federal excise taxes for direct purchases. These taxes shall not be included in the contracted price. Upon request, the State shall provide to the Contractor a certificate of tax exemption.

The State makes no representation as to the exemption from liability of any tax imposed by any governmental entity on the Contractor.

### **1.42. Shipping and F.O.B. Point**

Unless otherwise specified, prices shall be F.O.B. DESTINATION, PREPAID AND ALLOWED (included in the price bid), which means delivered to a state agency's receiving dock or other designated point as specified in this contract or subsequent purchase orders without additional charge. Shipments shall be made in order to arrive at the destination at a satisfactory time for unloading during receiving hours.

**1.43. Deliveries**

All orders shall be shipped clearly marked with the purchase order number. If delays in delivery are anticipated, the Contractor shall immediately notify the ordering agency of the revised delivery date or partial delivery date. The order may be canceled, without payment, if delivery time is unsatisfactory. The Contractor shall inform Procurement and Contracts of any supply or delivery problems. Continued delivery problems may result in termination of the contract for cause.

**1.44. Charge Back Clause**

If the Contractor fails to deliver the product within the delivery time established by the contract, the State reserves the right to purchase the product from the open market and charge back the difference between contract price and open market price to the Contractor.

**1.45. Debarment of State Contractors**

Any Contractor who defaults on delivery or does not perform in a satisfactory manner as defined in this Agreement may be barred for up to a period of three (3) years, pursuant to K.S.A. 75-37,103, or have its work evaluated for pre-qualification purposes. Contractor shall disclose any conviction or judgment for a criminal or civil offense of any employee, individual or entity which controls a company or organization or will perform work under this Agreement that indicates a lack of business integrity or business honesty. This includes (1) conviction of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract or in the performance of such contract or subcontract; (2) conviction under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property; (3) conviction under state or federal antitrust statutes; and (4) any other offense to be so serious and compelling as to affect responsibility as a state contractor. For the purpose of this section, an individual or entity shall be presumed to have control of a company or organization if the individual or entity directly or indirectly, or acting in concert with one or more individuals or entities, owns or controls 25 percent or more of its equity, or otherwise controls its management or policies. Failure to disclose an offense may result in the termination of the contract.

**1.46. Materials and Workmanship**

The Contractor shall perform all work and furnish all supplies and materials, machinery, equipment, facilities, and means, necessary to complete all the work required by this Contract, within the time specified, in accordance with the provisions as specified.

The Contractor shall be responsible for all work put in under these specifications and shall make good, repair and/or replace, at the Contractor's own expense, as may be necessary, any defective work, material, etc., if in the opinion of agency and/or Procurement and Contracts said issue is due to imperfection in material, design, workmanship or Contractor fault.

**1.47. Industry Standards**

If not otherwise provided, materials or work called for in this contract shall be furnished and performed in accordance with best established practice and standards recognized by the contracted industry and comply with all codes and regulations which shall apply.

**1.48. Implied Requirements**

All products and services not specifically mentioned in this contract, but which are necessary to provide the functional capabilities described by the specifications, shall be included.

**1.49. New Materials, Supplies or Equipment**

Unless otherwise specified, all materials, supplies or equipment offered by the Contractor shall be new, unused in any regard and of most current design. All materials, supplies and equipment shall be first class in all respects. Seconds or flawed items will not be acceptable. All materials, supplies or equipment shall be suitable for their intended purpose and, unless otherwise specified, fully assembled and ready for use on delivery

**1.50. Performance Guaranty/Bond (Amount)**

The Contractor shall file with the Director of Purchases a performance guaranty/bond in the amount of \$250,000. The guaranty shall be released upon the completion of this contract subject to total or partial

forfeiture for failure to adequately perform the terms of this contract. If damages exceed the amount of the guaranty, the State may seek additional damages.

A performance guaranty must be one of the following:

- certificate of deposit payable to the State; or
- a properly executed bond payable to the State.

Necessary bond forms will be furnished by Procurement and Contracts and can be completed by any General Insurance Agent. Bonds shall be issued by a Surety Company licensed to do business in the State of Kansas.

#### **1.51. Inspection**

The State reserves the right to reject, on arrival at destination, any items which do not conform with specification of the Contract.

#### **1.52. Acceptance**

No contract provision or use of items by the State shall constitute acceptance or relieve the Contractor of liability in respect to any expressed or implied warranties.

#### **1.53. Ownership**

All data, forms, procedures, software, manuals, system descriptions and work flows developed or accumulated by the Contractor under this contract shall be owned by the using agency. The Contractor may not release any materials without the written approval of the using agency.

#### **1.54. Information/Data**

Any and all information/data required to be provided at any time during the contract term shall be made available in a format as requested and/or approved by the State.

#### **1.55. Certification of Materials Submitted**

The Bid document, together with the specifications set forth herein and all data submitted by the Contractor to support their response including brochures, manuals, and descriptions covering the operating characteristics of the item(s) proposed, shall become a part of the contract between the Contractor and the State of Kansas. Any written representation covering such matters as reliability of the item(s), the experience of other users, or warranties of performance shall be incorporated by reference into the contract.

#### **1.56. Transition Assistance**

In the event of contract termination or expiration, Contractor shall provide all reasonable and necessary assistance to State to allow for a functional transition to another vendor.

#### **1.57. Integration**

This contract, in its final composite form, shall represent the entire agreement between the parties and shall supersede all prior negotiations, representations or agreements, either written or oral, between the parties relating to the subject matter hereof. This Agreement between the parties shall be independent of and have no effect on any other contracts of either party.

#### **1.58. Modification**

This contract shall be modified only by the written agreement and approval of the parties. No alteration or variation of the terms and conditions of the contract shall be valid unless made in writing and signed by the parties. Every amendment shall specify the date on which its provisions shall be effective.

#### **1.59. Severability**

If any provision of this contract is determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this contract shall not be affected and each provision of this contract shall be enforced to the fullest extent permitted by law.

## 2. Contract Requirements

### 2.1. Warranty Against Contingent Fees

The vendor shall identify all companies or persons retained (other than a bona fide employee working solely for the vendor) to solicit or secure this contract, and warrants that it has not paid or agreed to pay any person or entity (other than a bona fide employee working solely for the vendor) any fee, commission, percentage, brokerage fee, gift, or other consideration on a basis that is contingent upon the award of this contract. For breach or violation of this warranty, the Lottery shall have the right to annul the contract without liability or in its discretion to deduct from the contract price the full amount of such commission, percentage, brokerage, or contingent fee.

### 2.2. Compromising Statements

The vendor agrees by submitting a proposal(s) in response to the RFP that, at no time during the proposal process or at any time after the award of a contract, the vendor, whether successful or not, will make any public claim that its product or service is superior to that of any other vendor or that the products or services of any other vendor are inferior.

### 2.3. Non-Exclusive Rights

Except as otherwise provided in this contract, it is understood and agreed by the vendor(s) that the Lottery does not grant the vendor(s) exclusive rights to provide all equipment, materials, and services required by the Lottery during the period covered by the contract. In the event the Lottery decides that the development, manufacture, and delivery of equipment, materials, and services required by the Lottery by another vendor is in the Lottery's best interest, the Lottery reserves the right during the period of this contract to contract, purchase, and use additional equipment, materials, and services from another vendor(s), and said action does not infringe upon nor terminate the contractual agreements resulting from the RFP.

### 2.4. Governing Laws

This contract shall be construed in accordance with and governed by the laws of the State of Kansas, including the Uniform Commercial Code as codified in Chapter 84 of the Kansas Statutes Annotated and the *Kansas Lottery Act K.S.A. 74-8701, et seq.*, as amended.

### 2.5. Assignment, Transfer, Conveyance, Subcontracting and Disposal

2.5.1. The vendor(s) shall not assign, transfer, convey, subcontract, or dispose of any contract resulting from the RFP, or its rights, title, interest, or power to execute such assignments to any other person, company, corporation or entity without the previous written consent of the Lottery.

2.5.2. Any proposed subcontractor shall be subject to filing such financial and background information as requested by the Lottery.

2.5.3. The Lottery shall approve the terms of all subcontracts entered into by the vendor for the purpose of completing the provisions of this contract. If a subcontractor is approved, the resulting contract between the vendor and the subcontractor shall designate one of the parties to be the sole point of contact with the Lottery. All records relating to subcontracts shall be available for audit or examination as requested by the Lottery. A copy of the complete executed contractual arrangement between the vendor and the subcontractor must be provided to the Lottery.

2.5.4. The Vendor is responsible for and shall indemnify the Lottery for all acts of its subcontractors.

### 2.6. Proprietary Material and/or Licensed Property

The vendor's proposal need not include any allowance for royalties to be paid to outside parties for rights to use any proprietary material (e.g., scenes, portraits, photographs, copyrights, trademarks) or licensed property. If the Lottery chooses to use such proprietary materials and/or licensed property, and if such

royalties/fees are involved, the Lottery will reimburse the vendor at cost for such items. If the Lottery is not provided prior notification of cost, the cost shall be borne by the Vendor. If proprietary materials and/or licensed property allowances/fees are provided by the vendor without cost to the Lottery, either in total or in part, the vendor's proposal shall include a percentage allowance for current and future royalties/license fees.

All current and future propriety materials and license fees, whether paid for by the Lottery or waived in total or in part by the vendor, that are associated with a ticket that is being produced by a vendor shall be considered part of the RFP process and as such, shall not require further negotiations, or agreements. Vendor may be permitted to submit price requirements and order quantities only for future Intellectual properties or licensed products offered by the Vendor.

**2.7. Ownership of Materials**

All materials and data produced for the Lottery under a contract resulting from the RFP shall be owned by the Lottery unless otherwise agreed to in writing by the Lottery.

All games, Intellectual Properties, products or enhancements developed solely by the Lottery shall remain the sole and exclusive property of the Lottery. Future use of said products by the Vendor may be permitted under a future agreement which may include additional compensation to the Lottery.

**2.8. Confidentiality**

Vendor may have access to private or confidential data maintained by the Lottery to the extent necessary to carry out its responsibilities under this contract. Vendor must comply with all the requirements of the *Kansas Open Records Act* in providing services under this contract. Vendor shall accept full responsibility for providing adequate supervision and training to its agents and employees to ensure compliance with the Act. No private or confidential data collected, maintained or used in the course of performance of this contract may be disseminated by either party except as authorized by statute either during the period of the contract or thereafter. Vendor must agree to return any and all data furnished by the Lottery promptly at the request of the Lottery in whatever form it is maintained by vendor. On the termination or such expiration of this contract, vendor will not use any of such data or any material derived from the data for any purpose, and where so instructed by state, will destroy or render it unreadable.

**2.9. Non-Disclosure of Lottery Plans**

The vendor must use its best efforts to assure that the details of games and other plans of the Lottery are not disclosed to persons or organizations, other than the personnel, agents, and subcontractors of the vendor, whose assistance is necessary for the performance of the contract resulting from the RFP, until the Lottery announces same.

**2.10. News Releases**

The Lottery and the Procurement Negotiating Committee are the only entities authorized to issue news releases relating to the RFP, its evaluation, award, or any contract and performance there under. The vendor shall submit all proposed news releases in any way relating to the Lottery or Lottery activities to the Lottery and receive Lottery approval prior to release.

**2.11. Non-Disclosure of Vendor Confidential Information**

The Lottery will use its best efforts to assure that neither the Lottery nor any of its personnel or designees discloses to any other person or organization any information marked "confidential" by the vendor in accordance with the procedure established in the RFP.

**2.12. Inspection**

The Lottery, or its authorized representative, has the right at all times to inspect, or otherwise evaluate, all phases of performance under this contract and the premises in which it is being performed. Costs associated with onsite inspections by no more than four (4) lottery employees per year shall be the responsibility of the vendor(s).

**2.13. Vendor Personnel**

The vendor shall warrant that all persons assigned by it to perform this contract shall be employees of the vendor (or specified subcontractor) and shall be fully qualified to perform the work required. The vendor shall include a similar provision in any contract with any subcontractor selected to perform work under this contract.

The Lottery may request replacement of any vendor personnel believed unable to carry out the responsibilities of this contract. The Lottery shall have the right to approve the assignment of any vendor personnel to positions requiring specific management of the delivery of services or products and to positions requiring close and frequent coordination with the Lottery staff and management. The vendor shall warrant that personnel assigned to perform tasks in response to the RFP will remain assigned for the agreed upon length of time, and will not be replaced or reassigned except by mutual agreement following receipt of written notice by the Lottery.

The vendor shall immediately notify the Lottery Director of Security of all personnel changes involving officers, directors, stockholders owning 5% or more of the stock of the corporation, and other persons working on Lottery business.

**2.14. Acceptance of Deliverables**

The Lottery may reject any product or service which does not conform to the specifications of the RFP or other written specifications agreed upon by the Lottery and the vendor.

**2.15. Payment**

Payment terms, if any, shall be agreed upon between the successful vendor(s) and the Lottery.

**2.16. Warranty**

All errors and defects not caused by the fault or negligence of the Lottery shall be corrected by the vendor free of charge within ten (10) days after notification of the error or defect, and Vendor shall indemnify the Lottery for any and all damages arising from those errors or defects.

**2.17. Disputes**

Should any disputes arise with respect to this contract; the vendor and the Lottery agree to act immediately to resolve such disputes. The vendor agrees that the existence of a dispute notwithstanding, it will continue without delay to carry out all its responsibilities under the contract of all non-disputed work. Any additional costs incurred by the vendor or the Lottery as a result of such failure to proceed shall be borne by the vendor, and the vendor shall make no claim against the Lottery for such costs.

**2.18. Conflict of Interest**

No member of the Lottery Commission, Executive Director, employee of the Lottery or any person residing in the same household of either of the aforementioned shall, directly or indirectly, individually, as a member of a partnership or other association, or as a stockholder, director or officer of a corporation, have an interest in a business which contracts under the RFP.

**2.19. Ticket Purchase and Prize Payment Restrictions**

The contractor for either component of the RFP and subsequent contract(s) shall comply with the provisions of K.S.A. 74-8719 and amendments thereto relating to the purchase of tickets or receipt of prizes.

**2.20. PERFORMANCE BOND**

The successful Contractor(s) for the Production of Lottery Tickets component of the RFP shall be required to submit to the Lottery, within 20 state working days, and maintain during the term of any contract and any extension thereof, a performance bond or an irrevocable letter of credit in the amount of \$250,000, binding the contractor to faithfully fulfill and perform its obligations under the contract. In the event a bond is chosen, it must be executed by a company authorized to do business in Kansas. The cost of such bond shall be paid by the Contractor.

A Performance Bond form for Contractor use is attached to the RFP.

In the event an irrevocable letter of credit is chosen in lieu of a performance bond, it must be provided on a form acceptable to the Executive Director and from a highly rated financial institution acceptable to the Executive Director.

## **2.21 DDD BOND**

The successful contractor(s) shall acquire a "DDD" (disappearance, dishonesty and disaster) bond, fidelity bond, or crime insurance in the amount of at least \$3,000,000 to cover any loss to the Lottery due to any fraudulent or dishonest act on the part of the contractor, or any officer, employee, agent, or subcontractor of the contractor. The contractor must deliver a certificate evidencing this coverage to the Lottery within 20 state working days of the contract award. Failure to post such a bond within this time period shall void the contract award. The bond shall be issued by a bonding company licensed to operate in Kansas. The cost of such bond shall be paid by the contractor.

## **2.22 INSURANCE**

The successful contractor(s) shall maintain throughout the life of the contract the following insurance to provide funds for fees, legal costs, loss of revenue or claims incurred as a result of the contractor's performance. The required insurance policies must be acquired from companies authorized to do business in Kansas. The insurance shall be payable to the Lottery and to the contractor as co-insureds or loss payees as their respective interests may appear. Each such policy of insurance shall contain a provision whereby it cannot be cancelled except upon 30 days written notice to all insureds. In the event that the contractor's carrier cancels any policy, contractor shall immediately obtain a replacement policy. The contractor shall furnish to the Lottery evidence of insurance within 20 state working days of the effective date of the contract, and evidence of any renewals or replacements within 20 state working days of expiration or cancellation, respectively.

**2.22.1.** The successful contractor(s) shall provide Public Liability Insurance of \$1,000,000 minimum for one person and \$2,000,000 for any one occurrence for personal injury, and \$1,000,000 for any one occurrence for property damage.

**2.22.2.** Vehicle Liability Coverage for all successful contractor(s) owned vehicles operated in Kansas shall be maintained in accordance with applicable state laws.

**2.22.3.** Errors and Omissions Insurance: The successful contractor(s) will be required to obtain an errors and omissions liability insurance policy for the term of the contract and provide proof of same to the Lottery. Such policy shall cover at least the following risks and limits:

**2.22.3.1.** Over-redemption: Coverage will be obtained to indemnify the Lottery for 100 percent of prizes that Lottery becomes legally obligated to pay for winning tickets manufactured by the contractor that are not on the validation files or are duplicates of valid winning tickets.

**2.22.3.2.** Lottery Expenses: In addition to the insurance for errors and omissions in connection with tickets for the instant games, coverage shall be obtained, and proof provided to the Lottery, to indemnify the Lottery for up to \$250,000 per instant game for actual incurred expenses (e.g., advertising, promotion, etc.) for which the Lottery does not receive full value because the Lottery discontinues a game due to poor manufacturing quality of the tickets, deviation from the approved prize structure, identification of winning tickets before play, or any other defect identified by the Lottery in connection with the production of the Lottery's instant game tickets. In establishing over-redemption, the Lottery shall be required to show the contractor the tickets creating the alleged over-redemption and permit the contractor to examine such tickets. Contractor shall not be liable for altered or counterfeit tickets which, through no fault of the contractor, its agents or employees, are paid by Lottery retailers or claim centers or for any errors by retailers or claim centers as to the amount of prize to be paid for a given ticket.

- 2.22.3.3. A statement of self-insurance to cover the above requirements shall be considered non-responsive and shall disqualify the bidder.
- 2.22.3.4. Neither the Lottery nor the state shall be required to purchase any insurance against loss or damage to any personal property nor shall they establish a "self-insurance" fund to protect against any loss or damage. Subject to the provisions of the Kansas Tort Claims Act, the contractor shall bear the risk of any loss or damage to any personal property.

## 2.23 Problem Tickets Problems

The vendor shall outline the nature of the problems to which its particular ticket production system is susceptible. The vendor shall supply a detailed description of each type of problem, the cause, the frequency with which it has happened in the past, and the steps that have been taken to eliminate, reduce or deal with occurrences of the problem. The disclosures made in the section must be complete and cover at minimum the preceding three (3) years,

## 2.24 Liquidated Damages

2.24.1 Late Delivery: Delivery dates of products or services to be furnished will be negotiated and indicated in the contract award, so that the schedule of the Lottery program will not be delayed. If any of the products or services specified by this contract are not delivered within the time limits specified in the award, the delay may interfere with the proper fulfillment of the statutory responsibilities and operational priorities of the Lottery. Since correction of actual damages sustained by the Lottery may be impractical or extremely difficult, the Contractor and the Lottery agree that the Contractor, at the option of the Lottery, may be required to pay as liquidated damages, and not as a penalty, an amount calculated as set forth herein. Amounts due to the Lottery as liquidated damages may be deducted by the Lottery from any money payable to the Contractor pursuant to this contract. The Lottery shall notify the Contractor in writing of any claim for liquidated damages on or before the Lottery deducts such sums from money payable to the contractor.

2.24.1.1. In the event instant lottery tickets are not delivered on or before thirty-four (34) calendar days after the Lottery delivers the work papers to the contractor within written directions from the Lottery to proceed with production, in the agreed upon quantity, or deviate from the quality specifications contained in this contract, liquidated damages may be assessed at a rate of one tenth of one percent (0.1%) of the retail price (face value) of the tickets not delivered for each calendar day that the schedule is not met, plus any and all advertising and other out-of-pocket costs incurred by the Lottery in connection with such games.

2.24.1.2. In the event first draft working papers, including first draft prize structure and first draft conceptual art, work papers and conceptual art are not delivered on or before fourteen (14) calendar days after the Lottery delivers the initial game concept and prize parameters to contractor, liquidated damages may be assessed at a rate of one-tenth of one percent (0.1%) of the retail price (face value) of all tickets expected by Lottery to be ordered for each calendar day that the schedule is not met, plus any other out-of-pocket costs incurred by the Lottery in connection with said game.

### 2.24.1.3. Exceptions

2.24.1.3.1. Except with respect to defaults of subcontractors, the Contractor may not be liable for liquidated damages or the Lottery payments, when delays arise for reasons related to natural disasters. The Contractor must provide prompt and reasonable notice of such conditions.

2.24.1.3.2. If delays are caused by the default of a subcontractor, and if such default arises out of causes beyond the control of both the Contractor and subcontractor, and without the fault or negligence of either of them, the Contractor shall not be liable for liquidated damages, unless the supplies or services to be furnished by the subcontractors were obtainable from other sources in sufficient time to permit the contractor or the Lottery to meet the

required performance schedule. The Contractor must provide prompt and reasonable notice of all such delays.

**2.24.2. Non-Conforming Tickets:** Should any ticket in a book of tickets be considered non-conforming because of pick out, ticket manufacturing quality is unacceptable, or not meeting the specifications of the final approved working papers, damages may be sustained by the Lottery. It is, therefore, agreed that if non-conforming tickets are delivered, the Contractor shall pay to the Lottery as liquidated damages 30% of the retail price (face value of the tickets) of each book of non-conforming tickets delivered by the contractor, plus any and all advertising and other out-of-pocket costs incurred by the Lottery in connection with such game if the entire game is not marketable as determined by the Lottery. Liquidated damages shall not be assessed for non-conforming tickets if Contractor timely replaces the tickets or otherwise rectifies the problem to the satisfaction of the Lottery.

## **2.25 Multiple Contractors**

There is no guarantee that the Lottery will order any specific number of tickets from any contractor. There is the potential that services from one or more of the contractors would not be utilized at all.

### 3. Specifications

#### 3.0 WORK TO BE PERFORMED – INSTANT TICKETS OPTION A

The work to be performed, except as may be modified by working papers, shall be as follows:

#### 3.1. Instant Lottery Tickets Option A

##### 3.1.1 SIZE and PRICING

Most tickets shall be printed on a minimum 10 point card stock paper. Unless otherwise specified, other ticket sizes, types, and options are set forth in "Cost proposal form" Appendix D. Ticket size may vary by up to 5% in any direction, but the total area of the ticket shall not vary by more than 5% of the total ticket size specifications. The Lottery chooses to utilize the price per 1000 ticket pricing option for all games

##### 3.1.2 TICKET BOOKS

Unless agreed otherwise, tickets shall be printed in books with a face value at \$300 with five (5) or less tickets per page in a continuous fan-fold arrangement as determined by the Lottery. The total length of each pack of tickets shall not exceed 11 inches unless requested specifically by the Lottery.

3.1.2.1. Books shall be assembled to maintain the consecutive order of tickets in the book and to make pilferage of individual tickets immediately evident.

3.1.2.2. Each ticket shall bear a number. Book numbers are to be consecutive and non-duplicating. Each ticket shall bear an individual consecutive number beginning with 000 in each book.

3.1.2.3. Perforations between tickets shall allow tickets to be separated easily from each other after one prefold, but tickets shall not break apart during normal handling. If a stub is used, a lesser perforation is possible between the ticket and its stub, but perforations shall not break without prefold.

##### 3.1.3 COLORS

Six (6) distinct colors shall be used for display printing on the front of the tickets, three (3) colors for the overprint and one (1) for the back, or any combination of the ten (10) total colors. The Lottery may require, at its option, that the color of tickets for a particular game be changed during ticket production.

##### 3.1.4 SYMBOLS

Lottery symbols shall be printed by a computer-controlled imaging printer in black ink or other color specified by the Lottery on the foil side of the stock or front side of the ticket for paper tickets. Symbols shall be legible, uniformly positioned except as needed for purposes of security, uniformly aligned and easily read by persons with normal vision. Special symbols will be developed and shall be available at no extra cost as required by the game design. Application of lottery symbols shall be performed in a statistically random method to avoid the possibility of "companion" game tickets being chosen in variance to the probability of winning a particular prize from the game as a whole.

##### 3.1.5 VALIDATION AND BAR CODES

3.1.5.1 Each ticket and each stub shall have a validation number that allows computer reconstruction of lottery symbols, is unique and non-repeating in the lottery as a whole, and is not the book number. The contractor shall be able to image a unique 11-digit validation number on every ticket in the game play area and covered with scratch-off material or pull tabs as is applicable. The validation number is currently formatted as follows:

VVVVV	The first six (6) digits of the validation number,
A	a one (1) digit Auto Cash Code
C	a one (1) digit check digit of the first 15 digits (fifteen) of the bar code (Mod 10)
-	a dash
VVV	the three (3) digit control number (PIN number)
NOTE:	The last three (3) digits of the validation code will be boxed and separated by a hyphen to facilitate retailer entry.
Float	Validation code will randomly float between four (4) places in the game area and covered with scratch off material. This feature will be determined on an as needed basis.

**3.1.5.2** The contractor shall print on the back or front of each ticket, as determined by Lottery, a 20-digit bar code capable of being read by electronic scanning equipment for ticket/book validation and processing redeemed tickets.

**3.1.5.3** The bar code will be interleaved 2 of 5 and formatted (1,2,3,4,) "GGGSPPPPVVVVVATTTC" where the characters represent the following:

GGG	a three (3) game identifier
S	a one (1) digit pack size indicator
PPPPP	a five (5) digit pack number ranging from 00000-99999
VVVVV	the first six (6) digits of the validation number
A	the one (1) digit Auto Cash Code
TTT	three-digit ticket number
C	a one (1) digit check digit of the bar code (MOD 10).

**3.1.5.4** The contractor(s) shall also print a Lottery-specific UPC code on the back of each ticket.

**3.1.5.5** The ticket contractor(s) shall include a keyless validation barcode to address PDF 417 situations.

**3.1.5.6** The contractor shall be capable of implementing ticket restriction on strings of consecutive non-winning tickets.

**3.1.6** **RUB-OFF**

The rub-off or other exposing material shall be opaque and of such quality as to maintain the security of the tickets' symbols and validation number.

**3.1.7** **PROTECTIVE COATING**

Symbols shall be protected with a transparent protective coating under the rub-off so that the symbols are protected when the consumer rubs off the opaque covering.

### 3.1.8 OVERPRINT

A three-color overprint of a regular artistic design shall be printed on top of the rub-off material covering lottery symbols. The overprint covering lottery symbols shall be clear, un-blurred and sharp to facilitate detection of tampering. The lottery may require, at its option, that the color(s) of overprints for tickets of a particular game be changed midway through ticket production.

### 3.1.9 INKS

Inks shall not smear, run or stain under normal handling. Inks shall not be chemically or dermatologically irritating under normal handling. Inks, except overprint ink, shall be resistant to water and other solvents to improve the ability of the Lottery to detect counterfeit tickets.

### 3.1.10 SECURITY

**3.1.10.1** The contractor shall incorporate measures for manufacturer and distributor security. The location of the winning tickets to the book-ticket numbers on the tickets shall not be matched in any computer tape, computer program, and computer file, CD, DVD or other document.

**3.1.10.2** **Quality Control Testing:** Three (3) packs of tickets shall be pulled from the game run ("start", "middle", and the end) of each game produced and shall be sent via Federal Express priority overnight delivery to:

Director of Security  
Kansas Lottery  
128 North Kansas Avenue  
Topeka, Kansas 66603-3638

At the same time, specific book numbers for the three (3) pulled books will be mailed to the vendor's representative. A brief book reconstruction will be done on one (1) of the pulled packs. The reconstruction information will be sent by e-mail to the attention of the Director of Security.

These tickets shall be used for lottery game, validation, auto cash and prize level testing. A minimum of three (3) packs of tickets must be provided for this purpose.

The contractor shall coordinate with the Lottery Director of Security to ensure that packs pulled for quality control testing contain no high-tier prizes.

**3.1.10.3** Tickets will be transported to the main Lottery headquarters in locked, sealed, exclusive use vehicles.

**3.1.10.4** The following provisions shall be incorporated to assure that winning and non-winning tickets are not recognizable except by rubbing off the covering and exposing the lottery symbols:

(a) The odds of winning any prize shall not vary from the odds of winning contained in the final approved prize structure.

(b) The ticket shall be rendered unsalable and easily recognized as having been tampered with by any attempt to discern whether it is a winner or non-winner. In particular, the rub-off spots shall not be susceptible to use of "see-through" devices such as high intensity light, x-rays, infrared lasers, chemicals, electrical, photographic, thermal, copy machine, solvents or other practically available devices or techniques. The contractor shall test packs from each game and provide a copy to the Director of Security.

(c) Deficiencies in randomization shall not cause a variance of the odds of winning any prize from the final approved prize structure.

**3.1.10.5** The Contractor's plant or facility shall contain complete and satisfactory security arrangements. A description of the Contractor's security precautions shall be provided in the bid response. The Lottery shall approve security arrangements, and the Contractor shall not change production of tickets to another plant or facility without inspection and written approval by the Lottery. The Contractor shall incorporate all reasonable security measure suggestions upon receipt of written notice from the Lottery. The Contractor shall immediately notify the Lottery of any security breach or theft.

**3.1.10.6** Tickets may be printed using a single pass method.

**3.1.11 WRAPPING AND BOXING**

Books shall be shrink wrapped in such a manner that the book-ticket number is visible and then sealed in a shipping box tested at not less than 275 pounds. Unless otherwise agreed, each shipping box shall contain no more than 30 books of tickets and shall be bar coded and clearly marked on the exterior with the game number and range of book numbers contained therein except that omitted books shall be marked on the box. Cartons shall be arranged on pallets as specified by the Lottery in the work papers.

**3.1.12 WARRANTY**

Any tickets that fail to rub-off satisfactorily, or that fade, peel, smear or change color, and are unsold because of this failure will be replaced or appropriate credit given by the contractor within ten (10) days of notification of the defect.

**3.1.13 ADDITIONAL SPECIFICATIONS**

**3.1.13.1** The Contractor shall be prepared to assist the Lottery in developing additional specifications for all instant games. The Lottery and the Contractor shall agree on detailed ticket specifications; order quantities; packaging, shipping and delivery schedules; prize structures and art for the front and back before the Contractor commences production.

**3.1.13.2** The Contractor shall consult with the Lottery to develop the prize structure for the game. The Lottery has final approval for all prize structures.

**3.1.13.3** The Contractor shall provide to the Lottery for approval a conceptual art design and final mechanical art for the front and back of tickets before production begins.

**3.1.13.4** The Contractor shall adhere to the following time line for production of work papers, art production and delivery of tickets. First draft working papers, including first draft prize structure and first draft conceptual art, shall be delivered to the Lottery no later than fourteen (14) calendar days after the Lottery delivers the initial game concept and prize structure parameters to the contractor. Production of the game shall commence no later than twenty-eight (28) calendar days from the time the Lottery signs and delivers the work papers to the Contractor. Tickets shall be delivered to the Lottery no later than thirty-four (34) calendar days after the Lottery signs and delivers the work papers to the Contractor with written directions from the Lottery to proceed with production.

**3.1.13.5** Simultaneous with providing work papers, Contractor shall provide written game rules following a standardized form to be established by the Lottery. And, if requested by the Lottery, all work papers and rules shall be developed in Microsoft Word or other software as specified by the Lottery and transmitted to the Lottery via E-mail, or as otherwise specified by the Lottery.

- 3.1.13.6 The Contractor shall provide an end-of-run prize structure at the end of the printing of a game detailing the expected and actual number of prizes in each prize level by an independent certified public accounting firm.

#### **3.1.14 ADDITIONAL QUALITY SPECIFICATIONS**

Tickets shall meet the following quality provisions:

- 3.1.14.1 No scratches across the latex coverings of the tickets.
- 3.1.14.2 No rough, uneven latex coverings.
- 3.1.14.3 No holes in the latex coverings exposing portions of hidden symbols.
- 3.1.14.4 No latex coverings "dripping" on the display printing.
- 3.1.14.5 No latex coverings that smear or fail to come off when rubbed.
- 3.1.14.6 No overprint and display designs that are unclear or not crisply printed.
- 3.1.14.7 No tickets out of order within a book.
- 3.1.14.8 No lottery symbols that are chopped or incomplete.
- 3.1.14.9 No foil coating that rips away when the ticket is rubbed.
- 3.1.14.10 No miscounted number of tickets in a book.
- 3.1.14.11 No perforations that allow tickets to fall out of books without prefold.
- 3.1.14.12 No tears in foil.
- 3.1.14.13 No delamination of foil from paper stock.
- 3.1.14.14 No inks offset on latex covering from one ticket to another.
- 3.1.14.15 No off-register latex coverings or overprint designs.
- 3.1.14.16 No symbols not totally covered by the latex covering.
- 3.1.14.17 No symbols that smear under normal handling or with slight moisture.
- 3.1.14.18 No unevenly trimmed tickets.
- 3.1.14.19 No foil shavings within books.
- 3.1.14.20 No duplication of VIRN numbers. ("Void if removed Number" – the series of digits on the face of a Scratch-It ticket located beneath the play area and covered in latex)
- 3.1.14.21 Other quality measures deemed necessary by the Lottery.

#### **3.1.15 ADDITIONAL SERVICES**

At no additional charge, the Contractor shall provide the following services to the Lottery:

- 3.1.15.1 Creative design of instant games.
- 3.1.15.2 Detailed lottery design, including playing rules, ticket copy, art work and printing. The Contractor shall provide a full-time customer service artist to coordinate ticket design and activities with the Lottery's art department. Communications will be via telephone and

computer modem, FTP site, email, and any other communication modality that is pre-agreed to in writing by the lottery and the contractor.

All hard copies of contractor-provided artwork shall be delivered to the Lottery by overnight delivery and shall be accompanied by a compatible electronic format copy if requested by the Lottery. Final art purporting to show actual press appearance (draw-downs, etc.) should be as accurate in color rendition as possible.

- 3.1.15.3** All computer typesetting services.
- 3.1.15.4** Federal and state trademark searches and counsel's opinions on the names and designs selected for instant games, and their safe usage thereof.
- 3.1.15.5** A minimum of 3,000 actual size voided sample tickets for each game.
- 3.1.15.6** Full ultra violet varnish coat - face of ticket.
- 3.1.15.7** Bar coding and UPC coding on back of all tickets.
- 3.1.15.8** Game/pack number to be imaged twice on back of each ticket: One below bar code and one at top of ticket.
- 3.1.15.9** Top prizes of one-hundred thousand dollars (\$100,000) or less at no extra charge.
- 3.1.15.10** Void furnish with each pack.
- 3.1.15.11** At minimum, annual strategic ticket production and marketing plan presentation at Topeka Lottery location.
- 3.1.15.12** Sting tickets/Compliance game that will be added to the end of a game run at the expense of the vendor. The Lottery will pick a maximum of two games per year.

The Contractor shall provide the following services at no additional cost, or at the cost detailed on the Additional Items Cost Sheet located in Appendix A. These items may relate to one or both components of the RFP and the vendor shall provide specific detail in bid specifications and costs.

- 3.1.15.13** The right to use any and all licensed property the contractor has rights to, including and not limited to images, names, products, etc. at no cost or at a minimal cost to the Lottery. If a cost is charged it will be factored into total cost of ticket production.
- 3.1.15.14** A Market Research Fund that consists of an annual contractor set-aside equal to no less than forty-thousand dollars (\$40,000) per annum. Monies in this fund to be used for Lottery sponsored/conducted research projects, focus groups, exploratory/research trips, training, strategic planning, and other items related to ticket production and the sale, display, marketing, etc. of Lottery instant tickets. Monies not used in any given year will roll to the following year. Accumulated funds will remain the property of the Lottery and will not reduce per annum set-asides.

Vendor shall be responsible for \$40,000 payment for the first year of this agreement. Subsequent Market Research fund expenses shall be divided among all ticket vendors the Lottery does business with, which each paying a pro-rata share of the established Market Research Fund for that year (as determined by the Lottery), based on their total dollars spent per year, per vendor on instant ticket/licensed properties for the Lottery of the Lottery's overall ticket printing for the previous year. In no event will the annual Market Research fund expenses cumulatively exceed \$120,000 per year.

Accumulated funds will not reduce per annum dollars. Unspent dollars at the end of the contract or final renewal period, whichever comes last, will be retained by the Contractor(s). This fund relates to all Contractors.

- 3.1.15.15** A Travel Fund that that consists of an annual contractor set-aside equal to no less than ten thousand dollars (\$10,000) per annum will pay public transportation carrier travel expenses and lodging only for Lottery staff to attend conferences, trainings, vendor and/or other state visits and inspections, etc. Monies not used in any given year will roll to the following year. Accumulated funds will remain the property of the Lottery and will not reduce per annum set-asides.
- Accumulated funds will not reduce per annum dollars. Unspent dollars at the end of the contract or final renewal period, whichever comes last, will be retained by the Contractor(s). This fund relates to all Contractors.,
- 3.1.15.16** Point of Sales items that reflect tickets and promotions, and/or general lottery operations and activities.
- 3.1.15.17** Storage and rotation of ticket stock to address potential disaster recovery issues. Vendor shall store on Lottery's behalf, at a secure location of Vendor's choosing with Lottery's approval, a maximum of three Lottery games, to be selected by Lottery. Vendor shall provide this storage of tickets at no cost to the Lottery.
- 3.1.15.18** Mobile scanning capabilities that remain current with evolving scanning capabilities and that are capable of interfacing with Players' Loyalty Program and other lottery initiatives.
- 3.1.15.19** Demonstrated ability for vendor products to readily interface with other vendors and systems, at no additional cost to the Lottery.
- 3.1.15.20** Independent quality assurance and effectiveness audit on vendor products and programs.
- 3.1.15.21** Unless otherwise pre-agreed to by the Lottery, all delivery trucks will be equipped with fully functioning air lift capabilities.

### **3.2 WORK WITH OTHER CONTRACTORS AND THE LOTTERY**

The Contractor(s) shall coordinate with other contractors contracted under this contract and assist in the selection of future contractors if asked in writing by the Lottery during the term of this contract.

- 3.2.1** This work may include, but not be limited to, working with advertising services, delivery services, security consulting, the online vendor, market researcher, other ticket producers for conformity, integration and other services, and other data processing services.
- 3.2.2** The Contractor(s) shall assist the Lottery in preparing rules and regulations to govern Lottery operations for rules for games conducted by the Lottery.
- 3.2.3** The Contractor(s) may be required to export or create data to/from pre-existing forms provided by the Lottery to be shared with other regulatory bodies for the purpose of ticket creation and usage.
- 3.2.4.** The Contractor shall reconstruct individual lottery tickets or any other pertinent information upon written request, signed by a designated official of the Lottery, to assist in the validation of questionable prize winners, assist in other investigations of ticket creation or usage, or any other law enforcement related purposes.
- 3.2.5.** Individual licensing agreements for specific future games shall be adopted under the general provisions of the contract(s), any amendments and the RFP. Said licensing agreements will not restate terms of these contracts(s), any amendments, or the RFP but instead only list terms specific to that individual licensing agreement.
- 3.2.6** The Contractor(s) may be required to ensure tickets may be used/dispensed by independent or third (3<sup>rd</sup>) party electronic dispensing machines or online service providers and/or other ticket delivery systems.

### **3.3 AUDIT PROCEDURES**

Accounting procedures of the Contractor(s) for all ticket validations, financial and accounting records shall be in accordance with generally accepted accounting principles and all records relating to the Lottery shall be available to the Lottery or its designees. The Contractor shall obtain the opinion of an independent certified public accounting firm that procedures and controls for production and handling of instant games are adequate to preclude compromise of the game. The CPA firm shall audit a sample of actual computer run tapes used to print tickets and randomly sample in the Contractor's plant finished books to determine conformity to the approved prize structure. The report shall include information on whether the Contractor was reluctant to cooperate with the accounting firm conducting the audit, and a copy of the report forwarded to the Director of Security.

### **3.4 SOFTWARE SUPPORT FOR INSTANT TICKETS**

All instant lottery tickets and attendant services shall be compatible with existing and future hardware and software utilized by the Lottery. The Contractor(s) shall provide any additional software that may be necessitated for future instant games which are not supported by the current software at no cost to the Lottery.

### **3.5 LOTTERY HARDWARE AND SOFTWARE**

The Lottery is presently using an IBM Power iSeries (commonly referred to as AS/400, together with modified Anderson lottery software (ACCLAIMS). The Contractor(s) shall furnish, at the Contractor's(s)' expense, an algorithm(s) for the purpose of validation compatible with the Lottery system or any other future system it may employ during the term of the contract.

### **3.6 AUTO-CASH ALGORITHM**

As may be negotiated by the parties, the Contractor(s) may furnish an auto-cash algorithm(s) compatible with the Lottery's on-line Contractor's system or any other future system it may employ during the term of the contract.

### **3.7 VALIDATION, HASH FILE, AND INVENTORY TAPES**

The Contractor(s) is required to provide, at the Contractor's(s)' expense, validation, hash file, and inventory compact disks (CD's) or thumb drives or any other pre-agreed upon media storage device of each game in the format and media specified by the Lottery to be delivered to the Lottery no later than three (3) working days following the printing of the tickets.

### **3.8 REORDER CAPABILITY**

The Contractor(s) shall provide the capability to re-order any game as specified by the Lottery and provide the necessary game media, as referenced in 3.7, to allow the Lottery to extend the game using the existing game number.

### **3.9 TEST GAME**

The contractor(s) shall provide a test game and a test re-order game.

### **3.10 RE-ORDER GAME**

A "re-order game" is an instant game where additional pools are ordered utilizing the original game number and prize structure. The number of the first pack of a re-order game must be the number of the pack that follows the previous game's last pack number as indicated on vendor-delivered inventory and validation records. Ticket color(s) may change.

### 3.11 CONTRACT INTERPRETATION

- (a) In the event there are any disagreements between the parties with regards to the application of this Contract or the requirements of the Lottery arising from any interpretation of the Request for Proposal, this Contract, or otherwise, Contractor agrees to defer to the reasonable interpretations of the Lottery as from time to time may be made by the Lottery. This provision applies to all matters including those arising from disputes concerning whether Contractor is required to provide some service or item including scope of work issues and whether particular items or services were included in the scope of work agreed to by the parties in this Contract, RFP, questions and answers of the parties, or otherwise. In summary, if both parties have a reasonable interpretation regarding application of the Contract, Contractor agrees to defer to The Lottery's interpretation.
- (b) The above requirements shall apply to any change orders, Contract modifications, or other deviations to this Contract. Failure to receive the prior written and express approval of The Lottery prior to implementing any changes to the requirements provided for hereunder, for which requests for extra or additional compensation are thereafter submitted by the Contractor to The Lottery, shall impose no liability for payment upon The Lottery and may be rejected by The Lottery without recourse.

### 3.12 INDEMNIFICATION-THIRD PARTY CLAIMS - GENERAL.

Notwithstanding any limitation in this Contract, and to the fullest extent permitted by law, Contractor shall defend and hold harmless Indemnitees for and against any and all suits or claims of any character (and all related damages, settlement payments, attorneys' fees, costs, expenses, losses or liabilities) by a third party which are attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property arising out of or in connection with the goods or services acquired hereunder or caused in whole or in part by any act or omission of the Contractor, its subcontractors, their employees, workmen, servants, agents, or anyone directly or indirectly employed by them or anyone for whose acts any of them may be liable, regardless of whether or not caused in part by an Indemnitee, and whether or not such claims are made by a third party or an Indemnitee; however, if an Indemnitee's negligent act or omission is subsequently determined to be the sole proximate cause of a suit or claim, the Indemnitee shall not be entitled to indemnification hereunder. The Contractor shall be given timely written notice of any suit or claim. Contractor's obligations hereunder are in no way limited by any protection afforded under workers' compensation acts, disability benefits acts, or other employee benefit acts. This Section shall not negate, abridge, or reduce any other rights or obligations of indemnity which would otherwise exist. The obligations of this Section shall survive termination, cancelation, or expiration of this Contract. This Section shall be construed fairly and reasonably, neither strongly for nor against either party, and without regard to any clause regarding insurance. As used in this Section, "Indemnitees" means the State of Kansas, The Lottery, its Commissioners and all their respective officers, agents and employees.

The Contractor, as part of its duty of indemnification, is required to defend and hold harmless the State from any costs arising out of the prosecution or defense of any action arising out of the Contractor's performance under this Contract, including any action affecting the payment or denial of the payment of lottery winnings in whole or in part. The

Contractor shall notify The Lottery of the filing of any such litigation, and The Lottery shall give the Contractor written notice of any such claim, in the event such claim comes to the attention of The Lottery first. The Lottery shall have the right, but not the obligation, to participate in the litigation and, subject to prior review and discussion, shall also have the right to ultimately decide matters concerning any litigation arising out of the action affecting the payment or nonpayment of lottery winnings.

Contractor also agrees to advise The Lottery of any claims asserted or brought against Contractor arising from this Contract and which may potentially expose The Lottery to liability or publicity and to coordinate with The Lottery on any issues of governmental or public interest or concern relating to The Lottery and/or this Contract. In the event of participation by The Lottery in the defense of any claim, which shall be solely at the discretion of The Lottery, The Lottery shall be responsible for its own costs and expenses. If The Lottery, in its sole discretion, determines that the action may expose The Lottery to liability, the Contractor will not settle any such claims arising hereunder without the express prior written permission of The Lottery. The Contractor will, in all instances, bear all attorneys' fees and expenses, and failure to comply herewith will entitle The Lottery to make appropriate deductions from the monthly fixed fee due to the Contractor or to draw upon the security pursuant to this Contract.

The Contractor further agrees that in the event it is requested to produce in any litigation any document or information referring or relating to the State or The Lottery, it shall not produce the requested material before it has notified The Lottery and provided it a reasonable opportunity to appear and object to the production or revelation of The Lottery's material or information. The Lottery will inform the Contractor when a request is made for it to produce a document or information in litigation that refers to or relates to the Contractor.

**3.13 INDEMNIFICATION-INTELLECTUAL PROPERTY.**

- (a) Without limitation and notwithstanding any provision in this Contract, Contractor shall, upon receipt of notification, wholly defend and indemnify The Lottery and its respective Commissioners, officers, agents and employees against all actions, proceedings or claims of any nature (and all damages, settlement payments, attorneys' fees (including inside counsel), costs, expenses, losses or liabilities attributable thereto) by any third party asserting or involving an IP right. The State shall allow the Contractor to defend such claim so long as the defense is diligently and capably prosecuted. The State shall allow Contractor to settle such claim so long as all settlement payments are made by Contractor and the settlement does not impose a non-monetary obligation upon the State. State shall reasonably cooperate with Contractor's defense of such claim.
- (b) In the event an injunction or order shall be obtained against State's use of any acquired item, or if in Contractor's opinion, the acquired item is likely to become the subject of a claim of infringement or violation of an IP right, Contractor shall, without in any way limiting the foregoing, and at its expense, either (with the Lottery's written permission):
  - (1) procure for State the right to continue to use, or have used, the acquired item, or
  - (2) replace or modify the acquired item so that it becomes non-infringing but only if the modification or replacement does not adversely affect the specifications for the acquired item or its use by State.  
If neither (1) nor (2), above, is practical, State may require that Contractor remove the acquired item from State, refund to State any charges paid by State therefor, and take all steps necessary to have State released from any further current or future liability.
- (c) The Contractor's obligations under this paragraph do not apply to a claim to the extent that the claim is caused by the Contractor's compliance with specifications furnished by the State:
  - (1) unless Contractor knew its compliance with the State's specifications would infringe an IP right, or
  - (2) if the State knowingly relied on a third party's IP right to develop the specifications provided to Contractor and failed to identify such product to Contractor.
- (d) These terms are defined as follows: "IP right(s)" means a patent, copyright, trademark, trade secret, or any other proprietary right. "Acquired item(s)" means the rights, goods, or services furnished under this Contract. "Specification(s)" means a detailed, exact statement of particulars such as a statement prescribing materials, dimensions, and quality of work.
- (e) Contractor's obligations under this clause shall survive the termination, cancellation, rejection, or expiration of this Contract.

**EVT0003852 – Instant Ticket Production (Option A) Contractors**

**Contract ID:** 42015  
**Contractor:** **Pollard Banknote Limited**  
140 Otter Street  
Winnipeg, Manitoba R3T 0M8  
**Vendor ID:** 0000168079  
**FEIN:** 98-0665125  
**Contact Person:** **Jennifer Westbury**  
**E-Mail:** [jwestbury@pbl.ca](mailto:jwestbury@pbl.ca)  
**Local Telephone:** 204-474-2323 ext 217  
**Cell Phone Number:** 204-229-4590  
**Fax:** 204-453-1375

**Contract ID:** 42016  
**Contractor:** **Scientific Games International Inc**  
1500 Bluegrass Lakes Pkwy  
Alpharetta, GA 30004-7712  
**Vendor ID:** 0000154694  
**FEIN:** 58-1943521  
**Contact Person:** **Geneva McCaffrey**  
**E-Mail:** [geneva.mccaffrey@scientificgames.com](mailto:geneva.mccaffrey@scientificgames.com)  
**Local Telephone:** 770-664-3700  
**Cell Phone Number:** 210-240-0716  
**Fax:** 678-624-4115

**Contract ID:** 42017  
**Contractor:** **IGT Global Solutions Corporation**  
10 Memorial Blvd  
Providence, RI 02903  
**Vendor ID:** 0000003064  
**FEIN:** 05-0389840  
**Contact Person:** **Patrick Craig**  
**E-Mail:** [patrick.craig@IGT.com](mailto:patrick.craig@IGT.com)  
**Local Telephone:** 785-861-7309  
**Cell Phone Number:** 785-249-6479  
**Fax:** 785-232-0058

**Ticket Prices**

<b>FOIL STOCK</b>						
<i>Ticket Size – Approximate Inches</i>						
Quantity Ordered	Vendor's Size					
	4.0" x 2.0"	4.0" x 4.0"	4.0" x 5.5"	4.0" x 8.0"	4.0" x 10.0"	4.0" x 11.0"
300,000	\$81.42	\$92.07	\$95.70	\$106.63	\$117.88	\$126.00
600,000	\$44.77	\$54.19	\$58.97	\$69.39	\$79.66	\$87.29
900,000	\$31.46	\$40.39	\$46.51	\$56.68	\$66.55	\$73.98
1,200,000	\$25.91	\$34.56	\$40.20	\$50.32	\$59.99	\$67.32
1,500,000	\$22.57	\$31.06	\$36.42	\$46.51	\$56.05	\$63.32
1,800,000	\$20.34	\$28.71	\$33.89	\$43.96	\$53.43	\$60.66
2,100,000	\$18.54	\$26.83	\$32.09	\$42.15	\$51.56	\$58.76
2,400,000	\$17.19	\$25.43	\$30.74	\$40.79	\$50.16	\$57.34
3,600,000	\$14.05	\$22.15	\$27.59	\$37.61	\$46.88	\$54.01
4,800,000	\$12.66	\$20.76	\$26.20	\$36.22	\$45.49	\$52.62
6,000,000	\$11.83	\$19.93	\$25.37	\$35.39	\$44.65	\$51.79
7,200,000	\$11.27	\$19.37	\$24.81	\$34.83	\$44.10	\$51.23
8,400,000	\$10.87	\$18.98	\$24.41	\$34.44	\$43.70	\$50.83

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

10pt C1S foil stock

Ten total colors used between the ticket front display colors, ticket front overprint colors and ticket back colors One color imaging (black unless specified by the lottery in the game working papers)

Final ticket delivery tolerance of +/- 5% of original order quantity Prize

structure tolerance of +/- 0%

Pull forward balancing method with omissions

Tickets are fan folded and shrinkwrapped in books with a face value of \$300 Books will

have 5 or less tickets per page

Books are packed in industry standard cartons External

game audit

Delivered to the Kansas Lottery warehouse Creative

design of instant games

Detailed lottery design, including playing rules, ticket copy, artwork and printing All

computer typesetting services

Federal and state trademark searches 3,000 void

sample tickets per game

Full ultra violet varnish coat on the ticket front Bar

coding and UPC coding on back of all tickets

Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket Top prizes of

one-hundred thousand dollar (\$100,000) or less at no extra charge

Static QR codes

VIRGIN NON-FOIL STOCK						
Ticket Size – Approximate Inches						
Quantity Ordered	Vendor's Size					
	4.0" x 2.0"	4.0" x 4.0"	4.0" x 5.5"	4.0" x 8.0"	4.0" x 10.0"	4.0" x 11.0"
300,000	\$79.02	\$87.27	\$89.10	\$97.03	\$105.88	\$112.80
600,000	\$42.37	\$49.39	\$52.37	\$59.79	\$67.66	\$74.09
900,000	\$29.06	\$35.59	\$39.91	\$47.08	\$54.55	\$60.78
1,200,000	\$23.51	\$29.76	\$33.60	\$40.72	\$47.99	\$54.12
1,500,000	\$20.17	\$26.26	\$29.82	\$36.91	\$44.05	\$50.12
1,800,000	\$17.94	\$23.91	\$27.29	\$34.36	\$41.43	\$47.46
2,100,000	\$16.14	\$22.03	\$25.49	\$32.55	\$39.56	\$45.56
2,400,000	\$14.79	\$20.63	\$24.14	\$31.19	\$38.16	\$44.14
3,600,000	\$11.65	\$17.35	\$20.99	\$28.01	\$34.88	\$40.81
4,800,000	\$10.26	\$15.96	\$19.60	\$26.62	\$33.49	\$39.42
6,000,000	\$9.43	\$15.13	\$18.77	\$25.79	\$32.65	\$38.59
7,200,000	\$8.87	\$14.57	\$18.21	\$25.23	\$32.10	\$38.03
8,400,000	\$8.47	\$14.18	\$17.81	\$24.84	\$31.70	\$37.63

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

- 10pt C1S card stock
- Ten total colors used between the ticket front display colors, ticket front overprint colors and ticket back colors One color imaging (black unless specified by the lottery in the game working papers)
- Final ticket delivery tolerance of +/- 5% of original order quantity Prize structure tolerance of +/- 0%
- Pull forward balancing method with omissions
- Tickets are fan folded and shrinkwrapped in books with a face value of \$300 Books will have 5 or less tickets per page
- Books are packed in industry standard cartons External game audit
- Delivered to the Kansas Lottery warehouse Creative design of instant games
- Detailed lottery design, including playing rules, ticket copy, artwork and printing All computer typesetting services
- Federal and state trademark searches 3,000 void sample tickets per game
- Full ultra violet varnish coat on the ticket front Bar coding and UPC coding on back of all tickets
- Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket Top prizes of one-hundred thousand dollar (\$100,000) or less at no extra charge
- Static QR codes

<b>BREAK-OPEN TICKETS</b>						
<i>Ticket Size – Approximate Inches</i>						
Quantity Ordered	Vendor's Size					
	4.0" x 2.0"	4.0" x 4.0"	4.0" x 5.5"	4.0" x 8.0"	4.0" x 10.0"	4.0" x 11.0"
300,000	\$116.85	\$134.71	\$147.85	\$170.74	\$189.92	\$201.98
600,000	\$67.35	\$85.21	\$98.35	\$121.24	\$140.42	\$152.48
900,000	\$50.85	\$68.71	\$81.85	\$104.74	\$123.92	\$135.98
1,200,000	\$42.60	\$60.46	\$73.60	\$96.49	\$115.67	\$127.73
1,500,000	\$37.65	\$55.51	\$68.65	\$91.54	\$110.72	\$122.78
1,800,000	\$34.35	\$52.21	\$65.35	\$88.24	\$107.42	\$119.48
2,100,000	\$32.00	\$49.85	\$62.99	\$85.88	\$105.06	\$117.12
2,400,000	\$30.23	\$48.08	\$61.22	\$84.12	\$103.29	\$115.35
3,600,000	\$26.10	\$43.96	\$57.10	\$79.99	\$99.17	\$111.23
4,800,000	\$24.04	\$41.89	\$55.04	\$77.93	\$97.10	\$109.16
6,000,000	\$22.80	\$40.66	\$53.80	\$76.69	\$95.87	\$107.93
7,200,000	\$21.98	\$39.83	\$52.97	\$75.87	\$95.04	\$107.10
8,400,000	\$21.39	\$39.24	\$52.38	\$75.28	\$94.45	\$106.51

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of not applicable percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

- 100lb card stock
- Four color base graphics on the ticket front
- One color imaging (black unless specified by the lottery in the game working papers) One color on the ticket back
- Four pull tabs on ticket back (additional tabs may be included at no additional charge dependant on final ticket size Final ticket delivery tolerance of +/- 5% of original order quantity
- Prize structure tolerance of +/- 0%
- Pull forward balancing method with omissions Full ticket validation capabilities
- Tickets are fan folded and shrinkwrapped in books with a face value of \$300 Books will have 5 or less tickets per page
- Books are packed in industry standard cartons External game audit
- Delivered to the Kansas Lottery warehouse Creative design of instant games
- Detailed lottery design, including playing rules, ticket copy, artwork and printing All computer typesetting services
- Federal and state trademark searches 3,000 void sample tickets per game
- Full ultra violet varnish coat on the ticket front Bar coding and UPC coding on back of all tickets
- Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket Top prizes of one-hundred thousand dollar (\$100,000) or less at no extra charge
- Static QR codes

<b>PAPER TICKETS</b>						
<i>Ticket Size – Approximate Inches</i>						
Quantity Ordered	Vendor's Size					
	4.0" x 2.0"	4.0" x 4.0"	4.0" x 5.5"	4.0" x 8.0"	4.0" x 10.0"	4.0" x 11.0"
300,000	\$79.02	\$87.27	\$89.10	\$97.03	\$105.88	\$112.80
600,000	\$42.37	\$49.39	\$52.37	\$59.79	\$67.66	\$74.09
900,000	\$29.06	\$35.59	\$39.91	\$47.08	\$54.55	\$60.78
1,200,000	\$23.51	\$29.76	\$33.60	\$40.72	\$47.99	\$54.12
1,500,000	\$20.17	\$26.26	\$29.82	\$36.91	\$44.05	\$50.12
1,800,000	\$17.94	\$23.91	\$27.29	\$34.36	\$41.43	\$47.46
2,100,000	\$16.14	\$22.03	\$25.49	\$32.55	\$39.56	\$45.56
2,400,000	\$14.79	\$20.63	\$24.14	\$31.19	\$38.16	\$44.14
3,600,000	\$11.65	\$17.35	\$20.99	\$28.01	\$34.88	\$40.81
4,800,000	\$10.26	\$15.96	\$19.60	\$26.62	\$33.49	\$39.42
6,000,000	\$9.43	\$15.13	\$18.77	\$25.79	\$32.65	\$38.59
7,200,000	\$8.87	\$14.57	\$18.21	\$25.23	\$32.10	\$38.03
8,400,000	\$8.47	\$14.18	\$17.81	\$24.84	\$31.70	\$37.63

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

10pt C1S foil stock

Ten total colors used between the ticket front display colors, ticket front overprint colors and ticket back colors One color imaging (black unless specified by the lottery in the game working papers)

Final ticket delivery tolerance of +/- 5% of original order quantity Prize

structure tolerance of +/- 0%

Pull forward balancing method with omissions

Tickets are fan folded and shrinkwrapped in books with a face value of \$300 Books will have 5 or less tickets per page

Books are packed in industry standard cartons External game audit

Delivered to the Kansas Lottery warehouse Creative design of instant games

Detailed lottery design, including playing rules, ticket copy, artwork and printing All computer typesetting services

Federal and state trademark searches 3,000 void sample tickets per game

Full ultra violet varnish coat on the ticket front Bar coding and UPC coding on back of all tickets

Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket Top prizes of one-hundred thousand dollar (\$100,000) or less at no extra charge

Static QR codes

<i>FOLDABLE TICKETS - Foil Stock</i>		
<i>Ticket Size – Approximate Inches</i>		
<b>Quantity Ordered</b>	<b>Vendor's Size 4.0" x 10.0"</b>	<b>Vendor's Size 4.0" x 11.0"</b>
150,000	\$224.20	\$232.96
300,000	\$135.81	\$144.06
450,000	\$103.43	\$111.22
600,000	\$87.19	\$94.74
750,000	\$77.16	\$84.54
900,000	\$70.47	\$77.74
1,200,000	\$62.11	\$69.24

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

- 10pt C1S foil stock
- Ten total colors used between the ticket front display colors, ticket front overprint colors and ticket back colors One color imaging (black unless specified by the lottery in the game working papers)
- Score line for folding
- Final ticket delivery tolerance of +/- 5% of original order quantity Prize structure tolerance of +/- 0%
- Pull forward balancing method with omissions
- Tickets are fan folded and shrinkwrapped in books with a face value of \$300 Books will have 5 or less tickets per page
- Books are packed in industry standard cartons External game audit
- Delivered to the Kansas Lottery warehouse Creative design of instant games
- Detailed lottery design, including playing rules, ticket copy, artwork and printing All computer typesetting services
- Federal and state trademark searches 3,000 void sample tickets per game
- Full ultra violet varnish coat on the ticket front Bar coding and UPC coding on back of all tickets
- Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket Top prizes of one-hundred thousand dollar (\$100,000) or less at no extra charge
- Static QR codes

<b>FOLDABLE TICKETS - Card Stock</b>		
<b>Ticket Size – Approximate Inches</b>		
<b>Quantity Ordered</b>	<b>Vendor's Size 4.0" x 10.0"</b>	<b>Vendor's Size 4.0" x 11.0"</b>
150,000	\$212.20	\$219.76
300,000	\$123.81	\$130.86
450,000	\$91.43	\$98.02
600,000	\$75.19	\$81.54
750,000	\$65.16	\$71.34
900,000	\$58.47	\$64.54
1,200,000	\$50.11	\$56.04

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

10pt C1S card stock

Ten total colors used between the ticket front display colors, ticket front overprint colors and ticket back colors One color imaging (black unless specified by the lottery in the game working papers)

Score line for folding

Final ticket delivery tolerance of +/- 5% of original order quantity Prize

structure tolerance of +/- 0%

Pull forward balancing method with omissions

Tickets are fan folded and shrinkwrapped in books with a face value of \$300 Books will

have 5 or less tickets per page

Books are packed in industry standard cartons External

game audit

Delivered to the Kansas Lottery warehouse Creative

design of instant games

Detailed lottery design, including playing rules, ticket copy, artwork and printing All

computer typesetting services

Federal and state trademark searches 3,000 void

sample tickets per game

Full ultra violet varnish coat on the ticket front Bar

coding and UPC coding on back of all tickets

Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket Top prizes of one-hundred thousand dollar (\$100,000) or less at no extra charge

Static QR codes

<b>DOUBLE-SIDED TICKETS* - Play Around™ Ticket Size – Approximate Inches</b>		
<b>Quantity Ordered</b>	<b>Vendor's Size 4.0" x 10.0"</b>	<b>Vendor's Size 4.0" x 11.0"</b>
150,000	\$486.69	\$497.81
300,000	\$283.96	\$295.08
450,000	\$216.38	\$227.51
600,000	\$182.60	\$193.72
750,000	\$162.32	\$173.45
900,000	\$148.81	\$159.93
1,200,000	\$131.92	\$143.04

Play Around games are instant tickets that include a foldable component that permits play on the ticket backs that is related to the ticket front.

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of not applicable percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

- 10pt C2S card stock
- Up to 13 total colors used between the ticket front display colors, ticket front overprint colors and ticket back display colors
- One color translucent on front and back of ticket (same color on front and back)
- One color imaging (black unless specified by the lottery in the game working papers) Scored line for folding
- Full ticket bleed Multiple play areas Complex programming
- One color pulse change on the front base graphics, overprints and translucent marking color One color pulse change on the back base graphics and translucent color
- Final ticket delivery tolerance of +/- 5% of original order quantity Prize structure tolerance of +/- 0%
- Pull forward balancing method with omissions
- Tickets are fan folded and shrinkwrapped in books with a face value of \$300 Books will have 5 or less tickets per page
- Books are packed in industry standard cartons External game audit
- Delivered to the Kansas Lottery warehouse
- Creative design of instant games
- Detailed lottery design, including playing rules, ticket copy, artwork and printing All computer typesetting services
- Federal and state trademark searches
- 3,000 void sample tickets per game (1,500 samples drilled upper left corner, bulk boxed)
- Full ultra violet varnish coat on the ticket front, and on the play area on the ticket back Bar coding and UPC coding on back of all tickets
- Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket
- Top prizes of one-hundred thousand dollar (\$100,000) or less at no extra charge
- Static QR codes

<b>DOUBLE-SIDED TICKETS* - Double Play® Ticket</b>			
<b>Size – Approximate Inches</b>			
<b>Quantity Ordered</b>	<b>Vendor's Size 4.0" x 2.0"</b>	<b>Vendor's Size 4.0" x 5.5"</b>	<b>Vendor's Size 4.0" x 8.0"</b>
150,000	\$307.40	\$348.44	\$378.51
300,000	\$165.50	\$206.54	\$236.61
450,000	\$118.20	\$159.24	\$189.31
600,000	\$94.55	\$135.59	\$165.66
750,000	\$80.36	\$121.40	\$151.47
900,000	\$70.90	\$111.94	\$142.01
1,200,000	\$59.07	\$100.11	\$130.19

Double Play tickets incorporate an instant game on the ticket front and a pull-tab game on the ticket back. Both tickets can be validated.

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of not applicable percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

100lb card stock

Four color base graphics on the ticket front  
 Four color base graphics on the ticket back

One color imaging (black unless specified by the lottery in the game working papers) Up to four overprint colors on the ticket front

Four pull tabs on ticket back (additional tabs may be included at no additional charge dependant on final ticket size)

Final ticket delivery tolerance of +/- 5% of original order quantity  
 Prize structure tolerance of +/- 0%

Pull forward balancing method with omissions

Tickets are fan folded and shrinkwrapped in books with a face value of \$300  
 Books will have 5 or less tickets per page

Books are packed in industry standard cartons  
 External game audit

Delivered to the Kansas Lottery warehouse  
 Creative design of instant games

Detailed lottery design, including playing rules, ticket copy, artwork and printing  
 All computer typesetting services

Federal and state trademark searches 3,000  
 void sample tickets per game

Full ultra violet varnish coat on the ticket front  
 Bar coding and UPC coding on back of all tickets

Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket

Top prizes of one-hundred thousand dollar (\$100,000) or less at no extra charge  
 Static QR codes

<b>DOUBLE-SIDED TICKETS* - Double Sided Scratch-Off Ticket Size –</b> <i>Approximate Inches</i>			
<b>Quantity Ordered</b>	<b>Vendor's Size 4.0" x 2.0"</b>	<b>Vendor's Size 4.0" x 5.5"</b>	<b>Vendor's Size 4.0" x 8.0"</b>
150,000	\$212.23	\$233.39	\$249.27
300,000	\$112.23	\$133.39	\$149.27
450,000	\$78.90	\$100.06	\$115.93
600,000	\$62.23	\$83.39	\$99.27
750,000	\$52.23	\$73.39	\$89.27
900,000	\$45.57	\$66.73	\$82.60
1,200,000	\$37.23	\$58.39	\$74.27

Double Sided Scratch-Off games include two exclusive scratch games on one ticket. One game on the ticket front, and one game on the ticket back

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of not applicable percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

- 10pt C2S card stock
- Ten total colors used between the ticket front and ticket back display and overprint colors One color imaging (black unless specified by the lottery in the game working papers) Final ticket delivery tolerance of +/- 5% of original order quantity
- Prize structure tolerance of +/- 0%
- Pull forward balancing method with omissions
- Tickets are fan folded and shrinkwrapped in books with a face value of \$300 Books will have 5 or less tickets per page
- Books are packed in industry standard cartons External game audit
- Delivered to the Kansas Lottery warehouse
- Creative design of instant games
- Detailed lottery design, including playing rules, ticket copy, artwork and printing All computer typesetting services
- Federal and state trademark searches 3,000 void sample tickets per game
- Full ultra violet varnish coat on the ticket front and back Bar coding and UPC coding on back of all tickets
- Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket
- Top prizes of one-hundred thousand dollar (\$100,000) or less at no extra charge
- Static QR codes

<b>Marker Type Stock* - Foil Stock Ticket Size – Approximate Inches</b>					
<b>Quantity Ordered</b>	<b>Vendor's Size 4.0" x 2.0"</b>	<b>Vendor's Size 4.0" x 5.5"</b>	<b>Vendor's Size 4.0" x 8.0"</b>	<b>Vendor's Size 4.0" x 10.0"</b>	<b>Vendor's Size 4.0" x 11.0"</b>
300,000	\$81.42	\$95.70	\$106.63	\$117.88	\$126.00
600,000	\$44.77	\$58.97	\$69.39	\$79.66	\$87.29
900,000	\$31.46	\$46.51	\$56.68	\$66.55	\$73.98
1,200,000	\$25.91	\$40.20	\$50.32	\$59.99	\$67.32
1,500,000	\$22.57	\$36.42	\$46.51	\$56.05	\$63.32
1,800,000	\$20.34	\$33.89	\$43.96	\$53.43	\$60.66
2,100,000	\$18.54	\$32.09	\$42.15	\$51.56	\$58.76
2,400,000	\$17.19	\$30.74	\$40.79	\$50.16	\$57.34
3,600,000	\$14.05	\$27.59	\$37.61	\$46.88	\$54.01
4,800,000	\$12.66	\$26.20	\$36.22	\$45.49	\$52.62
6,000,000	\$11.83	\$25.37	\$35.39	\$44.65	\$51.79
7,200,000	\$11.27	\$24.81	\$34.83	\$44.10	\$51.23
8,400,000	\$10.87	\$24.41	\$34.44	\$43.70	\$50.83

\*Like Bingo, Crossword games using a translucent coating.

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

- 10pt C1S foil stock
- Ten total colors used between the ticket front display colors, ticket front overprint colors and ticket back colors
- One color imaging (black unless specified by the lottery in the game working papers) One translucent marking system color
- Final ticket delivery tolerance of +/- 5% of original order quantity Prize structure tolerance of +/- 0%
- Pull forward balancing method with omissions
- Tickets are fan folded and shrinkwrapped in books with a face value of \$300 Books will have 5 or less tickets per page
- Books are packed in industry standard cartons
- External game audit
- Delivered to the Kansas Lottery warehouse Creative design of instant games
- Detailed lottery design, including playing rules, ticket copy, artwork and printing All computer typesetting services
- Federal and state trademark searches 3,000 void sample tickets per game
- Full ultra violet varnish coat on the ticket front Bar coding and UPC coding on back of all tickets
- Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket
- Top prizes of one-hundred thousand dollar (\$100,000) or less at no extra charge
- Static QR codes

<b>Marker Type Stock* - Card Stock Ticket</b>					
<b>Size – Approximate Inches</b>					
<b>Quantity Ordered</b>	<b>Vendor's Size 4.0" x 2.0"</b>	<b>Vendor's Size 4.0" x 5.5"</b>	<b>Vendor's Size 4.0" x 8.0"</b>	<b>Vendor's Size 4.0" x 10.0"</b>	<b>Vendor's Size 4.0" x 11.0"</b>
300,000	\$79.02	\$89.10	\$97.03	\$105.88	\$112.80
600,000	\$42.37	\$52.37	\$59.79	\$67.66	\$74.09
900,000	\$29.06	\$39.91	\$47.08	\$54.55	\$60.78
1,200,000	\$23.51	\$33.60	\$40.72	\$47.99	\$54.12
1,500,000	\$20.17	\$29.82	\$36.91	\$44.05	\$50.12
1,800,000	\$17.94	\$27.29	\$34.36	\$41.43	\$47.46
2,100,000	\$16.14	\$25.49	\$32.55	\$39.56	\$45.56
2,400,000	\$14.79	\$24.14	\$31.19	\$38.16	\$44.14
3,600,000	\$11.65	\$20.99	\$28.01	\$34.88	\$40.81
4,800,000	\$10.26	\$19.60	\$26.62	\$33.49	\$39.42
6,000,000	\$9.43	\$18.77	\$25.79	\$32.65	\$38.59
7,200,000	\$8.87	\$18.21	\$25.23	\$32.10	\$38.03
8,400,000	\$8.47	\$17.81	\$24.84	\$31.70	\$37.63

\*Like Bingo, Crossword games using a translucent coating.

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

**The pricing includes the following:**

10pt C1S card stock

Ten total colors used between the ticket front display colors, ticket front overprint colors and ticket back colors

One color imaging (black unless specified by the lottery in the game working papers) One

translucent marking system color

Final ticket delivery tolerance of +/- 5% of original order quantity Prize

structure tolerance of +/- 0%

Pull forward balancing method with omissions

Tickets are fan folded and shrinkwrapped in books with a face value of \$300 Books will

have 5 or less tickets per page

Books are packed in industry standard cartons

External game audit

Delivered to the Kansas Lottery warehouse Creative

design of instant games

Detailed lottery design, including playing rules, ticket copy, artwork and printing All

computer typesetting services

Federal and state trademark searches 3,000

void sample tickets per game

Full ultra violet varnish coat on the ticket front Bar

coding and UPC coding on back of all tickets

Game/pack number imaged twice on back of each ticket. One below bar code and one at top of ticket

Top prizes of one-hundred thousand dollar (\$100,000) or less at no extra charge

Void furnish with each pack (three packs per game furnished for security testing)

Static QR codes



18	Die Cuts	\$5,000 per game plus \$0.30 per square inch of ticket, per 1,000 tickets
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	<i>OPTION</i>	<i>COST per 1,000</i>
19	Scoring	\$1.95 per 1,000 tickets
20	Embossed Tickets	\$2,500 per game plus \$0.05 per square inch of ticket, per 1,000 tickets
21	Holographic Ticket Stock	\$20,000 per game plus \$2.25 per square inch of ticket, per 1,000 tickets
22	<b>Other Options</b>	
23	Metallic ink / Simulated foil	\$0.25 per square inch of ticket, per 1,000 tickets
24	Glow in the dark Ink	\$0.12 per square inch of ticket, per 1,000 tickets
25	Scented ink	\$5,000 per game plus \$0.15 per square inch of ticket, per 1,000 tickets
26	Integrated overprints	\$0.25 per square inch of ticket, per 1,000 tickets
27	Translucent marking system (One color, excludes Crossword and Bingo Games)	\$0.15 per square inch of ticket, per 1,000 tickets
28	Multi-color translucent marking system (More than one translucent color)	\$0.25 per square inch of ticket, per 1,000 tickets
29	Spot UV varnish	\$0.04 per square inch of ticket, per 1,000 tickets
30	Spot matte UV varnish	\$0.04 per square inch of ticket, per 1,000 tickets
31	Flood UV varnish on ticket back	\$0.09 per square inch of ticket, per 1,000 tickets
32	Patterned varnish	\$0.11 per square inch of ticket, per 1,000 tickets
33	Gloss FX Contrasts high gloss varnish and matte varnish to make graphics pop and glisten	\$0.11 per square inch of ticket, per 1,000 tickets
34	Savings for using less than 10 total colors between the between the ticket front display colors, ticket front overprint colors and ticket back colors (Applicable to matrices that include 10 total colors only)	Credit \$0.01 per square inch of ticket, per 1,000 tickets
35	One color imaging other than black	\$5,000 per game plus \$0.10 per square inch of ticket, per 1,000 tickets
36	Three color imaging	\$7,500 per game plus \$0.50 per square inch of ticket, per 1,000 tickets
37	Four color imaging	\$7,500 per game plus \$0.70 per square inch of ticket, per 1,000 tickets
38	Complex programming	\$150 per hour
39	Special Folding Capabilities	Price to be determined based on final game specifications

40	Split balancing	\$2,500 per additional balancing requirement per game
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	<i>OPTION</i>	<i>COST per 1,000</i>								
41	End-of-run prize structure audit	\$500 per game credit if audit is not required								
42	Paper / Card stock pouching (card / integrated)	Price to be determined based on final game specifications								
43	Traditional pouching (mylar / plastic)	Price to be determined based on final game specifications								
44	Printed shrinkwrap	Price to be determined based on final game specifications								
45	<b>Scratch FX®</b>									
46	Silver Scratch FX	\$3,000 per game plus \$1.25 per square inch of ticket, per 1,000 tickets								
47	Gold Scratch FX	\$3,000 per game plus \$1.25 per square inch of ticket, per 1,000 tickets								
48	Holographic Scratch FX	\$5,000 per game plus \$1.50 per square inch of ticket, per 1,000 tickets								
49	Spectrum Scratch FX	\$5,000 per game plus \$1.75 per square inch of ticket, per 1,000 tickets								
50	MAX FX Applicable if FX™ coverage exceeds more than 75% of the ticket surface	\$5,000 per game plus \$1.75 per square inch of ticket, per 1,000 tickets								
51	Spectrum MAX FX Applicable if FX™ coverage exceeds more than 75% of the ticket surface	\$5,000 per game plus \$2.00 per square inch of ticket, per 1,000 tickets								
52	<b>Fusion® Products</b>									
53	Playbook  Prices provided are inclusive of the following: - 8" x 3.9" finished playbook size - 100lb. Paper stock - 6 pages of play area with front and back covers - 4 color base graphics on the front and back - One color (black) imaging - up to 4 overprint colors - Flood varnish on ticket play areas and front cover - Fan-folded, delivered flat in books of 25 - 6,000 void samples, 3,000 regular and 3,000 drilled - Delivery tolerance of +/- 5% - Prices are per 1,000 playbooks  Other configurations are available upon request with prices subject to change	<table border="1"> <thead> <tr> <th>Quantity</th> <th>Price</th> </tr> </thead> <tbody> <tr> <td>300,000</td> <td>\$544.27</td> </tr> <tr> <td>450,000</td> <td>\$444.62</td> </tr> <tr> <td>600,000</td> <td>\$394.80</td> </tr> </tbody> </table>	Quantity	Price	300,000	\$544.27	450,000	\$444.62	600,000	\$394.80
Quantity	Price									
300,000	\$544.27									
450,000	\$444.62									
600,000	\$394.80									

	<i>OPTION</i>	<i>COST per 1,000</i>	
54	<p>Scratch Tab</p> <p>Prices provided are inclusive of the following:</p> <ul style="list-style-type: none"> <li>- 11" x 7.8" finished ticket size</li> <li>- 100lb. Paper stock</li> <li>- 4 color base graphics on the ticket front</li> <li>- One color (black) imaging under the tab</li> <li>- up to 4 overprint colors on the ticket front</li> <li>- 1 color on the ticket back</li> <li>- Flood varnish on the ticket front</li> <li>- Fan-folded into books of 100</li> <li>- 5,000 void samples</li> <li>- Delivery tolerance of +/- 5%</li> <li>- Prices are per 1,000 tickets</li> </ul> <p>Other configurations are available upon request with prices subject to change</p>	<p><b>Quantity</b> 300,000</p>	<p><b>Price</b> \$391.51</p>
55	<p>Flip Scratch</p> <p>Prices provided are inclusive of the following:</p> <ul style="list-style-type: none"> <li>- 8" x 4" finished ticket size</li> <li>- 100lb. Paper stock</li> <li>- 4 color base graphics on the ticket front</li> <li>- One color (black) imaging on the tab and under the tab</li> <li>- up to 4 overprint colors on the ticket front</li> <li>- 1 color on the ticket back</li> <li>- Flood varnish on the ticket front</li> <li>- Fan-folded into books of 50</li> <li>- 5,000 void samples</li> <li>- Delivery tolerance of +/- 5%</li> <li>- Prices are per 1,000 tickets</li> </ul> <p>Other configurations are available upon request with prices subject to change</p>	<p><b>Quantity</b> 300,000</p>	<p><b>Price</b> \$240.33</p>
56	<p>Action Pack</p> <p>Prices provided are inclusive of the following:</p> <ul style="list-style-type: none"> <li>- 6" x 4" finished ticket size</li> <li>- 100lb. Paper stock</li> <li>- 4 color base graphics on the outside ticket front</li> <li>- up to 2 colors on the outside ticket back</li> <li>- One color (black) imaging on the tab and under the tab</li> <li>- 4 color base graphics on the ticket inside</li> <li>- up to 4 overprint colors on the ticket inside</li> <li>- Flood varnish on the ticket front</li> <li>- Fan-folded into books of 100</li> <li>- 5,000 void samples</li> <li>- Delivery tolerance of +/- 5%</li> <li>- Prices are per 1,000 tickets</li> </ul> <p>Other configurations are available upon request with prices subject to change</p>	<p><b>Quantity</b> 300,000</p>	<p><b>Price</b> \$216.83</p>

57	<b>Patented and Additional Options</b>
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	<i>OPTION</i>	<i>COST per 1,000</i>								
58	Pop-Up Scratch-Off	\$5,000 per game plus \$0.50 per square inch of ticket, per 1,000 tickets								
59	Synchronized game data to base graphics	\$0.25 per square inch of ticket, per 1,000 tickets per component to be synchronized								
60	Tickets scored and folded on the score	\$3,500 per game plus \$0.12 per square inch of ticket, per 1,000 tickets								
61	Hash file deliverables	\$1,500 per game								
62	Additional test games and algorithm requests	Price to be determined based on final game specifications								
63	Accelerated schedule delivery	\$3,000 per day per game								
64	Secure ticket destruction (for third party products)	Price to be determined based on final game specifications								
65	Ticket storage (for additional games outside of one game per price point requirement)	Price to be determined based on final game specifications								
66	Licensed interactive web games	Price to be determined based on final game specifications								
67	Eco Scratch	\$0.13 per square inch of ticket, per 1,000 tickets								
68	Big Ticket - 8" x 12" ticket size - 10pt C1S card stock - Sizes as specified - 5 color base graphics on the ticket front - 1 imaging color (black) - up to 2 colors on the ticket back - 3 overprint colors on the ticket front - Flood varnish on the ticket front and ticket back - Fanfolded in books of 20 - 3,000 void samples - Delivery tolerance of +/- 5% - Prices are per 1,000 tickets  Other configurations are available upon request with prices subject to change	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Quantity</th> <th style="text-align: right;">Price</th> </tr> </thead> <tbody> <tr> <td>200,000</td> <td style="text-align: right;">\$205.01</td> </tr> <tr> <td>300,000</td> <td style="text-align: right;">\$169.01</td> </tr> <tr> <td>400,000</td> <td style="text-align: right;">\$151.01</td> </tr> </tbody> </table>	Quantity	Price	200,000	\$205.01	300,000	\$169.01	400,000	\$151.01
Quantity	Price									
200,000	\$205.01									
300,000	\$169.01									
400,000	\$151.01									
69	2 can play / Multi-player Games	Price to be determined based on final game specifications								
70	Variable QR Codes	Price to be determined based on final game specifications								
71	Social Instants	Price to be determined based on final specifications								

	<b>OPTION</b>	<b>COST per 1,000</b>
72	Scene Xtreme	Price to be determined based on final game specifications
73	Suretrack Lottery Management System (as per section 4.3.2.10)	Price to be determined based on final system specifications
74	<b>Primary Market Research Studies</b>  Such as: In-person focus group research Online instant ticket concept testing Tracking studies instant ticket player segmentation studies Barriers/motivators studies Other game play studies	Price to be determined based on final study specifications
75	Retailer Consultation Services (as per section 4.3.2.10)	Price to be determined based on consult requirements
76	<b>Webplay Games - native app and/or web portal</b>  Including but not limited to: Crossword App E-Greetings games Word Slots	Price to be determined based on final game specifications
77	<b>Other Interactive Applications and Solutions</b>  Including but not limited to: Cash Up Scratch Scan The Collectables Instants Plus Lottery utility and ticket checker apps	Price to be determined based on final game specifications

Licensed Games

Tier 1 Licensed Properties	Price	
	Option 1	Option 2
NASCAR	6.0%-8.0% merchandise allocation as a % of prize fund (negotiable based on ticket volumes and ticket selling price)	1.75%-2.0% of sales (negotiable based on ticket volumes and ticket selling price)
Pac Man	6.0%-8.0% merchandise allocation as a % of prize fund (negotiable based on ticket volumes and ticket selling price)	1.75%-2.0% of sales (negotiable based on ticket volumes and ticket selling price)
White Christmas	6.0%-8.0% merchandise allocation as a % of prize fund (negotiable based on ticket volumes and ticket selling price)	1.75%-2.0% of sales (negotiable based on ticket volumes and ticket selling price)
Frogger	6.0%-8.0% merchandise allocation as a % of prize fund (negotiable based on ticket volumes and ticket selling price)	1.75%-2.0% of sales (negotiable based on ticket volumes and ticket selling price)
Star Trek	6.0%-8.0% merchandise allocation as a % of prize fund (negotiable based on ticket volumes and ticket selling price)	1.75%-2.0% of sales (negotiable based on ticket volumes and ticket selling price)
Tetris	6.0%-8.0% merchandise allocation as a % of prize fund (negotiable based on ticket volumes and ticket selling price)	1.75%-2.0% of sales (negotiable based on ticket volumes and ticket selling price)
It's a Wonderful Life	N/A	1.75%-2.0% of sales (negotiable based on ticket volumes and ticket selling price)
Corvette	6.0%-8.0% merchandise allocation as a % of prize fund (negotiable based on ticket volumes and ticket selling price)	1.75%-2.0% of sales (negotiable based on ticket volumes and ticket selling price)
Rubik's	6.0%-8.0% merchandise allocation as a % of prize fund (negotiable based on ticket volumes and ticket selling price)	1.75%-2.0% of sales (negotiable based on ticket volumes and ticket selling price)

Tier 2 Licensed Properties	Price	
	Option 1	Option 2
Awkward Family Photos	N/A	1.50%-1.75% of sales (negotiable based on ticket volumes and ticket selling price)
Jelly Belly	N/A	1.50%-1.75% of sales (negotiable based on ticket volumes and ticket selling price)
Lava	N/A	1.50%-1.75% of sales (negotiable based on ticket volumes and ticket selling price)
Jacks or Better	N/A	1.50%-1.75% of sales (negotiable based on ticket volumes and ticket selling price)
Keith Kimberlin – Artist	N/A	1.50%-1.75% of sales (negotiable based on ticket volumes and ticket selling price)
Dubble Bubble	N/A	1.50%-1.75% of sales (negotiable based on ticket volumes and ticket selling price)
Single Double Triple Play Bingo	N/A	1.50%-1.75% of sales (negotiable based on ticket volumes and ticket selling price)
Hold'Em Poker	N/A	1.50%-1.75% of sales (negotiable based on ticket volumes and ticket selling price)
Boo	N/A	1.50%-1.75% of sales (negotiable based on ticket volumes and ticket selling price)

4. **Contractual Provisions Attachment**  
DA-146a Rev. 06/12

4.1. **Terms Herein Controlling Provisions**

It is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated. Any terms that conflict or could be interpreted to conflict with this attachment are nullified.

4.2. **Kansas Law and Venue**

This contract shall be subject to, governed by, and construed according to the laws of the State of Kansas, and jurisdiction and venue of any suit in connection with this contract shall reside only in courts located in the State of Kansas.

4.3. **Termination Due To Lack Of Funding Appropriation**

If, in the judgment of the Director of Accounts and Reports, Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year, and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 90 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of the State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.

4.4. **Disclaimer Of Liability**

No provision of this contract will be given effect that attempts to require the State of Kansas or its agencies to defend, hold harmless, or indemnify any contractor or third party for any acts or omissions. The liability of the State of Kansas is defined under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).

4.5. **Anti-Discrimination Clause**

The contractor agrees: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-1111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration; (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration.

Contractor agrees to comply with all applicable state and federal anti-discrimination laws.

The provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or whose contracts with the contracting State agency cumulatively total \$5,000 or less during the fiscal year of such agency.

4.6. **Acceptance Of Contract**

This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.

4.7. **Arbitration, Damages, Warranties**

Notwithstanding any language to the contrary, no interpretation of this contract shall find that the State or its agencies have agreed to binding arbitration, or the payment of damages or penalties. Further, the State of Kansas and its agencies do not agree to pay attorney fees, costs, or late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect that attempts to exclude, modify, disclaim or otherwise attempt to limit any damages available to the State of Kansas or its agencies at law, including but not limited to the implied warranties of merchantability and fitness for a particular purpose.

4.8. **Representative's Authority To Contract**

By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.

4.9. **Responsibility For Taxes**

The State of Kansas and its agencies shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.

4.10. **Insurance**

The State of Kansas and its agencies shall not be required to purchase any insurance against loss or damage to property or any other subject matter relating to this contract, nor shall this contract require them to establish a "self-insurance" fund to protect against any

such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the contractor shall bear the risk of any loss or damage to any property in which the contractor holds title.

**4.11. Information**

No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to information pursuant to K.S.A. 46-1101 et seq.

**4.12. The Eleventh Amendment**

"The Eleventh Amendment is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this contract shall be deemed a waiver of the Eleventh Amendment."

**4.13. Campaign Contributions / Lobbying**

Funds provided through a grant award or contract shall not be given or received in exchange for the making of a campaign contribution. No part of the funds provided through this contract shall be used to influence or attempt to influence an officer or employee of any State of Kansas agency or a member of the Legislature regarding any pending legislation or the awarding, extension, continuation, renewal, amendment or modification of any government contract, grant, loan, or cooperative agreement.

**EVT0003852 – Instant Ticket Production (Option A) Contractors**

**Contract ID:** 42015  
**Contractor:** **Pollard Banknote Limited Partnership**  
775 James L Hart Pkwy  
Ypsilanti, MI 48197-9791  
**Vendor ID:** 0000168079  
**FEIN:** 98-0665125  
**Contact Person:** **Jennifer Westbury**  
**E-Mail:** [jwestbury@pbl.ca](mailto:jwestbury@pbl.ca)  
**Local Telephone:** 204-474-2323 ext 217  
**Cell Phone Number:** 204-229-4590  
**Fax:** 204-453-1375

**Contract ID:** 42016  
**Contractor:** **Scientific Games International Inc**  
1500 Bluegrass Lakes Pkwy  
Alpharetta, GA 30004-7712  
**Vendor ID:** 0000154694  
**FEIN:** 58-1943521  
**Contact Person:** **Geneva McCaffrey**  
**E-Mail:** [geneva.mccaffrey@scientificgames.com](mailto:geneva.mccaffrey@scientificgames.com)  
**Local Telephone:** 770-664-3700  
**Cell Phone Number:** 210-240-0716  
**Fax:** 678-624-4115

**Contract ID:** 42017  
**Contractor:** **IGT Global Solutions Corporation**  
10 Memorial Blvd  
Providence, RI 02903  
**Vendor ID:** 0000003064  
**FEIN:** 05-0389840  
**Contact Person:** **Patrick Craig**  
**E-Mail:** [patrick.craig@IGT.com](mailto:patrick.craig@IGT.com)  
**Local Telephone:** 785-861-7309  
**Cell Phone Number:** 785-249-6479  
**Fax:** 785-232-0058

## CONTRACT AWARD

**Date of Award:** October 12, 2016

**Contract ID:** 42017

**Event ID:** EVT0003852

**Replace Contract:** 11173, 11173AC, 38455

**Procurement Officer:** Brienne Wilkins  
**Telephone:** 785/296-2770  
**E-Mail Address:** [brienne.wilkins@ks.gov](mailto:brienne.wilkins@ks.gov)  
**Web Address:** <http://admin.ks.gov/offices/procurement-and-contracts>

**Item:** Production of Instant Tickets (Option A)

**Agency/Business Unit:** Kansas Lottery

**Period of Contract:** Date of Award through June 30, 2022  
(With the option to renew for four (4) additional one (1) year renewal periods)

**Contractor/Vendor:** IGT GLOBAL SOLUTIONS CORPORATION  
10 MEMORIAL BLVD  
PROVIDENCE, RI 02903

**Vendor ID:** 0000003064  
**FEIN:** 05-0389840

**Contact Person:** Patrick Craig  
**E-Mail:** [patrick.craig@IGT.com](mailto:patrick.craig@IGT.com)  
**Local Telephone:** 785-861-7309  
**Cell Phone Number:** 785-249-6479  
**Fax:** 785-232-0058

**Payment Terms:** Net 30

**Political Subdivisions:** Pricing is not available to the political subdivisions of the State of Kansas.

**Procurement Cards:** Agencies may not use a P-Card for purchases from this Contract.

**Administrative Fee:** No Administrative Fee will be assessed against purchases from this Contract.

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The above referenced contract award was recently posted to Procurement and Contracts website. The document can be downloaded by going to the following website: <http://www.da.ks.gov/purch/Contracts/>.

## 1. Terms and Conditions

### 1.1. Contract Documents

The bid event, any amendments, the response and any response amendments of the Contractor, and the State of Kansas DA-146a (Contractual Provision Attachment) shall be incorporated into the written contract ("Contract" or "Agreement"), which shall compose the complete understanding of the parties.

In the event of a conflict in terms of language among the documents, the following order of precedence shall govern:

- Form DA 146a;
- written modifications to the executed Contract;
- written Contract signed by the parties;
- the Bid Event documents, including any and all amendments; and
- Contractor's written offer (as clarified) submitted in response to the Bid Event as finalized.

### 1.2. Captions

The captions or headings in this Contract are for reference only and do not define, describe, extend, or limit the scope or intent of this Contract.

### 1.3. Definitions

A glossary of common procurement terms is available at <http://admin.ks.gov/offices/procurement-and-contracts>, under the "Procurement Forms" link.

### 1.4. Contract Formation

No contract shall be considered to have been entered into by the State until all statutorily required signatures and certifications have been rendered and a written contract has been signed by the Contractor.

### 1.5. Notices

All notices, demands, requests, approvals, reports, instructions, consents or other communications (collectively "notices") that may be required or desired to be given by either party to the other shall be IN WRITING and addressed as follows:

Kansas Procurement and Contracts  
900 SW Jackson, Suite 451-South  
Topeka, Kansas 66612-1286  
RE: Contract Number 42017

or to any other persons or addresses as may be designated by notice from one party to the other.

### 1.6. Statutes

Each and every provision of law and clause required by law to be inserted in the Contract shall be deemed to be inserted herein and the Contract shall be read and enforced as though it were included herein. If through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then on the application of either party the Contract shall be amended to make such insertion or correction.

During the Term of this Contract, Contractor shall comply with all provisions of laws, codes, ordinances, rules, regulations and tariffs.

### 1.7. Governing Law

This Contract shall be governed by the laws of the State of Kansas and shall be deemed executed in Topeka, Shawnee County, Kansas.

### 1.8. Jurisdiction

The parties shall bring any and all legal proceedings arising hereunder in the State of Kansas District Court of Shawnee County, unless otherwise specified and agreed upon by the State of Kansas. Contractor waives personal service of process, all defenses of lack of personal jurisdiction and forum non conveniens.

The Eleventh Amendment of the United States Constitution is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this Agreement shall be deemed a waiver of the Eleventh Amendment

### **1.9. Mandatory Provisions**

The provisions found in Contractual Provisions Attachment (DA 146a) are incorporated by reference and made a part of this Contract.

### **1.10. Termination for Cause**

The Director of Purchases may terminate this Contract, or any part of this Contract, for cause under any one of the following circumstances:

- the Contractor fails to make delivery of goods or services as specified in this Contract;
- the Contractor provides substandard quality or workmanship;
- the Contractor fails to perform any of the provisions of this Contract;
- the Contractor fails to make progress as to endanger performance of this Contract in accordance with its terms or,

the Contractor declares any form of Bankruptcy, and such declaration is not removed or withdrawn within 90 days of filing.

The Director of Purchases shall provide Contractor with written notice of the conditions endangering performance: i. the Contractor fails to make delivery of goods or services as specified in this Contract, ii. the Contractor fails to perform any of the provisions of this Contract, iii. the Contractor fails to make progress as to endanger performance of this Contract in accordance with its terms or, iv. the Contractor declares any form of Bankruptcy, and such declaration is not removed or withdrawn within 90 days of filing. If the Contractor fails to remedy the conditions within ten (10) days from the receipt of the notice (or such longer period as State may authorize in writing), the Director of Purchases shall issue the Contractor an order to stop work immediately. Receipt of the notice shall be presumed to have occurred within three (3) days of the date of the notice.

### **1.11. Termination for Convenience**

The Director of Purchases may terminate performance of work under this Contract in whole or in part whenever, for any reason, the Director of Purchases shall determine that the termination is in the best interest of the State of Kansas. In the event that the Director of Purchases elects to terminate this Contract pursuant to this provision, it shall provide the Contractor written notice at least 90 days prior to the termination date. The termination shall be effective as of the date specified in the notice. The Contractor shall continue to perform any part of the work that may have not been terminated by the notice.

### **1.12. Rights and Remedies**

If this Contract is terminated, the State, in addition to any other rights provided for in this Contract, may require the Contractor to transfer title and deliver to the State in the manner and to the extent directed, any completed materials. The State shall be obligated only for those services and materials rendered and accepted prior to the date of termination.

In the event of termination, the Contractor shall receive payment prorated for that portion of the Contract period services were provided to or goods were accepted by State subject to any offset by State for actual damages including loss of federal matching funds.

The rights and remedies of the State provided for in this Contract shall not be exclusive and are in addition to any other rights and remedies provided by law.

### **1.13. Antitrust**

If the Contractor elects not to proceed with performance under any such Contract with the State, the Contractor assigns to the State all rights to and interests in any cause of action it has or may acquire under the anti-trust laws of the United States and the State of Kansas relating to the particular products or services purchased or acquired by the State pursuant to this Contract.

**1.14. Hold Harmless**

The Contractor shall indemnify the State against any and all loss or damage to the extent arising out of the Contractor's negligence in the performance of services under this Contract and for infringement of any copyright or patent occurring in connection with or in any way incidental to or arising out of the occupancy, use, service, operations or performance of work under this Contract.

The State shall not be precluded from receiving the benefits of any insurance the Contractor may carry which provides for indemnification for any loss or damage to property in the Contractor's custody and control, where such loss or destruction is to state property. The Contractor shall do nothing to prejudice the State's right to recover against third parties for any loss, destruction or damage to State property.

**1.15. Force Majeure**

The Contractor shall not be held liable if the failure to perform under this Contract arises out of causes beyond the control of the Contractor. Causes may include, but are not limited to, acts of nature, fires, tornadoes, quarantine, terrorism, strikes other than by Contractor's employees, and freight embargoes.

**1.16. Breach**

Waiver or any breach of any Contract term or condition shall not be deemed a waiver of any prior or subsequent breach. No Contract term or condition shall be held to be waived, modified, or deleted except by a written instrument signed by the parties thereto.

If any Contract term or condition or application thereof to any person(s) or circumstances is held invalid, such invalidity shall not affect other terms, conditions, or applications which can be given effect without the invalid term, condition or application. To this end the Contract terms and conditions are severable.

**1.17. Assignment**

The Contractor shall not assign, convey, encumber, or otherwise transfer its rights or duties under this Contract without the prior written consent of the State. State may reasonably withhold consent for any reason.

This Contract may terminate for cause in the event of its assignment, conveyance, encumbrance or other transfer by the Contractor without the prior written consent of the State.

**1.18. Third Party Beneficiaries**

This Contract shall not be construed as providing an enforceable right to any third party.

**1.19. Waiver**

Waiver of any breach of any provision in this Contract shall not be a waiver of any prior or subsequent breach. Any waiver shall be in writing and any forbearance or indulgence in any other form or manner by State shall not constitute a waiver.

**1.20. Injunctions**

Should Kansas be prevented or enjoined from proceeding with the acquisition before or after Contract execution by reason of any litigation or other reason beyond the control of the State, Contractor shall not be entitled to make or assert claim for damage by reason of said delay.

**1.21. Staff Qualifications**

The Contractor shall warrant that all persons assigned by it to the performance of this Contract shall be employees of the Contractor (or specified Subcontractor) and shall be fully qualified to perform the work required. The Contractor shall include a similar provision in any Contract with any Subcontractor selected to perform work under this Contract.

Failure of the Contractor to provide qualified staffing at the level required by the Contract specifications may result in termination of this Contract or damages.

### **1.22. Subcontractors**

The Contractor shall be the sole source of contact for the Contract. The State will not subcontract any work under the Contract to any other firm and will not deal with any subcontractors. The Contractor is totally responsible for all actions and work performed by subcontractors. All terms, conditions and requirements of the Contract shall apply without qualification to any services performed or goods provided by any subcontractor.

### **1.23. Independent Contractor**

Both parties, in the performance of this Contract, shall be acting in their individual capacity and not as agents, employees, partners, joint ventures or associates of one another. The employees or agents of one party shall not be construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor accepts full responsibility for payment of unemployment insurance, workers compensation, social security, income tax deductions and any other taxes or payroll deductions required by law for its employees engaged in work authorized by this Contract.

### **1.24. Worker Misclassification**

The Contractor and all lower tiered subcontractors under the Contractor shall properly classify workers as employees rather than independent contractors and treat them accordingly for purposes of workers' compensation insurance coverage, unemployment taxes, social security taxes, and income tax withholding. Failure to do so may result in Contract termination.

### **1.25. Immigration and Reform Control Act of 1986 (IRCA)**

All contractors are expected to comply with the Immigration and Reform Control Act of 1986 (IRCA), as may be amended from time to time. This Act, with certain limitations, requires the verification of the employment status of all individuals who were hired on or after November 6, 1986, by the Contractor as well as any subcontractor or subcontractors. The usual method of verification is through the Employment Verification (I-9) Form.

The Contractor hereby certifies without exception that such Contractor has complied with all federal and state laws relating to immigration and reform. Any misrepresentation in this regard or any employment of persons not authorized to work in the United States constitutes a material breach and, at the State's option, may subject the Contract to termination for cause and any applicable damages.

Unless provided otherwise herein, all contractors are expected to be able to produce for the State any documentation or other such evidence to verify Contractor's IRCA compliance with any provision, duty, certification or like item under the Contract.

### **1.26. Proof of Insurance**

Upon request, the Contractor shall present an affidavit of Worker's Compensation, Public Liability, and Property Damage Insurance to Procurement and Contracts.

### **1.27. Conflict of Interest**

The Contractor shall not knowingly employ, during the period of this Contract or any extensions to it, any professional personnel who are also in the employ of the State and providing services involving this Contract or services similar in nature to the scope of this Contract to the State. Furthermore, the Contractor shall not knowingly employ, during the period of this Contract or any extensions to it, any state employee who has participated in the making of this Contract until at least two years after his/her termination of employment with the State.

### **1.28. Nondiscrimination and Workplace Safety**

The Contractor agrees to abide by all federal, state and local laws, and rules and regulations prohibiting discrimination in employment and controlling workplace safety. Any violations of applicable laws or rules or regulations may result in termination of this Contract.

**1.29. Confidentiality**

The Contractor may have access to private or confidential data maintained by State to the extent necessary to carry out its responsibilities under this Contract. Contractor must comply with all the requirements of the Kansas Open Records Act (K.S.A. 45-215 et seq.) in providing services under this Contract. Contractor shall accept full responsibility for providing adequate supervision and training to its agents and employees to ensure compliance with the Act. No private or confidential data collected, maintained or used in the course of performance of this Contract shall be disseminated by either party except as authorized by statute, either during the period of the Contract or thereafter. Contractor agrees to return any or all data furnished by the State promptly at the request of State in whatever form it is maintained by Contractor. On the termination or expiration of this Contract, Contractor shall not use any of such data or any material derived from the data for any purpose and, where so instructed by State, shall destroy or render it unreadable.

**1.30. Environmental Protection**

The Contractor shall abide by all federal, state and local laws, and rules and regulations regarding the protection of the environment. The Contractor shall report any violations to the applicable governmental agency. A violation of applicable laws or rule or regulations may result in termination of this Contract for cause.

**1.31. Care of State Property**

The Contractor shall be responsible for the proper care and custody of any state owned personal tangible property and real property furnished for Contractor's use in connection with the performance of this Contract. The Contractor shall reimburse the State for such property's loss or damage caused by the Contractor, except for normal wear and tear.

**1.32. Prohibition of Gratuities**

Neither the Contractor nor any person, firm or corporation employed by the Contractor in the performance of this Contract shall offer or give any gift, money or anything of value or any promise for future reward or compensation to any State employee at any time.

**1.33. Retention of Records**

Unless the State specifies in writing a different period of time, the Contractor agrees to preserve and make available at reasonable times all of its books, documents, papers, records and other evidence involving transactions related to this Contract for a period of five (5) years from the date of the expiration or termination of this Contract.

Matters involving litigation shall be kept for one (1) year following the termination of litigation, including all appeals, if the litigation exceeds five (5) years.

The Contractor agrees that authorized federal and state representatives, including but not limited to, personnel of the using agency; independent auditors acting on behalf of state and/or federal agencies shall have access to and the right to examine records during the Contract period and during the five (5) year post Contract period. Delivery of and access to the records shall be within five (5) business days at no cost to the state.

**1.34. Off-Shore Sourcing**

If, during the term of the Contract, the Contractor or subcontractor plans to move work previously performed in the United States to a location outside of the United States, the Contractor shall immediately notify the Procurement and Contracts and the respective agency in writing, indicating the desired new location, the nature of the work to be moved and the percentage of work that would be relocated. The Director of Purchases, with the advice of the respective agency, must approve any changes prior to work being relocated. Failure to obtain the Director's approval may be grounds to terminate the Contract for cause.

**1.35. On-Site Inspection**

Failure to adequately inspect the premises shall not relieve the Contractor from furnishing without additional cost to the State any materials, equipment, supplies or labor that may be required to carry out the intent of this Contract.

### **1.36. Indefinite Quantity Contract**

This is an open-ended Contract between the Contractor and the State to furnish an undetermined quantity of a good or service in a given period of time. The quantities ordered will be those actually required during the Contract period, and the Contractor will deliver only such quantities as may be ordered. No guarantee of volume is made. An estimated quantity based on past history or other means may be used as a guide.

### **1.37. Prices**

Prices shall remain firm for the entire Contract period. Prices shall be net delivered, including all trade, quantity and cash discounts. Any price reductions available during the Contract period shall be offered to the State of Kansas, and any potential price reductions would be determined on a fact-by-fact basis. Failure to provide available price reductions may result in termination of the Contract for cause.

### **1.38. Payment**

Payment Terms are Net 30 days. Payment date and receipt of order date shall be based upon K.S.A. 75-6403(b). This Statute requires state agencies to pay the full amount due for goods or services on or before the 30th calendar day after the date the agency receives such goods or services or the bill for the goods and services, whichever is later, unless other provisions for payment are agreed to in writing by the Contractor and the state agency. NOTE: If the 30th calendar day noted above falls on a Saturday, Sunday, or legal holiday, the following workday will become the required payment date.

Payments shall not be made for costs or items not listed in this Contract.

Payment schedule shall be on a frequency mutually agreed upon by both the agency and the Contractor.

### **1.39. Invoices**

Each purchase order must be individually invoiced. Invoices shall be forwarded to the using agency in duplicate and shall state the following:

- date of invoice.
- date of shipment (or completion of work);
- purchase order number and Contract number;
- itemization of all applicable charges; and
- net amount due.

### **1.40. Accounts Receivable Set-Off Program**

If, during the course of this Contract the Contractor is found to owe a debt to the State of Kansas, a state agency, municipality, or the federal government, agency payments to the Contractor may be intercepted / setoff by the State of Kansas. Notice of the setoff action will be provided to the Contractor. Pursuant to K.S.A. 75-6201 et seq, Contractor shall have the opportunity to challenge the validity of the debt. The Contractor shall credit the account of the agency making the payment in an amount equal to the funds intercepted.

K.S.A. 75-6201 et seq. allows the Director of Accounts & Reports to setoff funds the State of Kansas owes Contractors against debts owed by the Contractors to the State of Kansas, state agencies, municipalities, or the federal government. Payments setoff in this manner constitute lawful payment for services or goods received. The Contractor benefits fully from the payment because its obligation is reduced by the amount subject to setoff.

### **1.41. Federal, State and Local Taxes**

Unless otherwise specified, the contracted price shall include all applicable federal, state and local taxes. The Contractor shall pay all taxes lawfully imposed on it with respect to any product or service delivered in accordance with this Contract. The State of Kansas is exempt from state sales or use taxes and federal excise taxes for direct purchases. These taxes shall not be included in the contracted price. Upon request, the State shall provide to the Contractor a certificate of tax exemption.

The State makes no representation as to the exemption from liability of any tax imposed by any governmental entity on the Contractor.

**1.42. Shipping and F.O.B. Point**

Unless otherwise specified, prices shall be F.O.B. DESTINATION, PREPAID AND ALLOWED (included in the price bid), which means delivered to a state agency's receiving dock or other designated point as specified in this Contract or subsequent purchase orders without additional charge. Shipments shall be made in order to arrive at the destination at a satisfactory time for unloading during receiving hours.

**1.43. Deliveries**

All orders shall be shipped clearly marked with the purchase order number. If delays in delivery are anticipated, the Contractor shall immediately notify the ordering agency of the revised delivery date or partial delivery date. The order may be canceled, without payment, if delivery time is unsatisfactory. The Contractor shall inform Procurement and Contracts of any supply or delivery problems. Continued delivery problems may result in termination of the Contract for cause.

**1.44. Charge Back Clause**

If the Contractor fails to deliver the product within the delivery time established by the Contract, the State reserves the right to purchase the product from the open market and charge back the difference between Contract price and open market price to the Contractor.

**1.45. Debarment of State Contractors**

Any Contractor who defaults on delivery or does not perform in a satisfactory manner as defined in this Agreement may be barred for up to a period of three (3) years, pursuant to K.S.A. 75-37, 103, or have its work evaluated for pre-qualification purposes. Contractor shall disclose any conviction or judgment for a criminal or civil offense of any employee, individual or entity which controls a company or organization or will perform work under this Agreement that indicates a lack of business integrity or business honesty. This includes (1) conviction of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract in the performance of such contract or subcontract; (2) conviction under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property; (3) conviction under state or federal antitrust statutes; and (4) any other offense to be so serious and compelling as to affect responsibility as a state contractor. For the purpose of this section, an individual or entity shall be presumed to have control of a company or organization if the individual or entity directly or indirectly, or acting in concert with one or more individuals or entities, owns or controls 25 percent or more of its equity, or otherwise controls its management or policies. Failure to disclose an offense may result in the termination of the Contract.

**1.46. Materials and Workmanship**

The Contractor shall perform all work and furnish all supplies and materials, machinery, equipment, facilities, and means, necessary to complete all the work required by this Contract, within the time specified, in accordance with the provisions as specified.

The Contractor shall be responsible for all work put in under these specifications and shall make good, repair and/or replace, at the Contractor's own expense, as may be necessary, any defective work, material, etc., if in the opinion of agency and/or Procurement and Contracts said issue is due to imperfection in material, design, workmanship or Contractor fault.

**1.47. Industry Standards**

If not otherwise provided, materials or work called for in this Contract shall be furnished and performed in accordance with best established practice and standards recognized by the contracted industry and comply with all codes and regulations which shall apply.

**1.48. Implied Requirements**

All products and services not specifically mentioned in this Contract, but which are necessary to provide the functional capabilities described by the specifications, shall be included.

**1.49. New Materials, Supplies or Equipment**

Unless otherwise specified, all materials, supplies or equipment offered by the Contractor shall be new, unused in any regard and of most current design. All materials, supplies and equipment shall be first class in all respects. Seconds or flawed items will not be acceptable. All materials, supplies or equipment shall be suitable for their intended purpose and, unless otherwise specified, fully assembled and ready for use on delivery

**1.50. Performance Guaranty/Bond (Amount)**

The Contractor shall file with the Director of Purchases a performance guaranty/bond in the amount of \$250,000. The guaranty/bond shall be released upon the completion of this Contract subject to total or partial forfeiture for the amount of alleged damage only, for failure to adequately perform the terms of this Contract. If damages exceed the amount of the guaranty, the State may seek additional damages.

A performance guaranty/bond must be one of the following:

- certificate of deposit payable to the State; or
- a properly executed bond payable to the State.

Necessary bond forms will be furnished by Procurement and Contracts and can be completed by any General Insurance Agent. Bonds shall be issued by a Surety Company licensed to do business in the State of Kansas.

**1.51. Inspection**

The State reserves the right to reject, on arrival at destination, any items which do not conform with specification of the Contract.

**1.52. Acceptance**

No contract provision or use of items by the State shall constitute acceptance or relieve the Contractor of liability in respect to any expressed or implied warranties.

**1.53. Ownership**

All data, forms, procedures, software, manuals, system descriptions and work flows developed or accumulated by the Contractor under this Contract shall be owned by the using agency. The Contractor may not release any materials without the written approval of the using agency.

**1.54. Information/Data**

Any and all information/data required to be provided at any time during the Contract term shall be made available in a format as requested and/or approved by the State.

**1.55. Certification of Materials Submitted**

The Bid Eventdocument, together with the specifications set forth herein and all data submitted by the Contractor to support their response including brochures, manuals, and descriptions covering the operating characteristics of the item(s) proposed, shall become a part of the Contract between the Contractor and the State of Kansas. Any written representation covering such matters as reliability of the item(s), the experience of other users, or warranties of performance shall be incorporated by reference into the Contract.

**1.56. Transition Assistance**

In the event of Contract termination or expiration, Contractor shall provide all reasonable and necessary assistance to State to allow for a functional transition to another vendor.

**1.57. Integration**

This Contract, in its final composite form, shall represent the entire agreement between the parties and shall supersede all prior negotiations, representations or agreements, either written or oral, between the parties relating to the subject matter hereof. This Agreement between the parties shall be independent of and have no effect on any other contracts of either party.

**1.58. Modification**

This Contract shall be modified only by the written agreement and approval of the parties. No alteration or variation of the terms and conditions of the Contract shall be valid unless made in writing and signed by the parties. Every amendment shall specify the date on which its provisions shall be effective.

**1.59. Severability**

If any provision of this Contract is determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Contract shall not be affected and each provision of this Contract shall be enforced to the fullest extent permitted by law.

## 2. Contract Requirements

### 2.1. Warranty Against Contingent Fees

The vendor shall identify all companies or persons retained (other than a bona fide employee working solely for the vendor) to solicit or secure this Contract, and warrants that it has not paid or agreed to pay any person or entity (other than a bona fide employee working solely for the vendor) any fee, commission, percentage, brokerage fee, gift, or other consideration on a basis that is contingent upon the award of this Contract. For breach or violation of this warranty, the Lottery shall have the right to annul the Contract without liability or in its discretion to deduct from the Contract price the full amount of such commission, percentage, brokerage, or contingent fee.

### 2.2. Compromising Statements

The Contractor agrees by submitting a proposal(s) in response to the RFP that, at no time during the proposal process or at any time after the award of a Contract, the vendor, whether successful or not, will make any public claim that its product or service is superior to that of any other vendor or that the products or services of any other vendor are inferior.

### 2.3. Non-Exclusive Rights

Except as otherwise provided in this Contract, it is understood and agreed by the vendor(s) that the Lottery does not grant the vendor(s) exclusive rights to provide all equipment, materials, and services required by the Lottery during the period covered by the Contract. In the event the Lottery decides that the development, manufacture, and delivery of equipment, materials, and services required by the Lottery by another vendor is in the Lottery's best interest, the Lottery reserves the right during the period of this Contract to contract, purchase, and use additional equipment, materials, and services from another vendor(s), and said action does not infringe upon nor terminate the contractual agreements resulting from the RFP.

### 2.4. Governing Laws

This Contract shall be construed in accordance with and governed by the laws of the State of Kansas, including the Uniform Commercial Code as codified in Chapter 84 of the Kansas Statutes Annotated and the *Kansas Lottery Act K.S.A. 74-8701, et seq.*, as amended.

### 2.5. Assignment, Transfer, Conveyance, Subcontracting and Disposal

2.5.1. The vendor(s) shall not assign, transfer, convey, subcontract, or dispose of any its rights, title, interest, or power to execute such assignments under this Contract to any other person, company, corporation or entity without the previous written consent of the Lottery.

2.5.2. Any proposed subcontractor shall be subject to filing such financial and background information as requested by the Lottery.

2.5.3. The Lottery shall approve the terms of all subcontracts entered into by the vendor for the purpose of completing the provisions of this Contract. If a subcontractor is approved, the resulting contract between the Contractor and the subcontractor shall designate one of the parties to be the sole point of contact with the Lottery. All records relating to subcontracts shall be available for audit or examination as requested by the Lottery. A copy of the complete executed contractual arrangement between the vendor and the subcontractor must be provided to the Lottery.

### 2.6. Proprietary Material and/or Licensed Property

The vendor's proposal need not include any allowance for royalties to be paid to outside parties for rights to use any proprietary material (e.g., scenes, portraits, photographs, copyrights, trademarks) or licensed property. If the Lottery chooses to use such proprietary materials and/or licensed property, and if such royalties/fees are involved, the Lottery will reimburse the vendor at cost for such items. If the Lottery is not provided prior notification of cost, the cost shall be borne by the Vendor.

If proprietary materials and/or licensed property allowances/fees are provided by the vendor without cost to the Lottery, either in total or in part, the vendor's proposal shall include a percentage allowance for current and future royalties/license fees.

All current and future propriety materials and license fees, whether paid for by the Lottery or waived in total or in part by the vendor, that are associated with a ticket that is being produced by a vendor shall be considered part of the RFP process and as such, shall not require further negotiations, or agreements (other than commercially reasonable acknowledgments of use, order quantities, dates of use, or terms and conditions specific to that licensed product). Vendor may be permitted to submit price requirements and order quantities only for future Intellectual properties or licensed products offered by the Vendor.

**2.7. Ownership of Materials**

All materials and data produced for the Lottery under a this Contract which (i) first originated under this Contract, (ii) were created exclusively and specifically for the Lottery under the terms of this Contract and (iii) for which the Lottery has paid the Contractor shall be owned by the Lottery unless otherwise agreed to in writing by the Lottery. Further, any forms, software, manuals, system descriptions and work flows developed by the Contractor for the benefit of its customers, generally, and not solely for the benefit of the Lottery under this Contract, shall not be owned by the using agency but shall be licensed for their use during the term of the Contract only

All games, Intellectual Properties, products or enhancements developed solely by the Lottery shall remain the sole and exclusive property of the Lottery. Future use of said products by the Vendor may be permitted under a future agreement which may include additional compensation to the Lottery.

**2.8. Confidentiality**

Vendor may have access to private or confidential data maintained by the Lottery to the extent necessary to carry out its responsibilities under this Contract. Vendor must comply with all the requirements of the *Kansas Open Records Act* in providing services under this Contract. Vendor shall accept full responsibility for providing adequate supervision and training to its agents and employees to ensure compliance with the Act. No private or confidential data collected, maintained or used in the course of performance of this Contract may be disseminated by either party except as authorized by statute either during the period of the Contract or thereafter. Vendor must agree to return any and all data furnished by the Lottery promptly at the request of the Lottery in whatever form it is maintained by vendor. On the termination or such expiration of this Contract, vendor will not use any of such data or any material derived from the data for any purpose, and where so instructed by state, will destroy or render it unreadable.

**2.9. Non-Disclosure of Lottery Plans**

The vendor must use its best efforts to assure that the details of games and other plans of the Lottery are not disclosed to persons or organizations, other than the personnel, agents, and subcontractors of the vendor, whose assistance is necessary for the performance of the Contract resulting from the RFP, until the Lottery announces same.

**2.10. News Releases**

The Lottery and the Procurement Negotiating Committee are the only entities authorized to issue news releases relating to the RFP, its evaluation, award, or any Contract and performance there under. The vendor shall submit all proposed news releases in any way relating to the Lottery or Lottery activities to the Lottery and receive Lottery approval prior to release.

**2.11. Non-Disclosure of Vendor Confidential Information**

The Lottery will use its best efforts to assure that neither the Lottery nor any of its personnel or designees discloses to any other person or organization any information marked "confidential" by the vendor in accordance with the procedure established in the RFP.

**2.12. Inspection**

The Lottery, or its authorized representative, has the right at all times to inspect, or otherwise evaluate, all phases of performance under this Contract and the premises in which it is being performed. Costs associated with onsite inspections by no more than four (4) lottery employees per year shall be the responsibility of the vendor(s).

**2.13. Vendor Personnel**

The vendor shall warrant that all persons assigned by it to perform this Contract shall be employees of the vendor (or specified subcontractor) and shall be fully qualified to perform the work required. The vendor shall

include a similar provision in any Contract with any subcontractor selected to perform work under this Contract.

The Lottery may request replacement of any vendor personnel believed unable to carry out the responsibilities of this Contract. The Lottery shall have the right to approve the assignment of any vendor personnel to positions requiring specific management of the delivery of services or products and to positions requiring close and frequent coordination with the Lottery staff and management. The vendor shall warrant that personnel assigned to perform tasks in response to the RFP will remain assigned for the agreed upon length of time, and will not be replaced or reassigned except by mutual agreement following receipt of written notice by the Lottery.

The vendor shall immediately notify the Lottery Director of Security of all personnel changes involving officers, directors, stockholders owning 5% or more of the stock of the corporation, and other persons working on Lottery business.

**2.14. Acceptance of Deliverables**

The Lottery may reject any product or service which does not conform to the specifications of the RFP or other written specifications agreed upon by the Lottery and the vendor.

**2.15. Payment**

Payment terms are set forth in Section 1.38 of this Contract. Any modifications of such payment terms, , shall be agreed upon between the successful vendor(s) and the Lottery.

**2.16. Warranty**

All errors and defects caused by the fault or negligence of the vendor or its subcontractors, and not caused by the fault or negligence of the Lottery shall be corrected by the vendor free of charge within ten (10) days after notification of the error or defect, and Vendor shall indemnify the Lottery for any and all damages arising from those errors or defects. The faults or negligence of third parties under the control of or agents for the Lottery (e.g., retailers and other vendors) shall be considered on a case by case basis and may be reason for exception to this warranty.

**2.17. Disputes**

Should any disputes arise with respect to this Contract; the vendor and the Lottery agree to act immediately to resolve such disputes. The vendor agrees that the existence of a dispute notwithstanding, it will continue without delay to carry out all its responsibilities under the Contract of all non-disputed work. Any additional costs incurred by the vendor or the Lottery as a result of such failure to proceed shall be borne by the vendor, and the vendor shall make no claim against the Lottery for such costs.

**2.18. Conflict of Interest**

No member of the Lottery Commission, Executive Director, employee of the Lottery or any person residing in the same household of either of the aforementioned shall, directly or indirectly, individually, as a member of a partnership or other association, or as a stockholder, director or officer of a corporation, have an interest in a business of the Contractor. .

**2.19. Ticket Purchase and Prize Payment Restrictions**

The Contractor for either component of the RFP and subsequent Contract(s) shall comply with the provisions of K.S.A. 74-8719 and amendments thereto relating to the purchase of tickets or receipt of prizes.

**2.20 PERFORMANCE BOND**

The Contractor submit to the Lottery, within 20 state working days, and maintain during the term of any Contract and any extension thereof, a performance bond or an irrevocable letter of credit in the amount of \$250,000, binding the Contractor to faithfully fulfill and perform its obligations under the Contract. In the event a bond is chosen, it must be executed by a company authorized to do business in Kansas. The cost of such bond shall be paid by the Contractor.

In the event an irrevocable letter of credit is chosen in lieu of a performance bond, it must be provided on a form acceptable to the Executive Director and from a highly rated financial institution acceptable to the Executive Director.

**2.21 DDD BOND**

The successful Contractor and its subcontractors shall acquire a "DDD" (disappearance, dishonesty and disaster) bond, fidelity bond, or crime insurance in the aggregate amount of at least \$3,000,000 to cover any loss to the Lottery due to any fraudulent or dishonest act on the part of the Contractor, or any officer, employee, agent, or subcontractor of the Contractor. The Contractor must deliver a certificate evidencing this coverage to the Lottery within 20 state working days of the Contract award. Failure to post such a bond within this time period, or when requested by the Lottery, shall void the Contract award. The bond or insurance coverage shall be issued by a bonding or insurance company licensed to operate in Kansas. The cost of such bond or coverage shall be paid by the Contractor.

**2.22 INSURANCE**

The successful Contractor(s) shall maintain throughout the life of the Contract the following insurance to provide funds for fees, legal costs, loss of revenue or claims incurred as a result of the Contractor's performance. The required insurance policies must be acquired from companies authorized to do business in Kansas. The insurance shall be payable to the Lottery and to the Contractor additional insureds or loss payees as their respective interests may appear. Each such policy of insurance shall contain a provision whereby it cannot be cancelled except upon 30 days written notice to all insureds. In the event that the Contractor's carrier cancels any policy, Contractor shall immediately obtain a replacement policy. The Contractor shall furnish to the Lottery evidence of insurance within 20 state working days of the effective date of the Contract, and evidence of any renewals or replacements within 20 state working days of expiration or cancellation, respectively.

**2.22.1.** The successful Contractor(s) shall provide Commercial General Liability Insurance, or its equivalent of \$1,000,000 minimum for one person and \$2,000,000 for any one occurrence for personal injury, and \$1,000,000 for any one occurrence for property damage.

**2.22.2.** Vehicle Liability Coverage for all successful Contractor(s) owned vehicles operated in Kansas shall be maintained in accordance with applicable state laws.

**2.22.3.** Errors and Omissions Insurance: The successful Contractor(s) will be required to obtain an errors and omissions liability insurance policy for an amount of no less than \$5,000,000, for the term of the Contract and provide proof of same to the Lottery. Such policy shall cover at least the following risks and limits:

**2.22.3.1.** Over-redemption: Coverage will be obtained to indemnify the Lottery for 100 percent of prizes that Lottery becomes legally obligated to pay for winning tickets manufactured by the Contractor that are not on the validation files or are duplicates of valid winning tickets.

**2.22.3.2.** Lottery Expenses: In addition to the insurance for errors and omissions in connection with tickets for the instant games, coverage shall be obtained, and proof provided to the Lottery, to indemnify the Lottery for up to \$250,000 per instant game for actual incurred expenses (e.g., advertising, promotion, etc.) for which the Lottery does not receive full value because the Lottery discontinues a game due to poor manufacturing quality of the tickets, deviation from the approved prize structure, identification of winning tickets before play, or any other defect identified by the Lottery in connection with the production of the Lottery's instant game tickets. In establishing over-redemption, the Lottery shall be required to show the Contractor the tickets creating the alleged over-redemption and permit the Contractor to examine such tickets. Contractor shall not be liable for altered or counterfeit tickets which, through no fault of the Contractor, its agents or employees, are paid by Lottery retailers or claim centers or for any errors by retailers or claim centers as to the amount of prize to be paid for a given ticket.

**2.22.3.3.** A statement of self-insurance to cover the above requirements shall be considered non-responsive and shall disqualify the bidder.

**2.22.3.4.** Neither the Lottery nor the state shall be required to purchase any insurance against loss or damage to any personal property nor shall they establish a "self-insurance" fund to

protect against any loss or damage. Subject to the provisions of the Kansas Tort Claims Act, the Contractor shall bear the risk of any loss or damage to any personal property.

## **2.23 Liquidated Damages**

**2.23.1 Late Delivery:** Delivery dates of products or services to be furnished will be negotiated and indicated in the Contract award, so that the schedule of the Lottery program will not be delayed. If any of the products or services specified by this Contract are not delivered within the time limits specified in the award, the delay may interfere with the proper fulfillment of the statutory responsibilities and operational priorities of the Lottery. Since correction of actual damages sustained by the Lottery may be impractical or extremely difficult, the Contractor and the Lottery agree that the Contractor, at the option of the Lottery, may be required to pay as liquidated damages, and not as a penalty, an amount calculated as set forth herein. Amounts due to the Lottery as liquidated damages may be deducted by the Lottery from any money payable to the Contractor pursuant to this Contract. The Lottery shall notify the Contractor in writing of any claim for liquidated damages on or before the Lottery deducts such sums from money payable to the Contractor.

**2.23.1.1.** In the event instant lottery tickets are not delivered on or before thirty-four (34) calendar days after the Lottery delivers the work papers to the Contractor within written directions from the Lottery to proceed with production, in the agreed upon quantity, or deviate from the quality specifications contained in this Contract, liquidated damages may be assessed at a rate of one tenth of one percent (0.1%) of the retail price (face value) of the tickets not delivered for each calendar day that the schedule is not met, plus any and all advertising and other out-of-pocket costs incurred by the Lottery in connection with such games.

**2.23.1.2.** In the event first draft working papers, including first draft prize structure and first draft conceptual art, work papers and conceptual art are not delivered on or before fourteen (14) calendar days after the Lottery delivers the initial game concept and prize parameters to Contractor, liquidated damages may be assessed at a rate of one-tenth of one percent (0.1%) of the retail price (face value) of all tickets expected by Lottery to be ordered for each calendar day that the schedule is not met, plus any other out-of-pocket costs incurred by the Lottery in connection with said game.

**2.23.1.3. Exceptions**

**2.23.1.3.1.** Except with respect to defaults of subcontractors, the Contractor may not be liable for liquidated damages or the Lottery payments, when delays arise for reasons related to natural disasters, including any events of force majeure identified in Section 1.15. The Contractor must provide prompt and reasonable notice of such conditions.

**2.23.1.3.2.** If delays are caused by the default of a subcontractor, and if such default arises out of causes beyond the control of both the Contractor and subcontractor, and without the fault or negligence of either of them, the Contractor shall not be liable for liquidated damages, unless the supplies or services to be furnished by the subcontractors were obtainable from other sources in sufficient time to permit the contractor or the Lottery to meet the required performance schedule. The Contractor must provide prompt and reasonable notice of all such delays.

**2.23.2. Non-Conforming Tickets:** Should any ticket in a book of tickets be considered non-conforming because of pick out, ticket manufacturing quality is unacceptable, or not meeting the specifications of the final approved working papers, damages may be sustained by the Lottery. It is, therefore, agreed that if non-conforming tickets are delivered, the Contractor shall pay to the Lottery as liquidated damages 30% of the retail price (face value of the tickets) of each book of non-conforming tickets delivered by the Contractor, plus any and all advertising and other out-of-pocket costs incurred by the Lottery in connection with such game if the entire game is not marketable as determined by the Lottery. Liquidated damages shall not be assessed for non-conforming tickets if Contractor timely replaces the tickets or otherwise rectifies the problem to the satisfaction of the Lottery.

**2.24 Multiple Contractors**

There is no guarantee that the Lottery will order any specific number of tickets from the Contractor. There is the potential that services from the Contractor will not be utilized at all.

**3. Specifications**

**3.0 WORK TO BE PERFORMED – INSTANT TICKETS OPTION A**

The work to be performed, except as may be modified by working papers, shall be as follows:

**3.1. Instant Lottery Tickets Option A**

**3.1.1 SIZE and PRICING**

Most tickets shall be printed on a minimum 10 point card stock paper. Unless otherwise specified, other ticket sizes, types, and options are set forth in Section 4 (Ticket Prices) of this Contract.. Ticket size may vary by up to 5% in any direction, but the total area of the ticket shall not vary by more than 5% of the total ticket size specifications. The Lottery chooses to utilize the price per 1000 ticket pricing option for all games.

**3.1.2 TICKET BOOKS**

Unless agreed otherwise, tickets shall be printed in books with a face value at \$300 with five (5) or less tickets per page in a continuous fan-fold arrangement as determined by the Lottery. The total length of each pack of tickets shall not exceed 11 inches unless requested specifically by the Lottery.

**3.1.2.1.** Books shall be assembled to maintain the consecutive order of tickets in the book and to make pilferage of individual tickets immediately evident.

**3.1.2.2.** Each ticket shall bear a number. Book numbers are to be consecutive and non-duplicating. Each ticket shall bear an individual consecutive number beginning with 000 in each book.

**3.1.2.3.** Perforations between tickets shall allow tickets to be separated easily from each other after one prefold, but tickets shall not break apart during normal handling. If a stub is used, a lesser perforation is possible between the ticket and its stub, but perforations shall not break without prefold.

**3.1.3 COLORS**

Six (6) distinct colors shall be used for display printing on the front of the tickets, three (3) colors for the overprint and one (1) for the back, or any combination of the ten (10) total colors. The Lottery may require, at its option, that the color of tickets for a particular game be changed during ticket production.

**3.1.4 SYMBOLS**

Lottery symbols shall be printed by a computer-controlled imaging printer in black ink or other color specified by the Lottery on the foil side of the stock or front side of the ticket for paper tickets. Symbols shall be legible, uniformly positioned except as needed for purposes of security, uniformly aligned and easily read by persons with normal vision. Special symbols will be developed and shall be available at no extra cost as required by the game design. Application of lottery symbols shall be performed in a statistically random method to avoid the possibility of "companion" game tickets being chosen in variance to the probability of winning a particular prize from the game as a whole.

**3.1.5 VALIDATION AND BAR CODES**

**3.1.5.1** Each ticket and each stub shall have a validation number that allows computer reconstruction of lottery symbols, is unique and non-repeating in the lottery as a whole, and is not the book number. The Contractor shall be able to image a unique 11-digit validation number on every ticket in the game play area and covered with scratch-off material or pull tabs as is applicable. The validation number is currently formatted as follows:

VVVVV      The first six (6) digits of the validation number,

A	a one (1) digit Auto Cash Code
C	a one (1) digit check digit of the first 15 digits (fifteen) of the bar code (Mod 10)
-	a dash
VVV	the three (3) digit control number (PIN number)
NOTE:	The last three (3) digits of the validation code will be boxed and separated by a hyphen to facilitate retailer entry.
Float	Validation code will randomly float between four (4) places in the game area and covered with scratch off material. This feature will be determined on an as needed basis.

**3.1.5.2** The Contractor shall print on the back or front of each ticket, as determined by Lottery, a 20-digit bar code capable of being read by electronic scanning equipment for ticket/book validation and processing redeemed tickets.

**3.1.5.3** The bar code will be interleaved 2 of 5 and formatted (1,2,3,4,) "GGGSPPPPVVVVVVATTC" where the characters represent the following:

GGG	a three (3) game identifier
S	a one (1) digit pack size indicator
PPPPP	a five (5) digit pack number ranging from 00000-99999
VVVVV	the first six (6) digits of the validation number
A	the one (1) digit Auto Cash Code
TTT	three-digit ticket number
C	a one (1) digit check digit of the bar code (MOD 10).

**3.1.5.4** The Contractor shall also print a Lottery-specific UPC code on the back of each ticket.

**3.1.5.5** The ticket Contractor shall include a keyless validation barcode to address PDF 417 situations.

**3.1.5.6** The Contractor shall be capable of implementing ticket restriction on strings of consecutive non-winning tickets.

**3.1.6** **RUB-OFF**

The rub-off or other exposing material shall be opaque and of such quality as to maintain the security of the tickets' symbols and validation number.

**3.1.7** **PROTECTIVE COATING**

Symbols shall be protected with a transparent protective coating under the rub-off so that the symbols are protected when the consumer rubs off the opaque covering.

**3.1.8** **OVERPRINT**

A three-color overprint of a regular artistic design shall be printed on top of the rub-off material covering lottery symbols. The overprint covering lottery symbols shall be clear, un-blurred and sharp to facilitate detection of tampering. The lottery may require, at its option, that the color(s) of overprints for tickets of a particular game be changed midway through ticket production.

**3.1.9 INKS**

Inks shall not smear, run or stain under normal handling. Inks shall not be chemically or dermatologically irritating under normal handling. Inks, except overprint ink, shall be resistant to water and other solvents to improve the ability of the Lottery to detect counterfeit tickets.

**3.1.10 SECURITY**

**3.1.10.1** The Contractor shall incorporate measures for manufacturer and distributor security. The location of the winning tickets to the book-ticket numbers on the tickets shall not be matched in any computer tape, computer program, and computer file, CD, DVD or other document.

**3.1.10.2** **Quality Control Testing:** Three (3) packs of tickets shall be pulled from the game run ("start", "middle", and the end) of each game produced and shall be sent via Federal Express priority overnight delivery to:

Director of Security  
Kansas Lottery  
128 North Kansas Avenue  
Topeka, Kansas 66603-3638

At the same time, specific book numbers for the three (3) pulled books will be mailed to the vendor's representative. A brief book reconstruction will be done on one (1) of the pulled packs. The reconstruction information will be sent by e-mail to the attention of the Director of Security.

These tickets shall be used for lottery game, validation, auto cash and prize level testing. A minimum of three (3) packs of tickets must be provided for this purpose.

The Contractor shall coordinate with the Lottery Director of Security to ensure that packs pulled for quality control testing contain no high-tier prizes.

**3.1.10.3** Tickets will be transported to the main Lottery headquarters in locked, sealed, exclusive use vehicles.

**3.1.10.4** The following provisions shall be incorporated to assure that winning and non-winning tickets are not recognizable except by rubbing off the covering and exposing the lottery symbols:

- (a) The odds of winning any prize shall not vary from the odds of winning contained in the final approved prize structure.
- (b) The ticket shall be rendered unsalable and easily recognized as having been tampered with by any attempt to discern whether it is a winner or non-winner. In particular, the rub-off spots shall not be susceptible to use of "see-through" devices such as high intensity light, x-rays, infrared lasers, chemicals, electrical, photographic, thermal, copy machine, solvents or other practically available devices or techniques. The Contractor shall test packs from each game and provide a copy to the Director of Security.
- (c) Deficiencies in randomization shall not cause a variance of the odds of winning any prize from the final approved prize structure.

**3.1.10.5** The Contractor's plant or facility shall contain complete and satisfactory security arrangements. The Lottery shall approve security arrangements, and the Contractor shall not change production of tickets to another plant or facility without inspection and written approval by the Lottery. The Contractor shall incorporate all reasonable security measure suggestions upon receipt of written notice from the Lottery. The Contractor shall immediately notify the Lottery of any security breach or theft.

**3.1.10.6** Tickets may be printed using a single pass method.

**3.1.11 WRAPPING AND BOXING**

Books shall be shrink wrapped in such a manner that the book-ticket number is visible and then sealed in a shipping box tested at not less than 275 pounds. Unless otherwise agreed, each shipping box shall contain no more than 30 books of tickets and shall be bar coded and clearly marked on the exterior with the game number and range of book numbers contained therein except that omitted books shall be marked on the box. Cartons shall be arranged on pallets as specified by the Lottery in the work papers.

**3.1.12 WARRANTY**

Any tickets that fail to rub-off satisfactorily, or that fade, peel, smear or change color, and are unsold because of this failure will be replaced or appropriate credit given by the Contractor within ten (10) days of notification of the defect.

**3.1.13 ADDITIONAL SPECIFICATIONS**

**3.1.13.1** The Contractor shall be prepared to assist the Lottery in developing additional specifications for all instant games. The Lottery and the Contractor shall agree on detailed ticket specifications; order quantities; packaging, shipping and delivery schedules; prize structures and art for the front and back before the Contractor commences production.

**3.1.13.2** The Contractor shall consult with the Lottery to develop the prize structure for the game. The Lottery has final approval for all prize structures.

**3.1.13.3** The Contractor shall provide to the Lottery for approval a conceptual art design and final mechanical art for the front and back of tickets before production begins.

**3.1.13.4** The Contractor shall adhere to the following time line for production of work papers, art production and delivery of tickets. First draft working papers, including first draft prize structure and first draft conceptual art, shall be delivered to the Lottery no later than fourteen (14) calendar days after the Lottery delivers the initial game concept and prize structure parameters to the contractor. Production of the game shall commence no later than twenty-eight (28) calendar days from the time the Lottery signs and delivers the work papers to the Contractor. Tickets shall be delivered to the Lottery no later than thirty-four (34) calendar days after the Lottery signs and delivers the work papers to the Contractor with written directions from the Lottery to proceed with production.

**3.1.13.5** Simultaneous with providing work papers, Contractor shall provide written game rules following a standardized form to be established by the Lottery. And, if requested by the Lottery, all work papers and rules shall be developed in Microsoft Word or other software as specified by the Lottery and transmitted to the Lottery via E-mail, or as otherwise specified by the Lottery.

**3.1.13.6** The Contractor shall provide an end-of-run prize structure at the end of the printing of a game detailing the expected and actual number of prizes in each prize level by an independent certified public accounting firm.

**3.1.14 ADDITIONAL QUALITY SPECIFICATIONS**

Tickets shall meet the following quality provisions:

**3.1.14.1** No scratches across the latex coverings of the tickets.

**3.1.14.2** No rough, uneven latex coverings.

**3.1.14.3** No holes in the latex coverings exposing portions of hidden symbols.

**3.1.14.4** No latex coverings "dripping" on the display printing.

- 3.1.14.5 No latex coverings that smear or fail to come off when rubbed.
- 3.1.14.6 No overprint and display designs that are unclear or not crisply printed.
- 3.1.14.7 No tickets out of order within a book.
- 3.1.14.8 No lottery symbols that are chopped or incomplete.
- 3.1.14.9 No foil coating that rips away when the ticket is rubbed.
- 3.1.14.10 No miscounted number of tickets in a book.
- 3.1.14.11 No perforations that allow tickets to fall out of books without prefold.
- 3.1.14.12 No tears in foil.
- 3.1.14.13 No delamination of foil from paper stock.
- 3.1.14.14 No inks offset on latex covering from one ticket to another.
- 3.1.14.15 No off-register latex coverings or overprint designs.
- 3.1.14.16 No symbols not totally covered by the latex covering.
- 3.1.14.17 No symbols that smear under normal handling or with slight moisture.
- 3.1.14.18 No unevenly trimmed tickets.
- 3.1.14.19 No foil shavings within books.
- 3.1.14.20 No duplication of VERN numbers. ("Void if removed Number" – the series of digits on the face of a Scratch-It ticket located beneath the play area and covered in latex)
- 3.1.14.21 Other quality measures deemed necessary by the Lottery.

**3.1.15 ADDITIONAL SERVICES**

At no additional charge, the Contractor shall provide the following services to the Lottery:

- 3.1.15.1 Creative design of instant games.
- 3.1.15.2 Detailed lottery design, including playing rules, ticket copy, art work and printing. The Contractor shall provide a full-time customer service artist to coordinate ticket design and activities with the Lottery's art department. Communications will be via telephone and computer modem, FTP site, email, and any other communication modality that is pre-agreed to in writing by the Lottery and the Contractor.  
  
All hard copies of Contractor-provided artwork shall be delivered to the Lottery by overnight delivery and shall be accompanied by a compatible electronic format copy if requested by the Lottery. Final art purporting to show actual press appearance (draw-downs, etc.) should be as accurate in color rendition as possible.
- 3.1.15.3 All computer typesetting services.
- 3.1.15.4 Federal and state trademark searches and counsel's opinions on the names and designs selected for instant games, are available for use.
- 3.1.15.5 A minimum of 3,000 actual size voided sample tickets for each game.

- 3.1.15.6 Full ultra violet varnish coat - face of ticket.
- 3.1.15.7 Bar coding and UPC coding on back of all tickets.
- 3.1.15.8 Game/pack number to be imaged twice on back of each ticket: One below bar code and one at top of ticket.
- 3.1.15.9 Top prizes of one-hundred thousand dollars (\$100,000) or less at no extra charge.
- 3.1.15.10 Void furnish with each pack.
- 3.1.15.11 At minimum, annual strategic ticket production and marketing plan presentation at Topeka Lottery location.
- 3.1.15.12 Sting tickets/Compliance game that will be added to the end of a game run at the expense of the vendor. The Lottery will pick a maximum of two games per year.

The Contractor shall provide the following services at no additional cost, or at the cost detailed on the Additional Items Cost Sheet located in Section 4. These items may relate to one or both components of the RFP and the vendor shall provide specific detail in bid specifications and costs.

- 3.1.15.13 The right to use any and all licensed property the Contractor has rights to, including and not limited to images, names, products, etc. at no cost or at a minimal cost to the Lottery. If a cost is charged it will be factored into total cost of ticket production.
- 3.1.15.14 A Market Research Fund that consists of an annual Contractor set-aside equal to no less than forty-thousand dollars (\$40,000) per annum. Monies in this fund to be used for Lottery sponsored/conducted research projects, focus groups, exploratory/research trips, training, strategic planning, and other items related to ticket production and the sale, display, marketing, etc. of Lottery instant tickets. Monies not used in any given year will roll to the following year. Accumulated funds will remain the property of the Lottery and will not reduce per annum set-asides.

Vendor shall be responsible for \$40,000 payment for the first year of this agreement. Subsequent Market Research fund expenses shall be divided among all ticket vendors the Lottery does business with, with each Vendor paying a pro-rata share of the established Market Research Fund for that year (as determined by the Lottery), based on their total dollars spent per year, per vendor on instant ticket/licensed properties from the Lottery of the Lottery's overall ticket printing for the previous year. In no event will the annual Market Research fund expenses cumulatively exceed \$120,000 per year.

Accumulated funds will not reduce per annum dollars. Unspent dollars at the end of the Contract or final renewal period, whichever comes last, will be retained by the Contractor(s). This fund relates to all contractors.

- 3.1.15.15 A Travel Fund that that consists of an annual Contractor set-aside equal to no less than ten thousand dollars (\$10,000) per annum will pay public transportation carrier travel expenses and lodging only for Lottery staff to attend conferences, trainings, vendor and/or other state visits and inspections, etc. Monies not used in any given year will roll to the following year. Accumulated funds will remain the property of the Lottery and will not reduce per annum set-asides.

Accumulated funds will not reduce per annum dollars. Unspent dollars at the end of the Contract or final renewal period, whichever comes last, will be retained by the Contractor. This fund relates to all Contractors.

- 3.1.15.16 Point of Sales items that reflect tickets and promotions, and/or general lottery operations and activities.

- 3.1.15.17 Storage and rotation of ticket stock to address potential disaster recovery issues. Vendor shall store on Lottery's behalf, at a secure location of Vendor's choosing with Lottery's approval, a maximum of three Lottery games, to be selected by Lottery. Vendor shall provide this storage of tickets at no cost to the Lottery.
- 3.1.15.18 Mobile scanning capabilities that remain current with evolving scanning capabilities and that are capable of interfacing with Players' Loyalty Program and other lottery initiatives.
- 3.1.15.19 Demonstrated ability for vendor products to readily interface with other vendors and systems, at no additional cost to the Lottery.
- 3.1.15.20 Independent quality assurance and effectiveness audit on vendor products and programs.
- 3.1.15.21 Unless otherwise pre-agreed to by the Lottery, all delivery trucks will be equipped with fully functioning air lift capabilities.

### 3.2 **WORK WITH OTHER CONTRACTORS AND THE LOTTERY**

The Contractor shall coordinate with other contractors contracted under the RFP and assist in the selection of future contractors if asked in writing by the Lottery during the term of this Contract.

- 3.2.1 This work may include, but not be limited to, working with advertising services, delivery services, security consulting, the online vendor, market researcher, other ticket producers for conformity, integration and other services, and other data processing services.
- 3.2.2 The Contractor shall assist the Lottery in preparing rules and regulations to govern Lottery operations for rules for games conducted by the Lottery.
- 3.2.3 The Contractor may be required to export or create data to/for pre-existing forms provided by the Lottery to be shared with other regulatory bodies for the purpose of ticket creation and usage.
- 3.2.4. The Contractor shall reconstruct individual lottery tickets or any other pertinent information upon written request, signed by a designated official of the Lottery, to assist in the validation of questionable prize winners, assist in other investigations of ticket creation or usage, or any other law enforcement related purposes.
- 3.2.5. Individual licensing agreements for specific future games shall be adopted under the general provisions of the contract(s), any amendments and the RFP. Said licensing agreements will not restate terms of these contracts(s), any amendments, or the RFP but instead only list terms specific to that individual licensing agreement.
- 3.2.6 The Contractor may be required to ensure tickets may be used/dispensed by independent or third (3<sup>rd</sup>) party electronic dispensing machines or online service providers and/or other ticket delivery systems.

### 3.3 **AUDIT PROCEDURES**

Accounting procedures of the Contractor(s) for all ticket validations, financial and accounting records shall be in accordance with generally accepted accounting principles and all records relating to the Lottery shall be available to the Lottery or its designees. The Contractor shall obtain the opinion of an independent certified public accounting firm that procedures and controls for production and handling of instant games are adequate to preclude compromise of the game. The CPA firm shall audit a sample of actual computer run tapes used to print tickets and randomly sample in the Contractor's plant finished books to determine conformity to the approved prize structure. The report shall include information on whether the Contractor was reluctant to cooperate with the accounting firm conducting the audit, and a copy of the report forwarded to the Director of Security.

### 3.4 **SOFTWARE SUPPORT FOR INSTANT TICKETS**

All instant lottery tickets and attendant services shall be compatible with existing and future hardware and software utilized by the Lottery. The Contractor shall provide any additional software that may be necessitated for future instant games which are not supported by the current software at no cost to the Lottery. The Lottery

agrees that any software required to be provided by the Contractor that is necessary for compatibility with future hardware or software of the Lottery would be upon terms mutually agreed upon in good faith by the Contractor and the Lottery.

### **3.5 LOTTERY HARDWARE AND SOFTWARE**

The Lottery is presently using an IBM Power iSeries (commonly referred to as AS/400, together with modified Anderson lottery software (ACCLAIMS). The Contractor shall furnish, at the Contractor's expense, an algorithm(s) for the purpose of validation compatible with the Lottery system or any other future system it may employ during the term of the Contract.

### **3.6 AUTO-CASH ALGORITHM**

As may be negotiated by the parties, the Contractor(s) may furnish an auto-cash algorithm(s) compatible with the Lottery's on-line Contractor's system or any other future system it may employ during the term of the Contract.

### **3.7 VALIDATION, HASH FILE, AND INVENTORY TAPES**

The Contractor(s) is required to provide, at the Contractor's expense, validation, hash file, and inventory compact disks (CD's) or thumb drives or any other pre-agreed upon media storage device of each game in the format and media specified by the Lottery to be delivered to the Lottery no later than three (3) working days following the printing of the tickets.

### **3.8 REORDER CAPABILITY**

The Contractor(s) shall provide the capability to re-order any game as specified by the Lottery and provide the necessary game media, as referenced in 3.7, to allow the Lottery to extend the game using the existing game number.

### **3.9 TEST GAME**

The Contractor shall not be required to provide a test game and/or required to test a re-order game; provided, however, the Lottery reserves the right to request test games as changes necessitate.

### **3.10 RE-ORDER GAME**

A "re-order game" is an instant game where additional pools are ordered utilizing the original game number and prize structure. The number of the first pack of a re-order game must be the number of the pack that follows the previous game's last pack number as indicated on vendor-delivered inventory and validation records. Ticket color(s) may change.

### **3.11 CONTRACT INTERPRETATION**

- (a) In the event there are any disagreements between the parties with regards to the application of this Contract or the requirements of the Lottery arising from any interpretation of the Request for Proposal, this Contract, or otherwise, the parties shall use their best efforts to settle any disagreements. To this effect, they shall consult and negotiate with each other in good faith and recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. In such negotiations, the Contractor agrees to defer to the reasonable interpretations of the Lottery as from time to time may be made by the Lottery. This provision applies to all matters including those arising from disputes concerning whether Contractor is required to provide some service or item including scope of work issues and whether particular items or services were included in the scope of work agreed to by the parties in this Contract, RFP, questions and answers of the parties, or otherwise. In summary, if both parties have a reasonable interpretation regarding application of the Contract, Contractor agrees to defer to The Lottery's interpretation. Notwithstanding the foregoing, this Section 3.11 shall in no way limit Contractor's right to challenge whether the interpretation of the Lottery was reasonable or otherwise limit Contractor's ability or right to pursue a claim or remedy under this Contract.
- (b) The above requirements shall apply to any change orders, Contract modifications, or other deviations to this Contract. Failure to receive the prior written and express approval of The Lottery prior to implementing any changes to the requirements provided for hereunder, for which requests for extra or additional compensation are thereafter submitted by the Contractor to The Lottery, shall impose no liability for payment upon The Lottery and may be rejected by The Lottery without recourse.

### 3.12 INDEMNIFICATION-THIRD PARTY CLAIMS - GENERAL.

Notwithstanding any limitation in this Contract, and to the fullest extent permitted by law, Contractor shall defend and hold harmless Indemnitees for and against any and all suits or claims of any character (and all related damages, settlement payments, attorneys' fees, costs, expenses, losses or liabilities) by a third party which are attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property arising out of or in connection with the goods or services acquired hereunder or caused in whole or in part by any error or omission of the Contractor, its subcontractors, their employees, workmen, servants, agents, or anyone directly or indirectly employed by them or anyone for whose acts any of them may be liable, regardless of whether or not caused in part by an Indemnitee, and whether or not such claims are made by a third party or an Indemnitee; however, if an Indemnitee's error, omission or action is subsequently determined to be a contributing factor to a cause of a suit or claim, the Indemnitee shall not be entitled to indemnification hereunder to the extent of Indemnitee's contribution of such cause. The Contractor shall be given timely written notice of any suit or claim. Contractor's obligations hereunder are in no way limited by any protection afforded under workers' compensation acts, disability benefits acts, or other employee benefit acts. This Section shall not negate, abridge, or reduce any other rights or obligations of indemnity which would otherwise exist. The obligations of this Section shall survive termination, cancelation, or expiration of this Contract. This Section shall be construed fairly and reasonably, neither strongly for nor against either party, and without regard to any clause regarding insurance. As used in this Section, "Indemnitees" means the State of Kansas, The Lottery, its Commissioners and all their respective officers, agents and employees.

The Contractor, as part of its duty of indemnification, is required to defend and hold harmless the State from any costs arising out of the prosecution or defense of any action arising out of the Contractor's performance under this Contract, including any action affecting the payment or denial of the payment of lottery winnings in whole or in part. The Contractor shall notify The Lottery of the filing of any such litigation, and The Lottery shall give the Contractor written notice of any such claim, in the event such claim comes to the attention of The Lottery first. The Lottery shall have the right, but not the obligation, to participate in the litigation and, subject to prior review and discussion, shall also have the right to ultimately decide matters concerning any litigation arising out of the action affecting the payment or nonpayment of lottery winnings.

Contractor also agrees to advise The Lottery of any claims asserted or brought against Contractor arising from this Contract and which may potentially expose The Lottery to liability or publicity and to coordinate with The Lottery on any issues of governmental or public interest or concern relating to The Lottery and/or this Contract. In the event of participation by The Lottery in the defense of any claim, which shall be solely at the discretion of The Lottery, The Lottery shall be responsible for its own costs and expenses. If The Lottery, in its sole discretion, determines that the action may expose The Lottery to liability, the Contractor will not settle any such claims arising hereunder without the express prior written permission of The Lottery. The Contractor will, in all instances, where the Lottery may be exposed to liability, bear all attorneys' fees and expenses, and failure to comply herewith will entitle The Lottery to make appropriate deductions from any fees due to the Contractor or to draw upon the security pursuant to this Contract.

The Contractor further agrees that in the event it is requested to produce in any litigation any document or information referring or relating to the State or The Lottery, it shall not produce the requested material before it has notified The Lottery and provided it a reasonable opportunity to appear and object to the production or revelation of The Lottery's material or information. The Lottery will inform the Contractor when a request is made for it to produce a document or information in litigation that refers to or relates to the Contractor, and the Lottery shall not produce the requested material related to the Contractor before it has provided the Contractor a reasonable opportunity to appear and object to the production or revelation of the Contractor's material or information unless the Lottery is under specific legal prohibition from notifying Contractor

### 3.13 INDEMNIFICATION-INTELLECTUAL PROPERTY.

(a) Without limitation and notwithstanding any provision in this Contract, Contractor shall, upon receipt of notification, wholly defend and indemnify The Lottery and its respective Commissioners, officers, agents and employees against all actions, proceedings or claims of any nature (and all damages, settlement payments, attorneys' fees (including inside counsel), costs, expenses, losses or liabilities attributable thereto) by any third party asserting any acquired item infringes upon an IP right. The State shall allow the Contractor to defend such claim so long as the defense is diligently and capably prosecuted. The State shall allow Contractor to settle such claim so long as all settlement payments are made by Contractor and the settlement does not impose a non-monetary obligation upon the State. State shall reasonably cooperate with Contractor's defense of such claim.

- (b) In the event an injunction or order shall be obtained against State's use of any acquired item, or if in Contractor's opinion, the acquired item is likely to become the subject of a claim of infringement or violation of an IP right, Contractor shall, without in any way limiting the foregoing, and at its expense, either (with the Lottery's written permission):
- (1) procure for State the right to continue to use, or have used, the acquired item, or
  - (2) replace or modify the acquired item so that it becomes non-infringing but only if the modification or replacement does not adversely affect the specifications for the acquired item or its use by State.  
If neither (1) nor (2), above, is practical, State may require that Contractor remove the acquired item from State, refund to State any charges paid by State therefor, and take all steps necessary to have State released from any further current or future liability.
- (c) The Contractor's obligations under this paragraph do not apply to a claim to the extent that the claim is caused by the Contractor's compliance with specifications furnished by the State:
- (1) unless Contractor knew its compliance with the State's specifications would infringe an IP right, or
  - (2) if the State knowingly relied on a third party's IP right to develop the specifications provided to Contractor and failed to identify such product to Contractor.
- (d) These terms are defined as follows: "IP right(s)" means a patent, copyright, trademark, trade secret, or any other proprietary right. "Acquired item(s)" means the rights, goods, or services furnished under this Contract. "Specification(s)" means a detailed, exact statement of particulars such as a statement prescribing materials, dimensions, and quality of work.
- (e) Contractor's obligations under this clause shall survive the termination, cancellation, rejection, or expiration of this Contract.

**4. Ticket Prices**

- 4.1 The summary data and prices listed in Section 4. Pricing of the Contract (pages 27 through 44) are for Instant ticket production and include the specifications detailed in Section 3 of the RFP. Highlights are as follows:
- 4.1.1 Minimum 10 point card stock paper
  - 4.1.2 Ticket books as defined by the Lottery
  - 4.1.3 Six (6) distinct colors for display printing on the front of the ticket, three (3) colors for the overprint and one (1) color ticket back or any combination of ten (10) total colors
  - 4.1.4 Full Ultra Violet Varnish Coat
  - 4.1.5 Minimum 3000 and up to 6000 actual size voided sample tickets for each game
  - 4.1.6 Marketing research fund proportionate to the volume of business conducted each Contract year
  - 4.1.7 Travel fund of up to 10,000 USD per year
  - 4.1.8 External audit for each game printed
  - 4.1.9 Trademark search for each game printed

Quantity Ordered	FOIL STOCK Ticket Size – Approximate Inches					
	Vendor's Size					
	4.0" x 2.0"	4.0" x 4.0"	4.0" x 5.5"	4.0" x 6.0"	4.0" x 10.0"	4.0" x 11.0"
300,000	\$ 77.13	\$ 91.08	\$ 99.14	\$ 115.63	\$ 130.78	\$ 133.15
600,000	\$ 44.48	\$ 57.33	\$ 65.69	\$ 81.48	\$ 95.06	\$ 99.15
900,000	\$ 33.58	\$ 46.07	\$ 54.53	\$ 70.09	\$ 83.16	\$ 87.81
1,200,000	\$ 28.14	\$ 40.44	\$ 48.97	\$ 64.40	\$ 77.20	\$ 82.15
1,500,000	\$ 24.87	\$ 37.07	\$ 45.62	\$ 60.99	\$ 73.63	\$ 78.74
1,800,000	\$ 22.70	\$ 34.81	\$ 43.38	\$ 58.71	\$ 71.25	\$ 76.48
2,100,000	\$ 21.14	\$ 33.21	\$ 41.79	\$ 57.08	\$ 69.55	\$ 74.86
2,400,000	\$ 19.98	\$ 32.00	\$ 40.60	\$ 55.86	\$ 68.28	\$ 73.65
3,600,000	\$ 17.26	\$ 29.19	\$ 37.81	\$ 53.01	\$ 65.30	\$ 71.64
4,800,000	\$ 15.90	\$ 27.78	\$ 36.42	\$ 52.27	\$ 64.66	\$ 70.02
6,000,000	\$ 15.08	\$ 26.94	\$ 36.08	\$ 51.28	\$ 63.60	\$ 69.55
7,200,000	\$ 14.53	\$ 26.37	\$ 35.44	\$ 50.63	\$ 62.89	\$ 68.81
8,400,000	\$ 14.14	\$ 25.98	\$ 34.98	\$ 50.15	\$ 62.38	\$ 68.29

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	- VIRGIN NON-FOIL STOCK Ticket Size - Approximate Inches					
	Width x Size					
	4.0" x 2.0"	4.0" x 3.0"	6.0" x 3.0"	4.0" x 8.0"	4.0" x 10.0"	4.0" x 12.0"
300,000	\$ 67.11	\$ 75.67	\$ 78.82	\$ 87.89	\$ 96.43	\$ 97.62
600,000	\$ 36.72	\$ 44.22	\$ 47.99	\$ 56.66	\$ 68.60	\$ 69.78
900,000	\$ 26.60	\$ 33.73	\$ 37.72	\$ 48.57	\$ 56.31	\$ 58.26
1,200,000	\$ 21.52	\$ 28.49	\$ 34.20	\$ 42.73	\$ 50.16	\$ 52.49
1,500,000	\$ 18.49	\$ 26.78	\$ 30.76	\$ 39.23	\$ 46.47	\$ 49.04
1,800,000	\$ 16.46	\$ 24.43	\$ 28.48	\$ 36.89	\$ 44.02	\$ 46.72
2,100,000	\$ 15.02	\$ 22.74	\$ 26.84	\$ 35.23	\$ 42.26	\$ 45.07
2,400,000	\$ 13.94	\$ 21.48	\$ 25.61	\$ 33.98	\$ 41.97	\$ 44.94
3,600,000	\$ 11.89	\$ 18.54	\$ 22.74	\$ 31.84	\$ 38.82	\$ 41.99
4,800,000	\$ 10.49	\$ 17.07	\$ 21.32	\$ 30.34	\$ 37.24	\$ 41.34
6,000,000	\$ 9.65	\$ 16.19	\$ 20.46	\$ 30.16	\$ 37.20	\$ 40.29
7,200,000	\$ 8.87	\$ 15.05	\$ 19.46	\$ 28.04	\$ 36.42	\$ 39.59
8,400,000	\$ 8.28	\$ 14.30	\$ 16.31	\$ 26.91	\$ 35.86	\$ 39.55

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	BREAK-OPEN TICKETS					
	Ticket Size – Approximate Inches					
	Vendor's Size					
	4.0" x 2.0"	4.0" x 3.0"	4.0" x 4.0"	4.0" x 5.0"	4.0" x 6.0"	4.0" x 8.0"
300,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
600,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
900,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
1,200,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
1,500,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
1,800,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
2,100,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
2,400,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
3,600,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
4,800,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
6,000,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
7,200,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
8,400,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of (To be determined) percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	PAPER TICKETS					
	Ticket Size - Approximate Inches					
	Regular Size					
	4.0" x 2.0"	3.5" x 2.0"	3.0" x 2.0"	4.0" x 3.0"	4.0" x 4.0"	4.0" x 5.0"
300,000	\$ 67.11	\$ 75.67	\$ 78.82	\$ 87.89	\$ 96.43	\$ 97.62
600,000	\$ 36.72	\$ 44.22	\$ 47.99	\$ 56.66	\$ 68.60	\$ 69.78
900,000	\$ 26.60	\$ 33.73	\$ 37.72	\$ 48.09	\$ 55.74	\$ 57.67
1,200,000	\$ 21.52	\$ 28.49	\$ 34.20	\$ 42.30	\$ 49.66	\$ 51.96
1,500,000	\$ 18.49	\$ 26.78	\$ 30.45	\$ 38.84	\$ 46.01	\$ 48.55
1,800,000	\$ 16.46	\$ 24.19	\$ 28.19	\$ 36.52	\$ 43.58	\$ 46.25
2,100,000	\$ 15.02	\$ 22.51	\$ 26.57	\$ 34.88	\$ 41.84	\$ 44.62
2,400,000	\$ 13.94	\$ 21.27	\$ 25.10	\$ 33.64	\$ 41.55	\$ 44.49
3,600,000	\$ 11.65	\$ 18.17	\$ 22.29	\$ 31.52	\$ 38.43	\$ 41.57
4,800,000	\$ 10.38	\$ 16.90	\$ 21.10	\$ 30.03	\$ 36.87	\$ 40.92
6,000,000	\$ 9.55	\$ 16.02	\$ 20.26	\$ 29.86	\$ 36.83	\$ 39.88
7,200,000	\$ 8.78	\$ 14.90	\$ 19.27	\$ 27.76	\$ 36.05	\$ 39.19
8,400,000	\$ 8.20	\$ 14.16	\$ 16.15	\$ 26.64	\$ 35.50	\$ 39.15

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	FOLDABLE TICKETS	
	Ticket Size – Approximate Inches	
	4.0" x 10.0"	Vendor's Size 4.0" x 11.0"
150,000	\$158.46	\$159.76
300,000	\$ 96.43	\$ 97.62
450,000	\$74.95	\$76.90
600,000	\$ 68.60	\$ 69.78
750,000	\$ 61.22	\$ 62.87
900,000	\$ 56.31	\$ 57.67
1,200,000	\$ 50.16	\$ 51.96

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 10.0" (40.0 square inches) ticket area times a multiplier of 100 percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	DOUBLE-SIDED TICKETS*		
	Ticket Size - Approximate Inches		
	4.0" x 2.0" (8.0 sq. in.)	4.0" x 4.0" (16.0 sq. in.)	4.0" x 6.0" (24.0 sq. in.)
150,000	\$ 196.16	\$ 228.85	\$ 253.52
300,000	\$106.59	\$ 137.69	\$ 160.85
450,000	\$ 76.74	\$ 107.30	\$ 129.96
600,000	\$ 61.81	\$ 92.11	\$ 114.51
750,000	\$ 52.85	\$ 82.99	\$ 105.24
900,000	\$ 46.88	\$ 76.92	\$ 99.07
1,200,000	\$ 39.42	\$ 69.32	\$ 91.34

\*Scratch on each side, scratch on one side, and pull-tab on the other, etc. Please explain what type (s) of tickets this price includes. Use additional sheets if necessary.

With IGT's Double-sided Ticket, you can turn your player's favorite instant tickets into an entirely new game with Scratch & Twist. This option adds a new dimension to instant tickets and can be added to almost any game. In addition to the regular game play, a bonus feature is revealed on the ticket. The bonus feature is not identified as a winner or non-winner until the ticket is turned and a corresponding bonus symbol on the back of the ticket matches or completes the symbol on the front. This new way to win will add a fun twist to any of the Lottery's games.

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	MARKER-TYPE STOCK*				
	Ticket Size – Approximate Inches				
	4.0" x 8.0"	4.0" x 10.0"	4.0" x 12.0"	4.0" x 14.0"	4.0" x 16.0"
300,000	\$ 73.15	\$ 82.76	\$ 92.28	\$ 101.25	\$ 102.50
600,000	\$ 40.02	\$ 50.39	\$ 59.49	\$ 72.03	\$ 73.27
900,000	\$ 28.99	\$ 39.61	\$ 51.00	\$ 59.12	\$ 61.17
1,200,000	\$ 23.46	\$ 35.90	\$ 44.87	\$ 52.67	\$ 55.11
1,500,000	\$ 20.15	\$ 32.29	\$ 41.19	\$ 48.80	\$ 51.49
1,800,000	\$ 17.95	\$ 29.90	\$ 38.73	\$ 46.22	\$ 49.06
2,100,000	\$ 16.38	\$ 28.18	\$ 36.99	\$ 44.37	\$ 47.33
2,400,000	\$ 15.19	\$ 26.89	\$ 35.67	\$ 42.99	\$ 46.03
3,600,000	\$ 12.96	\$ 23.88	\$ 32.61	\$ 39.76	\$ 43.01
4,800,000	\$ 11.43	\$ 22.38	\$ 31.08	\$ 38.15	\$ 42.35
6,000,000	\$ 10.51	\$ 21.49	\$ 30.90	\$ 38.10	\$ 41.27
7,200,000	\$ 9.90	\$ 20.94	\$ 30.16	\$ 37.31	\$ 40.55
8,400,000	\$ 9.46	\$ 20.88	\$ 29.63	\$ 36.73	\$ 40.51

\*Like Bingo, Crossword games using a translucent over coating.

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 8.0" (32.0 square inches) ticket area times a multiplier of 100 percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	OTHER (SPECIFY) (Make Additional Copies If Required) Ticket Size - Approximate Inches		
	Standard Size 4.0" x 2.0"	Standard Size 4.0" x 3.0"	Standard Size 4.0" x 4.0"
300,000	N/A	N/A	N/A
600,000	N/A	N/A	N/A
900,000	N/A	N/A	N/A
1,200,000	N/A	N/A	N/A
1,500,000	N/A	N/A	N/A
1,800,000	N/A	N/A	N/A
2,100,000	N/A	N/A	N/A
2,400,000	N/A	N/A	N/A

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of \_\_\_\_ percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

## PRICE OPTIONS

	OPTION	COST per 1,000
		Cost are reflected as a price per thousand tickets, price per square inch, per game, etc. as relevant to the option square inch, per game, etc. as relevant to the option
1	Running of multiple games at one time, 2 across the web or 4 across the web	Deduct \$2500 from total invoiced price
2	Four-color process on white background	No additional charge
3	Colored foil	Add \$1,000 flat fee + \$0.25 per square inch of ticket per thousand tickets
4	Multiple scenes	\$750 per additional scene
5	Stub feature: vertical or horizontal: With imaging  Without imaging	Add \$1,000 flat fee + \$0.25 per square inch of ticket per thousand tickets for features "with imaging"; \$0.25 per square inch of ticket per thousand tickets for stub features "without imaging"
6	Insertions into shrink-wrap packs	Add \$0.20 per insert for inserts that do not match to the pack; Add \$0.50 per insert for inserts that do match the
7	Retailer Incentive games	Price to be determined based on final specifications
8	Additional colors	Add \$0.04 per square inch of ticket per thousand tickets
9	Bar coded direct mail pieces complete with validation and inventory tapes	Price to be determined based on final specifications
10	Day-Glo or florescent inks	Add \$0.14 per square inch of ticket per thousand tickets per ink
11	Bar-coded coupons in quantities of 10,000, 6.0" x 3.0", complete with validation and inventory tapes and one test game	\$ 25,000 per coupon program
12	Color pulse	\$1,250 per additional color pulse
13	Top prizes exceeding \$100,000	No additional charge to the lottery
14	Re-run - increase game quantities reduced fee	Original price from the price grid. Then deduct \$2,500 per game

15	Synchronized Over Print	Add \$0.25 per square inch of ticket per thousand tickets
16	Various Inks – Neon, Lux, etc.	Add \$0.12 per square inch of ticket per thousand tickets per ink
17	Dual Color Imaging	Add \$2,500 flat fee + \$0.30 per square inch of ticket per thousand tickets
18	Die Cuts	Add \$750 flat fee + \$0.30 per square inch of ticket per thousand tickets
19	Scoring	Add \$1.95 per thousand tickets
20	Embossed Tickets	Price to be determined based on final specifications
21	Holographic Ticket Stock	Add \$2.50 per square inch of ticket per thousand tickets
22	Other options:	Please see the following lines
23	Three or Four color imaging	Add \$5,500 flat fee + \$0.50 per square inch of ticket per thousand tickets
24	One color imaging other than black	Add \$5,000 flat fee + \$0.10 per square inch of ticket per thousand tickets
25	PMS color on ticket front	Add \$0.04 per square inch of ticket per thousand tickets per color
26	Spot UV Varnish	No additional charge to the lottery
27	Tinted Varnish	Add \$0.04 per square inch of ticket per thousand tickets
28	Metallic ink	Add \$0.14 per square inch of ticket per thousand tickets per ink
29	Scented or Aromatic inks	Add \$5,000 flat fee + \$0.15 per square inch of ticket per thousand tickets per scent
30	Full bleed display printing	No additional charge to the lottery
31	Balancing “no omits” game	\$10,000 flat fee plus \$0.30 per square inch of ticket per thousand tickets
32	Split Balancing	\$2,500 per each additional balancing requirement in a game
33	Security Games	Prices starting at \$7,500, subject to final game specs. See option #64

34	Benday – one color	\$ 0.04 per square inch of ticket per thousand tickets
35	Florescent Benday	\$0.12 per square inch of ticket per thousand tickets
36	Custom Micro Font Benday	\$0.12 per square inch of ticket per thousand tickets
37	UV Benday	\$0.12 per square inch of ticket per thousand tickets
38	Regular sized inserts	\$250 per thousand inserts, delivered in bulk
39	Secure Block	No additional charge to the lottery if the game is printed by IGT
40	Crossword Connect™	No additional charge to the lottery if the game is printed by IGT
41	Crossword Corners	No additional charge to the lottery if the game is printed by IGT
42	Glitz	Add \$2,500 flat fee plus \$0.15 per square inch of ticket per thousand tickets
43	Glam	Add \$0.20 per square inch of ticket per thousand tickets
44	Glitz and Glam	Add \$2,500 fiat fee plus \$0.35 per square inch of ticket per thousand tickets
45	Player's MARK extended Play marking system	Add \$0.20 per square inch of ticket per thousand tickets
46	Extended Bonus Play™	No additional charge to the lottery if the game is printed by IGT
47	Linked Bonus™	No additional charge to the lottery if the game is printed by IGT
48	Criss Cross™	No additional charge to the lottery if the game is printed by IGT
49	Player's KEY™	No additional charge to the lottery if the game is printed by IGT
50	Head2Head	No additional charge to the lottery if the game is printed by IGT
51	Instant 3D	No additional charge to the lottery if the game is printed by IGT
52	Micro-printing	Add \$0.12 per square inch of ticket per thousand tickets

53	Micro brands	No additional charge to the lottery if the game is printed by IGT
54	uScratch	No additional charge to the lottery if the game is printed by IGT
55	Playback	No additional charge to the lottery if the game is printed by IGT
56	Super Ticket	Price to be determined based on final specifications
57	The BIG Team	No additional charge to the lottery Price to be determined based on final specifications
58	The List	Price to be determined based on final specifications
59	Emoji	Price to be determined based on final specifications
60	Augmented Reality	Price to be determined based on final specifications
61	Play for Fun games	Price to be determined based on final specifications
62	How to Play videos or other communication media	Price to be determined based on final specifications
63	Game simulator	Price to be determined based on final specifications
64	Security Sting games	IGT will provide a total of three (3) security sting games at no charge to the Lottery for each year of the Contract.

**Licensed Properties**

IGT will provide the Kansas Lottery access to all licensed property to which we have rights to sub-license (the "IGT Licensed Properties"). The following tables contain pricing for the IGT Licensed Properties:

<b>Brand: Wheel of Fortune</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	9/30/2014
Term Expiration	12/31/2019
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding
Marketing Support	Turnkey second chance promotional website with play for fun game and interactive entry component that allows players to complete WOF puzzle boards with the chance to win merchandise prizes, VIP trips to LA, Customized WOF themed events.

<b>Brand: Jeopardy!</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	9/30/2014
Term Expiration	12/31/2019
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding shipping &
Marketing Support	Turnkey second chance promotional website with play for fun game and interactive entry component with the chance to win merchandise prizes, VIP trips to LA with tickets to Jeopardy! and customized Jeopardy! events.

<b>Brand: Caesars, Harrah's, Flamingo, Paris Las Vegas, Rio, Horseshoe</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> </ul>
Term Start	8/12/2008
Term Expiration	9/30/2016
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, conducting up to 5 drawings, prize procurement and coordination of fulfillment,
Marketing Support	Turnkey Second Chance Promotional Website with play for fun game and leaderboard with the chance to win merchandise prizes, VIP trips to Las Vegas, and

<b>Brand: From Frank</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	10/1/2014
Term Expiration	1/31/2017
Licensing Fee % of Sale	1.0%
Merchandise/ Second Chance/ Promotions includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding
Marketing Support	Turnkey Second Chance Promotional Website with play for fun game and leaderboard with a chance to win merchandise prizes. License fee includes turnkey social media campaign, customized promotional video.

<b>Brand: Bejeweled, Zuma, Plants vs. Zombies</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	1/1/2014
Term Expiration	12/31/2016
Licensing Fee % of Sale	2.0
Merchandise/ Second Chance/ Promotions includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding
Marketing Support	Turnkey Second Chance Promotional Website with play for fun game and leaderboard with the chance to win virtual Face- book coins with cash value.

<b>Brand: Gas Monkey Garage</b>	
Game Types	<ul style="list-style-type: none"> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> </ul>
Term Start	11/1/2014
Term Expiration	12/31/2017
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions *includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding shipping &
Marketing Support	Turnkey Second Chance Promotional Website with collection game and the chance to win a customized Gas Monkey Garage muscle car.

<b>Brand: The Three Stooges (Classic)</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	11/1/2007
Term Expiration	10/31/2020
Licensing Fee % of Sale	1.5%
Merchandise/ Second Chance/ Promotions *includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, Interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding ship- ping &
Marketing Support	Turnkey Second Chance Promotional Website with play for fun games and the chance to win merchandise prizes or VIP trips to Hollywood.

<b>Brand: Ghostbusters: Classic and 2016 Movie</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	7/1/2015
Term Expiration	Movie: 8/31/2017 Classic: 8/31/2018
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions *includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, Interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding ship- ping &
Marketing Support	Turnkey Second Chance Promotional Website with play for fun games and the chance to win merchandise prizes or VIP trips to Hollywood and the

<b>Brand: Life is Good</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	Subject to Contract Execution
Term Expiration	12/31/2020
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions *includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, Interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding shipping &
Marketing Support	Turnkey Second Chance Promotional Website with play for fun games and the chance to win Life Is Good t-shirts and other branded merchandise prizes.

5. **Contractual Provisions Attachment**  
DA-146a Rev. 06/12

5.1. **Terms Herein Controlling Provisions**

It is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated. Any terms that conflict or could be interpreted to conflict with this attachment are nullified.

5.2. **Kansas Law and Venue**

This contract shall be subject to, governed by, and construed according to the laws of the State of Kansas, and jurisdiction and venue of any suit in connection with this contract shall reside only in courts located in the State of Kansas.

5.3. **Termination Due To Lack Of Funding Appropriation**

If, in the judgment of the Director of Accounts and Reports, Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year, and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 90 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of the State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.

5.4. **Disclaimer Of Liability**

No provision of this contract will be given effect that attempts to require the State of Kansas or its agencies to defend, hold harmless, or indemnify any contractor or third party for any acts or omissions. The liability of the State of Kansas is defined under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).

5.5. **Anti-Discrimination Clause**

The contractor agrees: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-1111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration; (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration.

Contractor agrees to comply with all applicable state and federal anti-discrimination laws.

The provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or whose contracts with the contracting State agency cumulatively total \$5,000 or less during the fiscal year of such agency.

5.6. **Acceptance Of Contract**

This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.

5.7. **Arbitration, Damages, Warranties**

Notwithstanding any language to the contrary, no interpretation of this contract shall find that the State or its agencies have agreed to binding arbitration, or the payment of damages or penalties. Further, the State of Kansas and its agencies do not agree to pay attorney fees, costs, or late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect that attempts to exclude, modify, disclaim or otherwise attempt to limit any damages available to the State of Kansas or its agencies at law, including but not limited to the implied warranties of merchantability and fitness for a particular purpose.

5.8. **Representative's Authority To Contract**

By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.

5.9. **Responsibility For Taxes**

The State of Kansas and its agencies shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.

5.10. **Insurance**

The State of Kansas and its agencies shall not be required to purchase any insurance against loss or damage to property or any other subject matter relating to this contract, nor shall this contract require them to establish a "self-insurance" fund to protect against any

such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the contractor shall bear the risk of any loss or damage to any property in which the contractor holds title.

**5.11. Information**

No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to information pursuant to K.S.A. 46-1101 et seq.

**5.12. The Eleventh Amendment**

"The Eleventh Amendment is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this contract shall be deemed a waiver of the Eleventh Amendment."

**5.13. Campaign Contributions / Lobbying**

Funds provided through a grant award or contract shall not be given or received in exchange for the making of a campaign contribution. No part of the funds provided through this contract shall be used to influence or attempt to influence an officer or employee of any State of Kansas agency or a member of the Legislature regarding any pending legislation or the awarding, extension, continuation, renewal, amendment or modification of any government contract, grant, loan, or cooperative agreement.

**EVT0003852 – Instant Ticket Production (Option A) Contractors**

**Contract ID:** 42015  
**Contractor:** Pollard Banknote Limited Partnership  
775 James L Hart Pkwy  
Ypsilanti, MI 48197-9791  
**Vendor ID:** 0000168079  
**FEIN:** 98-0665125  
**Contact Person:** Jennifer Westbury  
**E-Mail:** [jwestbury@pbl.ca](mailto:jwestbury@pbl.ca)  
**Local Telephone:** 204-474-2323 ext 217  
**Cell Phone Number:** 204-229-4590  
**Fax:** 204-453-1375

**Contract ID:** 42016  
**Contractor:** Scientific Games International Inc  
1500 Bluegrass Lakes Pkwy  
Alpharetta, GA 30004-7712  
**Vendor ID:** 0000154694  
**FEIN:** 58-1943521  
**Contact Person:** Geneva McCaffrey  
**E-Mail:** [geneva.mccaffrey@scientificgames.com](mailto:geneva.mccaffrey@scientificgames.com)  
**Local Telephone:** 770-664-3700  
**Cell Phone Number:** 210-240-0716  
**Fax:** 678-624-4115

**Contract ID:** 42017  
**Contractor:** IGT Global Solutions Corporation  
10 Memorial Blvd  
Providence, RI 02903  
**Vendor ID:** 0000003064  
**FEIN:** 05-0389840  
**Contact Person:** Patrick Craig  
**E-Mail:** [patrick.craig@IGT.com](mailto:patrick.craig@IGT.com)  
**Local Telephone:** 785-861-7309  
**Cell Phone Number:** 785-249-6479  
**Fax:** 785-232-0058

## AMENDMENT

**Amendment Date:** December 12, 2017

**Amendment Number:** 1

**Contract ID:** 42016  
**Event ID:** EVT0003852

**Procurement Officer:** Brienne Wilkins  
**Telephone:** 785/296-2770  
**E-Mail Address:** [brienne.wilkins@ks.gov](mailto:brienne.wilkins@ks.gov)  
**Web Address:** <http://admin.ks.gov/offices/procurement-and-contracts>

**Item:** Production of Instant Tickets (Option A)

**Agency / Business Unit:** Kansas Lottery

**Period of Contract:** Date of Award through June 30, 2022  
(With the option to renew for four (4) additional one (1) year renewal periods)

**Contractor:** SCIENTIFIC GAMES INTERNATIONAL INC  
1500 BLUEGRASS LAKES PKWY  
ALPHARETTA, GA 30004-7712

**Vendor ID:** 0000154694  
**FEIN:** 58-1943521

**Contact Person:** Geneva McCaffrey  
**E-Mail:** [geneva.mccaffrey@scientificgames.com](mailto:geneva.mccaffrey@scientificgames.com)  
**Local Telephone:** 770-664-3700  
**Cell Phone Number:** 210-240-0716  
**Fax:** 678-624-4115

**Conditions:**

**Correct pricing sheet to include MDI Optional Price List to contract documents. No other changes at this time.**

## CONTRACT AWARD

**Date of Award:** August 21, 2017

**Contract ID:** 0000000000000000000043534

**Event ID:** EVT0004770

**Procurement Officer:** Neal Farron  
**Telephone:** 785/296-3122  
**E-Mail Address:** [neal.farron@ks.gov](mailto:neal.farron@ks.gov)  
**Web Address:** <http://admin.ks.gov/offices/procurement-and-contracts>

**Item:** Lottery Gaming System and Related Systems

**Agency/Business Unit:** Kansas Lottery

**Period of Contract:** Effective Date: September 6, 2017 through June 30, 2028  
(With the option to renew for additional periods up to five (5) years)

**Contractor:** SCIENTIFIC GAMES INTERNATIONAL INC  
1500 Bluegrass Lakes Parkway  
Alpharetta, GA 30004-7712  
SMART Supplier ID: 0000154694  
FEIN: 581943521

Contact Person: Pat McHugh, SVP, Global Lottery Systems  
E-Mail: [patrick.mchuge@scientificgames.com](mailto:patrick.mchuge@scientificgames.com)  
Local Telephone: 678.624.4057  
Cell Phone Number: 404.394.1047  
Fax: 678-393-3477

**Payment Terms:** net 30

**Political Subdivisions:** Pricing is not available to the political subdivisions of the State of Kansas.

**Procurement Cards:** Agencies may not use a P-Card for purchases from this contract.

**Administrative Fee:** No Administrative Fee will be assessed against purchases from this contract.

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The above referenced contract award was recently posted to Procurement and Contracts website. The document can be downloaded by going to the following website: <http://www.da.ks.gov/purch/Contracts/>

## **1.0. Terms and Conditions**

### **1.1. Contract Documents**

In the event of a conflict in terms of language among the documents, the following order of precedence shall govern:

- Form DA 146a, (section 4.0 of this document);
- written modifications to the executed contract;
- written contract signed by the parties (hereinafter referred to as "the Contract", "this contract", or "the contract";
- the Bid Event documents, including any and all amendments; and
- Contractor's written offer submitted in response to the Bid Event as finalized.

### **1.2. Captions**

The captions or headings in this contract are for reference only and do not define, describe, extend, or limit the scope or intent of this contract.

### **1.3. Definitions**

A glossary of common procurement terms is available at <http://admin.ks.gov/offices/procurement-and-contracts>, under the "Procurement Forms" link.

### **1.4. Contract Formation**

No contract shall be considered to have been entered into by the State until all statutorily required signatures and certifications have been rendered and a written contract has been signed by the contractor.

### **1.5. Notices**

All notices, demands, requests, approvals, reports, instructions, consents or other communications (collectively "notices") that may be required or desired to be given by either party to the other shall be IN WRITING and addressed as follows to the two entities:

RE: Contract Number 00000000000000000000043534

Kansas Procurement and Contracts  
900 SW Jackson, Suite 451-South  
Topeka, Kansas 66612-1286

Kansas Lottery  
128 N. Kansas Avenue  
Topeka, KS 66603-3638  
ATTN: Executive Director

or to any other persons or addresses as may be designated by notice from one party to the other.

Either party may change its address by giving notice of the change in accordance with this section.

### **1.6. Statutes**

Each and every provision of law and clause required by law to be inserted in the contract shall be deemed to be inserted herein and the contract shall be read and enforced as though it were included herein. If through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then on the application of either party the contract shall be amended to make such insertion or correction.

### **1.7. Governing Law**

This contract shall be governed by the laws of the State of Kansas and shall be deemed executed in Topeka, Shawnee County, Kansas.

**1.8. Jurisdiction**

The parties shall bring any and all legal proceedings arising hereunder in the State of Kansas District Court of Shawnee County, unless otherwise specified and agreed upon by the State of Kansas. Contractor waives personal service of process, all defenses of lack of personal jurisdiction and forum non conveniens. The Eleventh Amendment of the United States Constitution is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this Agreement shall be deemed a waiver of the Eleventh Amendment

**1.9. Mandatory Provisions**

The provisions found in Contractual Provisions Attachment (DA 146a) are incorporated by reference and made a part of this contract.

**1.10. Termination for Cause**

The Director of Purchases may terminate this contract, or any part of this contract, for cause under any one of the following circumstances:

1. the Contractor fails to make delivery of goods or services as specified in the Contract;
2. the Contractor provides substandard quality or workmanship;
3. the Contractor fails to perform any of the provisions of the Contract, or
4. the Contractor fails to make progress as to endanger performance of the Contract in accordance with its terms or their Proposal.
5. the Contractor has misstated any information in its Proposal.
6. for any other reasons "for cause" listed herein

The Director of Purchases shall provide Contractor with written notice of the conditions endangering performance. If the Contractor fails to remedy the conditions within ten (10) days from the receipt of the notice (or such longer period as State may authorize in writing), the Director of Purchases shall issue the Contractor an order to stop work immediately. Receipt of the notice shall be presumed to have occurred within three (3) days of the date of the notice.

**1.11. Termination for Convenience**

The Director of Purchases may terminate performance of work under this contract in whole or in part whenever, for any reason, the Director of Purchases shall determine that the termination is in the best interest of the State of Kansas. In the event that the Director of Purchases elects to terminate this contract pursuant to this provision, it shall provide the Contractor written notice at least 30 days prior to the termination date. The termination shall be effective as of the date specified in the notice. The Contractor shall continue to perform any part of the work that may have not been terminated by the notice.

**1.12. Rights and Remedies**

If this contract is terminated, the State, in addition to any other rights provided for in this contract, may require the Contractor to transfer title and deliver to the State in the manner and to the extent directed, any completed materials. The State shall be obligated only for those services and materials rendered and accepted prior to the date of termination.

In the event of termination, the Contractor shall receive payment prorated for that portion of the contract period services were provided to or goods were accepted by State subject to any offset by State for actual damages including loss of federal matching funds.

The rights and remedies of the State provided for in this contract shall not be exclusive and are in addition to any other rights and remedies provided by law.

**1.13. Antitrust**

If the Contractor elects not to proceed with performance under any such contract with the State, the Contractor assigns to the State all rights to and interests in any cause of action it has or may acquire under

the anti-trust laws of the United States and the State of Kansas relating to the particular products or services purchased or acquired by the State pursuant to this contract.

#### **1.14. Hold Harmless**

The Contractor shall indemnify the State against any and all loss or damage to the extent arising out of the Contractor's negligence in the performance of services under this contract and for infringement of any copyright or patent occurring in connection with or in any way incidental to or arising out of the occupancy, use, service, operations or performance of work under this contract.

The State shall not be precluded from receiving the benefits of any insurance the Contractor may carry which provides for indemnification for any loss or damage to property in the Contractor's custody and control, where such loss or destruction is to state property. The Contractor shall do nothing to prejudice the State's right to recover against third parties for any loss, destruction or damage to State property.

#### **1.15. Force Majeure**

The Contractor shall not be held liable if the failure to perform under this contract arises out of causes beyond the control of the Contractor. Causes may include, but are not limited to, acts of nature, fires, tornadoes, quarantine, strikes other than by Contractor's employees, and freight embargoes.

If the Contractor or Lottery is delayed, hindered, or prevented from performing any act required under the Contract by reason of delay beyond the reasonable control of the asserting party due to theft, fire, Act of God or public enemy, severe and unusual weather conditions, injunction, riot, strikes, lockouts, insurrection, war, or order of any governmental authority, formal protest of this bid execution and/or implementation of this contract award by any party, or court order, then performance of the act shall be excused for the period of the delay. In that event, the period for the performance of the act shall be extended for a period equivalent to the period of the delay. Matters of the Contractor's finances shall not be considered a Force Majeure

#### **1.16. Assignment**

The Contractor shall not assign, convey, encumber, or otherwise transfer its rights or duties under this contract without the prior written consent of the State. State may reasonably withhold consent for any reason.

This contract may terminate for cause in the event of its assignment, conveyance, encumbrance or other transfer by the Contractor without the prior written consent of the State.

#### **1.17. Third Party Beneficiaries**

This contract shall not be construed as providing an enforceable right to any third party.

#### **1.18. Waiver**

See Section 1.86 of this document.

#### **1.19. Injunctions**

Should Kansas be prevented or enjoined from proceeding with the acquisition before or after contract execution by reason of any litigation or other reason beyond the control of the State, Contractor shall not be entitled to make or assert claim for damage by reason of said delay.

#### **1.20. Staff Qualifications**

The Contractor shall warrant that all persons assigned by it to the performance of this contract shall be employees of the Contractor (or specified Subcontractor) and shall be fully qualified to perform the work required. The Contractor shall include a similar provision in any contract with any Subcontractor selected to perform work under this contract.

Failure of the Contractor to provide qualified staffing at the level required by the contract specifications may result in termination of this contract or damages.

### **1.21. Subcontractors**

See section 1.68 of this document.

### **1.22. Independent Contractor**

Both parties, in the performance of this contract, shall be acting in their individual capacity and not as agents, employees, partners, joint ventures or associates of one another. The employees or agents of one party shall not be construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor accepts full responsibility for payment of unemployment insurance, workers compensation, social security, income tax deductions and any other taxes or payroll deductions required by law for its employees engaged in work authorized by this contract.

### **1.23. Worker Misclassification**

The Contractor and all lower tiered subcontractors under the Contractor shall properly classify workers as employees rather than independent contractors and treat them accordingly for purposes of workers' compensation insurance coverage, unemployment taxes, social security taxes, and income tax withholding. Failure to do so may result in contract termination.

### **1.24. Immigration and Reform Control Act of 1986 (IRCA)**

All contractors are expected to comply with the Immigration and Reform Control Act of 1986 (IRCA), as may be amended from time to time. This Act, with certain limitations, requires the verification of the employment status of all individuals who were hired on or after November 6, 1986, by the Contractor as well as any subcontractor or sub-contractors. The usual method of verification is through the Employment Verification (I-9) Form.

The Contractor hereby certifies without exception that such Contractor has complied with all federal and state laws relating to immigration and reform. Any misrepresentation in this regard or any employment of persons not authorized to work in the United States constitutes a material breach and, at the State's option, may subject the contract to termination for cause and any applicable damages.

Unless provided otherwise herein, all contractors are expected to be able to produce for the State any documentation or other such evidence to verify Contractor's IRCA compliance with any provision, duty, certification or like item under the contract.

### **1.25. Proof of Insurance**

Upon request, the Contractor shall present an affidavit of Worker's Compensation, Public Liability, and Property Damage Insurance to Procurement and Contracts.

### **1.26. Conflict of Interest**

The Contractor shall not knowingly employ, during the period of this contract or any extensions to it, any professional personnel who are also in the employ of the State and providing services involving this contract or services similar in nature to the scope of this contract to the State. Furthermore, the Contractor shall not knowingly employ, during the period of this contract or any extensions to it, any state employee who has participated in the making of this contract until at least two years after his/her termination of employment with the State. Contractor shall also abide by any relevant Kansas Statutes that apply to the Lottery, its employees, associated persons and Bidders and conflicts of interest thereof, including but not limited to K.S.A. 74-8716.

### **1.27. Nondiscrimination and Workplace Safety**

The Contractor agrees to abide by all federal, state and local laws, and rules and regulations prohibiting discrimination in employment and controlling workplace safety. Any violations of applicable laws or rules or regulations may result in termination of this contract.

**1.28. Confidentiality**

The Contractor may have access to private or confidential data maintained by State to the extent necessary to carry out its responsibilities under this contract. Contractor must comply with all the requirements of the Kansas Open Records Act (K.S.A. 45-215 et seq.) in providing services under this contract. Contractor shall accept full responsibility for providing adequate supervision and training to its agents and employees to ensure compliance with the Act. No private or confidential data collected, maintained or used in the course of performance of this contract shall be disseminated by either party except as authorized by statute, either during the period of the contract or thereafter. Contractor agrees to return any or all data furnished by the State promptly at the request of State in whatever form it is maintained by Contractor. On the termination or expiration of this contract, Contractor shall not use any of such data or any material derived from the data for any purpose and, where so instructed by State, shall destroy or render it unreadable.

**1.29. Environmental Protection**

The Contractor shall abide by all federal, state and local laws, and rules and regulations regarding the protection of the environment. The Contractor shall report any violations to the applicable governmental agency. A violation of applicable laws or rule or regulations may result in termination of this contract for cause.

**1.30. Care of State Property**

The Contractor shall be responsible for the proper care and custody of any state owned personal tangible property and real property furnished for Contractor's use in connection with the performance of this contract. The Contractor shall reimburse the State for such property's loss or damage caused by the Contractor, except for normal wear and tear.

**1.31. Prohibition of Gratuities**

Neither the Contractor nor any person, firm or corporation employed by the Contractor in the performance of this contract shall offer or give any gift, money or anything of value or any promise for future reward or compensation to any State employee at any time.

**1.32. Retention of Records**

See Section 1.69 of this document.

**1.33. Off-Shore Sourcing**

If, during the term of the contract, the Contractor or subcontractor plans to move work previously performed in the United States to a location outside of the United States, the Contractor shall immediately notify the Procurement and Contracts and the respective agency in writing, indicating the desired new location, the nature of the work to be moved and the percentage of work that would be relocated. The Director of Purchases, with the advice of the respective agency, must approve any changes prior to work being relocated. Failure to obtain the Director's approval may be grounds to terminate the contract for cause.

**1.34. On-Site Inspection**

Failure to adequately inspect the premises shall not relieve the Contractor from furnishing without additional cost to the State any materials, equipment, supplies or labor that may be required to carry out the intent of this Contract.

**1.35. Indefinite Quantity Contract**

This is an open-ended contract between the Contractor and the State to furnish an undetermined quantity of a good or service in a given period of time. The quantities ordered will be those actually required during the contract period, and the Contractor will deliver only such quantities as may be ordered. No guarantee of volume is made. An estimated quantity based on past history or other means may be used as a guide.

**1.36. Technology Refresh**

At any time during the original 10-year contract, the Bidder and the Kansas Lottery may negotiate for any type of system refresh the Kansas Lottery decides is in its interest. The refresh factor shall be determined by mutual agreement and added to or revising the payment terms originally established.

**1.37. Prices**

Prices shall remain firm for the entire contract period and subsequent renewals. Prices shall be net delivered, including all trade, quantity and cash discounts. Any price reductions available during the contract period shall be offered to the State of Kansas. Failure to provide available price reductions may result in termination of the contract for cause.

**1.38. Payment**

Beginning on the Commencement/Implementation date, the Lottery will make semi-monthly payments to the Contractor by the 7<sup>th</sup> and 21<sup>st</sup> of each month. These payments, based on agreed upon estimate of the total fees for the year as per Section 3.0 of this document, will each be 1/24<sup>th</sup> of the estimated annual amount. Once the Lottery's annual financial statement audit is completed, the actual GGR for the fiscal year will be calculated and a 'true-up' payment will be made to the Lottery or Contractor as appropriate.

Any additional or one-off options will be invoiced as incurred or settled upon a payment schedule agreed to by both parties.

Payments shall not be made for costs or items not listed in this contract.

**1.39. Invoices**

Each purchase order must be individually invoiced. Invoices shall be forwarded to the using agency in duplicate and shall state the following:

- date of invoice.
- date of shipment (or completion of work);
- purchase order number and contract number;
- itemization of all applicable charges; and
- net amount due.

**1.40. Accounts Receivable Set-Off Program**

If, during the course of this contract the Contractor is found to owe a debt to the State of Kansas, a state agency, municipality, or the federal government, agency payments to the Contractor may be intercepted / setoff by the State of Kansas. Notice of the setoff action will be provided to the Contractor. Pursuant to K.S.A. 75-6201 et seq, Contractor shall have the opportunity to challenge the validity of the debt. The Contractor shall credit the account of the agency making the payment in an amount equal to the funds intercepted.

K.S.A. 75-6201 et seq. allows the Director of Accounts & Reports to setoff funds the State of Kansas owes Contractors against debts owed by the Contractors to the State of Kansas, state agencies, municipalities, or the federal government. Payments setoff in this manner constitute lawful payment for services or goods received. The Contractor benefits fully from the payment because its obligation is reduced by the amount subject to setoff.

**1.41. Federal, State and Local Taxes**

Unless otherwise specified, the contracted price shall include all applicable federal, state and local taxes. The Contractor shall pay all taxes lawfully imposed on it with respect to any product or service delivered in accordance with this Contract. The State of Kansas is exempt from state sales or use taxes and federal excise taxes for direct purchases. These taxes shall not be included in the contracted price. Upon request, the State shall provide to the Contractor a certificate of tax exemption.

The State makes no representation as to the exemption from liability of any tax imposed by any governmental entity on the Contractor.

**1.42. Shipping and F.O.B. Point**

Section intentionally left blank.

**1.43. Deliveries**

Section intentionally left blank.

**1.44. Charge Back Clause**

Section intentionally left blank..

**1.45. Debarment of State Contractors**

Any Contractor who defaults on delivery or does not perform in a satisfactory manner as defined in this Agreement may be barred for up to a period of three (3) years, pursuant to K.S.A. 75-37,103, or have its work evaluated for pre-qualification purposes. Contractor shall disclose any conviction or judgment for a criminal or civil offense of any employee, individual or entity which controls a company or organization or will perform work under this Agreement that indicates a lack of business integrity or business honesty. This includes (1) conviction of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract or in the performance of such contract or subcontract; (2) conviction under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property; (3) conviction under state or federal antitrust statutes; and (4) any other offense to be so serious and compelling as to affect responsibility as a state contractor. For the purpose of this section, an individual or entity shall be presumed to have control of a company or organization if the individual or entity directly or indirectly, or acting in concert with one or more individuals or entities, owns or controls 25 percent or more of its equity, or otherwise controls its management or policies. Failure to disclose an offense may result in the termination of the contract.

The Contractor certifies that neither it, its principals, or any subcontractor which the Contractor will utilize in furtherance of this agreement are presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in this Agreement by any federal department or agency

**1.46. Materials and Workmanship**

The Contractor shall perform all work and furnish all supplies and materials, machinery, equipment, facilities, and means, necessary to complete all the work required by this Contract, within the time specified, in accordance with the provisions as specified.

The Contractor shall be responsible for all work put in under these specifications and shall make good, repair and/or replace, at the Contractor's own expense, as may be necessary, any defective work, material, etc., if in the opinion of agency and/or Procurement and Contracts said issue is due to imperfection in material, design, workmanship or Contractor fault.

**1.47. Industry Standards**

If not otherwise provided, materials or work called for in this contract shall be furnished and performed in accordance with best established practice and standards recognized by the contracted industry and comply with all codes and regulations which shall apply.

**1.48. Implied Requirements**

All products and services not specifically mentioned in this contract, but which are necessary to provide the functional capabilities described by the specifications, shall be included.

**1.49. New Materials, Supplies or Equipment**

Unless otherwise specified, all materials, supplies or equipment offered by the Contractor shall be new, unused in any regard and of most current design. All materials, supplies and equipment shall be first class

in all respects. Seconds or flawed items will not be acceptable. All materials, supplies or equipment shall be suitable for their intended purpose and, unless otherwise specified, fully assembled and ready for use on delivery

**1.50. Inspection**

The State reserves the right to reject, on arrival at destination, any items which do not conform with specification of the Contract.

**1.51. Acceptance**

No contract provision or use of items by the State shall constitute acceptance or relieve the Contractor of liability in respect to any expressed or implied warranties.

**1.52. Ownership**

All data, forms, procedures, software, manuals, system descriptions and work flows developed or accumulated by the Contractor under this contract shall be owned by the using agency. The Contractor may not release any materials without the written approval of the Lottery.

**1.53. Information/Data**

Any and all information/data required to be provided at any time during the contract term shall be made available in a format as requested and/or approved by the State.

**1.54. Certification of Materials Submitted**

The Bid document, together with the specifications set forth herein and all data submitted by the Contractor to support their response including brochures, manuals, and descriptions covering the operating characteristics of the item(s) proposed, shall become a part of the contract between the Contractor and the State of Kansas. Any written representation covering such matters as reliability of the item(s), the experience of other users, or warranties of performance shall be incorporated by reference into the contract.

**1.55. Transition Assistance**

In the event of contract termination or expiration, Contractor shall provide all reasonable and necessary assistance to State to allow for a functional transition to another vendor.

**1.56. Integration**

This contract, in its final composite form, shall represent the entire agreement between the parties and shall supersede all prior negotiations, representations or agreements, either written or oral, between the parties relating to the subject matter hereof. This Contract between the parties shall be independent of and have no effect on any other contracts of either party.

**1.57. Modification**

See section 1.84 of this document.

**1.58. Severability**

See section 1.85 of this document.

**1.59. ADA Compliance and Accessibility**

The Contractor agrees that the products or services to be provided under the Contract shall comply with applicable state and federal law.

Furthermore, the applications must meet all State of Kansas requirements for accessibility as defined in Kansas Information Technology Policy 1210 Revision 2 <https://oits.ks.gov/kito/itec/itec-policies/itec-policy-1210> Additional information is available at this link: <http://oits.ks.gov/kpat/policy> .

**1.60. Software Code and Intellectual Property Rights**

As applicable, all original software and software code and related intellectual property developed or created by the Contractor in the performance of its obligations under the Contract or any Task Order issued under the Contract, shall become the sole property of the State of Kansas. The Contractor will surrender all original written materials, including any reports, studies, designs, drawings, specifications, notes, documents, software and documentation, computer-based training modules, electronically or magnetically recorded material, used to develop this software and/or software code and related intellectual property to the state entity for which it was developed.

## **1.61. Contract Terms and Priority of Document**

1.61.1 Authority of Kansas Lottery. On all questions concerning the interpretation of the specifications, the acceptability and quality of material furnished and/or work performed, the classification of material, the execution of the work, the assessment of liquidated damages, and the determination of payment due or to become due, the decision of the Lottery shall be final and binding, except in the event either party has other remedies under the terms of this contract.

In the event there are any disagreements between the parties with regards to the application of this Contract or the requirements of the Lottery arising from any interpretation of the Request for Proposal, future terms agreed between the parties for this Contract, or otherwise, Contractor agrees to defer to the reasonable interpretations of the Lottery as from time to time may be made by the Lottery. This provision applies to all matters including those arising from disputes concerning whether Contractor is required to provide some service or item including scope of work issues and whether particular items or services were included in the scope of work agreed to by the parties in this Contract, RFP, questions and answers of the parties, or otherwise. In summary, if both parties have a reasonable interpretation regarding application of the Contract, Contractor agrees to defer to The Lottery's interpretation.

The requirements in this Section shall apply to any change orders, Contract modifications, or other deviations to this Contract. Failure to receive the prior written and express approval of The Lottery prior to implementing any changes to the requirements provided for hereunder, for which requests for extra or additional compensation are thereafter submitted by the Contractor to The Lottery, shall impose no liability for payment upon The Lottery and may be rejected by The Lottery without recourse.

1.61.2 Contractor's Conflicting and Supplemental Terms. Where terms and conditions specified in the Contractor's Proposal differ from the terms in this RFP, the terms and conditions of this RFP shall apply. Where terms and conditions specified in the Contractor's Proposal supplement the terms and conditions in this RFP, the supplemental terms and conditions shall apply only if specifically accepted by the Lottery in writing are set forth in Section 5.0 of this contract.

1.61.3 Section intentionally left blank.

1.61.4 Term. The Contract shall be for a term effective September 6, 2017 with a Commencement or Implementation date beginning July 1, 2018 and running through June 30, 2028, (assuming that the Lottery is renewed past its current "sunset" provision of July 1, 2022. If it is not extended past that date, then the contract will terminate on July 1, 2022). In terms of the Commencement/Implementation Date, the Lottery and Contractor assure that all interim milestones and testing will be reasonably met and will work in good faith to adjust such date as needed given the delay in contract execution. The Lottery and Contractor agree to take any and all actions necessary to expedite tasks, approval and milestones in the agreed implementation schedule in order to achieve the Commencement/Implementation Date. The Contract may be extended or renewed at the option of the Lottery for additional periods of up to five (5) years as may be agreed upon with the Contractor. The Lottery will notify Contractor in writing of its intent to extend or renew the Contract not later than ninety (90) days before the end of the current Contract period.

1.61.5 Terms of Payment. Fixed Pricing and Payment. As full and complete compensation for all work performed for the Lottery under the Contract, the Lottery shall pay the Contractor the expenses, charges and costs, as ultimately determined in accordance with this contract the successful Contractor's proposal and any negotiations thereafter memorialized. The Lottery shall not be liable for any expenses the Contractor pays or incurs or any charges or costs billed to the Lottery under the Contract unless set forth in



include, but is not limited to: the creation of errors in data; the loss of data; the inability to access data or to perform work under the Contract; and delays and stoppages in the performance of work under the Contract.

1.62.1.8 All goods and services offered under this agreement by Bidder shall be provided with the highest security and reliability measures available.

1.62.2 Warranty Work. Contractor shall repair or replace, within a commercially reasonable time and at its sole cost and expense, all equipment, hardware and software failing to comply with the warranties granted in this section. If the Contractor fails to repair or replace such equipment, hardware or software within a commercially reasonable time, the Lottery may, in its sole discretion, act to repair or replace the faulty equipment, hardware or Software and the Contractor shall reimburse the Lottery for all costs incurred by the Lottery to repair or replace the same.

1.62.3 Manufacturer's Warranties. The Contractor shall ensure that the manufacturer's warranty for Commercial Software is given directly to the Lottery by the manufacturer or is assigned to the Lottery in accordance with the requirements of the manufacturer.

### **1.63. Software Licensing and Ownership**

1.63.1 Customized Software. The Lottery shall have all ownership rights in all Customized Software and associated documentation.

1.63.2 Proprietary Software. Contractor grants the Lottery during the Period of Contract a non-revocable, nontransferable, and non-exclusive license to use, maintain and enhance all Proprietary Software and related documentation. The Lottery's license includes the right to all updates, upgrades, or other enhancements produced by or for the Contractor. The payments paid by the Lottery, as ultimately determined in accordance with Part 5, RFP-compliant Price Proposal, the successful Contractor's proposal and any negotiations thereafter memorialized shall be the sole source of payment for the cost of such updates, upgrades, or other enhancements during the term of the Contract. The Contractor may charge a commercially reasonable additional license fee for updates, upgrades, or other enhancements following the expiration or termination of the Contract.

1.63.3 Subcontractor Proprietary Software. The Contractor shall obtain, at no additional cost to the Lottery, a perpetual, non-revocable, non-transferable, and non-exclusive license to use, maintain and enhance all Subcontractor Proprietary Software and related documentation. The Lottery's license shall include the right to updates, upgrades, or other enhancements produced by or for the Subcontractor. The payments paid by the Lottery, as ultimately determined in accordance with Part 5, RFP-compliant Price Proposal, the successful Contractor's proposal and any negotiations thereafter memorialized, shall be the sole source of payment for the cost of such updates, upgrades, or other enhancements during the term of the Contract.

1.63.4 Commercial Software. Contractor shall procure all Commercial Software and related documentation in the Lottery's name. All licensing, rights or remedies granted by the Commercial Software manufacturer to consumers of its Software shall be granted directly to the Lottery. The Contractor shall obtain all maintenance and all updates, upgrades, or other enhancements to Commercial Software during the term of the Contract. The payments paid by the Lottery, as ultimately determined in accordance with Part 5, RFP-compliant Price Proposal, the successful Contractor's proposal and any negotiations thereafter memorialized, shall be the sole source of payment for the cost of such updates, upgrades, or other enhancements during the term of the Contract. Contractor shall notify the Lottery of its use of Commercial software, in writing, before usage.

1.63.5 Delivery of Software to the Lottery. The Contractor shall promptly provide all software and associated documentation to the Lottery upon request or upon termination or expiration of the Contract.

1.63.6 Inventory of Software. The Contractor shall provide an inventory of all software and related documentation used or required to perform the RFP within thirty (30) days of the Effective Date of the Contract and no less than every six (6) months thereafter.

1.63.7 Equipment and Software Corrections and Upgrades. The Contractor's services shall include software fixes to all software errors, design defects, and improved versions of the software to sustain performance or correct performance problems, to otherwise meet or continue to meet defined requirements. Included also will be field maintenance and engineering changes for terminals and equipment which fail to continue to meet requirements. Equipment and software changes necessary simply to support increased volumes of transactions from an existing retailer base must be included in the Contractor's base price for the system.

Changes and enhancements to the equipment and software which exceed contract specified and current requirements (and which are not otherwise accommodated by the pricing matrixes and Lottery specified options) (collectively, "Enhancements") such as additional terminal peripherals, new terminal types, administrative reporting changes, new retailer user interface features, or a new gaming format, will be handled as follows:

1.63.7.1 Software Enhancements are included in the base price, even if additional development is required to create or adapt software for the Lottery's needs.

1.63.7.2 Capital equipment, facilities or substantive service Enhancements will be negotiated.

Notwithstanding the above, it is agreed that the Contractor shall not be required to commence programming under this Section 3.63.7 with respect to any proposed software Enhancement unless and until: (a) the Contractor shall have received a final written request for such proposed Enhancement based upon final written specifications signed by the Executive Director or Deputy Executive Director, and (b) the implementation of each other software Enhancement, additional game, game enhancement or modification, or new written report or modification previously requested by the Lottery shall have been successfully accomplished, unless otherwise agreed.

#### **1.64. Source Code Escrow**

1.64.1 Escrow. Upon the written request of the Lottery, Contractor shall escrow the following with an escrow agent acceptable to the Lottery: one (1) copy of all source code for Proprietary Software used in performance under the Contract; one (1) copy of all documentation related to the development and maintenance of the Proprietary Software; one (1) copy of all source code for Subcontractor Proprietary Software; and, one (1) copy of all documentation related to the development and maintenance of the Subcontractor Proprietary Software. Escrowed documentation shall include, but is not limited to, build instructions, programming documentation, configuration information, Software development tools, compilers, linkers, libraries and any other documentation or resources used by the Contractor or Subcontractor's programmers to understand the source code or to develop, compile, maintain, or update the escrowed Software. If any such documentation is reasonably available from a commercial source other than the Software owner, the Software owner may substitute in escrow a written identification of that particular documentation and its commercial source. Escrowed documentation shall further include a list of the primary programmers involved in the development and maintenance of the Software and their home addresses and telephone numbers. Contractor and Subcontractors shall update the source code and documentation when a new version of the escrowed source code is used under the Contract.

1.64.2 Non-Encryption. Contractor and Subcontractors shall warrant in the escrow agreement that the escrowed source code and documentation is not encrypted and is accessible to the Lottery if released under the terms of the escrow agreement.

1.64.3 Verification. The Lottery may, in its discretion, require the verification of the escrow of source code and documentation by the escrow agent, a third party verification service or by other parties acceptable to the Lottery and the Software owner.

1.64.4 Transfer to Escrow Agent, Destruction of Escrowed Items and Termination. Contractor and all Subcontractors shall transfer all right, title and ownership to the escrowed source code and documentation, including updates, to the escrow agent, subject to the terms of the escrow instructions. The escrow instructions shall provide that the escrow agent will destroy the escrowed Software and documentation upon

the termination of the escrow or return it to the Software owner in a specified manner. The escrow instructions shall authorize termination of the escrow by a mutual, written agreement of the parties or upon written notice from the Lottery.

1.64.5 Release from Escrow. The escrow instructions shall authorize the escrow agent to release the escrowed source code and documentation to the Lottery upon the Lottery's provision of evidence satisfactory to the escrow agent of the following:

1.64.5.1 The Software owner is no longer maintaining the Software and no successor approved by Lottery is maintaining the Software. The parties stipulate that the Software owner's written refusal to maintain the escrowed Software and the failure of the Software owner to respond within two (2) weeks to a written request to maintain the escrowed Software with an affirmative, written promise to maintain the Software shall be satisfactory evidence that the Software owner is not maintaining the Software. The parties further stipulate that the failure of the promising party to maintain the Software within two (2) weeks of such affirmative, written promise shall be satisfactory evidence that the Software owner is not maintaining the Software.

1.64.5.2 The Contractor or Subcontractor owning the Software is the subject of a petition or proceeding under the U.S. Bankruptcy Code, either voluntary or involuntary, and such petition or proceeding is not dismissed within sixty (60) days after its initiation.

1.64.5.3 The Contractor or Subcontractor owning the Software becomes insolvent or admits either insolvency or a general inability to pay its debts as they become due.

1.64.6 Lottery's Rights Upon Release. Upon release of the source code and documentation, the Lottery shall have all rights to use, maintain and enhance the Software as provided in the license granted pursuant to section 3.63, Software Licensing and Ownership. The Lottery may engage non-employees to assist in the exercise of such rights, including former employees or contractors of the Software owner.

1.64.7 Escrow Costs. The Contractor shall pay for all the costs of the escrow during the term of the Contract. The Lottery shall pay the costs of the escrow following termination or expiration of the Contract and all provisions of this section 3.64 Source Code Escrow shall continue to apply to the escrow. If the Lottery requires third party verification of the escrowed Software and documentation, the Lottery shall pay the costs of such verification.

1.64.8 Bankruptcy Provisions. This escrow agreement is an agreement supplementary to the licensing of the Proprietary Software and Subcontractor Proprietary Software as provided by 11 U.S.C. Section 365(n). If the Contract, the escrow agreement or the license of the Proprietary Software or Subcontractor Proprietary Software is rejected by the Contractor or Subcontractor as a debtor in possession or a trustee or by any other person or entity under the U.S. Bankruptcy Code, the Lottery may elect to retain its rights as provided in 11 U.S.C. Section 365(n). The source code and documentation deposited under this escrow agreement are an "embodiment" of "intellectual property" as those terms are used in 11 U.S.C. Section 365(n).

## **1.65. Ownership of Materials and Information**

Except as otherwise agreed to in writing by the Lottery or otherwise specifically provided otherwise in the Contract, the Lottery shall retain all rights to hardware and other goods delivered by the Contractor in performing under the Contract, and to information, materials, procedures, processes and data developed, derived, documented, stored, or furnished by the Contractor under the Contract. Information, materials, procedures, processes and data includes reports, documents, pamphlets, advertisements, books, magazines, surveys, studies, computer programs, films, tapes, sound reproductions and all information originating from Contractor's performance and delivery under the Contract.

## **1.66. Indemnification – Third Party Claims - General**

The Contractor must provide a trustworthy, secure ICS compatible with the Contractor's System. The Contractor will select the ICS Bidder provided, however; the Lottery has the right to disapprove the proposed Bidder.

**INDEMNIFICATION-THIRD PARTY CLAIMS - GENERAL.** Notwithstanding any limitation in this Contract, and to the fullest extent permitted by law, Contractor shall defend and hold harmless Indemnitees for and against any and all suits or claims of any character (and all related damages, settlement payments, attorneys' fees, costs, expenses, losses or liabilities) by a third party which are attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property arising out of or in connection with the goods or services acquired hereunder or caused in whole or in part by any act or omission of the Contractor, its subcontractors, their employees, workmen, servants, agents, or anyone directly or indirectly employed by them or anyone for whose acts any of them may be liable, regardless of whether or not caused in part by an Indemnitee, and whether or not such claims are made by a third party or an Indemnitee; however, if an Indemnitee's negligent act or omission is subsequently determined to be the sole proximate cause of a suit or claim, the Indemnitee shall not be entitled to indemnification hereunder. The Contractor shall be given timely written notice of any suit or claim. Contractor's obligations hereunder are in no way limited by any protection afforded under workers' compensation acts, disability benefits acts, or other employee benefit acts. This Section shall not negate, abridge, or reduce any other rights or obligations of indemnity which would otherwise exist. The obligations of this Section shall survive termination, cancelation, or expiration of this Contract. This Section shall be construed fairly and reasonably, neither strongly for nor against either party, and without regard to any clause regarding insurance. As used in this Section, "Indemnitees" means the State of Kansas, the Lottery, its Commissioners and all their respective officers, agents and employees.

The Contractor, as part of its duty of indemnification, is required to defend and hold harmless the State from any costs arising out of the prosecution or defense of any action arising out of the Contractor's performance under this Contract, including any action affecting the payment or denial of the payment of lottery winnings in whole or in part. The Contractor shall notify the Lottery of the filing of any such litigation, and the Lottery shall give the Contractor written notice of any such claim, in the event such claim comes to the attention of the Lottery first. The Lottery shall have the right, but not the obligation, to participate in the litigation and, subject to prior review and discussion, shall also have the right to ultimately decide matters concerning any litigation arising out of the action affecting the payment or nonpayment of lottery winnings.

Contractor also agrees to advise the Lottery of any claims asserted or brought against Contractor arising from this Contract and which may potentially expose the Lottery to liability and to coordinate with the Lottery on any issues of governmental or public interest or concern relating to the Lottery and/or this Contract. In the event of participation by the Lottery in the defense of any claim, which shall be solely at the discretion of the Lottery, the Lottery shall be responsible for its own costs and expenses. If the Lottery, in its sole discretion, determines that the action may expose the Lottery to liability, the Contractor will not settle any such claims arising hereunder without the express prior written permission of the Lottery. The Contractor will, in all instances, bear its own attorneys' fees and expenses, and failure to comply herewith will entitle the Lottery to make appropriate deductions from the monthly fixed fee due to the Contractor or to draw upon the security pursuant to this Contract.

The Contractor further agrees that in the event it is requested to produce in any litigation any document or information referring or relating to the State or the Lottery, it shall not produce the requested material before it has notified the Lottery and provided it a reasonable opportunity to appear and object to the production or revelation of the Lottery's material or information. the Lottery will inform the Contractor when a request is made for it to produce a document or information in litigation that refers to or relates to the Contractor.

**INDEMNIFICATION-INTELLECTUAL PROPERTY.**

(a) Without limitation and notwithstanding any provision in this Contract, Contractor shall, upon receipt of notification and to the fullest extent permitted by law, defend, hold harmless and indemnify the Lottery and its respective Commissioners, officers, agents and employees against all actions, proceedings or claims of any nature (and all damages, settlement payments, attorneys' fees (including inside counsel), costs, expenses, losses or liabilities attributable thereto) by any third party asserting or involving an IP right related

to an acquired item. The State shall allow the Contractor to defend such claim so long as the defense is diligently and capably prosecuted. The State shall allow Contractor to settle such claim so long as all settlement payments are made by Contractor and the settlement does not impose a non-monetary obligation upon the State. State shall reasonably cooperate with Contractor's defense of such claim.

(b) In the event an injunction or order shall be obtained against State's use of any acquired item, or if in Contractor's opinion, the acquired item is likely to become the subject of a claim of infringement or violation of an IP right, Contractor shall, without in any way limiting the foregoing, and at its expense, either:

(1) procure for State the right to continue to use, or have used, the acquired item, or

(2) replace or modify the acquired item so that it becomes non-infringing but only if the modification or replacement does not adversely affect the specifications for the acquired item or its use by State.

If neither (1) nor (2), above, is practical, State may require that Contractor remove the acquired item from State, refund to State any charges paid by State therefor, and take all steps necessary to have State released from any further liability.

(c) The Contractor's obligations under this paragraph do not apply to a claim to the extent that the claim is caused by the Contractor's compliance with specifications furnished by the State:

(1) unless Contractor knew its compliance with the State's specifications would infringe an IP right, or

(2) if the State knowingly relied on a third party's IP right to develop the specifications provided to Contractor and failed to identify such product to Contractor.

(d) As used in this Section, these terms are defined as follows: "IP right(s)" means a patent, copyright, trademark, trade secret, or any other proprietary right. "Acquired item(s)" means the rights, goods, or services furnished under this Contract. "Specification(s)" means a detailed, exact statement of particulars such as a statement prescribing materials, dimensions, and quality of work.

(e) Contractor's obligations under this clause shall survive the termination, cancellation, rejection, or expiration of this Contract.

## **1.67. Insurance and Bonding**

### **1.67.1 Insurance**

1.67.1.1 The Contractor shall, for the duration of the Contract, maintain in effect all insurance as required herein and comply with all limits, terms and conditions stipulated therein, and provide continuous proof thereof to the Lottery. Policies shall provide, or be endorsed to provide, all required coverage. Prior to beginning any work, or within two (2) weeks after notification of award, whichever is earlier, the Contractor shall provide certificate(s) or certified endorsement(s), as applicable, of the insurance required. Failure to provide the proof of insurance as required may, at the Lottery's option, result in termination of the Contract. The Contractor shall not commence work under the Contract until evidence of all required insurance is provided to the Lottery.

1.67.1.2 Insurance, except for Workers Compensation, required by this section shall, as applicable, name the Lottery as an additional named insured, to the extent of the liabilities assumed by the Contractor, or loss payee, as the Lottery's interests may apply; provided, however, that the Lottery shall be named a loss payee as set forth in the pertinent section of the RFP. All insurance shall be with insurers rated A-VII or better in the latest Bests Rating Guide and in good standing and authorized to transact business in Kansas. The coverage provided by such policies shall be primary to any coverage of the Lottery on or related to the Contract and shall provide that the insurance afforded applies separately to each insured against whom a claim is made, except with respect to the limitation of liability. All required policies shall require thirty (30) days' notice to the Lottery, by certified or registered mail, return receipt requested, prior to any cancellation, refusal to renew or any material change in the nature or extent of the coverage provided. If any of the liability insurance required under the Contract is arranged on a "claims made" basis, "tail coverage" will be required at the completion of the Contract for a duration of twenty-four (24) months thereafter. Contractor shall be responsible for furnishing certification of "tail coverage" or continuous "claims made" liability coverage for twenty-four (24) months following contract completion. Continuous "claims made" coverage will be acceptable in lieu of "tail coverage" provided the retroactive date is on or before the effective date of the Contract or twenty-four (24) months "prior acts" coverage is provided. Contractor waives all rights against the Lottery and its agents, officers, directors and employees for recovery of damages to the extent

these damages are covered by the required policies. Policies may contain deductibles but such deductibles shall not be deducted from any damages due to the Lottery.

1.67.1.3 By requiring insurance herein, the Lottery does not represent that coverage and limits will necessarily be adequate to protect the Contractor and such coverage and limits shall not be deemed as a limitation on the Contractor's liabilities under the indemnities granted to the Lottery.

1.67.1.4 Contractor shall maintain the following insurance with companies authorized to do business in the state of Kansas in amounts not less than the following:

1.67.1.4.1 Worker's Compensation Insurance in amounts as required by Kansas law.

1.67.1.4.2 Automobile Liability including non-owned and hired as required by Kansas law.

1.67.1.4.3 Commercial General Liability (CGL) and, if necessary, commercial umbrella or excess liability with a limit of not less than \$10,000,000 for each occurrence. The Schedule of Underlying Insurance in the Umbrella Policy shall include the CGL, the auto policy and the Employer's Liability Policy.

1.67.1.4.4 Comprehensive Crime with a liability limit of \$10,000,000 per occurrence having at least the following coverages: dishonesty (blanket coverage), forgery, credit card forgery, theft (inside and outside), embezzlement, wire transfer fraud, computer fraud or theft and other dishonest acts of any employee or agent whose duties are to provide services under the Contract. The Lottery shall be named a loss payee on all Comprehensive Crime policies. In lieu of Comprehensive Crime insurance, the Contractor may acquire a "DDD" (disappearance, dishonesty and disaster) bond or fidelity bond with the same limits, coverages, and other terms as set forth herein for a Comprehensive Crime insurance policy.

1.67.1.4.5 Property Insurance for all direct physical loss to computer hardware and software, including mechanical breakdown and extra expense. Limits should be consistent with valuation of hardware, software and time required to restore operations.

1.67.1.4.6 Technology Errors and Omissions coverage with a liability limit of \$10,000,000 per Claim. Coverage shall indemnify the Contractor and pay on behalf of Contractor to the Lottery for loss which may be incurred due to computer error, machine error, any communication line problems caused by Contractor, its officers, employees, agents, subcontractors or assigns, regardless of negligence.

1.67.1.4.7 Cyber Risk having the following coverages: information or identity theft, liability for misuse or disclosure of third party data, liability for loss of data, outages or spread of viruses, attacks, destruction or disclosure of data or electronic information with a liability limit of \$10,000,000 per Event.

1.67.1.4.8 Errors and Omissions. The Contractor shall maintain professional liability errors and omissions insurance of not less than \$10,000,000 (ten million dollars) to be in force and effect during the term of the Contract, and one (1) year thereafter. To the extent not covered by other insurance required herein, coverage shall include direct loss due to computer error, machine error, system down time, hardware or software problems or errors caused by the negligence of the Contractor, its officers, employees, or subcontractors, and any other error or omission caused by the negligence of the Contractor, its officers, employees, or subcontractors.

1.67.1.4.8.1 Coverage will be obtained to indemnify the Lottery for 100 percent (100%) of prizes the Lottery becomes legally obligated to pay as a result of any negligent error or omission on the part of the Contractor, contractor-supplied equipment or services, or a subcontractor of the Contractor up to the full value of the policy.

3.67.1.4.8.2 The Contractor must provide self-insurance to cover any liability for over redemption over and above the value of the errors and omissions policy.

1.67.1.5 Neither the Kansas Lottery nor the state shall be required to purchase any insurance against loss or damage to any personal property nor shall they establish a "self-insurance" fund to protect against any loss or damage. Subject to the provisions of the Kansas Tort Claims Act, the Contractor shall bear the risk of any loss or damage to any personal property.

1.67.1.6 Nothing in this section shall be construed to be a limitation on the total liability of the Contractor for any losses suffered by Lottery.

#### 1.67.2 Bonding

a. Within thirty (30) calendar days of the effective date of the Contract, the Contractor shall procure, at its own cost, and submit to the Lottery a performance bond payable to the Lottery in the amount of five million dollars (\$5,000,000) for the period of performance and conditioned on Contractor's faithful performance. The bond shall be in a form approved by the Lottery. The Contractor shall pay the premiums on the performance bond. In the event that the Contractor or any officer, director, employee or agent of the Contractor or any subcontractor or any parent or subsidiary corporation of the Contractor or subcontractor fails to fully and faithfully perform each material requirement of the Contract, including without limitation the Contractor's obligation to indemnify the Lottery and pay damages to the Lottery, the performance bond shall be forfeited to the Lottery. The bond shall be in a form customarily used in the lottery industry, and be acceptable to the Lottery, and shall be written by a surety authorized to do business in Kansas and that is acceptable to the Lottery. The bond shall be in effect at all times during the term of the Contract and any extensions or renewals thereof and for ninety (90) days following the conclusion of the Contract. The Contractor warrants that it will maintain the required performance bond coverage as described herein without any lapse in coverage. Based upon Contractor's performance during the initial contract term, the Lottery reserves the right to discontinue performance bond requirements for any contract extensions.

b. Failure on the part of the Contractor to furnish such bond, or other proof of bond coverage acceptable to the Lottery within thirty (30) days of contract execution, or to maintain the bond in full force and effect during the term of the Contract and any extension or renewal thereof, unless Lottery discontinues performance bond requirements at its sole discretion, shall be a material breach of the Contract and shall be considered cause for the Lottery to declare the Contractor in default under the Contract. The Lottery's receipt of such bond(s) or other proof of coverage does not constitute approval of the bonds' coverage nor do the bonds relieve the Contractor from the faithful and honest performance of the Contract.

c. The bond shall specifically refer to the Contract and shall bind the surety to all of the terms and conditions of the Contract. The performance bond shall be forfeited if the Contract is terminated due to the Contractor's default, breach of the Contract by the Contractor, or the Contractor's bankruptcy, whether voluntary or involuntary. The bonding company shall be authorized to do business in the state of Kansas.

### **1.68. Subcontracting and Assignment**

Contractor shall not subcontract or assign its duties under the Contract without the prior written approval of the Lottery. The Lottery may, in its sole discretion, impose reasonable requirements upon the Contractor prior to the approval of any subcontract or assignment, including but not necessarily limited to payment of the costs of updated security and background investigations performed by or on behalf of Lottery. Acceptance of the Contractor's proposal specifying subcontracts shall constitute the Lottery's acceptance of the specified Subcontractors. Notwithstanding the Lottery's approval of any subcontract, the Contractor shall be solely responsible for the satisfactory performance of all Subcontractors and subcontracted services and for the compensation of all Subcontractors. The Contractor shall be and shall remain liable for all costs and damages to the Lottery caused by negligent performance or non-performance of the subcontracted services. The Contractor shall ensure that each Subcontractor agrees to comply with the terms of the Contract applicable to its scope of performance.

### **1.69. Contractor Records and Audit Requirements**

#### 1.69.1 Maintenance of Records

The Contractor shall maintain all electronic and hardcopy books, records, documents and other evidence pertaining to the administrative costs and expenses of the Contract to the extent and in such detail as shall properly reflect all revenues, all net costs, direct and apportioned, and other costs and expenses of whatever nature for which reimbursement is claimed under provisions of the Contract. Contractor shall maintain all records and documents relevant to the Contract for five (5) years from the date of final payment to Contractor. If an audit, litigation or other action involving records is initiated before the five (5) year period has expired, Contractor shall maintain records until all issues arising out of such actions are resolved, or until an additional five (5) year period has passed, whichever is later. If the legal existence of Contractor is terminated by bankruptcy or any other cause, all records related to the Contract in Contractor's possession shall become the property of the Lottery and Contractor shall immediately deliver such records to the Lottery.

#### 1.69.2 Availability of Records

All records and documents relevant to the Contract shall be available for and subject to inspection, review or audit, and copying by the Lottery and other personnel duly authorized by the State, and by federal inspectors or auditors. The Contractor shall make its records available to such parties at all reasonable times, at either the Contractor's principal place of business or upon premises designated by the Lottery. The Contractor shall include a provision granting the Lottery access to each Subcontractor's records to the same extent as if the records were the Contractor's in every subcontract relating to the Contract.

#### 1.69.3 Audit

The Lottery may require Contractor to engage and pay for an independent certified public accounting firm to perform an audit of Contractor's services in accordance with the American Institute of Certified Public Accountants Statement on Auditing Standards number 70 (Reports on the Processing of Transactions by Service Organizations) or service organization reporting standard, Statement on Standards for Attestation Engagements (SSAE) No. 16, as determined by the Lottery. If required by Lottery, the audit shall be performed annually and the Contractor shall submit a copy of the audit report to the Lottery upon the completion of each audit. The Lottery reserves the right: (a) to specify the type of report and the control objectives to be examined; (b) to approve the accounting firm chosen to perform the internal control audit; (c) to designate the period to be covered by the report and the date by which the report is due; and (d) to require that the first such internal control audit be conducted within ninety (90) days of installing the lottery gaming system.

#### 1.69.4 Audit of Electronic Data Processing Applications

Subject to the approval of the Lottery, the Contractor will contract with an Independent Certified Public Accounting (CPA) firm with experience in conducting audits of electronic data processing systems in accordance with standards established by the American Institute of Certified Public Accountants and the General Accounting Office for applications comparable to Lottery games application. The Contractor will require the accounting firm to perform an electronic data processing audit of general and application controls on the Lottery games and on the Contractor's quality control efforts. It is anticipated the audit will include a number of processing functions to be determined by the Lottery. The cost of these audits shall be borne by the Contractor and there shall be no additional charges billed to the Lottery for these audits.

Each audit shall be conducted in accordance with generally accepted auditing standards for electronic data processing application reviews. The Contractor will require the accounting firm to make recommendations based upon such industry standards or any proprietary system of standards potentially utilized by said firm. The Lottery will use the findings and recommendations of such report(s) as part of its on-going Lottery games monitoring process. As required by the Lottery, the Contractor shall implement the audit recommendations. On a schedule determined by the Lottery, the Contractor shall submit periodic progress reports on the status of recommendation implementation.

### **1.70. Audit Exceptions**

If a federal or state audit indicates that payments to the Contractor fail to comply with applicable federal or state laws, rules or regulations, or the Contract, the Contractor shall refund and pay to the Lottery any compensation paid to Contractor arising from such noncompliance, plus costs, including audit costs. In the event that any audit discloses evidence of the Contractor's non-compliance with any contract term, the

Lottery expressly reserves the right to pursue any remedies available to it under law or contract, including the assessment of liquidated damages and termination of the Contract.

## **1.71. Compliance with Law**

### **1.71.1 Compliance with Law, Licensing and Certifications**

Contractor shall comply with all requirements of federal and state statutes, rules, and regulations applicable to Contractor or to the services performed by Contractor pursuant to this Agreement. For the duration of the Contract, the Contractor shall maintain in effect, and have in its possession, all licenses and certifications required by federal, state and local laws, rules and regulations, including, but not limited to business and professional licenses. None of the Contractor's officers, directors, key employees and/or principal owners shall have any connection to any person or organization recognized by law enforcement officers as being a habitual criminal or member of any criminal cartel.

### **1.71.2 Non-discrimination**

The Contractor shall provide all services funded through or affected by the Contract without discrimination on the basis of race, color, national origin, religion, sex, age, or physical/mental impairment, and shall comply with all relevant sections of the following: Title VI of the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; The Age Discrimination in Employment Act of 1967; Title IX of the Education Amendments of 1972; The Age Discrimination Act of 1975; The American's With Disabilities Act of 1990; Executive Order 11246, as amended by Executive Order 11375; Department of Labor Regulations, codified at 41 CFR Part 60; Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974; and, United States Department of the Interior Regulations, codified at 43 CFR Part 17. The Contractor shall comply with pertinent amendments to such laws made during the term of the Contract and with all federal and state rules and regulations implementing such laws. The Contractor shall include this provision in every subcontract relating to the Contract.

### **1.71.3 Covenant Against Contingent Fees**

The Contractor warrants that no person or selling agent has been employed or retained to solicit or secure the Contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except bona fide employees or bona fide established agents maintained by the Contractor for the purpose of securing business. The Lottery has the right, in the event of breach of this clause by the Contractor, to annul the Contract without liability or, in its discretion, to deduct from the contract price or consideration or recover by other means the full amount of such commission, percentage, brokerage or contingent fee.

### **1.71.4 Ticket Purchase and Prize Payment Restrictions**

The contractor shall comply with the provisions of K.S.A. Supp. 74-8719 Et seq. and amendments thereto relating to the purchase of tickets and receipt of prizes.

### **1.71.5 Conflicts**

The Contractor certifies and warrants that it presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of its services under the Contract. The Contractor shall not employ during the term of the Contract any person known to the Contractor to have any such conflicting interests.

No member of the Lottery Commission, Executive Director, employee of the Lottery, or any person residing in the same household of any of the aforementioned, shall directly or indirectly, individually, as a member of a partnership or other association, or as a stockholder, director or officer of a corporation have an interest in a business which contracts under this RFP.

During the period from the RFP release until the award of the contract, Bidders are prohibited from officially or unofficially making any employment offer or proposing any business arrangement whatsoever to any Lottery employee involved in the preparation of the RFP, evaluation of the proposals, the contract award, or contract negotiations. A Bidder making such an offer or proposition may be disqualified from further consideration, or the contract signed pursuant to this RFP may be terminated. These conditions continue for the contractor for a period of two years following the award.

## **1.72. Personal and Confidential Information**

### **1.72.1 Personal and Confidential Information**

The contractor may have access to private or confidential data maintained by the Lottery to the extent necessary to carry out its responsibilities under the contract. The contractor must comply with all the requirements of the Kansas Open Records Act in providing services under the contract. The contractor shall accept full responsibility for providing adequate supervision and training to its agents and employees to ensure compliance with said Act. No private or confidential data collected, maintained or used in the course of performance of the contract shall be disseminated by either party except as authorized by statute either during the period of the contract or thereafter. The contractor must agree to return any and all data furnished by the Lottery promptly at the request of the Lottery in whatever form it is maintained by the contractor. On the termination or such expiration of the contract, the contractor shall not use any of such data or any material derived from the data for any purpose, and where so instructed by the Lottery, shall destroy or render it unreadable.

"Private data" includes but is not necessarily limited to names, addresses, Social Security numbers, e-mail addresses, telephone numbers, financial profiles, credit card information, driver's license numbers, medical data, law enforcement records, agency source code or object code, agency security data or information identifiable to an individual that relates to any of these types of information. The Contractor also acknowledges that during the performance of the Contract it will come into possession of material and information, financial, personnel, operations-related or otherwise that the Lottery regards as proprietary or confidential ("confidential data").

### **1.72.2 Strictest Confidence**

The Contractor agrees to use and hold such Personal and Confidential Information in the strictest confidence and shall not make use of it for any purpose other than the performance of the Contract. The Contractor shall only release Personal or Confidential Information to authorized employees or approved subcontractors requiring such information for purposes related to contract performance, and shall not release, divulge, publish, transfer, sell, disclose or otherwise make Personal and Confidential Information known to any other party without the Lottery's express written consent or as provided by law.

### **1.72.3 Nondisclosure Agreement and Procedural Safeguards**

The Contractor agrees to release Personal and Confidential Information required for purposes related to contract performance only to employees or approved subcontractors who have executed a nondisclosure agreement, the terms of which have been previously approved by the Lottery. The Contractor shall maintain a log documenting the Personal and Confidential Information received in performance of the Contract, the purposes for which the information was received, who received, maintained and used the information, and the final disposition of the information. The Contractor's records shall be subject to inspection, review and/or audit in accordance with applicable, herein. The Contractor agrees to implement physical, electronic and managerial policies, procedures and safeguards to prevent unauthorized access, use or disclosure of Personal and Confidential Information in any form.

### **1.72.4 Action upon Termination of the Contract**

Upon termination of the Contract, for any reason, Contractor shall return or destroy all Personal and Confidential Information received from Lottery, or created or received by Contractor on behalf of Lottery. In the event that Contractor determines that returning or destroying the Personal and Confidential Information is infeasible, Contractor shall notify the Lottery of the conditions that make return or destruction infeasible. If the Lottery agrees that return or destruction of Personal and Confidential Information is infeasible, Contractor shall extend the protections of the Contract to such Personal and Confidential Information and limit further uses and disclosures of such Personal and Confidential Information to those purposes that make the return or destruction infeasible, for so long as Contractor maintains such Personal and Confidential Information.

### **1.73. Removal of Contractor Personnel**

The Lottery may, in its sole discretion, require that Contractor reassign or otherwise remove from performing services under the Contract, any staff member, Subcontractor, or Subcontractor staff member reasonably found unacceptable to the Lottery.

#### **1.73.1 Background Investigations During Contract Term**

The Lottery reserves the right to investigate personnel and any activities associated with the Contractor. The Contractor agrees to make its best efforts to cooperate with any such background investigation. In the event that any investigation discloses evidence of the Contractor's non-compliance with any Contract term, the Lottery expressly reserves the right to pursue any remedies available to it under law or contract, including the assessment of liquidated damages and termination of the Contract.

### **1.74. Cooperation of the Parties**

The Contractor and the Lottery shall cooperate fully, to work in good faith and mutually to assist each other in the performance of the Contract. In this connection, the parties will meet to resolve problems associated with the Contract. Neither party will unreasonably withhold its approval of any act or request of the other to which its approval is necessary or desirable.

Should the Lottery obtain systems, equipment, materials or processes from a source other than the Contractor which would require the Contractor to cooperate or make changes in order to permit compatibility, then the Contractor shall cooperate under Lottery direction, and at the Contractor's cost, provided however, that the Lottery and the Contractor shall negotiate appropriate compensation to be paid to the Contractor in the event that the Lottery shall require material changes or implementation actions with respect to the system.

### **1.75. Remedies**

#### **1.75.1 Remedial Action**

In addition to any remedies available to the Lottery under law or equity, the Lottery may at its sole discretion require one or more of the following remedial actions, taking into account the nature of the deficiency, if any of the services or products do not conform to Contract requirements: (1) require the Contractor to take corrective action to ensure that performance conforms to Contract requirements; (2) reduce payment to reflect the reduced value of services received; (3) require the Contractor to subcontract all or part of the service at no additional cost to the Lottery; (4) withhold payment or require payment of actual damages caused by the deficiency; (5) withhold payment or require payment of liquidated damages; (6) secure alternative products or services and deduct the costs of products or services from payments to the contractor; or (7) terminate the Contract and seek any other remedies allowed by this agreement or by law pursuant to this section 3.75, Remedies, and sections.

#### **1.75.2 Liquidated Damages**

**Liquidated Damages Provisions.** In all the liquidated damages sections, below, the Lottery and the Contractor agree that it would be extremely impractical and difficult to determine actual damages the Lottery would sustain, including those that negatively affect the image and reputation of the Lottery. The goods and services to be provided under the Contract are not readily available on the open market and the occurrence of any of the events covered below may delay and disrupt the Lottery's operations and lead to damages. Therefore, the parties agree that the liquidated damages as specified in all the sections below are reasonable and are not to be construed or applied as a penalty. The parties acknowledge on-going discussion related to Liquidated Damages as set forth in this contract and agree to formalize any agreement reached from said discussions in a written modification to this contract in the event the parties in fact reach mutual agreement on any such modification. Until such time any agreement may be reached, this Contract stands in its terms as currently written. Liquidated damages are not intended as either a penalty against the Contractor or windfall to the Lottery. The application of liquidated damages will be determined on a case-by-case basis taking into consideration the severity of the occurrence, the number of times the same or similar events have occurred, the Contractor's response to the occurrence and overall fairness to the interests of both the Contractor and the Lottery, and the estimated losses, with the understanding that the Lottery's decisions are at its sole and absolute discretion. Assessment of liquidated damages shall be in

addition to, and not in lieu of, such other remedies as may be available to the Lottery. Except and to the extent expressly provided herein, the Lottery shall be entitled to recover liquidated damages under each section applicable to any given incident. The Contractor shall continuously capture the information necessary and appropriate to determine whether any of the circumstances giving rise to the imposition of liquidated damages hereunder has occurred..

1.75.2.1 Notification of Liquidated Damages: Upon determination that liquidated damages are to (or may) be assessed, the Lottery shall notify the Contractor of the assessment in writing. The availability of any period of cure will depend on the situation and will be in the sole and absolute discretion of the Lottery.

1.75.2.2 Conditions for Termination of Liquidated Damages: As determined appropriate by the Lottery, the following are the conditions under which the Contractor may obtain relief from the continued assessment of liquidated damages:

- i. Unless waived in writing by the Lottery, no liquidated damages imposed shall be terminated or suspended until the Contractor issues a written notice verifying the correction of the condition(s) for which liquidated damages were imposed and all corrections have been subjected to System testing or other verification at the discretion of the Lottery.
- ii. As appropriate, the Contractor shall conduct System testing of any correction as the Lottery deems necessary. Such testing shall be developed jointly by the Lottery and the Contractor and must be approved by the Lottery, including the test script, test environment, and test results. A notice of correction will not be accepted until verified by the Lottery.

1.75.2.3 Severability of Individual Liquidated Damages: If any portion of the liquidated damages provisions is determined to be unenforceable in one or more applications, that portion remains in effect in all applications not determined to be invalid and is severable from the invalid applications. If any portion of the liquidated damages provisions is determined to be unenforceable, the other provision(s) shall remain in full force and effect.

1.75.2.4 Waivers of Liquidated Damages: The waiver of any liquidated damages due the Lottery shall constitute a waiver only as to such specific liquidated damages and not a waiver of any future liquidated damages. Failure to assess liquidated damages or to demand payment of liquidated damages within any period of time shall not constitute a waiver of such claim by the Lottery.

1.75.2.5 Payment of Liquidated Damages: Assessed liquidated damages will first be deducted from any fees due from the Lottery to the Contractor, then, if necessary, from any Performance Bond(s) or Security Bond(s). In the event the amount due the Contractor is not sufficient to satisfy the amount of the liquidated damages, the Lottery will continue to deduct monies until the amount due is paid in full. The parties may agree to modify the payment schedule.

1.75.2.6 Applicability of Liquidated Damages and Pro-Rated Liquidated Damages: The Contractor shall not be required to pay liquidated damages for delays solely due to matters affected by force majeure or for time delays specifically caused by or approved by the Lottery. In all the below liquidated damages sections, the damages shall be pro-rated for partial periods.

1.75.2.7 Liquidated Damages Stipulations:

**1. Conversion and Startup**

- i. **Condition:** Bidder shall complete, except as otherwise approved by the Lottery in writing, all agreed upon implementation tasks and deliverables required pursuant to the Contract.
- ii. **Damages:** the Lottery may impose liquidated damages for each calendar day of delay as follows:
  - (1) Unresolved errors or failures preventing the successful completion of User Acceptance Testing (UAT) as specified in the conversion plan – up to ten thousand dollars (\$10,000) per day.



- (6) Instant ticket inventory management is compromised, including the ability to receive, order, pack, ship, activate and/or settle instant tickets, etc. in a manner concordant with production schedules;
- (7) During a defined promotion period the System cannot issue tickets and/or conduct transactions to support the promotion; or
- (8) The number of active servers in the Gaming System falls below the standard established in the Contractor's Proposal. A Gaming System server is considered active if it is networked with the System, processing transactions real time, contains the correct software version, and is capable of taking over primary functions (e.g., failover). Those instances where a server contains a different software version as part of a staggered software update previously approved by the Lottery are not included in this sub-item.

**ii. Damages:**

- (1) For conditions identified in 2, 3, 6 and 7 above, up to thirty thousand dollars (\$30,000) per hour may be assessed for each hour of degraded performance, or fraction thereof.
- (2) For conditions identified in 1, 4, 5 and 8 above, up to five thousand dollars (\$5,000) per hour may be assessed for each hour of degraded performance, or fraction thereof.

**5. Terminal Field Service**

The Contractor shall ensure the timely repair or replacement of inoperable terminals. The Lottery will determine whether a terminal is inoperable. Terminals will be considered inoperable if:

- ◆ There is no ticket stock available at the retailer location;
- ◆ The terminal cannot perform any or all of the following functions: sell tickets; validate tickets, cancel and process claims (including instant ticket validations); and/or
- ◆ The terminal cannot print tickets that are legible to the machine and to the human eye.

**Repair/replace terminals:** For the purposes of this section, the following definitions shall apply:

**"Hard Down"** means a terminal is not able to produce a draw ticket or validate draw or instant tickets upon request as a direct result of Contractor error.

**"Critical Up"** means a terminal is able to produce draw tickets and validate draw or instant tickets; however, one or more other functions of the terminal do not work or do not work properly;

**"Signage Down"** means a customer-oriented LED or CRT monitor does not work properly.

**"Hours of Operation"** means the business day of the Lottery during which time the Contractor is required to receive and process wagers, validations and other transactions on behalf of the Lottery, exclusive of time that the specific retailer requesting service is closed, or such time that the Lottery data network is shut down for daily processing, if any such time exists. The Contractor shall maintain services, but will not be subject to Liquidated Damages on the following days: July 4<sup>th</sup>, Thanksgiving Day, Christmas Day and a fourth discretionary day. The Lottery shall have a minimum of 14 working days prior written notice of discretionary day and may deny

consent up to 72 hours prior to the day requested. This clause may be modified by the Lottery in the event of high jackpots as set forth below.

**"Terminal Classes."** For purposes of calculating liquidated damages for this section, each retail location shall be assigned to one of three classes based upon its average weekly draw game sales. The Contractor will provide to the Executive Director, upon request, an updated report of all retailers and their classes. This report will be in an agreed upon format and written to a disk or such other media as the Lottery may designate.

**Class A.** Top selling terminals which account in aggregate for 50 percent of gross sales based on the preceding two weekly billing periods.

**Class B.** Terminals not in Class A with average gross sales greater than \$500 per week based on the preceding two weekly billing periods.

**Class C.** All terminals not included in Class A or B.

**"Back in Service" or "Returned to Service"** means that after replacement or repair of a hard down terminal has been performed, the terminal remaining at the retail location following replacement or repair is capable of performing all terminal functions.

**"Promotional Event Locations"** means any event at which the Lottery conducts any promotions remote from Lottery headquarters, including, but not necessarily limited to, fairs, festivals, music concerts, races and trade shows.

**Terminal Repair Request – Hard Down.** For the purposes of this section, the following geographical areas are defined for determining response times to calls for service to the Contractor's service personnel:

**Two-Hour Response Area.** Any retail location with a "Class A" terminal, and all promotional event locations selling lottery games shall have a two (2) hour response time by Contractor field service personnel to all "Hard Down" terminal repair requests.

**Three-Hour Response Area.** All retailer locations with a "Class B" terminal shall have a three (3) hour response time to all "Hard Down" terminal repair requests.

**Eight-Hour Response Area.** All terminals not included in class A or B shall have an eight (8) hour response time by Contractor field service personnel to all "Hard Down" terminal repair requests.

**Response Time Provisions.** The Contractor will have a total of one-half (1/2) hour to repair or replace any hard down terminal from the time the service personnel arrives on scene to the time that the terminal is placed back in service. The total repair time, including travel time, shall not exceed two and one-half (2 1/2) retailer business hours to any "Hard Down" repair request from the time that the retailer or Lottery notifies the Contractor until the terminal is returned to service, for any terminal at a retailer in one of the "Two-Hour Response Areas" listed. The total repair time, including travel time, shall not exceed three and one-half (3 1/2) retailer business hours,

from the time the retailer or Lottery notifies the Bidder until the terminal is returned to service, for any retailer located in a "Three-Hour Response Area." The total repair time, including travel time, shall not exceed eight and one-half (8 ½) retailer business hours, from the time the retailer or Lottery notifies the Contractor until the terminal is returned to service, for any retailer located in an "Eight-Hour Response Area".

**Terminal Repair Request - Critical Up.** Terminals which are in a "A or B Critical Up" status when reported by the retailer or Lottery to the Contractor shall be repaired and returned to service within eight (8) hours for Class A terminals and twelve (12) hours for Class C terminals, including travel time and repair time, regardless of the retailer's location within the state. Refer to "Terminal Classes," above.

**Terminal Repair Request - Signage.** Terminals which have a monitor, LED sign, or any other form of signage maintained by the Contractor which is down must be responded to and repaired within eight (8) hours from the time the retailer or Lottery notifies the Contractor for Class A or B terminals and twelve (12) hours for Class C terminals, including travel time, regardless of the retailer's location. Refer to "Terminal Classes," above.

**Liquidated Damages for Terminal Repair.** The liquidated damages which may be assessed for the failure to respond to a service call within the time frames are set forth in this section. "Penalty down time" means the number of minutes in excess of the maximum number of minutes allowed for resolution of any event, as set forth above. Liquidated damages shall be assessed at the rates listed below:

Average Weekly Previous 52 week's sales, divided by the normal weekly total minutes of operation during said previous 52 weeks, multiplied by the number of minutes of penalty down time

Note: Penalty for any retailer with less than a 52 week sales history will be calculated using the average of the total number of sales weeks available.

6. **Escalation of Damages for High Sales Volumes.** On the day of any failure where the jackpot for any draw game exceeds the amounts listed below, damages assessed for failure to repair or install any terminal or for failure to deliver supplies will be increased by the factors in the table below:

Note: In cases where this section applies to more than one draw Lottery game, the higher percentage factor shall be used to determine escalation charges.

**Multi-State Games:**

<b><u>Jackpot</u></b>	<b><u>Factor</u></b>
\$100 Million up to and less than \$200 Million .....	150%
\$200 Million up to and less than \$300 Million.....	175%
\$300 Million and over .....	200%

**In-State Games:**

<b><u>Jackpot</u></b>	<b><u>Factor</u></b>
\$1,000,000 up to and less than \$1,500,000.....	50%
\$1,500,001 up to and less than \$2,000,000 .....	175%
\$2,000,000 and over .....	200%

**7. Terminal Preventive Maintenance**

- i. **Condition:** The Contractor and the Lottery shall agree on a preventive maintenance cycle for retailer terminals.
- ii. **Damages:** If there is delay for any retailer terminal scheduled preventive maintenance that exceeds the planned maintenance day by thirty (30) days or more, then the Lottery may impose liquidated damages of up to one hundred (\$100) dollars per day until the condition is rectified.

**8. Terminal Installation and Moves**

- i. **Condition:** The Contractor shall install or move all retailer terminals within five (5) working days of notification from the Lottery. The Contractor may not pass fault to a Subcontractor.
- ii. **Damages:** \$200 per day per each effected terminal.

**9. Failure to Modify Existing Games or to Install Additional Games**

- i. **Condition:** The Contractor shall accurately modify and convert existing games or accurately install additional games (and their supporting controls) in accordance with the agreed upon release schedule. The Contractor's change must complete UAT and receive the Lottery's written approval, within the time frame specified.
- ii. **Damages:** Up to one hundred thousand dollars (\$100,000) per day that the upgrades, modifications or installations are not completed. The Contractor is not obligated to pay liquidated damages if the Lottery opts to release the change at a later time than the agreed-upon schedule.

**10. Failure to Produce an Administrative Software Change**

- i. **Condition:** The Contractor shall modify or add software to produce reports, screen displays, inquiries, and other administrative applications in accordance with an agreed upon release schedule. The Contractor's change must complete UAT and receive the Lottery's written approval, within the time frame specified therein.
- ii. **Damages:** Up to five hundred dollars (\$500) per day that the modified or additional software is not installed.

**11. Failure to Support an Instant Ticket Game**

- i. **Condition:** The Contractor must ensure that instant ticket games are properly converted and supported. The System must handle instant ticket transactions and produce reports for all games ordered by the Lottery from its instant ticket supplier(s).
- ii. **Damages:** Up to ten thousand dollars (\$10,000) per day per game for any instant game(s) for which the Contractor does not provide timely and/or correct instant ticket transaction handling and reporting.

**12. Unauthorized Software/Hardware Modifications**

- i. **Condition:** The Contractor shall not modify any software or hardware without the prior, authorized written consent of the Lottery.
- ii. **Damages:** Up to ten thousand dollars (\$10,000) per violation in addition to any other damages that may occur as a result of such unauthorized modification.

- 13. Unauthorized Access or Compromise**
- i. **Condition:** The Contractor shall preclude any persons, not authorized by the Lottery, from accessing, modifying, or otherwise interfering with the System, Test System, and any data or software. Each person and every act that permits access, modification, or interference by an unauthorized person is an incident.
  - ii. **Damages:** Up to fifty thousand dollars (\$50,000) per person, for each incident.
- 14. Supply Shortage**
- i. **Condition:** The Contractor shall furnish the retailers, or cause the same to be done, any essential supplies, and consumables for all games for which Contractor is responsible for supplying (not including instant tickets or point-of-sale advertising materials).
  - ii. **Damages:** Up to three hundred dollars (\$300) per retailer per day or on a prorated basis for any portion of a day for failure to deliver essential supplies and consumables in (s)(i) above.
- 15. Failure to Report Incidents**
- i. **Condition:** It will be the responsibility of the Contractor to immediately report all significant incidents related to the operation of the System. The immediate reporting shall be delivered personally or by telephone within one (1) hour of the discovery of the incident, followed by a written communication to the Lottery's Executive Director and the Director of Information Technology within twenty-four (24) hours of the incident. At a minimum, each of the following types of events shall require a written report:
    - (1) System takeovers/failovers;
    - (2) Major communications failures;
    - (3) Significant operator errors;
    - (4) Out-of-balance conditions;
    - (5) Emergency software or hardware changes;
    - (6) Security violations;
    - (7) Other conditions as defined by a Memorandum of Understanding, if any; or
    - (8) Any situation which the Contractor believes may cause the general public to become alarmed and/or which may damage the integrity or public image of the Lottery.
  - ii. **Damages:** Up to ten thousand dollars (\$10,000) per day or prorated fraction thereof, until an incident is correctly reported from the time of the incident.
- 16. Failure to Provide Software Testing and Quality Software Turnovers**
- i. **Condition:** The Contractor must provide a quality assurance test plan, a report on the quality assurance test, and quality-tested software in accordance with the agreed upon release schedule.
  - ii. **Damages:** Up to five thousand dollars (\$5,000) for each violation (return or retraction of the software).
- 17. UAT environment**
- i. **Condition:** All integral parts of the UAT environment must be made available by the Contractor for the use of the Lottery at the beginning of,



services based on performance measures and values. The Lottery will notify the Contractor of its failure to meet performance standards. The Contractor will have 14 calendar days from its receipt of such notice to cure the failure.

- ii. **Damages:** Up to five hundred dollars (\$500) per day after 14 days from notification of failure to meet performance standards.

**23. Unapproved Claimed Tickets:**

- i. **Condition:** The lottery gaming system shall neither produce nor validate a ticket that the Lottery does not determine to be a valid winning game ticket according to its game rules and prize claim procedures.
- ii. **Damages:** The Contractor shall be liable for the amount of the ticket as well as any associated damages the Lottery incurs in investigating or curing the situation.

**24. Defective or Non-Conforming Ticket:**

- i. **Condition:** The lottery gaming system shall not produce defective or non-conforming tickets due to any terminal equipment or printer malfunction or failure that causes loss of revenue or the inability to pay appropriate prizes.
- ii. **Damages:** Up to twenty-five thousand dollars (\$25,000) per incident.

**25. Non-represented tickets:**

- i. **Condition:** The Contractor shall be liable for all non-altered winning tickets issued by the Contractor system and presented for redemption which are not identified as valid, winning, saleable tickets on the transaction master log files and validation files furnished to the Lottery by the Contractor.
- ii. **Damages:** The Contractor shall pay all prize costs for any such ticket and shall pay any additional costs incurred by the Lottery.

**26. Failure to Comply with Security Requirements:**

- i. **Condition:** The Contractor shall provide, install and maintain all security requirements as set forth in the Contract and as approved by the Lottery Director of Security and Lottery Executive Director or his designee. Upon receipt of written notification from the Lottery Director of Security of new security requirements and/or modifications to existing security requirements, the Contractor shall have a maximum of 30 (thirty) days to be in full compliance with the new or modified security requirements.
- ii. **Damages:** Should the Contractor fail to be in compliance within the 30 (thirty) days, the Lottery may assess, as liquidated damages, one thousand dollars (\$1000) per day per violation.

**27. Compliance with MUSL Minimum Security Standards:**

- i. **Condition:** All services, products, systems, and procedures to be employed by the Contractor must comply with the issue of the MUSL Minimum Game Security Standards current at the time of Contract performance and as may be changed during the term of the Contract.
- ii. **Damages:** Up to two thousand dollars (\$2,000) per day, per violation.

**28. Instant Ticket Validation System:**

- i. **Condition:** The terminal network is unable to accept and/or transmit instant ticket transactions during normal draw operation sales hours, as specified by the Lottery, and the malfunction is due to Contractor failure.
- ii. **Damages:** Up to five thousand dollars (\$5000) per hour of cumulative network down time. Cumulative network down time shall mean the sum of all network down time (whether or not consecutive) during the day's operational sales period in excess of 15 (fifteen) minutes per day.
- iii. **Condition:** The instant ticket system communications link between the Contractor system and the Lottery system malfunctions or otherwise is unable to accept and/or transmit transactions during normal draw operational sales hours, as specified by the Lottery and the malfunction is due to Contractor failure.
- iv. **Damages:** Up to one thousand dollars (\$1,000) per hour of cumulative communications link down time during the sales day. Cumulative communications link down time shall mean the sum of all communications link down time (whether or not consecutive) during an entire day's operational sales period, in excess of 15 (fifteen) minutes per day.

## **1.76. End of Contract Conversion and Transition**

### **1.76.1 Best Efforts and Cooperation**

In anticipation of the termination date of the Contract, consistent with any established end-of-contract phase-out schedule and consistent with the new system conversion schedule established between the Lottery and any successor Contractor, the Contractor shall exercise its best efforts and cooperation to effect an orderly and efficient transition to any successor Contractor.

### **1.76.2 Transition and Phase-Out Services**

Upon the Lottery Executive Director's written notification, the Contractor shall furnish transition and phase-out services before the expiration date of the Contract and negotiate in good faith with the Lottery and with any successor Contractor for a transition/phase-out plan that clearly defines the nature and extent of the transition and phase-out services required, including the disposition of any pre-existing equipment.

### **1.76.3 Written Strategy for End of Contract Conversion and Transition**

The Contractor shall provide, for the Lottery Executive Director's approval, a written strategy detailing the end-of contract conversion and transition/phase-out plan; and provide sufficient experienced personnel during the end-of-contract phase-out period to ensure that all contract services continue to be provided at the required level of proficiency and professionalism, up to the date on which any subsequent successor Contractor assumes Contract responsibilities.

### **1.76.4 Extension of Contract by the Lottery**

In the interest of an effective end of contract transition to any successor Contractor, if allowed by law the Lottery reserves the right to extend the Contract for up to five (5) years.

## **1.77. Notices**

Any notice given to the Lottery and/or Contractor in connection with the Contract shall be given in writing and shall be delivered either by hand or by certified mail, return receipt requested, to the other party at the address stated below. Either party may change its address by giving notice of the change in accordance with this section.

To the Lottery:  
Kansas Lottery  
128 N. Kansas Avenue  
Topeka, KS 66603-3638  
ATTN: Executive Director

To Scientific Games:  
Global Lottery Systems  
1500 Bluegrass Lakes parkway  
Alpharetta, GA 30004

### **1.78. Survival of Terms**

Any termination, cancellation, or expiration of the Contract notwithstanding, provisions which are intended to survive and continue shall survive and continue, including, but not limited to, the provisions of the following sections: Contract Terms and Priority of Contract Documents; Warranties; Software Licensing and Ownership; Source Code Escrow; Ownership of Materials and Information; Patent and Copyright Infringement; Contract Relationship; any and all Indemnifications; Liquidated Damages; Public Records; Contractor Records and Audit Requirements; Audit Exceptions; Remedies; Officials Not Personally Liable; Governing Law; and, Attorney Fees.

### **1.79. Officials Not Personally Liable**

In no event shall any official, officer, employee or agent of the State of Kansas or the Lottery be liable or responsible for any representation, statement, covenant, warranty or obligation contained in, or made in connection with the Contract, express or implied.

### **1.80. Non-appropriation**

It is understood and agreed that the Lottery is a governmental agency and the Contract shall in no way be construed so as to bind or obligate the Lottery or the State of Kansas beyond the term of any particular appropriation of funds by the State Legislature as may exist from time to time. The Lottery reserves the right to terminate the Contract if, in its sole judgment, the legislature of the State of Kansas fails, neglects or refuses to appropriate sufficient funds, or requires any return of funds required for the Lottery to perform under the Contract, or if the executive branch of the State of Kansas mandates any cuts or holdback in Lottery's spending. Any such termination shall take effect on ten (10) days notice.

### **1.81. Taxes**

By statute, the Lottery is generally exempt from payment of state sales and use taxes and from personal property tax for property purchased for its use. If the Contractor is required to pay any taxes incurred as a result of doing business with the Lottery, the Contractor shall be solely and absolutely responsible for the payment of those taxes.

### **1.82. Advertising**

The Contractor agrees to submit to the Lottery all advertising and publicity matters relating to the Contract in which the Lottery's name is mentioned or in which language is used from which the connection of the Lottery may, in the Lottery's judgment, be inferred or implied. The Contractor agrees not to publish or use such advertising and publicity matters without the prior written consent of the Lottery.

### **1.83. Entire Agreement**

The Contract constitutes the entire agreement between the parties hereto and shall supersede all previous proposals, oral or written, negotiations, representations commitments, and all other communications between the parties, except as otherwise set forth in this document.

### **1.84. Amendment**

The Contract may not be released, discharged, changed, extended, modified, subcontracted or assigned in whole or in part (collectively, an "Amendment") except to the extent provided by a written instrument signed by the Contractor and the party authorized to bind the Lottery as more particularly described in this section. The Executive Director is authorized to execute Amendments consisting solely of any plans required by the RFP and working documents that further define the day-to-day responsibilities of the Contractor and the Lottery. The Executive Director is not authorized to execute Amendments increasing monetary obligations of the Lottery or extending the Contract term absent Lottery Commission approval. An Amendment not executed in compliance with this section shall be void. Every amendment shall specify the date on which its provisions shall be effective.

### **1.85. Severability**

If any term, provision, covenant, or condition of the Contract, or the application thereof to any party or circumstance, shall be held to be illegal, invalid or unenforceable, in whole or in part or for any reason, the

remaining terms, provisions, covenants and conditions of the Contract shall continue in full force and effect as if the Contract had been executed with the illegal, invalid or unenforceable portion eliminated, so long as the Contract as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of the Contract, and the deletion of such portion of the Contract shall not substantially impair the respective benefits or expectations of the parties to the Contract.

### **1.86. No Waiver**

The failure of the Lottery to require strict performance of any term or condition of the Contract, or to exercise any option or discretion granted to it, in any one or all instances shall not be construed to be a waiver or relinquishment of any such term or condition. The same shall be and remain in full force and effect unless there is a prior written waiver by the Lottery.

### **1.87. Consent and Approval**

#### **1.87.1 Not to Be Unreasonably Withheld or Delayed**

Any consent or approval required to be given by the Contractor or the Lottery under the provisions of the Contract shall not be unreasonably withheld or delayed.

#### **1.87.2 Extension of Contractor's Time to Perform**

If the Contractor is delayed, hindered, or prevented from performing any act required under the Contract by reason of the unreasonable withholding of a consent or approval by the Lottery, the Contractor may request a revision to the Contract extending the Contractor's performance deadlines. The Contractor shall request a revision to the Contract within twenty-one (21) days of the Lottery's failure to provide consent or approval if a date for the consent or approval is provided in the Contract within a reasonable period if no such date is provided. The provisions of section 3.85, Amendment shall apply to the Contractor's request for a revision under this subsection. This subsection shall not apply to the Lottery's withholding of payment to the Contractor.

### **1.88. Non-Exclusive Rights**

Except as otherwise provided in this RFP, it is understood and agreed by the Contractor that the Lottery does not grant the Contractor exclusive rights to provide all equipment, materials and services required by the Lottery during the period covered by the contract. In the event the Lottery decides that the development, manufacture, and delivery of equipment, materials and services required by the Lottery by another contractor (each, a "Third Party") is in the Lottery's best interest, the Lottery reserves the right during the period of the Contract, subject to the provisions below, to contract for, purchase, or use additional equipment, materials and services from such Third Party and said action does not infringe upon nor terminate the contractual agreements resulting from the Contract. The Lottery shall provide not less than ninety (90) days written notice to the Contractor of its intention to contract for, purchase, or use additional equipment, materials and services from a Third Party in connection with the Lottery Gaming System, the communications system, or the sale of lottery products thereunder (which notice shall include a detailed description of such equipment, materials or services). The Contractor shall provide a written report to the Lottery as soon as reasonably practicable but in no event later than sixty (60) days after receiving such notice based upon information provided by the Lottery, which report shall analyze the potential areas of incompatibility, if any, between the Lottery Gaming System, and the Third Party provided equipment, materials or services, and the potential adverse effects, if any, upon the Lottery Gaming System and its functioning of the proposed introduction of such Third Party provided equipment, materials or services. The Contractor shall not be liable under the Contract for damages caused by Third Party provided equipment, materials or services.

### **1.89. Inspection**

The Lottery has the right to inspect, approve, monitor, plan or evaluate any phase of any game or system development at the Contractor's offices or elsewhere. The Lottery shall be responsible for the transportation, lodging and meals for up to three Lottery personnel required to approve, plan, monitor or observe any market research, game modifications or development up to four (4) times a year or as may be mutually agreed upon by the parties pursuant to the State of Kansas travel and subsistence regulations.

Such expenses shall be accounted for and submitted to the Contractor and shall operate as an offset against the amounts payable under the Contract by the Lottery to the Contractor.

### **1.90. Local Support Staffing and Services – Mandatory Feature(s)**

1.90.1 The Contractor is required to provide the Lottery with a variety of in-state staffing and support services. All personnel shall successfully pass background investigations in accordance with the Kansas Lottery Act prior to beginning employment at any Contractor location. All Contractor personnel shall have experience relative and commensurate with the responsibilities of their positions, and are subject to Lottery approval. The Contractor shall be responsible for all expenses associated with background investigations of its staff pursuant to K.S.A. 74-8705, including travel, lodging, and other out-of-pocket expenses incurred by the state in conducting those investigations and all associated out-of-pocket expenses for all investigations of any new or replacement personnel, including those resulting from corporate structure changes during the period of the Contract as required by K.S.A. 74-8705. The Contractor shall immediately notify the Executive Director of Security of any personnel changes.

1.90.2 Timely and committed fulfillment of Lottery project requests to the Contractor is a requirement. The Contractor shall propose and identify at least one (1) technical staff member with expertise relative to supplying new software, software improvements, or software changes, and at least one (1) different technical staff member with expertise in communications.

1.90.3 The Contractor shall designate one (1) on-site employee who shall be knowledgeable of all the security features of the systems and hardware provided pursuant to the Contract, as well as the Contractor's site and operations, and who shall serve as a liaison in security matters to the Security Division of the Lottery. Provision of this security liaison by the Contractor shall not relieve any other of Contractor's employees from being responsive to authorized inquiries or investigations by the Lottery Security division.

1.90.4 The Contractor warrants that all persons assigned by it to performance of the Contract are employees of the Contractor (or specified subcontractor) and shall be fully qualified to perform the work required. The Contractor shall include a similar provision in any contract with any subcontractor selected to perform work under the Contract. The Lottery may request replacement of any Contractor personnel reasonably believed unable to carry out the responsibilities of the Contract. The Lottery shall have the right to approve the assignment of any Contractor personnel to positions requiring specific management of the delivery of services or products and to positions requiring close and frequent coordination with the Lottery staff and management, such approval not to be unreasonably withheld or delayed. The Contractor shall warrant that personnel assigned to perform tasks in the Contract shall not be replaced or reassigned except upon written notice to the Lottery and subject to the Lottery's right to request and approve the replacement of Contractor personnel as described above.

### **1.91. Acceptable Test Prior to Implementation**

The Lottery will conduct a series of acceptance tests to fully determine the passing or failing of the Contractor's installation in accordance with the specifications of the contract. Failure of the Contractor to pass these tests may result in the Contractor having to make corrections, delaying conversion, or forfeiting up to the full amount of the performance bond.

The system will be tested for each and every requirement in the Contract and for performance as stipulated in the accepted proposal. The Contractor's assistance in arranging tests will be necessary. The Lottery, at its sole discretion, will determine whether performance against the acceptance tests is adequate, and conversion can proceed as scheduled.

Passing an acceptance test in no way removes the obligation of the Contractor to meet, and to continue to meet, all requirements of the Contract.

## Glossary

Glossary of some key terms used within this Request for Proposals (RFP). This list is not exhaustive of all terms used within this RFP:

**Ad Hoc Reports** - Reports generated, as needed, as opposed to on a production schedule.

**Backup Data Center (BDC)** - The secondary centralized storage facility used by an application service provider, which manages and distributes software-based services and solutions to customers across a wide area network from a central data center. For purposes of the Lottery's Gaming System, the BDC is the real-time functional duplicate of the Primary Data Center (PDC). It shall be geographically separate from the PDC to prevent a disaster from affecting both centers at the same time.

**Backup System** - The Backup/redundant environment that comprises the components of the System, taken as a single physical and/or logical group, that are designated as being redundant to the Primary System. The Backup System is primarily responsible for the accurate processing of a transaction in a secure manner if the Primary System is not functional.

**Bar Code** - The symbol on an Instant Ticket, Draw Game Ticket or other item (e.g. coupon or other type of promotional giveaway) which is used to uniquely identify each ticket or item. A code consisting of a group of printed and variously patterned bars and spaces and sometimes numerals that are designed to be scanned and read into computer memory as identification for the object it labels. The most common symbologies used in the retail environment are UPC-A for merchandise marking and Code 128 for shipping containers. Other symbologies include Plessey Code 39, Interleaved 2 of 5 and EAN/JAN, PDF 417. Lottery currently uses an Interleaved 2 of 5 bar code for instant ticket validations (using a 20-digit code printed on the back of the ticket with a 13.5 mil. "x" dimension, height of .30", and wide bars and spaces that are 2.3 times width of the narrow elements (W/N ratio 2.3:1).

**Central Site** - The location of the Bidder's central computer that, together with associated support equipment, will be used to support the Draw Game operations and Instant Ticket Management.

**Claim Number** - The unique serial number assigned by the System to a transaction, receipt or ticket.

**Commission** - The Kansas Lottery Commission.

**Communications Network** - A statewide data transport facility and Retailer premise wiring required to connect equipment in the Retailer locations to the Primary, Backup and ICS Sites.

**Connectivity** - A system's or device's ability to link with other systems or devices, including third party systems or devices.

**Consumables:** Playslips, playslip holders, ticket stock, printer paper, and any other operational supplies. The term "Consumables" does not include point of sale promotional items or Scratch-Off

**Contract** - The Contract entered into between the Lottery and the selected Bidder responding to this RFP. The Contract shall incorporate by reference the following: all State Mandatory Appendix A Contractual Provisions (DA-146a, Rev. 1-01); the entire RFP, including any addenda/amendments; all or indicated portions of the selected Bidder's Proposal; and, any other provisions as indicated in the Contract.

**Customer Display** - Hardware attachment to a Retailer Terminal for the display of Jackpot amounts and other information as designated by the Lottery.

**Director** - The Executive Director of the Kansas Lottery, or his or her designee.

**Kansas Procurement and Contracts** - the division in charge of purchases located within the Kansas Department of Administration.

**Draw Game** - A Lottery game sold and redeemed through a computer network at Retailer locations; and whose Tickets are generated by a Terminal and are a record of a transaction for a Draw Game.

**Draw Game Ticket** - A hard-copy bearer instrument that is a player's record of a wager transaction for a Draw Game.

**Drawing** – The selection of winning numbers, to include live Drawings as well as Drawings conducted via random number generation.

**Encryption** - The process of transforming information to make it unreadable to anyone except those possessing special knowledge that meets or exceeds the requirements of encryption and encryption key management used by the United States government as certified by the National Institute of Standards and Technology (NIST), and that has not yet been broken or compromised. For the purpose of this RFP encryption shall meet the Kansas Information Technology Office encryption standards.

**Equipment** – All of the machines and devices used to transport, process and display Lottery information (see also Hardware).

**Facilities** - The locations required to provide and support the Retailer network, including data centers, warehouses, repair depots, and any others designated by the Lottery.

**File** - A related collection of records containing a consistent set of data fields that describe an entity. A file can be processed by software representing an authorized user to add, modify or delete records, or to generate a report or display of useful information. A file can be operated on as an object itself, for example to move it from one location to another, or to delete it.

**Gross Gaming Revenue (GGR)** - defined as the amount wagered less the amount paid out to players as winnings, will be trued up on an annual basis to the 'net game revenues' and 'game prizes expense' from the Lottery's audited financial statements.

**Hardware** - All State-of-the-Art computer equipment to be provided by the Bidder, including all associated central computers, terminals, control channels, monitoring equipment, communications equipment and peripheral equipment.

**Instant Game** – A game in which tickets have a concealed prize structure and playing area. The player removes the material concealing the playing area on the game ticket (e.g. latex coating or flap) in accordance with the game instructions. Includes Scratch or Scratch-Off Games, Pull Tab Games, Electronic Games, or any game wherein the player receives an immediate result without waiting for a Drawing.

**Instant Ticket** - The ticket purchased for participation in an Instant Game, which includes Scratch or Scratch-Off Ticket, Electronic Games, and Pull Tab tickets.

**Internal Control System (ICS)** - A system of accounting and data processing controls that allows the Lottery to balance Terminal transactions to Bidder data and trace problems as necessary.

**Issuing Office** – Kansas Procurement and Contracts of the Kansas Department of Administration.

**Lottery** – The Kansas Lottery, including (as applicable) the Kansas Lottery Commissioners, and all Kansas Lottery employees.

**Lottery Gaming System (System)** - The computer system, both hardware and software, office, terminals, equipment, parts, supplies, commodities, personnel and services necessary to implement, conduct and provide the Bidder-provided Lottery Gaming Related Products and Services for the Kansas Lottery.

**Lottery Games.** This includes all of the Draw Game and Instant Game operations which enables the Lottery to sell, validate and redeem Draw Game and Instant Tickets.

**Major Procurement** - Any gaming product or service including, but not limited to, facilities, advertising and promotional services, annuity contracts, prize payment agreements, consulting services, equipment, tickets, and other products and services unique to the Lottery, but not including materials, supplies, equipment and services common to the operation of ordinary state agencies.

**Management PCs** - personal computers that are provided access to management information on the lottery system.

**Minority Person** - A citizen of the United States who is African Americans, Hispanic Americans, Native Americans, Asian Pacific Americans and Subcontinent Asian Americans.

**Minority Business** - A business of which more than 50 percent is owned by a minority person or persons.

**Multi-State Lottery Association (MUSL)** - A non-profit, government-benefit association owned and operated by its member lotteries. Each MUSL member offers one or more of the games administered by MUSL. All profits are retained by the individual lotteries and are used to fund projects approved by the legislature authorizing each lottery.

**NASPL** - The North American Association of State and Provincial Lotteries.

**Net Income** – Net Sales less expenses (both gaming and operational) incurred by the Lottery.

**Net Sales** - Equal to all tickets sold and instant books/packs sold during the period less free plays as prizes, promotional free tickets or cancelled tickets (these transactions are not considered a ticket sold).

**Operational Sales Period** - The specific daily hours designated by the Lottery during which Retailers can sell, cancel, validate, deliver, activate, settle, return, transfer, and perform other operations on Retailer Terminals.

**Pack** - A pack of instant game tickets, with individual tickets uniquely numbered by virtue of game/pack/ticket identifiers. Packs contain varying numbers of tickets, depending on the game.

**Pari-mutuel** - A prize payout method in which an available prize pool is split equally between the number of winning entries entitled to claim it. For example, in a Lotto game, if three players hold the winning combination for a specific drawing, the grand prize would be split in three equal portions, one portion going to each player.

**Personally Identifiable Information (PII)** - Any data that could potentially identify a specific individual. Any information that can be used to distinguish one person from another and can be used for de-anonymizing anonymous data can be considered PII

**Play** - A single set of numbers for a Lottery Drawing. A ticket may contain multiple plays, depending on the game.

**Player or Customer Transaction Display** – Player-oriented visual display that communicates to the player the amount of the current sale and Lottery-designated messages regarding the winning or non-winning status of a ticket scanned on the terminal. One or more Lottery-designated advertising messages shall be displayed when not displaying player transaction information.

**Point of Sale (POS)** - Depending on context: (a) the location where a product is purchased; (b) the device with which a Retailer records a sale and collects money; (c) promotional, advertising or display pieces (e.g.,

stickers and signs) or updateable wireless message signs that are placed where a product is sold used to increase public awareness of Lottery products and services in order to increase sales.

**Primary Business Site (PBS)** - The PBS is a business office location where the primary functions are the "day-to-day" business activities, marketing and sales offices, and customer training.

**Primary System or Primary Data Center (PDC)** - The components of the System, taken as a single physical and/or logical group, that are designated as being primarily responsible for the accurate processing of a transaction in a secure manner.

**Privileged Terminal** – A terminal similar to a retailer sales terminal, with specified functions disabled such as ability to create "new wager" transactions disabled.

**Procurement Evaluation Committee** – A Committee consisting of an indeterminate number of individuals selected by the Lottery and/or the Kansas Procurement and Contracts to review and evaluate the proposals received in response to this RFP, which Committee shall then make a non-binding recommendation to the Procurement Negotiating Committee regarding the bids received.

**Procurement Negotiating Committee (PNC)** – The three-member Committee that makes, negotiates and awards the final contract, which Committee consists of the Chairperson of the Kansas Lottery Commission, the Executive Director of the Kansas Lottery, and the Director of the Kansas Procurement and Contracts, or their respective designees.

**Proposal** – The response by a Bidder to a Request for Proposals (RFP) issued by a procurement agency to obtain goods or labor. The response may include but is not limited to a Bidder's price and terms for the proposed contract, a description of technical expertise, work experience, and other information as requested in the solicitation.

**Quick Pick** - A function that allows the System to automatically and randomly select player's wager numbers or symbols.

**Random** - To have no discernible pattern under any type of testing. No characteristic or set of characteristics or prior elements or a set of values or sequence of values shall allow prediction of the next value.

**Report** - Information produced by the System that is viewed via display, printed, or saved to a file depending on the needs of the Lottery.

**Retailer** - A business entity or retailer that is authorized by the Lottery to sell Lottery products.

**RFP** - This Request for Proposals for a Lottery Gaming System, including any addenda/amendments thereto.

**Scheduled or "Scheduled" Reports** – Routine daily, weekly, or other periodic reports prepared by the Bidder per Lottery specifications regarding any aspect or function of the lottery gaming system or communications systems.

**Settlement** - The act of billing the Retailer, in the System, for Instant Tickets for which it is liable but has not yet paid.

**Software** - Means System, Retailer Terminal, Management Terminal and Player Activated Terminal machine software, firmware, programs, subroutines, source code instructions, all documentation relating to these items and any other descriptive materials or related items that may be required to enable the gaming system to perform their functions.

**Start-up** - The date and time that live gaming operations commence under the Contract resulting from this solicitation.

**State** - The State of Kansas.

**State-of-the-Art** - The most current technology. The Lottery shall have the sole right to determine if the Equipment and System proposed in response to this RFP are state-of-the-art at the time the Proposal is received.

**Sub-Bidder** – any person or firm having an agreement with a Bidder to perform all or some of the Bidder's work under a contract with a procurement agency. Sub-Bidder does not include an employee with an employment contract, or an employee organization with a collective bargaining agreement.

**System** – see Lottery Gaming System.

**TCP/IP** - Transmission Control Protocol/Internet Protocol, according to MIL-STD-1777 and MIL-STD-1778.

**Terminal** – A computerized unit specifically designed for issuing and processing tickets and for printing of special reports. Includes the following types of Terminals:

**Management** – A Terminal located at a Lottery office that is used to validate winning tickets not redeemed at Retailer locations and to produce Terminal reports for all Retailer or chain accounts.

**Retailer Terminal** - Any device installed at the retailer location that communicates with the Lottery Gaming System for the purpose of selling Lottery Games, validating Lottery Games or communicating winning, non-winning and prize amount data, including references to Retailer Terminal.

**Training** – Functionally equivalent to a "retailer terminal," except that it is not connected to the System either directly or indirectly, which terminals are utilized for training retailers and/or Lottery employees.

**Other** – Any other Terminal used for retail sales that performs some but not all of the functions of a Retailer Terminal. (For example, a hand-held portable Terminal capable of selling only Quick Picks for Draw Games, countertop self-service Terminals that read vouchers and Play Slips or small footprint self-service Terminals that sell Draw and Monitor Games and Instant Ticket Games).

**Transaction** – All game activity that shall be processed by the Central Site System(s). Transactions include but are not limited to wagers, cancels, validations, rejections, deliveries, activations, settlements, returns, transfers, reports, sign-ons and sign-offs.

**Validation** - Process by which winning tickets, both Draw Games and Instant, are checked against computer files to ensure that the ticket presented is valid and that it has not been redeemed previously.

## **2.0 Specifications**

The Contractor is to provide a comprehensive, robust, technologically current, future oriented, and secure Gaming System and Related Services that will enable the Lottery to maximize transfers to the State. The Contractor will enhance the system to satisfy the Lottery's current and future business needs and complete a timely and smooth conversion. The Lottery's ultimate goal is to increase net revenues generated for the State of Kansas and enhance the efficiency and effectiveness of the Lottery.

The Gaming System and Related Services must be flexible and have the ability to expand and adapt to changing technologies and the ways in which lottery tickets are sold and purchased. The Gaming System and Related Services must also meet or exceed existing and future data security requirements, operate in or virtualize different environments, and support various existing and evolving ways to play. Additionally, the Gaming System and Related Services must maintain current service functionality, provide for value-added enhancements, business intelligence and management reporting, require low overhead on maintenance and be operationally reliable for the lottery and its retailer and player network.

The Gaming System and Related Services provided by the Contractor will replace and/or upgrade the current gaming system, the Lottery's Internal Controls System (ICS), in-house accounting system, communications network between the Lottery and its gaming Contractor and retailers that interfaces with draw and instant games/systems.

The Gaming System and Related Services shall provide a fully-functioning draw sales and integrated instant ticket system including hardware, software, communications, system installation, data conversion and system operation, as well as systems that interface with existing or new accounting and internal controls systems (currently ACCLAIMS and ICS). The provided system will offer the best value in technology and operations that are available today and the greatest flexibility to adapt to technological and operational changes in the future. This includes, but is not limited to, the ability to integrate and interface with downstream systems, seamless connections with third party software and hardware, the use of web services, interactive gaming applications and devices, and the ability to realize two-way communications between and amongst all component parts.

The Contractor provided system will meet all mandatory, specified, offered, and invited options and other agreed upon features asked for and agreed to in the Bid Event EVT0004770 RFP Document and attachments.

### **3.0 Costing Sheet**

This price submission includes all items and/or features required of this RFP, proposed by Scientific Games, and further revised in Scientific Games' Best and Final Price submission of June 23, 2017, Scientific Games' letter response to the Lottery on August 9, 2017, Scientific Games' letter response to the Lottery on August 15, 2017, and the Scientific Games letter response dated August 17, 2017, reflected as a percentage of GGR and a Fixed Fee.

This mandatory pricing submission does not include items or features that are offered as separately priced options.

Percentage of GGR 5.2463%

Fixed Annual Fee \$1,040,000

"GGR" means "gross gaming revenue".

#### **4.0 Contractual Provisions Attachment**

DA-146a Rev. 06/12

#### **4.1 Terms Herein Controlling Provisions**

It is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated. Any terms that conflict or could be interpreted to conflict with this attachment are nullified.

#### **4.2 Kansas Law and Venue**

This contract shall be subject to, governed by, and construed according to the laws of the State of Kansas, and jurisdiction and venue of any suit in connection with this contract shall reside only in courts located in the State of Kansas.

#### **4.3 Termination Due To Lack Of Funding Appropriation**

If, in the judgment of the Director of Accounts and Reports, Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year, and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 90 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of the State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.

#### **4.4 Disclaimer Of Liability**

No provision of this contract will be given effect that attempts to require the State of Kansas or its agencies to defend, hold harmless, or indemnify any contractor or third party for any acts or omissions. The liability of the State of Kansas is defined under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).

#### **4.5 Anti-Discrimination Clause**

The contractor agrees: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-1111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration; (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration.

Contractor agrees to comply with all applicable state and federal anti-discrimination laws.

The provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or

whose contracts with the contracting State agency cumulatively total \$5,000 or less during the fiscal year of such agency.

**4.6 Acceptance Of Contract**

This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.

**4.7 Arbitration, Damages, Warranties**

Notwithstanding any language to the contrary, no interpretation of this contract shall find that the State or its agencies have agreed to binding arbitration, or the payment of damages or penalties. Further, the State of Kansas and its agencies do not agree to pay attorney fees, costs, or late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect that attempts to exclude, modify, disclaim or otherwise attempt to limit any damages available to the State of Kansas or its agencies at law, including but not limited to the implied warranties of merchantability and fitness for a particular purpose.

**4.8 Representative's Authority To Contract**

By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.

**4.9 Responsibility For Taxes**

The State of Kansas and its agencies shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.

**4.10 Insurance**

The State of Kansas and its agencies shall not be required to purchase any insurance against loss or damage to property or any other subject matter relating to this contract, nor shall this contract require them to establish a "self-insurance" fund to protect against any such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the contractor shall bear the risk of any loss or damage to any property in which the contractor holds title.

**4.11 Information**

No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to information pursuant to K.S.A. 46-1101 et seq.

**4.12 The Eleventh Amendment**

"The Eleventh Amendment is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this contract shall be deemed a waiver of the Eleventh Amendment."

**4.13 Campaign Contributions / Lobbying**

Funds provided through a grant award or contract shall not be given or received in exchange for the making of a campaign contribution. No part of the funds provided through this contract shall be used to influence or attempt to influence an officer or employee of any State of Kansas agency or a member of the Legislature regarding any pending legislation or the awarding, extension, continuation, renewal, amendment or modification of any government contract, grant, loan, or cooperative agreement.

## **5.0 Contract**

For the purpose of this bid award, the following documents are hereby incorporated by reference into the Contract agreement as if fully set forth and in their totality shall constitute a final understanding and agreement between the parties of the terms, conditions and specifications herein:

- a. The original Request for Proposals Event ID EVT0004770 (RFP) published by the State of Kansas.
- b. All bid documents submitted by Contractor in response to said RFP, including:
  - i. Bid responses submitted by Contractor.
  - ii. Best and final bids submitted by Contractor.
- c. Any and all correspondence and other documents exchanged between the State of Kansas and Contractor during the RFP process including:
  - i. Clarifying questions and answers documents.
  - ii. Clarification letters, documents or amendments agreed to by the parties.
  - iii. Documents between the parties altering negotiated terms.
- d. Any and all materials presented by Contractor as a part of the bid process.
- e. Any and all information conveyed or promised during Contractor's bid process presentations.

Subject to the terms and conditions of the bid specifications and this contract, State hereby accepts the offer of Contractor as expressed by Contractor's bid submitted to Procurement and Contracts on **March 27, 2017, and in supplemental correspondence** in response to Bid Event Number **EVT0004770**.

It is understood and agreed by the parties that pursuant to the bid, Contractor agrees to furnish **Lottery Gaming System and Related Systems** for **Kansas Lottery** on order of the Agency at the price or prices contained herein.

This contract is entered into this 6<sup>th</sup> day of **September, 2017** by and between the State of Kansas (State) and **SCIENTIFIC GAMES INTERNATIONAL INC, ALPHARETTA, GA** (Contractor).

**Note: Signed Original Document on File**

## CONTRACT AWARD

**Date of Award:** October 12, 2016

**Contract ID:** 42017

**Event ID:** EVT0003852

**Replace Contract:** 11173, 11173AC, 38455

**Procurement Officer:** Brienne Wilkins  
**Telephone:** 785/296-2770  
**E-Mail Address:** [brienne.wilkins@ks.gov](mailto:brienne.wilkins@ks.gov)  
**Web Address:** <http://admin.ks.gov/offices/procurement-and-contracts>

**Item:** Production of Instant Tickets (Option A)

**Agency/Business Unit:** Kansas Lottery

**Period of Contract:** Date of Award through June 30, 2022  
(With the option to renew for four (4) additional one (1) year renewal periods)

**Contractor/Vendor:** IGT GLOBAL SOLUTIONS CORPORATION  
10 MEMORIAL BLVD  
PROVIDENCE, RI 02903

**Vendor ID:** 0000003064  
**FEIN:** 05-0389840

**Contact Person:** Patrick Craig  
**E-Mail:** [patrick.craig@IGT.com](mailto:patrick.craig@IGT.com)  
**Local Telephone:** 785-861-7309  
**Cell Phone Number:** 785-249-6479  
**Fax:** 785-232-0058

**Payment Terms:** Net 30

**Political Subdivisions:** Pricing is not available to the political subdivisions of the State of Kansas.

**Procurement Cards:** Agencies may not use a P-Card for purchases from this Contract.

**Administrative Fee:** No Administrative Fee will be assessed against purchases from this Contract.

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The above referenced contract award was recently posted to Procurement and Contracts website. The document can be downloaded by going to the following website: <http://www.da.ks.gov/purch/Contracts/>.

## 1. Terms and Conditions

### 1.1. Contract Documents

The bid event, any amendments, the response and any response amendments of the Contractor, and the State of Kansas DA-146a (Contractual Provision Attachment) shall be incorporated into the written contract ("Contract" or "Agreement"), which shall compose the complete understanding of the parties.

In the event of a conflict in terms of language among the documents, the following order of precedence shall govern:

- Form DA 146a;
- written modifications to the executed Contract;
- written Contract signed by the parties;
- the Bid Event documents, including any and all amendments; and
- Contractor's written offer (as clarified) submitted in response to the Bid Event as finalized.

### 1.2. Captions

The captions or headings in this Contract are for reference only and do not define, describe, extend, or limit the scope or intent of this Contract.

### 1.3. Definitions

A glossary of common procurement terms is available at <http://admin.ks.gov/offices/procurement-and-contracts>, under the "Procurement Forms" link.

### 1.4. Contract Formation

No contract shall be considered to have been entered into by the State until all statutorily required signatures and certifications have been rendered and a written contract has been signed by the Contractor.

### 1.5. Notices

All notices, demands, requests, approvals, reports, instructions, consents or other communications (collectively "notices") that may be required or desired to be given by either party to the other shall be IN WRITING and addressed as follows:

Kansas Procurement and Contracts  
900 SW Jackson, Suite 451-South  
Topeka, Kansas 66612-1286  
RE: Contract Number 42017

or to any other persons or addresses as may be designated by notice from one party to the other.

### 1.6. Statutes

Each and every provision of law and clause required by law to be inserted in the Contract shall be deemed to be inserted herein and the Contract shall be read and enforced as though it were included herein. If through mistake or otherwise any such provision is not inserted, or is not correctly inserted, then on the application of either party the Contract shall be amended to make such insertion or correction.

During the Term of this Contract, Contractor shall comply with all provisions of laws, codes, ordinances, rules, regulations and tariffs.

### 1.7. Governing Law

This Contract shall be governed by the laws of the State of Kansas and shall be deemed executed in Topeka, Shawnee County, Kansas.

### 1.8. Jurisdiction

The parties shall bring any and all legal proceedings arising hereunder in the State of Kansas District Court of Shawnee County, unless otherwise specified and agreed upon by the State of Kansas. Contractor waives personal service of process, all defenses of lack of personal jurisdiction and forum non conveniens.

The Eleventh Amendment of the United States Constitution is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this Agreement shall be deemed a waiver of the Eleventh Amendment

### **1.9. Mandatory Provisions**

The provisions found in Contractual Provisions Attachment (DA 146a) are incorporated by reference and made a part of this Contract.

### **1.10. Termination for Cause**

The Director of Purchases may terminate this Contract, or any part of this Contract, for cause under any one of the following circumstances:

- the Contractor fails to make delivery of goods or services as specified in this Contract;
- the Contractor provides substandard quality or workmanship;
- the Contractor fails to perform any of the provisions of this Contract;
- the Contractor fails to make progress as to endanger performance of this Contract in accordance with its terms or,

the Contractor declares any form of Bankruptcy, and such declaration is not removed or withdrawn within 90 days of filing.

The Director of Purchases shall provide Contractor with written notice of the conditions endangering performance: i. the Contractor fails to make delivery of goods or services as specified in this Contract, ii. the Contractor fails to perform any of the provisions of this Contract, iii. the Contractor fails to make progress as to endanger performance of this Contract in accordance with its terms or, iv. the Contractor declares any form of Bankruptcy, and such declaration is not removed or withdrawn within 90 days of filing. If the Contractor fails to remedy the conditions within ten (10) days from the receipt of the notice (or such longer period as State may authorize in writing), the Director of Purchases shall issue the Contractor an order to stop work immediately. Receipt of the notice shall be presumed to have occurred within three (3) days of the date of the notice.

### **1.11. Termination for Convenience**

The Director of Purchases may terminate performance of work under this Contract in whole or in part whenever, for any reason, the Director of Purchases shall determine that the termination is in the best interest of the State of Kansas. In the event that the Director of Purchases elects to terminate this Contract pursuant to this provision, it shall provide the Contractor written notice at least 90 days prior to the termination date. The termination shall be effective as of the date specified in the notice. The Contractor shall continue to perform any part of the work that may have not been terminated by the notice.

### **1.12. Rights and Remedies**

If this Contract is terminated, the State, in addition to any other rights provided for in this Contract, may require the Contractor to transfer title and deliver to the State in the manner and to the extent directed, any completed materials. The State shall be obligated only for those services and materials rendered and accepted prior to the date of termination.

In the event of termination, the Contractor shall receive payment prorated for that portion of the Contract period services were provided to or goods were accepted by State subject to any offset by State for actual damages including loss of federal matching funds.

The rights and remedies of the State provided for in this Contract shall not be exclusive and are in addition to any other rights and remedies provided by law.

### **1.13. Antitrust**

If the Contractor elects not to proceed with performance under any such Contract with the State, the Contractor assigns to the State all rights to and interests in any cause of action it has or may acquire under the anti-trust laws of the United States and the State of Kansas relating to the particular products or services purchased or acquired by the State pursuant to this Contract.

**1.14. Hold Harmless**

The Contractor shall indemnify the State against any and all loss or damage to the extent arising out of the Contractor's negligence in the performance of services under this Contract and for infringement of any copyright or patent occurring in connection with or in any way incidental to or arising out of the occupancy, use, service, operations or performance of work under this Contract.

The State shall not be precluded from receiving the benefits of any insurance the Contractor may carry which provides for indemnification for any loss or damage to property in the Contractor's custody and control, where such loss or destruction is to state property. The Contractor shall do nothing to prejudice the State's right to recover against third parties for any loss, destruction or damage to State property.

**1.15. Force Majeure**

The Contractor shall not be held liable if the failure to perform under this Contract arises out of causes beyond the control of the Contractor. Causes may include, but are not limited to, acts of nature, fires, tornadoes, quarantine, terrorism, strikes other than by Contractor's employees, and freight embargoes.

**1.16. Breach**

Waiver or any breach of any Contract term or condition shall not be deemed a waiver of any prior or subsequent breach. No Contract term or condition shall be held to be waived, modified, or deleted except by a written instrument signed by the parties thereto.

If any Contract term or condition or application thereof to any person(s) or circumstances is held invalid, such invalidity shall not affect other terms, conditions, or applications which can be given effect without the invalid term, condition or application. To this end the Contract terms and conditions are severable.

**1.17. Assignment**

The Contractor shall not assign, convey, encumber, or otherwise transfer its rights or duties under this Contract without the prior written consent of the State. State may reasonably withhold consent for any reason.

This Contract may terminate for cause in the event of its assignment, conveyance, encumbrance or other transfer by the Contractor without the prior written consent of the State.

**1.18. Third Party Beneficiaries**

This Contract shall not be construed as providing an enforceable right to any third party.

**1.19. Waiver**

Waiver of any breach of any provision in this Contract shall not be a waiver of any prior or subsequent breach. Any waiver shall be in writing and any forbearance or indulgence in any other form or manner by State shall not constitute a waiver.

**1.20. Injunctions**

Should Kansas be prevented or enjoined from proceeding with the acquisition before or after Contract execution by reason of any litigation or other reason beyond the control of the State, Contractor shall not be entitled to make or assert claim for damage by reason of said delay.

**1.21. Staff Qualifications**

The Contractor shall warrant that all persons assigned by it to the performance of this Contract shall be employees of the Contractor (or specified Subcontractor) and shall be fully qualified to perform the work required. The Contractor shall include a similar provision in any Contract with any Subcontractor selected to perform work under this Contract.

Failure of the Contractor to provide qualified staffing at the level required by the Contract specifications may result in termination of this Contract or damages.

### **1.22. Subcontractors**

The Contractor shall be the sole source of contact for the Contract. The State will not subcontract any work under the Contract to any other firm and will not deal with any subcontractors. The Contractor is totally responsible for all actions and work performed by subcontractors. All terms, conditions and requirements of the Contract shall apply without qualification to any services performed or goods provided by any subcontractor.

### **1.23. Independent Contractor**

Both parties, in the performance of this Contract, shall be acting in their individual capacity and not as agents, employees, partners, joint ventures or associates of one another. The employees or agents of one party shall not be construed to be the employees or agents of the other party for any purpose whatsoever.

The Contractor accepts full responsibility for payment of unemployment insurance, workers compensation, social security, income tax deductions and any other taxes or payroll deductions required by law for its employees engaged in work authorized by this Contract.

### **1.24. Worker Misclassification**

The Contractor and all lower tiered subcontractors under the Contractor shall properly classify workers as employees rather than independent contractors and treat them accordingly for purposes of workers' compensation insurance coverage, unemployment taxes, social security taxes, and income tax withholding. Failure to do so may result in Contract termination.

### **1.25. Immigration and Reform Control Act of 1986 (IRCA)**

All contractors are expected to comply with the Immigration and Reform Control Act of 1986 (IRCA), as may be amended from time to time. This Act, with certain limitations, requires the verification of the employment status of all individuals who were hired on or after November 6, 1986, by the Contractor as well as any subcontractor or subcontractors. The usual method of verification is through the Employment Verification (I-9) Form.

The Contractor hereby certifies without exception that such Contractor has complied with all federal and state laws relating to immigration and reform. Any misrepresentation in this regard or any employment of persons not authorized to work in the United States constitutes a material breach and, at the State's option, may subject the Contract to termination for cause and any applicable damages.

Unless provided otherwise herein, all contractors are expected to be able to produce for the State any documentation or other such evidence to verify Contractor's IRCA compliance with any provision, duty, certification or like item under the Contract.

### **1.26. Proof of Insurance**

Upon request, the Contractor shall present an affidavit of Worker's Compensation, Public Liability, and Property Damage Insurance to Procurement and Contracts.

### **1.27. Conflict of Interest**

The Contractor shall not knowingly employ, during the period of this Contract or any extensions to it, any professional personnel who are also in the employ of the State and providing services involving this Contract or services similar in nature to the scope of this Contract to the State. Furthermore, the Contractor shall not knowingly employ, during the period of this Contract or any extensions to it, any state employee who has participated in the making of this Contract until at least two years after his/her termination of employment with the State.

### **1.28. Nondiscrimination and Workplace Safety**

The Contractor agrees to abide by all federal, state and local laws, and rules and regulations prohibiting discrimination in employment and controlling workplace safety. Any violations of applicable laws or rules or regulations may result in termination of this Contract.

### **1.29. Confidentiality**

The Contractor may have access to private or confidential data maintained by State to the extent necessary to carry out its responsibilities under this Contract. Contractor must comply with all the requirements of the Kansas Open Records Act (K.S.A. 45-215 et seq.) in providing services under this Contract. Contractor shall accept full responsibility for providing adequate supervision and training to its agents and employees to ensure compliance with the Act. No private or confidential data collected, maintained or used in the course of performance of this Contract shall be disseminated by either party except as authorized by statute, either during the period of the Contract or thereafter. Contractor agrees to return any or all data furnished by the State promptly at the request of State in whatever form it is maintained by Contractor. On the termination or expiration of this Contract, Contractor shall not use any of such data or any material derived from the data for any purpose and, where so instructed by State, shall destroy or render it unreadable.

### **1.30. Environmental Protection**

The Contractor shall abide by all federal, state and local laws, and rules and regulations regarding the protection of the environment. The Contractor shall report any violations to the applicable governmental agency. A violation of applicable laws or rule or regulations may result in termination of this Contract for cause.

### **1.31. Care of State Property**

The Contractor shall be responsible for the proper care and custody of any state owned personal tangible property and real property furnished for Contractor's use in connection with the performance of this Contract. The Contractor shall reimburse the State for such property's loss or damage caused by the Contractor, except for normal wear and tear.

### **1.32. Prohibition of Gratuities**

Neither the Contractor nor any person, firm or corporation employed by the Contractor in the performance of this Contract shall offer or give any gift, money or anything of value or any promise for future reward or compensation to any State employee at any time.

### **1.33. Retention of Records**

Unless the State specifies in writing a different period of time, the Contractor agrees to preserve and make available at reasonable times all of its books, documents, papers, records and other evidence involving transactions related to this Contract for a period of five (5) years from the date of the expiration or termination of this Contract.

Matters involving litigation shall be kept for one (1) year following the termination of litigation, including all appeals, if the litigation exceeds five (5) years.

The Contractor agrees that authorized federal and state representatives, including but not limited to, personnel of the using agency; independent auditors acting on behalf of state and/or federal agencies shall have access to and the right to examine records during the Contract period and during the five (5) year post Contract period. Delivery of and access to the records shall be within five (5) business days at no cost to the state.

### **1.34. Off-Shore Sourcing**

If, during the term of the Contract, the Contractor or subcontractor plans to move work previously performed in the United States to a location outside of the United States, the Contractor shall immediately notify the Procurement and Contracts and the respective agency in writing, indicating the desired new location, the nature of the work to be moved and the percentage of work that would be relocated. The Director of Purchases, with the advice of the respective agency, must approve any changes prior to work being relocated. Failure to obtain the Director's approval may be grounds to terminate the Contract for cause.

### **1.35. On-Site Inspection**

Failure to adequately inspect the premises shall not relieve the Contractor from furnishing without additional cost to the State any materials, equipment, supplies or labor that may be required to carry out the intent of this Contract.

### **1.36. Indefinite Quantity Contract**

This is an open-ended Contract between the Contractor and the State to furnish an undetermined quantity of a good or service in a given period of time. The quantities ordered will be those actually required during the Contract period, and the Contractor will deliver only such quantities as may be ordered. No guarantee of volume is made. An estimated quantity based on past history or other means may be used as a guide.

### **1.37. Prices**

Prices shall remain firm for the entire Contract period. Prices shall be net delivered, including all trade, quantity and cash discounts. Any price reductions available during the Contract period shall be offered to the State of Kansas, and any potential price reductions would be determined on a fact-by-fact basis. Failure to provide available price reductions may result in termination of the Contract for cause.

### **1.38. Payment**

Payment Terms are Net 30 days. Payment date and receipt of order date shall be based upon K.S.A. 75-6403(b). This Statute requires state agencies to pay the full amount due for goods or services on or before the 30th calendar day after the date the agency receives such goods or services or the bill for the goods and services, whichever is later, unless other provisions for payment are agreed to in writing by the Contractor and the state agency. NOTE: If the 30th calendar day noted above falls on a Saturday, Sunday, or legal holiday, the following workday will become the required payment date.

Payments shall not be made for costs or items not listed in this Contract.

Payment schedule shall be on a frequency mutually agreed upon by both the agency and the Contractor.

### **1.39. Invoices**

Each purchase order must be individually invoiced. Invoices shall be forwarded to the using agency in duplicate and shall state the following:

- date of invoice.
- date of shipment (or completion of work);
- purchase order number and Contract number;
- itemization of all applicable charges; and
- net amount due.

### **1.40. Accounts Receivable Set-Off Program**

If, during the course of this Contract the Contractor is found to owe a debt to the State of Kansas, a state agency, municipality, or the federal government, agency payments to the Contractor may be intercepted / setoff by the State of Kansas. Notice of the setoff action will be provided to the Contractor. Pursuant to K.S.A. 75-6201 et seq, Contractor shall have the opportunity to challenge the validity of the debt. The Contractor shall credit the account of the agency making the payment in an amount equal to the funds intercepted.

K.S.A. 75-6201 et seq. allows the Director of Accounts & Reports to setoff funds the State of Kansas owes Contractors against debts owed by the Contractors to the State of Kansas, state agencies, municipalities, or the federal government. Payments setoff in this manner constitute lawful payment for services or goods received. The Contractor benefits fully from the payment because its obligation is reduced by the amount subject to setoff.

### **1.41. Federal, State and Local Taxes**

Unless otherwise specified, the contracted price shall include all applicable federal, state and local taxes. The Contractor shall pay all taxes lawfully imposed on it with respect to any product or service delivered in accordance with this Contract. The State of Kansas is exempt from state sales or use taxes and federal excise taxes for direct purchases. These taxes shall not be included in the contracted price. Upon request, the State shall provide to the Contractor a certificate of tax exemption.

The State makes no representation as to the exemption from liability of any tax imposed by any governmental entity on the Contractor.

**1.42. Shipping and F.O.B. Point**

Unless otherwise specified, prices shall be F.O.B. DESTINATION, PREPAID AND ALLOWED (included in the price bid), which means delivered to a state agency's receiving dock or other designated point as specified in this Contract or subsequent purchase orders without additional charge. Shipments shall be made in order to arrive at the destination at a satisfactory time for unloading during receiving hours.

**1.43. Deliveries**

All orders shall be shipped clearly marked with the purchase order number. If delays in delivery are anticipated, the Contractor shall immediately notify the ordering agency of the revised delivery date or partial delivery date. The order may be canceled, without payment, if delivery time is unsatisfactory. The Contractor shall inform Procurement and Contracts of any supply or delivery problems. Continued delivery problems may result in termination of the Contract for cause.

**1.44. Charge Back Clause**

If the Contractor fails to deliver the product within the delivery time established by the Contract, the State reserves the right to purchase the product from the open market and charge back the difference between Contract price and open market price to the Contractor.

**1.45. Debarment of State Contractors**

Any Contractor who defaults on delivery or does not perform in a satisfactory manner as defined in this Agreement may be barred for up to a period of three (3) years, pursuant to K.S.A. 75-37,103, or have its work evaluated for pre-qualification purposes. Contractor shall disclose any conviction or judgment for a criminal or civil offense of any employee, individual or entity which controls a company or organization or will perform work under this Agreement that indicates a lack of business integrity or business honesty. This includes (1) conviction of a criminal offense as an incident to obtaining or attempting to obtain a public or private contract or subcontract in the performance of such contract or subcontract; (2) conviction under state or federal statutes of embezzlement, theft, forgery, bribery, falsification or destruction of records, receiving stolen property; (3) conviction under state or federal antitrust statutes; and (4) any other offense to be so serious and compelling as to affect responsibility as a state contractor. For the purpose of this section, an individual or entity shall be presumed to have control of a company or organization if the individual or entity directly or indirectly, or acting in concert with one or more individuals or entities, owns or controls 25 percent or more of its equity, or otherwise controls its management or policies. Failure to disclose an offense may result in the termination of the Contract.

**1.46. Materials and Workmanship**

The Contractor shall perform all work and furnish all supplies and materials, machinery, equipment, facilities, and means, necessary to complete all the work required by this Contract, within the time specified, in accordance with the provisions as specified.

The Contractor shall be responsible for all work put in under these specifications and shall make good, repair and/or replace, at the Contractor's own expense, as may be necessary, any defective work, material, etc., if in the opinion of agency and/or Procurement and Contracts said issue is due to imperfection in material, design, workmanship or Contractor fault.

**1.47. Industry Standards**

If not otherwise provided, materials or work called for in this Contract shall be furnished and performed in accordance with best established practice and standards recognized by the contracted industry and comply with all codes and regulations which shall apply.

**1.48. Implied Requirements**

All products and services not specifically mentioned in this Contract, but which are necessary to provide the functional capabilities described by the specifications, shall be included.

**1.49. New Materials, Supplies or Equipment**

Unless otherwise specified, all materials, supplies or equipment offered by the Contractor shall be new, unused in any regard and of most current design. All materials, supplies and equipment shall be first class in all respects. Seconds or flawed items will not be acceptable. All materials, supplies or equipment shall be suitable for their intended purpose and, unless otherwise specified, fully assembled and ready for use on delivery

**1.50. Performance Guaranty/Bond (Amount)**

The Contractor shall file with the Director of Purchases a performance guaranty/bond in the amount of \$250,000. The guaranty/bond shall be released upon the completion of this Contract subject to total or partial forfeiture for the amount of alleged damage only, for failure to adequately perform the terms of this Contract. If damages exceed the amount of the guaranty, the State may seek additional damages.

A performance guaranty/bond must be one of the following:

- certificate of deposit payable to the State; or
- a properly executed bond payable to the State.

Necessary bond forms will be furnished by Procurement and Contracts and can be completed by any General Insurance Agent. Bonds shall be issued by a Surety Company licensed to do business in the State of Kansas.

**1.51. Inspection**

The State reserves the right to reject, on arrival at destination, any items which do not conform with specification of the Contract.

**1.52. Acceptance**

No contract provision or use of items by the State shall constitute acceptance or relieve the Contractor of liability in respect to any expressed or implied warranties.

**1.53. Ownership**

All data, forms, procedures, software, manuals, system descriptions and work flows developed or accumulated by the Contractor under this Contract shall be owned by the using agency. The Contractor may not release any materials without the written approval of the using agency.

**1.54. Information/Data**

Any and all information/data required to be provided at any time during the Contract term shall be made available in a format as requested and/or approved by the State.

**1.55. Certification of Materials Submitted**

The Bid Eventdocument, together with the specifications set forth herein and all data submitted by the Contractor to support their response including brochures, manuals, and descriptions covering the operating characteristics of the item(s) proposed, shall become a part of the Contract between the Contractor and the State of Kansas. Any written representation covering such matters as reliability of the item(s), the experience of other users, or warranties of performance shall be incorporated by reference into the Contract.

**1.56. Transition Assistance**

In the event of Contract termination or expiration, Contractor shall provide all reasonable and necessary assistance to State to allow for a functional transition to another vendor.

**1.57. Integration**

This Contract, in its final composite form, shall represent the entire agreement between the parties and shall supersede all prior negotiations, representations or agreements, either written or oral, between the parties relating to the subject matter hereof. This Agreement between the parties shall be independent of and have no effect on any other contracts of either party.

**1.58. Modification**

This Contract shall be modified only by the written agreement and approval of the parties. No alteration or variation of the terms and conditions of the Contract shall be valid unless made in writing and signed by the parties. Every amendment shall specify the date on which its provisions shall be effective.

**1.59. Severability**

If any provision of this Contract is determined by a court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Contract shall not be affected and each provision of this Contract shall be enforced to the fullest extent permitted by law.

## 2. Contract Requirements

### 2.1. Warranty Against Contingent Fees

The vendor shall identify all companies or persons retained (other than a bona fide employee working solely for the vendor) to solicit or secure this Contract, and warrants that it has not paid or agreed to pay any person or entity (other than a bona fide employee working solely for the vendor) any fee, commission, percentage, brokerage fee, gift, or other consideration on a basis that is contingent upon the award of this Contract. For breach or violation of this warranty, the Lottery shall have the right to annul the Contract without liability or in its discretion to deduct from the Contract price the full amount of such commission, percentage, brokerage, or contingent fee.

### 2.2. Compromising Statements

The Contractor agrees by submitting a proposal(s) in response to the RFP that, at no time during the proposal process or at any time after the award of a Contract, the vendor, whether successful or not, will make any public claim that its product or service is superior to that of any other vendor or that the products or services of any other vendor are inferior.

### 2.3. Non-Exclusive Rights

Except as otherwise provided in this Contract, it is understood and agreed by the vendor(s) that the Lottery does not grant the vendor(s) exclusive rights to provide all equipment, materials, and services required by the Lottery during the period covered by the Contract. In the event the Lottery decides that the development, manufacture, and delivery of equipment, materials, and services required by the Lottery by another vendor is in the Lottery's best interest, the Lottery reserves the right during the period of this Contract to contract, purchase, and use additional equipment, materials, and services from another vendor(s), and said action does not infringe upon nor terminate the contractual agreements resulting from the RFP.

### 2.4. Governing Laws

This Contract shall be construed in accordance with and governed by the laws of the State of Kansas, including the Uniform Commercial Code as codified in Chapter 84 of the Kansas Statutes Annotated and the *Kansas Lottery Act K.S.A. 74-8701, et seq.*, as amended.

### 2.5. Assignment, Transfer, Conveyance, Subcontracting and Disposal

2.5.1. The vendor(s) shall not assign, transfer, convey, subcontract, or dispose of any its rights, title, interest, or power to execute such assignments under this Contract to any other person, company, corporation or entity without the previous written consent of the Lottery.

2.5.2. Any proposed subcontractor shall be subject to filing such financial and background information as requested by the Lottery.

2.5.3. The Lottery shall approve the terms of all subcontracts entered into by the vendor for the purpose of completing the provisions of this Contract. If a subcontractor is approved, the resulting contract between the Contractor and the subcontractor shall designate one of the parties to be the sole point of contact with the Lottery. All records relating to subcontracts shall be available for audit or examination as requested by the Lottery. A copy of the complete executed contractual arrangement between the vendor and the subcontractor must be provided to the Lottery.

### 2.6. Proprietary Material and/or Licensed Property

The vendor's proposal need not include any allowance for royalties to be paid to outside parties for rights to use any proprietary material (e.g., scenes, portraits, photographs, copyrights, trademarks) or licensed property. If the Lottery chooses to use such proprietary materials and/or licensed property, and if such royalties/fees are involved, the Lottery will reimburse the vendor at cost for such items. If the Lottery is not provided prior notification of cost, the cost shall be borne by the Vendor.

If proprietary materials and/or licensed property allowances/fees are provided by the vendor without cost to the Lottery, either in total or in part, the vendor's proposal shall include a percentage allowance for current and future royalties/license fees.

All current and future propriety materials and license fees, whether paid for by the Lottery or waived in total or in part by the vendor, that are associated with a ticket that is being produced by a vendor shall be considered part of the RFP process and as such, shall not require further negotiations, or agreements (other than commercially reasonable acknowledgments of use, order quantities, dates of use, or terms and conditions specific to that licensed product). Vendor may be permitted to submit price requirements and order quantities only for future Intellectual properties or licensed products offered by the Vendor.

**2.7. Ownership of Materials**

All materials and data produced for the Lottery under a this Contract which (i) first originated under this Contract, (ii) were created exclusively and specifically for the Lottery under the terms of this Contract and (iii) for which the Lottery has paid the Contractor shall be owned by the Lottery unless otherwise agreed to in writing by the Lottery. Further, any forms, software, manuals, system descriptions and work flows developed by the Contractor for the benefit of its customers, generally, and not solely for the benefit of the Lottery under this Contract, shall not be owned by the using agency but shall be licensed for their use during the term of the Contract only

All games, Intellectual Properties, products or enhancements developed solely by the Lottery shall remain the sole and exclusive property of the Lottery. Future use of said products by the Vendor may be permitted under a future agreement which may include additional compensation to the Lottery.

**2.8. Confidentiality**

Vendor may have access to private or confidential data maintained by the Lottery to the extent necessary to carry out its responsibilities under this Contract. Vendor must comply with all the requirements of the *Kansas Open Records Act* in providing services under this Contract. Vendor shall accept full responsibility for providing adequate supervision and training to its agents and employees to ensure compliance with the Act. No private or confidential data collected, maintained or used in the course of performance of this Contract may be disseminated by either party except as authorized by statute either during the period of the Contract or thereafter. Vendor must agree to return any and all data furnished by the Lottery promptly at the request of the Lottery in whatever form it is maintained by vendor. On the termination or such expiration of this Contract, vendor will not use any of such data or any material derived from the data for any purpose, and where so instructed by state, will destroy or render it unreadable.

**2.9. Non-Disclosure of Lottery Plans**

The vendor must use its best efforts to assure that the details of games and other plans of the Lottery are not disclosed to persons or organizations, other than the personnel, agents, and subcontractors of the vendor, whose assistance is necessary for the performance of the Contract resulting from the RFP, until the Lottery announces same.

**2.10. News Releases**

The Lottery and the Procurement Negotiating Committee are the only entities authorized to issue news releases relating to the RFP, its evaluation, award, or any Contract and performance there under. The vendor shall submit all proposed news releases in any way relating to the Lottery or Lottery activities to the Lottery and receive Lottery approval prior to release.

**2.11. Non-Disclosure of Vendor Confidential Information**

The Lottery will use its best efforts to assure that neither the Lottery nor any of its personnel or designees discloses to any other person or organization any information marked "confidential" by the vendor in accordance with the procedure established in the RFP.

**2.12. Inspection**

The Lottery, or its authorized representative, has the right at all times to inspect, or otherwise evaluate, all phases of performance under this Contract and the premises in which it is being performed. Costs associated with onsite inspections by no more than four (4) lottery employees per year shall be the responsibility of the vendor(s).

**2.13. Vendor Personnel**

The vendor shall warrant that all persons assigned by it to perform this Contract shall be employees of the vendor (or specified subcontractor) and shall be fully qualified to perform the work required. The vendor shall

include a similar provision in any Contract with any subcontractor selected to perform work under this Contract.

The Lottery may request replacement of any vendor personnel believed unable to carry out the responsibilities of this Contract. The Lottery shall have the right to approve the assignment of any vendor personnel to positions requiring specific management of the delivery of services or products and to positions requiring close and frequent coordination with the Lottery staff and management. The vendor shall warrant that personnel assigned to perform tasks in response to the RFP will remain assigned for the agreed upon length of time, and will not be replaced or reassigned except by mutual agreement following receipt of written notice by the Lottery.

The vendor shall immediately notify the Lottery Director of Security of all personnel changes involving officers, directors, stockholders owning 5% or more of the stock of the corporation, and other persons working on Lottery business.

**2.14. Acceptance of Deliverables**

The Lottery may reject any product or service which does not conform to the specifications of the RFP or other written specifications agreed upon by the Lottery and the vendor.

**2.15. Payment**

Payment terms are set forth in Section 1.38 of this Contract. Any modifications of such payment terms, , shall be agreed upon between the successful vendor(s) and the Lottery.

**2.16. Warranty**

All errors and defects caused by the fault or negligence of the vendor or its subcontractors, and not caused by the fault or negligence of the Lottery shall be corrected by the vendor free of charge within ten (10) days after notification of the error or defect, and Vendor shall indemnify the Lottery for any and all damages arising from those errors or defects. The faults or negligence of third parties under the control of or agents for the Lottery (e.g., retailers and other vendors) shall be considered on a case by case basis and may be reason for exception to this warranty.

**2.17. Disputes**

Should any disputes arise with respect to this Contract; the vendor and the Lottery agree to act immediately to resolve such disputes. The vendor agrees that the existence of a dispute notwithstanding, it will continue without delay to carry out all its responsibilities under the Contract of all non-disputed work. Any additional costs incurred by the vendor or the Lottery as a result of such failure to proceed shall be borne by the vendor, and the vendor shall make no claim against the Lottery for such costs.

**2.18. Conflict of Interest**

No member of the Lottery Commission, Executive Director, employee of the Lottery or any person residing in the same household of either of the aforementioned shall, directly or indirectly, individually, as a member of a partnership or other association, or as a stockholder, director or officer of a corporation, have an interest in a business of the Contractor. .

**2.19. Ticket Purchase and Prize Payment Restrictions**

The Contractor for either component of the RFP and subsequent Contract(s) shall comply with the provisions of K.S.A. 74-8719 and amendments thereto relating to the purchase of tickets or receipt of prizes.

**2.20 PERFORMANCE BOND**

The Contractor submit to the Lottery, within 20 state working days, and maintain during the term of any Contract and any extension thereof, a performance bond or an irrevocable letter of credit in the amount of \$250,000, binding the Contractor to faithfully fulfill and perform its obligations under the Contract. In the event a bond is chosen, it must be executed by a company authorized to do business in Kansas. The cost of such bond shall be paid by the Contractor.

In the event an irrevocable letter of credit is chosen in lieu of a performance bond, it must be provided on a form acceptable to the Executive Director and from a highly rated financial institution acceptable to the Executive Director.

**2.21 DDD BOND**

The successful Contractor and its subcontractors shall acquire a "DDD" (disappearance, dishonesty and disaster) bond, fidelity bond, or crime insurance in the aggregate amount of at least \$3,000,000 to cover any loss to the Lottery due to any fraudulent or dishonest act on the part of the Contractor, or any officer, employee, agent, or subcontractor of the Contractor. The Contractor must deliver a certificate evidencing this coverage to the Lottery within 20 state working days of the Contract award. Failure to post such a bond within this time period, or when requested by the Lottery, shall void the Contract award. The bond or insurance coverage shall be issued by a bonding or insurance company licensed to operate in Kansas. The cost of such bond or coverage shall be paid by the Contractor.

**2.22 INSURANCE**

The successful Contractor(s) shall maintain throughout the life of the Contract the following insurance to provide funds for fees, legal costs, loss of revenue or claims incurred as a result of the Contractor's performance. The required insurance policies must be acquired from companies authorized to do business in Kansas. The insurance shall be payable to the Lottery and to the Contractor additional insureds or loss payees as their respective interests may appear. Each such policy of insurance shall contain a provision whereby it cannot be cancelled except upon 30 days written notice to all insureds. In the event that the Contractor's carrier cancels any policy, Contractor shall immediately obtain a replacement policy. The Contractor shall furnish to the Lottery evidence of insurance within 20 state working days of the effective date of the Contract, and evidence of any renewals or replacements within 20 state working days of expiration or cancellation, respectively.

**2.22.1.** The successful Contractor(s) shall provide Commercial General Liability Insurance, or its equivalent of \$1,000,000 minimum for one person and \$2,000,000 for any one occurrence for personal injury, and \$1,000,000 for any one occurrence for property damage.

**2.22.2.** Vehicle Liability Coverage for all successful Contractor(s) owned vehicles operated in Kansas shall be maintained in accordance with applicable state laws.

**2.22.3.** Errors and Omissions Insurance: The successful Contractor(s) will be required to obtain an errors and omissions liability insurance policy for an amount of no less than \$5,000,000, for the term of the Contract and provide proof of same to the Lottery. Such policy shall cover at least the following risks and limits:

**2.22.3.1.** Over-redemption: Coverage will be obtained to indemnify the Lottery for 100 percent of prizes that Lottery becomes legally obligated to pay for winning tickets manufactured by the Contractor that are not on the validation files or are duplicates of valid winning tickets.

**2.22.3.2.** Lottery Expenses: In addition to the insurance for errors and omissions in connection with tickets for the instant games, coverage shall be obtained, and proof provided to the Lottery, to indemnify the Lottery for up to \$250,000 per instant game for actual incurred expenses (e.g., advertising, promotion, etc.) for which the Lottery does not receive full value because the Lottery discontinues a game due to poor manufacturing quality of the tickets, deviation from the approved prize structure, identification of winning tickets before play, or any other defect identified by the Lottery in connection with the production of the Lottery's instant game tickets. In establishing over-redemption, the Lottery shall be required to show the Contractor the tickets creating the alleged over-redemption and permit the Contractor to examine such tickets. Contractor shall not be liable for altered or counterfeit tickets which, through no fault of the Contractor, its agents or employees, are paid by Lottery retailers or claim centers or for any errors by retailers or claim centers as to the amount of prize to be paid for a given ticket.

**2.22.3.3.** A statement of self-insurance to cover the above requirements shall be considered non-responsive and shall disqualify the bidder.

**2.22.3.4.** Neither the Lottery nor the state shall be required to purchase any insurance against loss or damage to any personal property nor shall they establish a "self-insurance" fund to

protect against any loss or damage. Subject to the provisions of the Kansas Tort Claims Act, the Contractor shall bear the risk of any loss or damage to any personal property.

## 2.23 Liquidated Damages

**2.23.1 Late Delivery:** Delivery dates of products or services to be furnished will be negotiated and indicated in the Contract award, so that the schedule of the Lottery program will not be delayed. If any of the products or services specified by this Contract are not delivered within the time limits specified in the award, the delay may interfere with the proper fulfillment of the statutory responsibilities and operational priorities of the Lottery. Since correction of actual damages sustained by the Lottery may be impractical or extremely difficult, the Contractor and the Lottery agree that the Contractor, at the option of the Lottery, may be required to pay as liquidated damages, and not as a penalty, an amount calculated as set forth herein. Amounts due to the Lottery as liquidated damages may be deducted by the Lottery from any money payable to the Contractor pursuant to this Contract. The Lottery shall notify the Contractor in writing of any claim for liquidated damages on or before the Lottery deducts such sums from money payable to the Contractor.

**2.23.1.1.** In the event instant lottery tickets are not delivered on or before thirty-four (34) calendar days after the Lottery delivers the work papers to the Contractor within written directions from the Lottery to proceed with production, in the agreed upon quantity, or deviate from the quality specifications contained in this Contract, liquidated damages may be assessed at a rate of one tenth of one percent (0.1%) of the retail price (face value) of the tickets not delivered for each calendar day that the schedule is not met, plus any and all advertising and other out-of-pocket costs incurred by the Lottery in connection with such games.

**2.23.1.2.** In the event first draft working papers, including first draft prize structure and first draft conceptual art, work papers and conceptual art are not delivered on or before fourteen (14) calendar days after the Lottery delivers the initial game concept and prize parameters to Contractor, liquidated damages may be assessed at a rate of one-tenth of one percent (0.1%) of the retail price (face value) of all tickets expected by Lottery to be ordered for each calendar day that the schedule is not met, plus any other out-of-pocket costs incurred by the Lottery in connection with said game.

**2.23.1.3. Exceptions**

**2.23.1.3.1.** Except with respect to defaults of subcontractors, the Contractor may not be liable for liquidated damages or the Lottery payments, when delays arise for reasons related to natural disasters, including any events of force majeure identified in Section 1.15. The Contractor must provide prompt and reasonable notice of such conditions.

**2.23.1.3.2.** If delays are caused by the default of a subcontractor, and if such default arises out of causes beyond the control of both the Contractor and subcontractor, and without the fault or negligence of either of them, the Contractor shall not be liable for liquidated damages, unless the supplies or services to be furnished by the subcontractors were obtainable from other sources in sufficient time to permit the contractor or the Lottery to meet the required performance schedule. The Contractor must provide prompt and reasonable notice of all such delays.

**2.23.2. Non-Conforming Tickets:** Should any ticket in a book of tickets be considered non-conforming because of pick out, ticket manufacturing quality is unacceptable, or not meeting the specifications of the final approved working papers, damages may be sustained by the Lottery. It is, therefore, agreed that if non-conforming tickets are delivered, the Contractor shall pay to the Lottery as liquidated damages 30% of the retail price (face value of the tickets) of each book of non-conforming tickets delivered by the Contractor, plus any and all advertising and other out-of-pocket costs incurred by the Lottery in connection with such game if the entire game is not marketable as determined by the Lottery. Liquidated damages shall not be assessed for non-conforming tickets if Contractor timely replaces the tickets or otherwise rectifies the problem to the satisfaction of the Lottery.

**2.24 Multiple Contractors**

There is no guarantee that the Lottery will order any specific number of tickets from the Contractor. There is the potential that services from the Contractor will not be utilized at all.

**3. Specifications**

**3.0 WORK TO BE PERFORMED – INSTANT TICKETS OPTION A**

The work to be performed, except as may be modified by working papers, shall be as follows:

**3.1. Instant Lottery Tickets Option A**

**3.1.1 SIZE and PRICING**

Most tickets shall be printed on a minimum 10 point card stock paper. Unless otherwise specified, other ticket sizes, types, and options are set forth in Section 4 (Ticket Prices) of this Contract.. Ticket size may vary by up to 5% in any direction, but the total area of the ticket shall not vary by more than 5% of the total ticket size specifications. The Lottery chooses to utilize the price per 1000 ticket pricing option for all games.

**3.1.2 TICKET BOOKS**

Unless agreed otherwise, tickets shall be printed in books with a face value at \$300 with five (5) or less tickets per page in a continuous fan-fold arrangement as determined by the Lottery. The total length of each pack of tickets shall not exceed 11 inches unless requested specifically by the Lottery.

**3.1.2.1.** Books shall be assembled to maintain the consecutive order of tickets in the book and to make pilferage of individual tickets immediately evident.

**3.1.2.2.** Each ticket shall bear a number. Book numbers are to be consecutive and non-duplicating. Each ticket shall bear an individual consecutive number beginning with 000 in each book.

**3.1.2.3.** Perforations between tickets shall allow tickets to be separated easily from each other after one prefold, but tickets shall not break apart during normal handling. If a stub is used, a lesser perforation is possible between the ticket and its stub, but perforations shall not break without prefold.

**3.1.3 COLORS**

Six (6) distinct colors shall be used for display printing on the front of the tickets, three (3) colors for the overprint and one (1) for the back, or any combination of the ten (10) total colors. The Lottery may require, at its option, that the color of tickets for a particular game be changed during ticket production.

**3.1.4 SYMBOLS**

Lottery symbols shall be printed by a computer-controlled imaging printer in black ink or other color specified by the Lottery on the foil side of the stock or front side of the ticket for paper tickets. Symbols shall be legible, uniformly positioned except as needed for purposes of security, uniformly aligned and easily read by persons with normal vision. Special symbols will be developed and shall be available at no extra cost as required by the game design. Application of lottery symbols shall be performed in a statistically random method to avoid the possibility of "companion" game tickets being chosen in variance to the probability of winning a particular prize from the game as a whole.

**3.1.5 VALIDATION AND BAR CODES**

**3.1.5.1** Each ticket and each stub shall have a validation number that allows computer reconstruction of lottery symbols, is unique and non-repeating in the lottery as a whole, and is not the book number. The Contractor shall be able to image a unique 11-digit validation number on every ticket in the game play area and covered with scratch-off material or pull tabs as is applicable. The validation number is currently formatted as follows:

WWWWW      The first six (6) digits of the validation number,

A	a one (1) digit Auto Cash Code
C	a one (1) digit check digit of the first 15 digits (fifteen) of the bar code (Mod 10)
-	a dash
VVV	the three (3) digit control number (PIN number)
NOTE:	The last three (3) digits of the validation code will be boxed and separated by a hyphen to facilitate retailer entry.
Float	Validation code will randomly float between four (4) places in the game area and covered with scratch off material. This feature will be determined on an as needed basis.

**3.1.5.2** The Contractor shall print on the back or front of each ticket, as determined by Lottery, a 20-digit bar code capable of being read by electronic scanning equipment for ticket/book validation and processing redeemed tickets.

**3.1.5.3** The bar code will be interleaved 2 of 5 and formatted (1,2,3,4,) "GGGSPPPPPVVVVVATTTTC" where the characters represent the following:

GGG	a three (3) game identifier
S	a one (1) digit pack size indicator
PPPPP	a five (5) digit pack number ranging from 00000-99999
VVVVV	the first six (6) digits of the validation number
A	the one (1) digit Auto Cash Code
TTT	three-digit ticket number
C	a one (1) digit check digit of the bar code (MOD 10).

**3.1.5.4** The Contractor shall also print a Lottery-specific UPC code on the back of each ticket.

**3.1.5.5** The ticket Contractor shall include a keyless validation barcode to address PDF 417 situations.

**3.1.5.6** The Contractor shall be capable of implementing ticket restriction on strings of consecutive non-winning tickets.

### **3.1.6** RUB-OFF

The rub-off or other exposing material shall be opaque and of such quality as to maintain the security of the tickets' symbols and validation number.

### **3.1.7** PROTECTIVE COATING

Symbols shall be protected with a transparent protective coating under the rub-off so that the symbols are protected when the consumer rubs off the opaque covering.

### **3.1.8** OVERPRINT

A three-color overprint of a regular artistic design shall be printed on top of the rub-off material covering lottery symbols. The overprint covering lottery symbols shall be clear, un-blurred and sharp to facilitate detection of tampering. The lottery may require, at its option, that the color(s) of overprints for tickets of a particular game be changed midway through ticket production.

**3.1.9 INKS**

Inks shall not smear, run or stain under normal handling. Inks shall not be chemically or dermatologically irritating under normal handling. Inks, except overprint ink, shall be resistant to water and other solvents to improve the ability of the Lottery to detect counterfeit tickets.

**3.1.10 SECURITY**

**3.1.10.1** The Contractor shall incorporate measures for manufacturer and distributor security. The location of the winning tickets to the book-ticket numbers on the tickets shall not be matched in any computer tape, computer program, and computer file, CD, DVD or other document.

**3.1.10.2** **Quality Control Testing:** Three (3) packs of tickets shall be pulled from the game run ("start", "middle", and the end) of each game produced and shall be sent via Federal Express priority overnight delivery to:

Director of Security  
Kansas Lottery  
128 North Kansas Avenue  
Topeka, Kansas 66603-3638

At the same time, specific book numbers for the three (3) pulled books will be mailed to the vendor's representative. A brief book reconstruction will be done on one (1) of the pulled packs. The reconstruction information will be sent by e-mail to the attention of the Director of Security.

These tickets shall be used for lottery game, validation, auto cash and prize level testing. A minimum of three (3) packs of tickets must be provided for this purpose.

The Contractor shall coordinate with the Lottery Director of Security to ensure that packs pulled for quality control testing contain no high-tier prizes.

**3.1.10.3** Tickets will be transported to the main Lottery headquarters in locked, sealed, exclusive use vehicles.

**3.1.10.4** The following provisions shall be incorporated to assure that winning and non-winning tickets are not recognizable except by rubbing off the covering and exposing the lottery symbols:

- (a) The odds of winning any prize shall not vary from the odds of winning contained in the final approved prize structure.
- (b) The ticket shall be rendered unsalable and easily recognized as having been tampered with by any attempt to discern whether it is a winner or non-winner. In particular, the rub-off spots shall not be susceptible to use of "see-through" devices such as high intensity light, x-rays, infrared lasers, chemicals, electrical, photographic, thermal, copy machine, solvents or other practically available devices or techniques. The Contractor shall test packs from each game and provide a copy to the Director of Security.
- (c) Deficiencies in randomization shall not cause a variance of the odds of winning any prize from the final approved prize structure.

**3.1.10.5** The Contractor's plant or facility shall contain complete and satisfactory security arrangements. The Lottery shall approve security arrangements, and the Contractor shall not change production of tickets to another plant or facility without inspection and written approval by the Lottery. The Contractor shall incorporate all reasonable security measure suggestions upon receipt of written notice from the Lottery. The Contractor shall immediately notify the Lottery of any security breach or theft.

**3.1.10.6** Tickets may be printed using a single pass method.

**3.1.11 WRAPPING AND BOXING**

Books shall be shrink wrapped in such a manner that the book-ticket number is visible and then sealed in a shipping box tested at not less than 275 pounds. Unless otherwise agreed, each shipping box shall contain no more than 30 books of tickets and shall be bar coded and clearly marked on the exterior with the game number and range of book numbers contained therein except that omitted books shall be marked on the box. Cartons shall be arranged on pallets as specified by the Lottery in the work papers.

**3.1.12 WARRANTY**

Any tickets that fail to rub-off satisfactorily, or that fade, peel, smear or change color, and are unsold because of this failure will be replaced or appropriate credit given by the Contractor within ten (10) days of notification of the defect.

**3.1.13 ADDITIONAL SPECIFICATIONS**

**3.1.13.1** The Contractor shall be prepared to assist the Lottery in developing additional specifications for all instant games. The Lottery and the Contractor shall agree on detailed ticket specifications; order quantities; packaging, shipping and delivery schedules; prize structures and art for the front and back before the Contractor commences production.

**3.1.13.2** The Contractor shall consult with the Lottery to develop the prize structure for the game. The Lottery has final approval for all prize structures.

**3.1.13.3** The Contractor shall provide to the Lottery for approval a conceptual art design and final mechanical art for the front and back of tickets before production begins.

**3.1.13.4** The Contractor shall adhere to the following time line for production of work papers, art production and delivery of tickets. First draft working papers, including first draft prize structure and first draft conceptual art, shall be delivered to the Lottery no later than fourteen (14) calendar days after the Lottery delivers the initial game concept and prize structure parameters to the contractor. Production of the game shall commence no later than twenty-eight (28) calendar days from the time the Lottery signs and delivers the work papers to the Contractor. Tickets shall be delivered to the Lottery no later than thirty-four (34) calendar days after the Lottery signs and delivers the work papers to the Contractor with written directions from the Lottery to proceed with production.

**3.1.13.5** Simultaneous with providing work papers, Contractor shall provide written game rules following a standardized form to be established by the Lottery. And, if requested by the Lottery, all work papers and rules shall be developed in Microsoft Word or other software as specified by the Lottery and transmitted to the Lottery via E-mail, or as otherwise specified by the Lottery.

**3.1.13.6** The Contractor shall provide an end-of-run prize structure at the end of the printing of a game detailing the expected and actual number of prizes in each prize level by an independent certified public accounting firm.

**3.1.14 ADDITIONAL QUALITY SPECIFICATIONS**

Tickets shall meet the following quality provisions:

**3.1.14.1** No scratches across the latex coverings of the tickets.

**3.1.14.2** No rough, uneven latex coverings.

**3.1.14.3** No holes in the latex coverings exposing portions of hidden symbols.

**3.1.14.4** No latex coverings "dripping" on the display printing.

- 3.1.14.5 No latex coverings that smear or fail to come off when rubbed.
- 3.1.14.6 No overprint and display designs that are unclear or not crisply printed.
- 3.1.14.7 No tickets out of order within a book.
- 3.1.14.8 No lottery symbols that are chopped or incomplete.
- 3.1.14.9 No foil coating that rips away when the ticket is rubbed.
- 3.1.14.10 No miscounted number of tickets in a book.
- 3.1.14.11 No perforations that allow tickets to fall out of books without prefold.
- 3.1.14.12 No tears in foil.
- 3.1.14.13 No delamination of foil from paper stock.
- 3.1.14.14 No inks offset on latex covering from one ticket to another.
- 3.1.14.15 No off-register latex coverings or overprint designs.
- 3.1.14.16 No symbols not totally covered by the latex covering.
- 3.1.14.17 No symbols that smear under normal handling or with slight moisture.
- 3.1.14.18 No unevenly trimmed tickets.
- 3.1.14.19 No foil shavings within books.
- 3.1.14.20 No duplication of VERN numbers. ("Void if removed Number" – the series of digits on the face of a Scratch-It ticket located beneath the play area and covered in latex)
- 3.1.14.21 Other quality measures deemed necessary by the Lottery.

**3.1.15 ADDITIONAL SERVICES**

At no additional charge, the Contractor shall provide the following services to the Lottery:

- 3.1.15.1 Creative design of instant games.
- 3.1.15.2 Detailed lottery design, including playing rules, ticket copy, art work and printing. The Contractor shall provide a full-time customer service artist to coordinate ticket design and activities with the Lottery's art department. Communications will be via telephone and computer modem, FTP site, email, and any other communication modality that is pre-agreed to in writing by the Lottery and the Contractor.  
  
All hard copies of Contractor-provided artwork shall be delivered to the Lottery by overnight delivery and shall be accompanied by a compatible electronic format copy if requested by the Lottery. Final art purporting to show actual press appearance (draw-downs, etc.) should be as accurate in color rendition as possible.
- 3.1.15.3 All computer typesetting services.
- 3.1.15.4 Federal and state trademark searches and counsel's opinions on the names and designs selected for instant games, are available for use.
- 3.1.15.5 A minimum of 3,000 actual size voided sample tickets for each game.

- 3.1.15.6** Full ultra violet varnish coat - face of ticket.
- 3.1.15.7** Bar coding and UPC coding on back of all tickets.
- 3.1.15.8** Game/pack number to be imaged twice on back of each ticket: One below bar code and one at top of ticket.
- 3.1.15.9** Top prizes of one-hundred thousand dollars (\$100,000) or less at no extra charge.
- 3.1.15.10** Void furnish with each pack.
- 3.1.15.11** At minimum, annual strategic ticket production and marketing plan presentation at Topeka Lottery location.
- 3.1.15.12** Sting tickets/Compliance game that will be added to the end of a game run at the expense of the vendor. The Lottery will pick a maximum of two games per year.

The Contractor shall provide the following services at no additional cost, or at the cost detailed on the Additional Items Cost Sheet located in Section 4. These items may relate to one or both components of the RFP and the vendor shall provide specific detail in bid specifications and costs.

- 3.1.15.13** The right to use any and all licensed property the Contractor has rights to, including and not limited to images, names, products, etc. at no cost or at a minimal cost to the Lottery. If a cost is charged it will be factored into total cost of ticket production.
- 3.1.15.14** A Market Research Fund that consists of an annual Contractor set-aside equal to no less than forty-thousand dollars (\$40,000) per annum. Monies in this fund to be used for Lottery sponsored/conducted research projects, focus groups, exploratory/research trips, training, strategic planning, and other items related to ticket production and the sale, display, marketing, etc. of Lottery instant tickets. Monies not used in any given year will roll to the following year. Accumulated funds will remain the property of the Lottery and will not reduce per annum set-asides.

Vendor shall be responsible for \$40,000 payment for the first year of this agreement. Subsequent Market Research fund expenses shall be divided among all ticket vendors the Lottery does business with, with each Vendor paying a pro-rata share of the established Market Research Fund for that year (as determined by the Lottery), based on their total dollars spent per year, per vendor on instant ticket/licensed properties from the Lottery of the Lottery's overall ticket printing for the previous year. In no event will the annual Market Research fund expenses cumulatively exceed \$120,000 per year.

Accumulated funds will not reduce per annum dollars. Unspent dollars at the end of the Contract or final renewal period, whichever comes last, will be retained by the Contractor(s). This fund relates to all contractors.

- 3.1.15.15** A Travel Fund that that consists of an annual Contractor set-aside equal to no less than ten thousand dollars (\$10,000) per annum will pay public transportation carrier travel expenses and lodging only for Lottery staff to attend conferences, trainings, vendor and/or other state visits and inspections, etc. Monies not used in any given year will roll to the following year. Accumulated funds will remain the property of the Lottery and will not reduce per annum set-asides.

Accumulated funds will not reduce per annum dollars. Unspent dollars at the end of the Contract or final renewal period, whichever comes last, will be retained by the Contractor. This fund relates to all Contractors.

- 3.1.15.16** Point of Sales items that reflect tickets and promotions, and/or general lottery operations and activities.

- 3.1.15.17 Storage and rotation of ticket stock to address potential disaster recovery issues. Vendor shall store on Lottery's behalf, at a secure location of Vendor's choosing with Lottery's approval, a maximum of three Lottery games, to be selected by Lottery. Vendor shall provide this storage of tickets at no cost to the Lottery.
- 3.1.15.18 Mobile scanning capabilities that remain current with evolving scanning capabilities and that are capable of interfacing with Players' Loyalty Program and other lottery initiatives.
- 3.1.15.19 Demonstrated ability for vendor products to readily interface with other vendors and systems, at no additional cost to the Lottery.
- 3.1.15.20 Independent quality assurance and effectiveness audit on vendor products and programs.
- 3.1.15.21 Unless otherwise pre-agreed to by the Lottery, all delivery trucks will be equipped with fully functioning air lift capabilities.

### **3.2 WORK WITH OTHER CONTRACTORS AND THE LOTTERY**

The Contractor shall coordinate with other contractors contracted under the RFP and assist in the selection of future contractors if asked in writing by the Lottery during the term of this Contract.

- 3.2.1 This work may include, but not be limited to, working with advertising services, delivery services, security consulting, the online vendor, market researcher, other ticket producers for conformity, integration and other services, and other data processing services.
- 3.2.2 The Contractor shall assist the Lottery in preparing rules and regulations to govern Lottery operations for rules for games conducted by the Lottery.
- 3.2.3 The Contractor may be required to export or create data to/for pre-existing forms provided by the Lottery to be shared with other regulatory bodies for the purpose of ticket creation and usage.
- 3.2.4. The Contractor shall reconstruct individual lottery tickets or any other pertinent information upon written request, signed by a designated official of the Lottery, to assist in the validation of questionable prize winners, assist in other investigations of ticket creation or usage, or any other law enforcement related purposes.
- 3.2.5. Individual licensing agreements for specific future games shall be adopted under the general provisions of the contract(s), any amendments and the RFP. Said licensing agreements will not restate terms of these contracts(s), any amendments, or the RFP but instead only list terms specific to that individual licensing agreement.
- 3.2.6 The Contractor may be required to ensure tickets may be used/dispensed by independent or third (3<sup>rd</sup>) party electronic dispensing machines or online service providers and/or other ticket delivery systems.

### **3.3 AUDIT PROCEDURES**

Accounting procedures of the Contractor(s) for all ticket validations, financial and accounting records shall be in accordance with generally accepted accounting principles and all records relating to the Lottery shall be available to the Lottery or its designees. The Contractor shall obtain the opinion of an independent certified public accounting firm that procedures and controls for production and handling of instant games are adequate to preclude compromise of the game. The CPA firm shall audit a sample of actual computer run tapes used to print tickets and randomly sample in the Contractor's plant finished books to determine conformity to the approved prize structure. The report shall include information on whether the Contractor was reluctant to cooperate with the accounting firm conducting the audit, and a copy of the report forwarded to the Director of Security.

### **3.4 SOFTWARE SUPPORT FOR INSTANT TICKETS**

All instant lottery tickets and attendant services shall be compatible with existing and future hardware and software utilized by the Lottery. The Contractor shall provide any additional software that may be necessitated for future instant games which are not supported by the current software at no cost to the Lottery. The Lottery

agrees that any software required to be provided by the Contractor that is necessary for compatibility with future hardware or software of the Lottery would be upon terms mutually agreed upon in good faith be the Contractor and the Lottery.

### **3.5 LOTTERY HARDWARE AND SOFTWARE**

The Lottery is presently using an IBM Power iSeries (commonly referred to as AS/400, together with modified Anderson lottery software (ACCLAIMS). The Contractor shall furnish, at the Contractor's expense, an algorithm(s) for the purpose of validation compatible with the Lottery system or any other future system it may employ during the term of the Contract.

### **3.6 AUTO-CASH ALGORITHM**

As may be negotiated by the parties, the Contractor(s) may furnish an auto-cash algorithm(s) compatible with the Lottery's on-line Contractor's system or any other future system it may employ during the term of the Contract.

### **3.7 VALIDATION, HASH FILE, AND INVENTORY TAPES**

The Contractor(s) is required to provide, at the Contractor's expense, validation, hash file, and inventory compact disks (CD's) or thumb drives or any other pre-agreed upon media storage device of each game in the format and media specified by the Lottery to be delivered to the Lottery no later than three (3) working days following the printing of the tickets.

### **3.8 REORDER CAPABILITY**

The Contractor(s) shall provide the capability to re-order any game as specified by the Lottery and provide the necessary game media, as referenced in 3.7, to allow the Lottery to extend the game using the existing game number.

### **3.9 TEST GAME**

The Contractor shall not be required to provide a test game and/or required to test a re-order game; provided, however, the Lottery reserves the right to request test games as changes necessitate.

### **3.10 RE-ORDER GAME**

A "re-order game" is an instant game where additional pools are ordered utilizing the original game number and prize structure. The number of the first pack of a re-order game must be the number of the pack that follows the previous game's last pack number as indicated on vendor-delivered inventory and validation records. Ticket color(s) may change.

### **3.11 CONTRACT INTERPRETATION**

- (a) In the event there are any disagreements between the parties with regards to the application of this Contract or the requirements of the Lottery arising from any interpretation of the Request for Proposal, this Contract, or otherwise, the parties shall use their best efforts to settle any disagreements. To this effect, they shall consult and negotiate with each other in good faith and recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. In such negotiations, the Contractor agrees to defer to the reasonable interpretations of the Lottery as from time to time may be made by the Lottery. This provision applies to all matters including those arising from disputes concerning whether Contractor is required to provide some service or item including scope of work issues and whether particular items or services were included in the scope of work agreed to by the parties in this Contract, RFP, questions and answers of the parties, or otherwise. In summary, if both parties have a reasonable interpretation regarding application of the Contract, Contractor agrees to defer to The Lottery's interpretation. Notwithstanding the foregoing, this Section 3.11 shall in no way limit Contractor's right to challenge whether the interpretation of the Lottery was reasonable or otherwise limit Contractor's ability or right to pursue a claim or remedy under this Contract.
- (b) The above requirements shall apply to any change orders, Contract modifications, or other deviations to this Contract. Failure to receive the prior written and express approval of The Lottery prior to implementing any changes to the requirements provided for hereunder, for which requests for extra or additional compensation are thereafter submitted by the Contractor to The Lottery, shall impose no liability for payment upon The Lottery and may be rejected by The Lottery without recourse.

### **3.12 INDEMNIFICATION-THIRD PARTY CLAIMS - GENERAL.**

Notwithstanding any limitation in this Contract, and to the fullest extent permitted by law, Contractor shall defend and hold harmless Indemnitees for and against any and all suits or claims of any character (and all related damages, settlement payments, attorneys' fees, costs, expenses, losses or liabilities) by a third party which are attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property arising out of or in connection with the goods or services acquired hereunder or caused in whole or in part by any error or omission of the Contractor, its subcontractors, their employees, workmen, servants, agents, or anyone directly or indirectly employed by them or anyone for whose acts any of them may be liable, regardless of whether or not caused in part by an Indemnitee, and whether or not such claims are made by a third party or an Indemnitee; however, if an Indemnitee's error, omission or action is subsequently determined to be a contributing factor to a cause of a suit or claim, the Indemnitee shall not be entitled to indemnification hereunder to the extent of Indemnitee's contribution of such cause. The Contractor shall be given timely written notice of any suit or claim. Contractor's obligations hereunder are in no way limited by any protection afforded under workers' compensation acts, disability benefits acts, or other employee benefit acts. This Section shall not negate, abridge, or reduce any other rights or obligations of indemnity which would otherwise exist. The obligations of this Section shall survive termination, cancelation, or expiration of this Contract. This Section shall be construed fairly and reasonably, neither strongly for nor against either party, and without regard to any clause regarding insurance. As used in this Section, "Indemnitees" means the State of Kansas, The Lottery, its Commissioners and all their respective officers, agents and employees.

The Contractor, as part of its duty of indemnification, is required to defend and hold harmless the State from any costs arising out of the prosecution or defense of any action arising out of the Contractor's performance under this Contract, including any action affecting the payment or denial of the payment of lottery winnings in whole or in part. The Contractor shall notify The Lottery of the filing of any such litigation, and The Lottery shall give the Contractor written notice of any such claim, in the event such claim comes to the attention of The Lottery first. The Lottery shall have the right, but not the obligation, to participate in the litigation and, subject to prior review and discussion, shall also have the right to ultimately decide matters concerning any litigation arising out of the action affecting the payment or nonpayment of lottery winnings.

Contractor also agrees to advise The Lottery of any claims asserted or brought against Contractor arising from this Contract and which may potentially expose The Lottery to liability or publicity and to coordinate with The Lottery on any issues of governmental or public interest or concern relating to The Lottery and/or this Contract. In the event of participation by The Lottery in the defense of any claim, which shall be solely at the discretion of The Lottery, The Lottery shall be responsible for its own costs and expenses. If The Lottery, in its sole discretion, determines that the action may expose The Lottery to liability, the Contractor will not settle any such claims arising hereunder without the express prior written permission of The Lottery. The Contractor will, in all instances, where the Lottery may be exposed to liability, bear all attorneys' fees and expenses, and failure to comply herewith will entitle The Lottery to make appropriate deductions from any fees due to the Contractor or to draw upon the security pursuant to this Contract.

The Contractor further agrees that in the event it is requested to produce in any litigation any document or information referring or relating to the State or The Lottery, it shall not produce the requested material before it has notified The Lottery and provided it a reasonable opportunity to appear and object to the production or revelation of The Lottery's material or information. The Lottery will inform the Contractor when a request is made for it to produce a document or information in litigation that refers to or relates to the Contractor, and the Lottery shall not produce the requested material related to the Contractor before it has provided the Contractor a reasonable opportunity to appear and object to the production or revelation of the Contractor's material or information unless the Lottery is under specific legal prohibition from notifying Contractor

### **3.13 INDEMNIFICATION-INTELLECTUAL PROPERTY.**

(a) Without limitation and notwithstanding any provision in this Contract, Contractor shall, upon receipt of notification, wholly defend and indemnify The Lottery and its respective Commissioners, officers, agents and employees against all actions, proceedings or claims of any nature (and all damages, settlement payments, attorneys' fees (including inside counsel), costs, expenses, losses or liabilities attributable thereto) by any third party asserting any acquired item infringes upon an IP right. The State shall allow the Contractor to defend such claim so long as the defense is diligently and capably prosecuted. The State shall allow Contractor to settle such claim so long as all settlement payments are made by Contractor and the settlement does not impose a non-monetary obligation upon the State. State shall reasonably cooperate with Contractor's defense of such claim.

- (b) In the event an injunction or order shall be obtained against State's use of any acquired item, or if in Contractor's opinion, the acquired item is likely to become the subject of a claim of infringement or violation of an IP right, Contractor shall, without in any way limiting the foregoing, and at its expense, either (with the Lottery's written permission):
- (1) procure for State the right to continue to use, or have used, the acquired item, or
  - (2) replace or modify the acquired item so that it becomes non-infringing but only if the modification or replacement does not adversely affect the specifications for the acquired item or its use by State.  
If neither (1) nor (2), above, is practical, State may require that Contractor remove the acquired item from State, refund to State any charges paid by State therefor, and take all steps necessary to have State released from any further current or future liability.
- (c) The Contractor's obligations under this paragraph do not apply to a claim to the extent that the claim is caused by the Contractor's compliance with specifications furnished by the State:
- (1) unless Contractor knew its compliance with the State's specifications would infringe an IP right, or
  - (2) if the State knowingly relied on a third party's IP right to develop the specifications provided to Contractor and failed to identify such product to Contractor.
- (d) These terms are defined as follows: "IP right(s)" means a patent, copyright, trademark, trade secret, or any other proprietary right. "Acquired item(s)" means the rights, goods, or services furnished under this Contract. "Specification(s)" means a detailed, exact statement of particulars such as a statement prescribing materials, dimensions, and quality of work.
- (e) Contractor's obligations under this clause shall survive the termination, cancellation, rejection, or expiration of this Contract.

#### **4. Ticket Prices**

- 4.1 The summary data and prices listed in Section 4. Pricing of the Contract (pages 27 through 44) are for Instant ticket production and include the specifications detailed in Section 3 of the RFP. Highlights are as follows:
- 4.1.1 Minimum 10 point card stock paper
  - 4.1.2 Ticket books as defined by the Lottery
  - 4.1.3 Six (6) distinct colors for display printing on the front of the ticket, three (3) colors for the overprint and one (1) color ticket back or any combination of ten (10) total colors
  - 4.1.4 Full Ultra Violet Varnish Coat
  - 4.1.5 Minimum 3000 and up to 6000 actual size voided sample tickets for each game
  - 4.1.6 Marketing research fund proportionate to the volume of business conducted each Contract year
  - 4.1.7 Travel fund of up to 10,000 USD per year
  - 4.1.8 External audit for each game printed
  - 4.1.9 Trademark search for each game printed

FOIL STOCK						
Ticket Size – Approximate Inches						
Quantity Ordered	Vendor's Size					
	4.0" x 2.0"	4.0" x 4.0"	4.0" x 6.5"	4.0" x 8.0"	4.0" x 10.0"	4.0" x 11.5"
300,000	\$ 77.13	\$ 91.08	\$ 99.14	\$ 115.63	\$ 130.78	\$ 133.15
600,000	\$ 44.48	\$ 57.33	\$ 65.69	\$ 81.48	\$ 95.06	\$ 99.15
900,000	\$ 33.58	\$ 46.07	\$ 54.53	\$ 70.09	\$ 83.16	\$ 87.81
1,200,000	\$ 28.14	\$ 40.44	\$ 48.97	\$ 64.40	\$ 77.20	\$ 82.15
1,500,000	\$ 24.87	\$ 37.07	\$ 45.62	\$ 60.99	\$ 73.63	\$ 78.74
1,800,000	\$ 22.70	\$ 34.81	\$ 43.38	\$ 58.71	\$ 71.25	\$ 76.48
2,100,000	\$ 21.14	\$ 33.21	\$ 41.79	\$ 57.08	\$ 69.55	\$ 74.86
2,400,000	\$ 19.98	\$ 32.00	\$ 40.60	\$ 55.86	\$ 68.28	\$ 73.65
3,600,000	\$ 17.26	\$ 29.19	\$ 37.81	\$ 53.01	\$ 65.30	\$ 71.64
4,800,000	\$ 15.90	\$ 27.78	\$ 36.42	\$ 52.27	\$ 64.66	\$ 70.02
6,000,000	\$ 15.08	\$ 26.94	\$ 36.08	\$ 51.28	\$ 63.60	\$ 69.55
7,200,000	\$ 14.53	\$ 26.37	\$ 35.44	\$ 50.63	\$ 62.89	\$ 68.81
8,400,000	\$ 14.14	\$ 25.98	\$ 34.98	\$ 50.15	\$ 62.38	\$ 68.29

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	VIRGIN NON-FOIL STOCK Ticket Size – Approximate Inches					
	Vendor's Size					
	4.0" x 2.0"	4.0" x 3.0"	4.0" x 5.0"	4.0" x 8.0"	4.0" x 10.0"	4.0" x 11.0"
300,000	\$ 67.11	\$ 75.67	\$ 78.82	\$ 87.89	\$ 96.43	\$ 97.62
600,000	\$ 36.72	\$ 44.22	\$ 47.99	\$ 56.66	\$ 68.60	\$ 69.78
900,000	\$ 26.60	\$ 33.73	\$ 37.72	\$ 48.57	\$ 56.31	\$ 58.26
1,200,000	\$ 21.52	\$ 28.49	\$ 34.20	\$ 42.73	\$ 50.16	\$ 52.49
1,500,000	\$ 18.49	\$ 26.78	\$ 30.76	\$ 39.23	\$ 46.47	\$ 49.04
1,800,000	\$ 16.46	\$ 24.43	\$ 28.48	\$ 36.89	\$ 44.02	\$ 46.72
2,100,000	\$ 15.02	\$ 22.74	\$ 26.84	\$ 35.23	\$ 42.26	\$ 45.07
2,400,000	\$ 13.94	\$ 21.48	\$ 25.61	\$ 33.98	\$ 41.97	\$ 44.94
3,600,000	\$ 11.89	\$ 18.54	\$ 22.74	\$ 31.84	\$ 38.82	\$ 41.99
4,800,000	\$ 10.49	\$ 17.07	\$ 21.32	\$ 30.34	\$ 37.24	\$ 41.34
6,000,000	\$ 9.65	\$ 16.19	\$ 20.46	\$ 30.16	\$ 37.20	\$ 40.29
7,200,000	\$ 8.87	\$ 15.05	\$ 19.46	\$ 28.04	\$ 36.42	\$ 39.59
8,400,000	\$ 8.28	\$ 14.30	\$ 16.31	\$ 26.91	\$ 35.86	\$ 39.55

A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.

B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	BREAK-OPEN TICKETS					
	Ticket Size – Approximate Inches					
	Vendor's Size					
	4.0" x 2.0"	4.0" x 3.0"	4.0" x 4.0"	4.0" x 6.0"	4.0" x 10.0"	4.0" x 12.0"
300,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
600,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
900,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
1,200,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
1,500,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
1,800,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
2,100,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
2,400,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
3,600,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
4,800,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
6,000,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
7,200,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined
8,400,000	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined	Price to be determined

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of (To be determined) percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	PAPER TICKETS					
	Ticket Size – Approximate Inches					
	Vendor's Size					
	4.0" x 2.0"	4.0" x 4.0"	4.0" x 6.0"	4.0" x 8.0"	4.0" x 10.0"	4.0" x 12.0"
300,000	\$ 67.11	\$ 75.67	\$ 78.82	\$ 87.89	\$ 96.43	\$ 97.62
600,000	\$ 36.72	\$ 44.22	\$ 47.99	\$ 56.66	\$ 68.60	\$ 69.78
900,000	\$ 26.60	\$ 33.73	\$ 37.72	\$ 48.09	\$ 55.74	\$ 57.67
1,200,000	\$ 21.52	\$ 28.49	\$ 34.20	\$ 42.30	\$ 49.66	\$ 51.96
1,500,000	\$ 18.49	\$ 26.78	\$ 30.45	\$ 38.84	\$ 46.01	\$ 48.55
1,800,000	\$ 16.46	\$ 24.19	\$ 28.19	\$ 36.52	\$ 43.58	\$ 46.25
2,100,000	\$ 15.02	\$ 22.51	\$ 26.57	\$ 34.88	\$ 41.84	\$ 44.62
2,400,000	\$ 13.94	\$ 21.27	\$ 25.10	\$ 33.64	\$ 41.55	\$ 44.49
3,600,000	\$ 11.65	\$ 18.17	\$ 22.29	\$ 31.52	\$ 38.43	\$ 41.57
4,800,000	\$ 10.38	\$ 16.90	\$ 21.10	\$ 30.03	\$ 36.87	\$ 40.92
6,000,000	\$ 9.55	\$ 16.02	\$ 20.26	\$ 29.86	\$ 36.83	\$ 39.88
7,200,000	\$ 8.78	\$ 14.90	\$ 19.27	\$ 27.76	\$ 36.05	\$ 39.19
8,400,000	\$ 8.20	\$ 14.16	\$ 16.15	\$ 26.64	\$ 35.50	\$ 39.15

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	FOLDABLE TICKETS Ticket Size – Approximate Inches	
	Standard Size 4.0" x 10.0"	Vendor's Size 4.0" x 11.0"
150,000	\$158.46	\$159.76
300,000	\$ 96.43	\$ 97.62
450,000	\$74.95	\$76.90
600,000	\$ 68.60	\$ 69.78
750,000	\$ 61.22	\$ 62.87
900,000	\$ 56.31	\$ 57.67
1,200,000	\$ 50.16	\$ 51.96

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 10.0" (40.0 square inches) ticket area times a multiplier of 100 percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	DOUBLE-SIDED TICKETS*		
	Ticket Size – Approximate Inches		
	Standard Ticket 4.0" x 2.0"	Vendor's Size 4.0" x 3.5"	Vendor's Size 4.0" x 5.5"
150,000	\$ 196.16	\$ 228.85	\$ 253.52
300,000	\$106.59	\$ 137.69	\$ 160.85
450,000	\$ 76.74	\$ 107.30	\$ 129.96
600,000	\$ 61.81	\$ 92.11	\$ 114.51
750,000	\$ 52.85	\$ 82.99	\$ 105.24
900,000	\$ 46.88	\$ 76.92	\$ 99.07
1,200,000	\$ 39.42	\$ 69.32	\$ 91.34

\*Scratch on each side, scratch on one side, and pull-tab on the other, etc. Please explain what type (s) of tickets this price includes. Use additional sheets if necessary.

With IGT's Double-sided Ticket, you can turn your player's favorite instant tickets into an entirely new game with Scratch & Twist. This option adds a new dimension to instant tickets and can be added to almost any game. In addition to the regular game play, a bonus feature is revealed on the ticket. The bonus feature is not identified as a winner or non-winner until the ticket is turned and a corresponding bonus symbol on the back of the ticket matches or completes the symbol on the front. This new way to win will add a fun twist to any of the Lottery's games.

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of 100 percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	MARKER-TYPE STOCK*				
	Ticket Size – Approximate Inches				
	Vendor's Size 4.0" x 8.0"	Vendor's Size 4.0" x 8.0"	Vendor's Size 4.0" x 8.0"	Vendor's Size 4.0" x 8.0"	Vendor's Size 4.0" x 8.0"
300,000	\$ 73.15	\$ 82.76	\$ 92.28	\$ 101.25	\$ 102.50
600,000	\$ 40.02	\$ 50.39	\$ 59.49	\$ 72.03	\$ 73.27
900,000	\$ 28.99	\$ 39.61	\$ 51.00	\$ 59.12	\$ 61.17
1,200,000	\$ 23.46	\$ 35.90	\$ 44.87	\$ 52.67	\$ 55.11
1,500,000	\$ 20.15	\$ 32.29	\$ 41.19	\$ 48.80	\$ 51.49
1,800,000	\$ 17.95	\$ 29.90	\$ 38.73	\$ 46.22	\$ 49.06
2,100,000	\$ 16.38	\$ 28.18	\$ 36.99	\$ 44.37	\$ 47.33
2,400,000	\$ 15.19	\$ 26.89	\$ 35.67	\$ 42.99	\$ 46.03
3,600,000	\$ 12.96	\$ 23.88	\$ 32.61	\$ 39.76	\$ 43.01
4,800,000	\$ 11.43	\$ 22.38	\$ 31.08	\$ 38.15	\$ 42.35
6,000,000	\$ 10.51	\$ 21.49	\$ 30.90	\$ 38.10	\$ 41.27
7,200,000	\$ 9.90	\$ 20.94	\$ 30.16	\$ 37.31	\$ 40.55
8,400,000	\$ 9.46	\$ 20.88	\$ 29.63	\$ 36.73	\$ 40.51

\*Like Bingo, Crossword games using a translucent over coating.

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 8.0" (32.0 square inches) ticket area times a multiplier of 100 percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

Quantity Ordered	- OTHER (SPECIFY) (Make Additional Copies If Required) Ticket Size - Approximate Inches		
	Vendor Size 2.0" x 2.0"	Vendor Size 4.0" x 4.0"	Vendor Size 4.0" x 2.0"
300,000	N/A	N/A	N/A
600,000	N/A	N/A	N/A
900,000	N/A	N/A	N/A
1,200,000	N/A	N/A	N/A
1,500,000	N/A	N/A	N/A
1,800,000	N/A	N/A	N/A
2,100,000	N/A	N/A	N/A
2,400,000	N/A	N/A	N/A

- A. Ticket pricing for other than the above sizes is to be based on their area in square inches relative to the base price of a 4.0" x 2.0" (8.0 square inches) ticket area times a multiplier of \_\_\_\_ percent.
- B. The cost of quantities of tickets falling between the quantities listed shall be prorated between the quantities specified.

PRICE OPTIONS

	OPTION	COST per 1,000
		Cost are reflected as a price per thousand tickets, price per square inch, per game, etc. as relevant to the option square inch, per game, etc. as relevant to the option
1	Running of multiple games at one time, 2 across the web or 4 across the web	Deduct \$2500 from total invoiced price
2	Four-color process on white background	No additional charge
3	Colored foil	Add \$1,000 flat fee + \$0.25 per square inch of ticket per thousand tickets
4	Multiple scenes	\$750 per additional scene
5	Stub feature: vertical or horizontal: With imaging  Without imaging	Add \$1,000 flat fee + \$0.25 per square inch of ticket per thousand tickets for features "with imaging"; \$0.25 per square inch of ticket per thousand tickets for stub features "without imaging"
6	Insertions into shrink-wrap packs	Add \$0.20 per insert for inserts that do not match to the pack; Add \$0.50 per insert for inserts that do match the
7	Retailer Incentive games	Price to be determined based on final specifications
8	Additional colors	Add \$0.04 per square inch of ticket per thousand tickets
9	Bar coded direct mail pieces complete with validation and inventory tapes	Price to be determined based on final specifications
10	Day-Glo or florescent inks	Add \$0.14 per square inch of ticket per thousand tickets per ink
11	Bar-coded coupons in quantities of 10,000, 6.0" x 3.0", complete with validation and inventory tapes and one test game	\$ 25,000 per coupon program
12	Color pulse	\$1,250 per additional color pulse
13	Top prizes exceeding \$100,000	No additional charge to the lottery
14	Re-run - increase game quantities reduced fee	Original price from the price grid. Then deduct \$2,500 per game

15	Synchronized Over Print	Add \$0.25 per square inch of ticket per thousand tickets
16	Various Inks – Neon, Lux, etc.	Add \$0.12 per square inch of ticket per thousand tickets per ink
17	Dual Color Imaging	Add \$2,500 flat fee + \$0.30 per square inch of ticket per thousand tickets
18	Die Cuts	Add \$750 flat fee + \$0.30 per square inch of ticket per thousand tickets
19	Scoring	Add \$1.95 per thousand tickets
20	Embossed Tickets	Price to be determined based on final specifications
21	Holographic Ticket Stock	Add \$2.50 per square inch of ticket per thousand tickets
22	Other options:	Please see the following lines
23	Three or Four color imaging	Add \$5,500 flat fee + \$0.50 per square inch of ticket per thousand tickets
24	One color imaging other than black	Add \$5,000 flat fee + \$0.10 per square inch of ticket per thousand tickets
25	PMS color on ticket front	Add \$0.04 per square inch of ticket per thousand tickets per color
26	Spot UV Varnish	No additional charge to the lottery
27	Tinted Varnish	Add \$0.04 per square inch of ticket per thousand tickets
28	Metallic ink	Add \$0.14 per square inch of ticket per thousand tickets per ink
29	Scented or Aromatic inks	Add \$5,000 flat fee + \$0.15 per square inch of ticket per thousand tickets per scent
30	Full bleed display printing	No additional charge to the lottery
31	Balancing "no omits" game	\$10,000 flat fee plus \$0.30 per square inch of ticket per thousand tickets
32	Split Balancing	\$2,500 per each additional balancing requirement in a game
33	Security Games	Prices starting at \$7,500, subject to final game specs. See option #64

34	Benday – one color	\$ 0.04 per square inch of ticket per thousand tickets
35	Florescent Benday	\$0.12 per square inch of ticket per thousand tickets
36	Custom Micro Font Benday	\$0.12 per square inch of ticket per thousand tickets
37	UV Benday	\$0.12 per square inch of ticket per thousand tickets
38	Regular sized inserts	\$250 per thousand inserts, delivered in bulk
39	Secure Block	No additional charge to the lottery if the game is printed by IGT
40	Crossword Connect™	No additional charge to the lottery if the game is printed by IGT
41	Crossword Corners	No additional charge to the lottery if the game is printed by IGT
42	Glitz	Add \$2,500 flat fee plus \$0.15 per square inch of ticket per thousand tickets
43	Glam	Add \$0.20 per square inch of ticket per thousand tickets
44	Glitz and Glam	Add \$2,500 flat fee plus \$0.35 per square inch of ticket per thousand tickets
45	Player's MARK extended Play marking system	Add \$0.20 per square inch of ticket per thousand tickets
46	Extended Bonus Play™	No additional charge to the lottery if the game is printed by IGT
47	Linked Bonus™	No additional charge to the lottery if the game is printed by IGT
48	Criss Cross™	No additional charge to the lottery if the game is printed by IGT
49	Player's KEY™	No additional charge to the lottery if the game is printed by IGT
50	Head2Head	No additional charge to the lottery if the game is printed by IGT
51	Instant 3D	No additional charge to the lottery if the game is printed by IGT
52	Micro-printing	Add \$0.12 per square inch of ticket per thousand tickets

53	Micro brands	No additional charge to the lottery if the game is printed by IGT
54	uScratch	No additional charge to the lottery if the game is printed by IGT
55	Playback	No additional charge to the lottery if the game is printed by IGT
56	Super Ticket	Price to be determined based on final specifications
57	The BIG Team	No additional charge to the lottery
58	The List	Price to be determined based on final specifications
59	Emoji	Price to be determined based on final specifications
60	Augmented Reality	Price to be determined based on final specifications
61	Play for Fun games	Price to be determined based on final specifications
62	How to Play videos or other communication media	Price to be determined based on final specifications
63	Game simulator	Price to be determined based on final specifications
64	Security Sting games	IGT will provide a total of three (3) security sting games at no charge to the Lottery for each year of the Contract.

**Licensed Properties**

IGT will provide the Kansas Lottery access to all licensed property to which we have rights to sub-license (the "IGT Licensed Properties"). The following tables contain pricing for the IGT Licensed Properties:

<b>Brand: Wheel of Fortune</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	9/30/2014
Term Expiration	12/31/2019
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding
Marketing Support	Turnkey second chance promotional website with play for fun game and interactive entry component that allows players to complete WOF puzzle boards with the chance to win merchandise prizes, VIP trips to LA, Customized WOF themed events.

<b>Brand: Jeopardy!</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	9/30/2014
Term Expiration	12/31/2019
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding shipping &
Marketing Support	Turnkey second chance promotional website with play for fun game and interactive entry component with the chance to win merchandise prizes, VIP trips to LA with tickets to Jeopardy! and customized Jeopardy! events.

<b>Brand: Caesars, Harrah's, Flamingo, Paris Las Vegas, Rio, Horseshoe</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> </ul>
Term Start	8/12/2008
Term Expiration	9/30/2016
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, conducting up to 5 drawings, prize procurement and coordination of fulfillment,
Marketing Support	Turnkey Second Chance Promotional Website with play for fun game and leaderboard with the chance to win merchandise prizes, VIP trips to Las Vegas, and

<b>Brand: From Frank</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	10/1/2014
Term Expiration	1/31/2017
Licensing Fee % of Sale	1.0%
Merchandise/ Second Chance/ Promotions includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding
Marketing Support	Turnkey Second Chance Promotional Website with play for fun game and leaderboard with a chance to win merchandise prizes. License fee includes turnkey social media campaign, customized promotional video.

<b>Brand: Bejeweled, Zuma, Plants vs. Zombies</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	1/1/2014
Term Expiration	12/31/2016
Licensing Fee % of Sale	2.0
Merchandise/ Second Chance/ Promotions includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding
Marketing Support	Turnkey Second Chance Promotional Website with play for fun game and leaderboard with the chance to win virtual Face- book coins with cash value.

<b>Brand: Gas Monkey Garage</b>	
Game Types	<ul style="list-style-type: none"> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> </ul>
Term Start	11/1/2014
Term Expiration	12/31/2017
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions *includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding shipping &
Marketing Support	Turnkey Second Chance Promotional Website with collection game and the chance to win a customized Gas Monkey Garage muscle car.

<b>Brand: The Three Stooges (Classic)</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	11/1/2007
Term Expiration	10/31/2020
Licensing Fee % of Sale	1.5%
Merchandise/ Second Chance/ Promotions *includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, Interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding shipping &
Marketing Support	Turnkey Second Chance Promotional Website with play for fun games and the chance to win merchandise prizes or VIP trips to Hollywood.

<b>Brand: Ghostbusters: Classic and 2016 Movie</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	7/1/2015
Term Expiration	Movie: 8/31/2017 Classic: 8/31/2018
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions *includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, Interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding shipping &
Marketing Support	Turnkey Second Chance Promotional Website with play for fun games and the chance to win merchandise prizes or VIP trips to Hollywood and the

<b>Brand: Life is Good</b>	
Game Types	<ul style="list-style-type: none"> <li>• Traditional Online Draw Games</li> <li>• Instant online Draw Games</li> <li>• Instant scratch, Pull Tab Games</li> <li>• Monitor (Keno) Games</li> <li>• Interactive</li> </ul>
Term Start	Subject to Contract Execution
Term Expiration	12/31/2020
Licensing Fee % of Sale	2.0%
Merchandise/ Second Chance/ Promotions *includes fulfillment	Up to 8%
Second Chance Website Development Fees	\$100,000 Includes: website design development and hosting for up to 12 months, customer support hotline, play for fun game with leaderboard, Interactive entry component, conducting up to 5 drawings, CPA services for 2nd chance draws, legal reviews, prize procurement and coordination of fulfillment, excluding shipping &
Marketing Support	Turnkey Second Chance Promotional Website with play for fun games and the chance to win Life Is Good t-shirts and other branded merchandise prizes.

**5. Contractual Provisions Attachment**

DA-146a Rev. 06/12

**5.1. Terms Herein Controlling Provisions**

It is expressly agreed that the terms of each and every provision in this attachment shall prevail and control over the terms of any other conflicting provision in any other document relating to and a part of the contract in which this attachment is incorporated. Any terms that conflict or could be interpreted to conflict with this attachment are nullified.

**5.2. Kansas Law and Venue**

This contract shall be subject to, governed by, and construed according to the laws of the State of Kansas, and jurisdiction and venue of any suit in connection with this contract shall reside only in courts located in the State of Kansas.

**5.3. Termination Due To Lack Of Funding Appropriation**

If, in the judgment of the Director of Accounts and Reports, Department of Administration, sufficient funds are not appropriated to continue the function performed in this agreement and for the payment of the charges hereunder, State may terminate this agreement at the end of its current fiscal year. State agrees to give written notice of termination to contractor at least 30 days prior to the end of its current fiscal year, and shall give such notice for a greater period prior to the end of such fiscal year as may be provided in this contract, except that such notice shall not be required prior to 90 days before the end of such fiscal year. Contractor shall have the right, at the end of such fiscal year, to take possession of any equipment provided State under the contract. State will pay to the contractor all regular contractual payments incurred through the end of such fiscal year, plus contractual charges incidental to the return of any such equipment. Upon termination of the agreement by State, title to any such equipment shall revert to contractor at the end of the State's current fiscal year. The termination of the contract pursuant to this paragraph shall not cause any penalty to be charged to the agency or the contractor.

**5.4. Disclaimer Of Liability**

No provision of this contract will be given effect that attempts to require the State of Kansas or its agencies to defend, hold harmless, or indemnify any contractor or third party for any acts or omissions. The liability of the State of Kansas is defined under the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.).

**5.5. Anti-Discrimination Clause**

The contractor agrees: (a) to comply with the Kansas Act Against Discrimination (K.S.A. 44-1001 et seq.) and the Kansas Age Discrimination in Employment Act (K.S.A. 44-1111 et seq.) and the applicable provisions of the Americans With Disabilities Act (42 U.S.C. 12101 et seq.) (ADA) and to not discriminate against any person because of race, religion, color, sex, disability, national origin or ancestry, or age in the admission or access to, or treatment or employment in, its programs or activities; (b) to include in all solicitations or advertisements for employees, the phrase "equal opportunity employer"; (c) to comply with the reporting requirements set out at K.S.A. 44-1031 and K.S.A. 44-1116; (d) to include those provisions in every subcontract or purchase order so that they are binding upon such subcontractor or vendor; (e) that a failure to comply with the reporting requirements of (c) above or if the contractor is found guilty of any violation of such acts by the Kansas Human Rights Commission, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration; (f) if it is determined that the contractor has violated applicable provisions of ADA, such violation shall constitute a breach of contract and the contract may be cancelled, terminated or suspended, in whole or in part, by the contracting state agency or the Kansas Department of Administration.

Contractor agrees to comply with all applicable state and federal anti-discrimination laws.

The provisions of this paragraph number 5 (with the exception of those provisions relating to the ADA) are not applicable to a contractor who employs fewer than four employees during the term of such contract or whose contracts with the contracting State agency cumulatively total \$5,000 or less during the fiscal year of such agency.

**5.6. Acceptance Of Contract**

This contract shall not be considered accepted, approved or otherwise effective until the statutorily required approvals and certifications have been given.

**5.7. Arbitration, Damages, Warranties**

Notwithstanding any language to the contrary, no interpretation of this contract shall find that the State or its agencies have agreed to binding arbitration, or the payment of damages or penalties. Further, the State of Kansas and its agencies do not agree to pay attorney fees, costs, or late payment charges beyond those available under the Kansas Prompt Payment Act (K.S.A. 75-6403), and no provision will be given effect that attempts to exclude, modify, disclaim or otherwise attempt to limit any damages available to the State of Kansas or its agencies at law, including but not limited to the implied warranties of merchantability and fitness for a particular purpose.

**5.8. Representative's Authority To Contract**

By signing this contract, the representative of the contractor thereby represents that such person is duly authorized by the contractor to execute this contract on behalf of the contractor and that the contractor agrees to be bound by the provisions thereof.

**5.9. Responsibility For Taxes**

The State of Kansas and its agencies shall not be responsible for, nor indemnify a contractor for, any federal, state or local taxes which may be imposed or levied upon the subject matter of this contract.

**5.10. Insurance**

The State of Kansas and its agencies shall not be required to purchase any insurance against loss or damage to property or any other subject matter relating to this contract, nor shall this contract require them to establish a "self-insurance" fund to protect against any

such loss or damage. Subject to the provisions of the Kansas Tort Claims Act (K.S.A. 75-6101 et seq.), the contractor shall bear the risk of any loss or damage to any property in which the contractor holds title.

**5.11. Information**

No provision of this contract shall be construed as limiting the Legislative Division of Post Audit from having access to information pursuant to K.S.A. 46-1101 et seq.

**5.12. The Eleventh Amendment**

"The Eleventh Amendment is an inherent and incumbent protection with the State of Kansas and need not be reserved, but prudence requires the State to reiterate that nothing related to this contract shall be deemed a waiver of the Eleventh Amendment."

**5.13. Campaign Contributions / Lobbying**

Funds provided through a grant award or contract shall not be given or received in exchange for the making of a campaign contribution. No part of the funds provided through this contract shall be used to influence or attempt to influence an officer or employee of any State of Kansas agency or a member of the Legislature regarding any pending legislation or the awarding, extension, continuation, renewal, amendment or modification of any government contract, grant, loan, or cooperative agreement.

**EVT0003852 – Instant Ticket Production (Option A) Contractors**

**Contract ID:** 42015  
**Contractor:** **Pollard Banknote Limited Partnership**  
775 James L Hart Pkwy  
Ypsilanti, MI 48197-9791

**Vendor ID:** 0000168079  
**FEIN:** 98-0665125  
**Contact Person:** **Jennifer Westbury**  
**E-Mail:** [jwestbury@pbl.ca](mailto:jwestbury@pbl.ca)  
**Local Telephone:** 204-474-2323 ext 217  
**Cell Phone Number:** 204-229-4590  
**Fax:** 204-453-1375

**Contract ID:** 42016  
**Contractor:** **Scientific Games International Inc**  
1500 Bluegrass Lakes Pkwy  
Alpharetta, GA 30004-7712

**Vendor ID:** 0000154694  
**FEIN:** 58-1943521  
**Contact Person:** **Geneva McCaffrey**  
**E-Mail:** [geneva.mccaffrey@scientificgames.com](mailto:geneva.mccaffrey@scientificgames.com)  
**Local Telephone:** 770-664-3700  
**Cell Phone Number:** 210-240-0716  
**Fax:** 678-624-4115

**Contract ID:** 42017  
**Contractor:** **IGT Global Solutions Corporation**  
10 Memorial Blvd  
Providence, RI 02903

**Vendor ID:** 0000003064  
**FEIN:** 05-0389840  
**Contact Person:** **Patrick Craig**  
**E-Mail:** [patrick.craig@IGT.com](mailto:patrick.craig@IGT.com)  
**Local Telephone:** 785-861-7309  
**Cell Phone Number:** 785-249-6479  
**Fax:** 785-232-0058

**IOWA LOTTERY AUTHORITY**



**RFP IL 20-01  
REQUEST FOR PROPOSALS  
COMPUTER GAMING SYSTEM AND RELATED  
PRODUCTS AND SERVICES**

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# PART 1 – PROPOSAL SUBMISSION INFORMATION

## 1.0 Response Note Terminology

### RESPONSE NOTE: None

Each numbered section and subsection in the RFP is immediately followed by a RFP standard compliance note. The meaning of each response note, and the corresponding obligations of Vendor, is as follows:

**NONE:** The section or subsection does not require any response from the Vendor at all.

**ACCEPTANCE:** The section or subsection contains information the Vendor accepts as a condition of the Proposal submittal. The Vendor shall indicate any deviations or non-acceptance.

**FULL:** The section or subsection requires the Vendor to provide a full and dedicated response, including all information necessary for the Lottery to determine whether the Vendor fully complies with the stated requirement.

### 1.1 *Introduction and Lottery Objectives*

#### RESPONSE NOTE: Acceptance

The Iowa Lottery Authority (the "Lottery") is issuing this Request for Proposals ("RFP") to allow interested Vendors to submit Proposals for the implementation and operation of a Lottery Gaming System ("System"), including associated gaming products, equipment and support services.

In light of the complexity of the operations and the need to ensure consistent, reliable performance, the Lottery will only consider proposals submitted from Vendors that can establish a minimum of five (5) years related lottery experience and have current gaming system contracts with at least one (1) lottery jurisdiction who are current members of the North American Association of State and Provincial Lotteries (NASPL).

Any system proposed pursuant to this RFP must be sufficiently flexible to meet the evolving requirements of the Iowa Lottery and the expectations of Lottery players in Iowa. System and services contemplated for provision under this RFP include, but are not limited to, the following:

- Lotto and InstaPlay game sales at retail and nontraditional locations;
- Lotto, InstaPlay and Scratch ticket validations capabilities;
- Pull-tab ticket verification capabilities;

- Support for accounting processes relating to the sale of lottery games and the distribution of lottery prizes, including but not limited to processes that include separate accounting for Lotto, Scratch, InstaPlay, and Pull-Tab games, in addition to any future gaming types that could be implemented by the Lottery;
- Game warehousing, inventory and distribution applications for the Lottery's existing Scratch and Pull-tab tickets, as well as any future gaming types that could be implemented by the Lottery;
- Provision of a sales force automation system that provides systems and actionable retailer data that allow for more productive Lottery sales calls;
- Primary and back-up computer systems, data centers, and related facilities for provision of lottery services.
- Network Communications to Lottery and Retailer Equipment
- Retailer Network Terminals, Retailer Displays & Jackpot Signs
- Multipurpose Vending Machines/Kiosks
- Operations Services
- Internal Control Systems (ICS)
- Repair of, maintenance of, and updates for all equipment and software

Additionally, the Lottery will be evaluating responses relating the Vendor's capabilities to provide new technologies and gaming opportunities. These new technologies that will be considered with the response include, but are not limited to, the Vendor's capability to provide goods and services to facilitate Sports Gaming, API/In-lane sales, Mobile Gaming and iGaming. The Lottery will also evaluate the Vendor's capability to provide the Lottery with additional services incidental to Lottery operations, including but not limited to ticket warehouse and distribution services.

This RFP, and all activities leading toward the anticipated signing of a Contract pursuant to this RFP, are conducted under Lottery policies as enabled by Iowa statutes, which establish the purpose, powers, duties, and procedural framework of the Lottery.

The Lottery reserves the right to award a Contract pursuant to this RFP to the Vendor deemed successful by the Lottery. Any such contract award is contingent upon Vendor's successful completion of the Iowa Division of Criminal Investigations (DCI) background check report, and acceptance of the DCI report by the Iowa Lottery Board of Directors. No Vendor shall acquire any legal or equitable rights regarding the Contract unless and until the Contract has been fully executed by the Successful Vendor and the Lottery and approved as necessary by the Lottery Board of Directors.

The Contract will cover an implementation period plus ten (10) years of production operations including such time as is necessary to complete the Lottery business week then in progress. In the sole discretion of the Lottery, the Contract may be extended for up to five (5) additional one-year periods, or any combination thereof.

The Iowa Lottery currently has approximately two thousand four hundred (2,400) retailer sales terminals, one hundred fifteen (115) Lotto/Scratch/InstaPlay kiosks and three hundred thirty five (335) pull-tab vending machines deployed across the state.

- Retailer sales terminals are currently used to sell and cancel Lotto tickets, sell InstaPlay tickets, check and validate Scratch, Lotto and InstaPlay tickets, and verify ownership of pull-tab tickets. In addition to game sales functions, the terminal will also access and print reports, news messages and be utilized by the District Sales Representatives (DSR) for Scratch/Pull-tab pack activation and returns and other retailer inventory maintenance.

The existing base of terminals, kiosks, retailer displays and jackpot signs, together with all related computer hardware and software and their support services, must be replaced as a result of this RFP. All proposed System components must be delivered, installed, implemented, and supported through Lottery-approved acceptance testing, and ready to be fully operational by the system project milestone schedule.

The new System must be capable of supporting the current gaming products and promotions offered to the public by the Lottery.

The Lottery sells tickets in four game categories: Lotto, InstaPlay, Scratch and Pull-tabs. Preliminary figures for fiscal year 2019 show that Iowa Lottery sales totaled \$390.8 million. Scratch tickets accounted for \$250.6 million dollars of Lottery sales; lotto games generated \$117.5 million in sales; pull-tabs made up approximately \$10.9 million in sales; and InstaPlay accounted for approximately \$11.9 million in sales. Iowa Lottery sales by product over the prior five fiscal years are set forth in the chart below.

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
<b>OPERATING REVENUES</b>					
Instant-scratch ticket sales	244,260,964	237,617,703	233,681,884	211,986,968	188,754,111
Instaplay sales	9,733,769	5,820,274	-	-	-
Pick 3 sales	7,705,163	7,318,686	7,376,766	7,046,335	6,948,165
Powerball sales	58,471,047	54,292,902	74,851,133	52,231,108	61,153,876
Mega Millions sales	21,293,740	14,957,109	16,401,018	17,980,367	21,835,102
Hot Lotto sales	3,761,425	8,210,714	8,827,600	11,111,717	10,434,227
Raffle sales	-	-	-	-	242,960
Pick 4 sales	4,341,103	3,946,273	3,554,719	3,231,397	3,224,892
All or Nothing sales	-	3,186,443	3,989,479	4,542,846	3,196,195
\$100,000 Cash Game sales	-	-	-	-	2,530,984
Monopoly Millionaires' Club	-	-	-	591,605	-
Lucky for Life sales	5,600,490	5,599,966	3,154,994	-	-
Lotto America sales	4,872,494	-	-	-	-
Pull-tab sales	10,916,692	11,292,740	15,073,332	16,045,073	15,734,917

In addition, the Successful Vendor must be able to incorporate additional games, technologies and promotions into the System to support the Lottery's evolving marketing and business plans. The new system must support multiple Scratch/Pull-tab delivery methods, including, but not limited to, DSR and courier delivery.

The Lottery has the following objectives for issuing this RFP and entering into a Contract for the implementation and operation of the System:

- Obtain and install a gaming System that is sufficiently flexible to meet the gaming product needs of the Lottery for the term of the Contract.
- Obtain retailer terminals, vending machines, supporting systems, and services that are operationally sound, incorporate the highest level of integrity and security, minimize risk for the Lottery, and lead to high retailer and player satisfaction.
- Obtain a highly reliable data communications system that supports the gaming System.
- Ensure that all proposed systems and services are ready to be operational by the agreed-upon gaming system project milestone schedule.
- Ensure that System and services corrections, improvements, and expanded gaming features are delivered in a timely manner.
- Maximize net Lottery proceeds for the State of Iowa.

Fulfillment of these objectives is consistent with the Proposal evaluation criteria cited in this RFP.

## **1.2 Overview of RFP**

### **RESPONSE NOTE: Acceptance**

Part one of this RFP provides proposal preparation and submission information. Part Two defines special terms and conditions that will apply to the Contract. Part Three contains technical and business specifications. Part Four requests information pertaining to new and emerging technologies and gaming opportunities. Part Five defines how pricing must be submitted. Part Six describes evaluation criteria (how Proposals will be evaluated) and the proceedings leading to execution of a Contract with the Successful Vendor.

Appendix A provides a glossary for terms used in this RFP. Appendix B sets forth Lottery expectations relating to the Vendor's ability to propose a demonstrable system solution. Appendix C contains Lottery Standard Terms and Conditions which Vendors will accept as a condition of submitting a bid for this RFP. Appendix D includes references to certain management and administrative reports that the Successful Vendor's system should be capable of generating. Similarly, Appendix E refers to types of retailer terminal reports that the Successful Vendor's system should be capable of generating. Appendix F

describes certain requirements for file transfer capabilities between Vendor and the Lottery. Appendix G provides the Vendor with additional background information and history about the Lottery. Appendix H includes information on where to locate necessary disclosure forms to be submitted with this RFP. Appendix I provides instructions for the transmittal letter contents. Appendix J contains non-disclosure requirements for the Vendor relating to this RFP process. Appendix K contains specifications of data to be made available to the Lottery in a Data Warehouse by the vendor. Appendix L describes the Lottery current process for auto-ordering Instant tickets.

This RFP is designed to provide Vendors with the information necessary for the preparation of competitive Proposals. The RFP process is for the Lottery's benefit and is intended to provide the Lottery with competitive information to assist in the selection process. It is not intended to be comprehensive. Each Vendor is responsible for determining all factors necessary for submission of a comprehensive Proposal.

**1.3 RFP Coordinator**

**RESPONSE NOTE: Acceptance**

The RFP Coordinator, acting on the Lottery's behalf, is the sole and exclusive point of contact with regard to all aspects of the procurement of goods and services pursuant to this RFP, from the date of release of this RFP until the Lottery's notice of award. All communications concerning this procurement, including but not limited to submission of questions, requesting copies of amendments or answers, and submission of a Proposal, must be addressed in writing and submitted to the RFP Coordinator:

RFP Coordinator:	Mr. Terry Brown
Mail or hand deliver to:	Iowa Lottery, 13001 University Ave, Clive, IA 50325-8225
Telephone:	515-725-7877
E-mail address:	tdbrown@ialottery.com
RE:	Gaming Systems RFP 20-01 Inquiry
Website for postings:	<a href="https://ialottery.com/Pages/Vendors/VendorsMain.aspx">https://ialottery.com/Pages/Vendors/VendorsMain.aspx</a>

**1.4 Disclosure and Investigation Requirements**

**RESPONSE NOTE: Acceptance**

This RFP requires a series of disclosures and willingness to comply with background investigational requirements of the Lottery. This is a major procurement solicitation and all relevant Iowa statutes are applicable. Questions regarding the disclosure and investigation requirements are to be directed to the RFP Coordinator. At the discretion of the Lottery, responses may be supplied by the RFP Coordinator, other Lottery personnel, or other state of Iowa personnel.

**1.5 Restrictions on Communication**

**RESPONSE NOTE: Acceptance**

Other than with the RFP Coordinator, potential Vendors and their agents, lobbyists or representatives shall make no unsolicited contact, directly or indirectly, with any member of the Lottery Board of Directors, or any employee, agent, or representative of the Lottery, or any elected or appointed State of Iowa official regarding this RFP. This provision will remain in place from the time the RFP is issued until the time that the Lottery issues a Notice of Intent to Award relating to this RFP.

During this period, Vendors shall not represent themselves to any member of the Lottery Board of Directors, to any employee, agent, or representative of the Lottery, to any Iowa Lottery retailers, or to any elected or appointed State of Iowa official as having the endorsement of the Lottery for this RFP or as the Lottery's next supplier of gaming products and services pursuant to this RFP. This prohibition on unsolicited communications relating to this RFP includes, but is not limited to, Vendors currently doing business with the Lottery. Any Vendor causing or attempting to cause a violation or circumvention of this requirement may at a minimum, at the sole discretion of the Lottery, be disqualified from further consideration.

### **1.6 Schedule**

**RESPONSE NOTE: Acceptance.**

The following dates are set forth for informational and planning purposes. The Lottery reserves the right to change any of these dates.

<b>Event</b>	<b>Date</b>	<b>Time *</b>
<b>RFP issued to Vendors</b>	<b>July 30, 2019</b>	<b>4:00 pm</b>
Intent to Bid Letter Due	August 9, 2019	4:00 pm
Questions from Vendors Accepted	August 19, 2019 through September 2, 2019	4:00 pm
Questions and Answers provided to all Vendors	On or prior to September 13 2019	4:00 pm
<b>Proposals Due</b>	<b>November 15, 2019</b>	<b>3:00 pm</b>
Stand-alone terminal delivered and operating	By November 22, 2019	4:00 pm
Evaluation of Proposals Period	November 15, 2019	

	through March 13, 2020	
Site Visits/Oral Presentations by Vendors (if requested)	November 15, 2019 through February 21, 2020	
Lottery Presentation to CEO and Board of Directors, Meeting for Board of Directors Issuance of Notice of Intent to Award, Subject to Successful Vendor Completion of DCI Background Check	March 2020	Board Meeting TBA
DCI Investigation	March 2020 through May 2020	
Board of Directors Update, If Necessary	June, 2020	
Contract Execution	July, 2020	Board Meeting TBA
Begin Lotto System Project **	July 2020	
<b>Start Lottery Acceptance Testing</b>	<b>January 2021</b>	
<b>Full conversion completed***</b>	<b>July 11, 2021</b>	

\* All times refer to Central Time.

\*\* Lotto System Project milestone dates of documents and deliverables to be identified in a separate Project Management document to be delivered by the Vendor and approved by the Lottery within thirty (30) days of the Contract Execution date.

\*\*\* Full conversion is anticipated to occur on July 11, 2021.

## **1.7 Intent to Bid**

### **RESPONSE NOTE: Acceptance**

In order to facilitate the administrative procedures relating to this RFP, the Lottery has set up a process by which Vendors signal interest in the RFP by submitting an Intent to Bid. Vendors interested in submitting a Proposal pursuant to this RFP may e-mail an Intent to Bid letter to the Lottery RFP Coordinator specified in RFP Section 1.3. This Intent to Bid shall be sent by the date and time specified in RFP Section 1.6. In the Intent to Bid,

Vendors should provide Vendor identification information and an e-mail address for a Vendor point of contact.

The Lottery shall provide notice of any addendums, modifications, responses to questions, or other pertinent information relating to this RFP to Vendors who have an Intent to Bid notice on file.

A written Intent to Bid does not bind the Vendor to submit a bid. Additionally, even if an Intent to Bid is not sent to the Lottery, a qualified Vendor may still submit a bid in accordance with the schedule in RFP Section 1.6.

## **1.8 RFP Clarification Questions**

### **RESPONSE NOTE: Acceptance**

It is the responsibility of each Vendor to examine the entire RFP and seek any necessary clarification in writing. The RFP Clarification Question procedure is the only mechanism by which a Vendor may seek clarification of the RFP or additional information on the business, contractual, procedural and technical requirements of the procurement.

Vendors are invited to participate in one (1) round of written questions and requests for clarifications regarding the RFP. Vendors may also submit suggestions for changes to the specifications of this RFP. The questions, requests for clarifications, or suggestions must be in writing and received by the RFP Coordinator on or before the date and time listed in Section 1.6 of this RFP. Oral questions will not be permitted. If the questions, requests for clarifications, or suggestions pertain to a specific section of the RFP, the Vendor shall reference the page and section number(s).

To the extent possible, a Vendor should write a question or request for clarification in generic or non-proprietary terms as all response to inquiries will be made available to all Vendors.

Further, no question or request for clarification should contain any price data. The inclusion of specific cost information in a question may result in the Vendor's disqualification.

A copy of questions, answers, and any changes in the RFP, if applicable, will be posted to the Lottery's website. (<https://ialottery.com/Pages/Vendors/VendorsMain.aspx>) Vendors with a notice of Intent to Bid on file will receive either the detail on the questions or an e-mail announcement that new information has been posted to the Lottery's website. Prospective Vendors should monitor the website for any information pertaining to the RFP. The Lottery's written responses shall be considered an addendum to the RFP. If the Lottery decides to adopt a suggestion that modifies the RFP, the Lottery will issue a clarifying addendum to the RFP.

By submitting a Proposal, Vendors agree that they understand the requirements of this RFP, and they fully understand their obligations if they were to enter into a Contract with

the Lottery. The Lottery assumes no responsibility for oral representations made by any Lottery employee, agent, or board member.

### **1.9 Vendor Pre-Proposal Conference**

**RESPONSE NOTE: None**

No conference will be held.

### **1.10 Amendments to the RFP**

**RESPONSE NOTE: Acceptance**

The Lottery reserves the right to amend this RFP prior to the final due date identified herein for Vendor Proposals. If any part of this RFP is amended, the amendments will be posted to the Lottery's website. Vendors with a notice of Intent to Bid on file will receive an e-mail announcement that an amendment to the RFP has been posted to the Lottery's website.

### **1.11 Acceptance of RFP Terms**

**RESPONSE NOTE: Acceptance**

By submitting a Proposal, each Vendor agrees that it fully understands, accepts and will abide by all the terms and conditions of this RFP. Vendor further agrees that Vendor will not make claims for or have any rights to cancellation or withdrawal of its Proposal or other relief due to any asserted misunderstanding or lack of information. The Lottery reserves the right to accept a Proposal or Proposals in whole or in part.

### **1.12 Waiver of Deficiencies and Rejection for Non-Compliance**

**RESPONSE NOTE: Acceptance**

Proposals that do not meet all material requirements of this RFP or that fail to provide all required information, documents, or supporting materials, or which include language that is conditional or contrary to the terms, conditions, and requirements, of the RFP, may be rejected as non-responsive.

The Lottery reserves the right to waive or permit cure of nonmaterial variances in the Proposal if, in the judgment of the Lottery, it is in the Lottery's best interest to do so. Nonmaterial variances include, but are not limited to, minor failures to comply that: do not affect overall responsiveness, are merely a matter of form or format, do not change the relative standing or otherwise prejudice other Vendors, do not change the meaning or scope of the RFP, or do not reflect a material change in the specifications of the RFP. In the event the Lottery waives or permits cure of nonmaterial variances, such waiver or cure will not modify the RFP specifications or excuse the Vendor from full compliance

with RFP specifications or other Contract specifications if the Vendor is awarded the Contract. The determination of materiality is in the sole discretion of the Lottery.

### **1.13 *Rejection of Proposals***

**RESPONSE NOTE: Acceptance**

The Lottery reserves the right to reject any Proposal, or any portion thereof, at any time prior to an award of a Contract. The Lottery further reserves the right to reject all Proposals and cancel this procurement if the Lottery determines in its sole discretion that such a decision is in the best interest of the Lottery.

### **1.14 *Proposals Valid for One Year***

**RESPONSE NOTE: Acceptance**

All Proposals submitted, including but not limited to any pricing provided, will remain valid for one year following the date on which Proposals are due, unless the period is extended by the Lottery. Notification of any such extension will be provided in writing by the Lottery to the affected Vendor or Vendors.

### **1.15 *Proposal Format***

**RESPONSE NOTE: Acceptance**

The Proposal must be submitted in three (3) separate volumes (as described below) and mailed, sent by courier (e.g. Federal Express or United Parcel Service), or hand delivered. All responses must be in a sealed package(s) and identified on the outside by the Vendor's full name and address and must be specifically addressed to the RFP Coordinator. Responses must be received by the RFP Coordinator or RFP Coordinator's designee no later than the date and time shown in the schedule section, RFP Section 1.6.

Proposals that are unsigned or otherwise non-conforming may be rejected as non-responsive.

### **1.16 *Proposal Submission***

#### **1.16.1 VOLUME I – Technical (Non-Price) Proposal**

**RESPONSE NOTE: Full**

The Technical Proposal shall include descriptive and technical matter only and be appropriately labeled on the exterior of the enclosure. **No cost figures shall be contained in the Technical Proposal.**

**The Vendor must respond to every item that requires a response in this RFP in the order presented in the RFP. The Vendor's response must provide the required information requested, an acknowledgement of acceptance where applicable, or an indication of not applicable (N/A).**

The original plus five (5) copies and one (1) "Public Copy" of The Technical Proposal (Volume I) are to be delivered. In addition, one (1) copy of the original Technical Proposal and one (1) copy of the "Public Copy" must be submitted as a digital file on a separate USB flash drive using a Microsoft Word or searchable PDF file. The electronic version should include all Proposal sections within a single file. For further details about the "Public Copy" requirement, refer to RFP Section 1.26.

All requested written documents must be submitted on 8 1/2" x 11" paper and size 11 Arial font, with appropriate exceptions for schematics, attachments, or diagrams that cannot be legibly presented in that size and font.

The contents of the Technical (non-price) Proposal volume must follow this outline, employing dividers to separate the response sections:

1. Transmittal letter. One copy of the transmittal letter shall be structured and contain all of the information specified in RFP Appendix I and included with the original copy of the Technical Proposal.
2. Bid Bond and Litigation Bond (see RFP Sections 1.32 and 1.33). Bonds to be included with the original copy of the Technical Proposal.
3. Disclosure of litigation, investigations, and other information (see RFP Sections 1.35 & 1.36), to be included with the original copy of the Technical Proposal.
4. Statement acknowledging all RFP addenda, to be included in the original copy of the Technical Proposal.
5. Statement of agreement to comply with all terms and conditions contained in Part 2 and Appendix C, to be included with the original copy of the Technical Proposal.
6. Class "L" Business Entity disclosure form required by the Lottery (see RFP Section 1.35 and <https://ialottery.com/Pages/Vendors/VendorsMain.aspx>) must be provided in a separate binder or package. The binder or package shall contain one (1) paper copy plus one (1) copy on a USB flash drive. Business Entity disclosure information is not to be placed on the USB flash with other technical information.
7. Letter requesting trade secret protection of confidential information (if needed). See RFP Section 1.26. The redacted sections must be noted in a letter submitted with the cover letter as part of the original copy of the Technical Proposal and will be made available for public inspection.

8. Response to all paragraphs of where a response is required including but not limited to every paragraph of Specifications (Part 3) in identical order to which it appears in the RFP. **An original in paper form and two (2) additional copies in electronic format on a USB flash drive of the required financial information (Section 3.9.11) should be filed with the original only, and not with all six (6) copies.**
9. Vendor-supplied technical documentation as appendices to be included with the original and all copies of the Technical Proposal.

### **1.16.2 VOLUME II – Price Proposal**

#### **RESPONSE NOTE: Full**

The Vendor shall be required to provide pricing in accordance with RFP Section 5.

The Price Proposal must be identified as a separate enclosure or Volume II. An individual authorized to legally bind the Vendor must sign the Price Proposal. **The original plus one (1) copy of the Price Proposal must be delivered to the RFP Coordinator or RFP Coordinator's designee. In addition, one copy of the Price Proposal must be submitted in electronic format on a USB flash drive separate from the Volume I – Technical Proposal.**

The contents of the Price Proposal must follow the following outline, employing divider pages with tabs to separate these response sections:

1. Cover page stating Vendor's identifying information
2. Pricing for the Baseline System
3. Pricing for Required Options, Specified Options, Invited Options and Offered Options (RFP Section 1.38)

Price Proposals that are incomplete or non-conforming may be rejected as non-responsive.

### **1.16.3 VOLUME III – Terminal Submission**

#### **RESPONSE NOTE: Full**

Vendors shall submit a list of terminals, kiosks, and other equipment proposed for provision to the Iowa Lottery pursuant to this RFP. This list shall include, but not be limited to:

- Retailer terminals, ticket printers, ticket checkers, player flat panel displays;

- Kiosks capable of vending Lotto, Scratch, and InstaPlay tickets; and
- Kiosks designed to just vend Lotto and InstaPlay tickets.

At the Lottery's option, the Vendor may be requested to submit one stand-alone operational demonstration sample of one or more of the equipment items included in the Vendor's list. All shipping, delivery, and setup shall be performed by the Vendor at the vendor's cost. The demonstration sample equipment provided to the Lottery does not need to be specifically programmed to play and dispense current Lottery games. Rather, the demonstration sample equipment is designed to allow the Lottery to understand the capabilities of Vendor's equipment submitted for proposal pursuant to this RFP.

For any item of demonstration equipment provided pursuant to this subsection, a Vendor shall also submit a retailer manual and/or user guide for the provided equipment.

### ***1.17 Proposal Opening***

**RESPONSE NOTE: Acceptance**

The Lottery shall maintain the confidentiality of sealed bids received pursuant to this RFP in accordance with Iowa Code 72.3. After the issuance of the Notice of Intent to Award, records received from Vendors pursuant to this process will be maintained in accordance with Iowa Code Chapters 22 and 99G. See RFP Section 1.26 for additional information.

### ***1.18 Withdrawal/Modification of Proposal***

**RESPONSE NOTE: Acceptance**

A Vendor may withdraw or modify its Proposal by written notice submitted on the Vendor's letterhead, signed by an authorized representative of the Vendor, delivered to the Lottery and received by the Lottery prior to the Proposal due date and time.

### ***1.19 Late Proposals***

**RESPONSE NOTE: Acceptance**

Proposals submitted pursuant to this RFP must be received by the Lottery no later than the Proposal due date and time per the schedule in RFP Section 1.6. Failure of a Vendor to submit its Proposal by the specified date and time will result in rejection. Proposals that are rejected for being late will be returned unopened to the Vendor.

### ***1.20 Demonstrability of Proposed Solutions***

**RESPONSE NOTE: Full**

Throughout this RFP, the Lottery expects the Vendor not only to propose solutions that will meet the needs of the Lottery and state as set forth in the RFP but also to demonstrate how those needs will be satisfied by the Vendor's suggested solutions. Accordingly, the Lottery requires that all equipment and software proposed by the Vendor be capable of a

demonstration that reflects the Vendor's ability to meet the requirements specified in this RFP. Failure to propose demonstrable products may result in rejection of Proposal. Refer to RFP Section 6.5, Site Visits for Discussions and Demonstrations and Appendix B: Demonstrability of System, for related information regarding demonstrability of proposed system.

While functions and features demonstrated upon request for the Proposal evaluation effort need not be identical in all respects to specifications of this RFP, the Vendor is expected to demonstrate how the proposed solution provides common transactions, functions, and operations to those set forth in the RFP.

Demonstrations may consist of a simulation at the Vendor's facilities, observation of operations at another Lottery, or presentation of solutions at some other appropriate venue, as requested by the Lottery during the evaluation process.

### ***1.21 Readiness for Production and Delivery***

#### **RESPONSE NOTE: Acceptance**

The Lottery's expectation that proposed equipment and software must be capable of a demonstration necessarily requires the Vendor to suggest goods and services that are presently in existence. The Lottery will not consider or accept configuration items that are at the specifications or concept stage only, in development, or are products announced but not engineered and not currently ready for manufacture and delivery.

The Lottery acknowledges that a Vendor's System would require adaptation to the Iowa requirements and that component parts would be created, ordered, and assembled or integrated for delivery. The Lottery also understands that existing products may be modeled in the place of improved newer releases or models that the Vendor will have in use.

The Successful Vendor must maintain in current status all federal, state, and local licenses and permits required for the operation of the business conducted by the Successful Vendor as applicable to this RFP.

### ***1.22 Proposal Clarification Process***

#### **RESPONSE NOTE: Acceptance**

The Lottery may request clarifications from Vendors for the purpose of resolving ambiguities or questioning information presented in the Proposals. The request(s) will be e-mailed to the Vendor's point of contact. Clarifications may occur throughout the Proposal submission review and/or the Proposal evaluation process. Clarification responses shall be submitted by e-mail to the RFP Coordinator and shall address only the information requested. Responses shall be submitted to the Lottery within the time stipulated in the request.

Clarifications are for the purpose of resolving ambiguities and improving the understanding of the Lottery regarding a Proposal. In no case does the clarification or any

other process permit revision or supplementation of the Proposal after submission. Clarifications are an opportunity to explain, but not enhance, the Proposal.

### **1.23 *Latitude in Proposal Contents***

#### **RESPONSE NOTE: Acceptance**

Each Vendor is expected to provide the Lottery with information, evidence, and demonstrations that will make possible an award that best serves the stated interests of the Lottery.

Vendors are given wide latitude in the degree of detail they offer or the extent to which they reveal plans, designs, systems, processes, and procedures. The Lottery seeks detail that demonstrates the Vendor has the capability to meet the articulated goals of the Lottery. The Vendor should fully describe the Vendor's capability to meet those goals with the goods and services set forth in response to this RFP. Emphasis in each Proposal should be on completeness and clarity of content.

Failure of a Vendor to provide the appropriate information or materials in response to each stated requirement or request for information may result in lower scores during the evaluation or may ultimately result in Proposal rejection based on non-responsiveness to the requirements of the RFP. Responses to complex RFP requirements that are stated in a form semantically equivalent to "Vendor agrees to comply" may be rejected for non-responsiveness at the discretion of the Lottery.

Vendor must respond to every item that requires a response in this RFP in the order presented in the RFP with the section number specified in the response. Vendor's response must provide the required information requested, an acknowledgement of acceptance where applicable, or indicate where such a response is not applicable (N/A). Vendor's Proposal must comply with the requirements outlined in this Section to qualify for scoring.

### **1.24 *Proposal Disclosure***

#### **RESPONSE NOTE: Acceptance**

Public disclosure or re-dissemination of Proposal contents by a Vendor or agent of the Vendor prior to the Lottery's notification of its intent to award a contract may result in Vendor's disqualification from this RFP process and/or rejection of the offending Vendor's Proposal.

### **1.25 *Disclosure and Ownership of Proposal Contents by the Lottery***

#### **RESPONSE NOTE: Acceptance**

In accordance with Iowa Code 72.3, the Lottery shall maintain the confidentiality of Vendor Proposals until the issuance of a Notice of Intent to Award.

Following the issuance of a Notice of Intent to Award, all matters set forth in a Proposal, including technical and price information, may be subject to disclosure under Iowa Code chapters 22 and 99G. Regardless of copyright claims or Vendor designations on pages set forth in this Proposal, the Lottery will process and comply with any subsequent public records request through an analysis of the Vendor information provided and the exceptions set forth in Iowa Code chapters 22 and 99G.

Any and all materials submitted by Vendor in response to this RFP, except Vendor demonstration equipment such as terminals and peripherals, become the exclusive property of the Lottery. Except as set forth in Section 1.26, the Vendor waives its rights relating to the contents of the Proposal, including without limitation, any and all rights of identification of authorship and any and all rights of approval, restriction or limitation on use unless prohibited by law.

### ***1.26 Public Records and Requests for Confidentiality***

#### **RESPONSE NOTE: Full**

The release of information by the Lottery to the public is subject to Iowa Code chapters 22, 99G, and chapter 531 of the Iowa Administrative Code. Vendors are encouraged to familiarize themselves with these provisions prior to submitting a Proposal. A copy of the Iowa Code and Iowa Administrative Code can be found on the State of Iowa's web page, <https://www.legis.iowa.gov/law>. All information submitted by a Vendor may be treated as public information by the Lottery unless the Vendor properly takes reasonable efforts to maintain confidentiality by requests that information be treated as confidential at the time of submitting the Proposal in the manner set forth by this section. Any requests for confidential treatment of information must be included in a letter with the Vendor's Proposal and must enumerate the specific grounds in Iowa Code chapter 22 which support treatment of the material as confidential and must indicate why disclosure is not in the best interests of the public. The request must also include the name, address, and telephone number of the person authorized by the Vendor to respond to any inquiries by the Lottery concerning the confidential status of the materials. Pricing information cannot be designated as confidential information under this RFP.

Vendor's reasonable efforts to maintain confidentiality must include, at a minimum, marking every document and page where confidential information appears in the Proposal documents. In addition to marking the confidential information in the body of the response, any page that contains confidential information will be noted as such in either the page header or page footer. The confidential information must be clearly identifiable to the reader wherever it appears. All copies of the Proposal submitted, as well as the original Proposal, must be marked in this manner.

In addition to marking the material as confidential material where it appears, the Vendor must submit one copy of the Bid Proposal plus one (1) on a USB flash drive both marked "Public Copy" from which the confidential information has been excised. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the document as possible. The "Public Copy" will be made available for public inspection.

In the event the Lottery receives a request for the release of information that includes material a Vendor has marked as confidential, the Lottery will provide a written notice to the Vendor regarding the request by e-mail as soon as practicable. Unless otherwise directed by a court of competent jurisdiction, the Lottery will release the requested information in accordance with applicable law.

Once a contract has been executed, the contract and all supporting documents in the Successful Vendor's Proposal including pricing shall be considered public and subject to disclosure pursuant to Iowa Code chapter 22.

The Vendor's failure to request confidential treatment of material pursuant to this section and the relevant laws and administrative rules will be deemed by the Lottery as a failure to take reasonable efforts to maintain confidentiality and a waiver of any right to confidentiality which the Vendor may have had.

### ***1.27 Joint Proposal Responses***

#### **RESPONSE NOTE: Acceptance**

Two or more firms may together submit a Proposal. If a joint Proposal is submitted, the Proposal shall define the responsibilities that each firm is proposing to undertake. Of the firms submitting a joint Proposal, one must be designated as the primary Vendor. Any Contract award issued as a result of this submission will be made exclusively to the primary Vendor. The Proposal should designate a single authorized official to serve as the sole point of contact between the Lottery and the joint responding firms.

A joint Proposal, which is defined as two or more Vendors bidding jointly on one solicitation response, shall be deemed one indivisible Proposal.

### ***1.28 Multiple Proposals from One Vendor Not Allowed***

#### **RESPONSE NOTE: Acceptance**

A Vendor shall submit a single Proposal only. Within the single Proposal, the Vendor may identify a variety of options, including solicited and unsolicited products, services, and features that the Vendor believes may be appealing and useful to the Lottery. However, a single Vendor may not submit multiple Proposals.

### ***1.29 Costs Associated with Proposal***

#### **RESPONSE NOTE: Acceptance**

Neither the Lottery nor the State of Iowa shall be liable for any of the costs of preparing or submitting a Proposal, including, but not limited to preparation, copying, postage, and delivery fees and expenses associated with any demonstrations or presentations that may be required by the RFP.

### **1.30 Mandatory and Optional**

#### **RESPONSE NOTE: Acceptance**

Specifications in the RFP shall be regarded by the Vendor as mandatory, as denoted by terms such as "required," "must," "shall," and "will," and their semantic equivalents, except where a function, feature, or capability is specifically noted as being "optional".

In the case of an "optional" item, the Vendor is not required to offer such as expressly described in the RFP; however, the evaluation of the Vendor's offering may be more favorable if functions, features, and capabilities are submitted as the Lottery will have a more complete picture of how the Vendor's proposed solution will help advance the Lottery's goals. "Options" are explained in RFP Section 1.38.

### **1.31 RFP and Contract are Non-Exclusive**

#### **RESPONSE NOTE: Acceptance**

Nothing in this RFP or the Contract resulting from this RFP shall preclude the Lottery from purchasing or leasing through other vendors, other gaming concepts, products, services, or equipment, for use in another processing system or for use as an integral part of the System described in this RFP. Vendors shall describe the ability of the systems, equipment, and processes set forth in the Proposal to interact with those of outside systems and vendors.

### **1.32 Proposal Bid Bond**

#### **RESPONSE NOTE: Acceptance**

Each Proposal shall be accompanied by a certified check, bid bond by a surety company registered to do business in the State of Iowa, or a certified share draft drawn on a credit union in Iowa or chartered under the laws of the United States, in the amount of one hundred thousand dollars (\$100,000) made payable to the Lottery. Any funds submitted in compliance with this section must guarantee for one (1) year after submission the availability and price of the goods and services Vendor has set forth in the proposal.

If a cashier's check is used, the check will be deposited to the Lottery fund. Interest on the funds will not be credited to the Vendor.

The bid bond or proceeds from a cashier's check will be returned to any unsuccessful Vendor upon the execution of the Contract with the Successful Vendor.

The bid bond of the Successful Vendor will be retained until the Contract is executed and the Lottery is furnished with an acceptable performance bond and fidelity bond in accordance with RFP sections 2.10 and 2.11. The check or bond will be forfeited to the Lottery if the Successful Vendor fails to submit in a timely fashion the performance bond or other security, as required by the Lottery. In the event that the Vendor and the Lottery are unable to reach an agreement on the terms of the Contract, Vendor shall forfeit all rights to any bid bond submitted in compliance with this section.

### **1.33 *Litigation Bond***

**RESPONSE NOTE: Acceptance**

Each Vendor must submit with the Proposal a Litigation Bond in the amount of two hundred thousand dollars (\$200,000).

A claim upon the Bond may be made by the Lottery under the following conditions:

1. The Vendor sues the Lottery or any of its directors, officers or employees, other contractors, or retailers with regard to any matter relating to the award of a contract pursuant to this RFP; and
2. The Lottery or other Defendant(s) is the prevailing party in such suit.

The purpose of the Bond is to permit the Lottery or Lottery-related parties to recover reasonable attorneys' fees, expenses, court costs, and other costs resulting from such litigation. The Litigation Bond shall remain in effect for a period of two (2) years from the date of submission of the Proposal. Following signing of a Contract with the Successful Vendor, the Litigation Bond of any Vendor will be released upon the Vendor's execution of a Covenant Not to Sue in a format acceptable to the Lottery.

### **1.34 *Assurance of Bonds***

**RESPONSE NOTE: Acceptance**

Bonds shall be issued by a reputable and reliable surety company with a record of successful continuous operation that is licensed to do business in the State of Iowa.

### **1.35 *Disclosure Documents and Investigations***

**RESPONSE NOTE: Full**

Iowa Code 99G.22, Vendor background review, requires the Lottery (ILA) to investigate the financial responsibility, security, and integrity of any lottery system vendor who is a finalist in submitting a bid, proposal, or offer as part of a major procurement contract. Before a major procurement contract is awarded, the Division of Criminal Investigation (DCI) of the Department of Public Safety shall conduct a background investigation of the vendor to whom the contract is to be awarded.

At the time of submitting a bid, proposal, or offer to the ILA on a major procurement contract, the ILA shall require that each vendor and, as appropriate, the Vendor's corporate parent and any subsidiary of Vendor, to submit to the DCI appropriate investigation authorization to facilitate this investigation, together with an advance of funds to meet the anticipated investigation costs. The disclosure documents to be completed by Vendors are referenced in RFP Appendix H. The investigation may include the submission of disclosure documents, interviews and various records checks in addition to those identified in Appendix H.

All disclosure documents provided as part of the Proposal should be clearly identified as disclosure documents and should be contained in a separate envelope within the Proposal package. Only one composite copy of the disclosure documents should be submitted.

Any Vendor, its parent, as well as any subsidiary corporation of the Vendor (not any other subsidiaries of the parent company) providing goods or services to the Lottery, must submit, as part of its Proposal, a completed DCI Class "L" Business Entity (Class "L").

The Vendor(s) selected by the Lottery CEO for background investigation must also submit a completed DCI Class "L-1" Vendor Key Personnel (Class "L-1") for each "control person" of the Vendor. A control person is defined as all persons owning 5 percent (5%) or more of the Vendor, a subsidiary of the Vendor or the parent company of the Vendor and all officers and directors thereof. In addition, the Lottery may require a Class "L-1" to be submitted for any person identified as a trustee, partner, sole proprietor, employee or other person in a sensitive position or relationship with the bidder. The Class "L-1" requires the submittal of one completed fingerprint card. To obtain the required number of blank fingerprint cards, the Vendor should contact the RFP coordinator.

Upon request from the Lottery or DCI, Vendors shall be required to provide additional records as requested to supplement the previously provided documentation relating to a background application. This may include records pertaining to an affiliated company.

**Cost of Background Investigation:** The expense of conducting the background investigation(s) performed by DCI will be borne by the Vendor. The application fee is required prior to the start of the DCI investigation process. All fees are to be submitted in the form of a check or money order payable to the Iowa Division of Criminal Investigation.

**Class "L" Business Entity** - An application fee is required for each Class "L" submitted. Fees associated with the Class "L" applications are ten thousand dollars (\$10,000) prior to the background being started. If the costs are more, the vendor is required to pay the additional costs and if the costs are less the DCI either refunds the unused portion or keeps it on account for the vendor. Checks should be made payable to Iowa DCI.

**Class "L-1" Vendor Key Personnel** - The DCI will notify the Vendor(s) which individuals need to have a background investigation completed. Class "L-1" fees will be payable at that time. Fees associated with the Class "L-1" applications are:

- Individual residing in Iowa: four thousand dollars (\$4,000)
- Individual residing within the contiguous United States: six thousand dollars (\$6,000)

If the investigative costs exceed the total amount of fees filed by the applicant, DCI may require additional funds, as it deems appropriate.

The Lottery reserves the right to accept a Proposal which does not include all required information provided that any omitted information is promptly made available to the

Lottery upon request. The Lottery or DCI may require any Vendors submitting a Proposal to provide additional background documentation after reviewing the documents initially submitted with the Proposal.

Any information provided to the Lottery in the disclosure documents as well as the results of the investigation conducted by the DCI will be used by the Lottery and Lottery Board to determine the Successful Vendor. The information may be used to disqualify a Vendor who does not meet the Lottery's standards. The DCI will confer with Vendors upon request regarding the completion of the disclosure documents.

The Lottery may reject a Proposal based upon the results of these background checks and disclosures. The Vendor is advised that any person who knowingly provides false or intentionally misleading information in connection with any investigation by the Lottery may cause the Proposal to be rejected, or a subsequent contract to be canceled.

Any Vendor that has undergone a DCI background investigation within the past five (5) years or is currently undergoing a DCI background investigation may, at the Lottery's discretion, be determined to have already complied with the background investigation requirements set forth in this RFP.

### ***1.36 Disclosure of Litigation and Other Information***

#### **RESPONSE NOTE: Full**

In furtherance of the Lottery's obligation to ensure efficient operation in a manner that protects integrity and dignity, the Lottery requires all Vendors to disclose all relevant details regarding the following circumstances, to the extent they have occurred within the past five (5) years of the date of the issuance of this RFP:

- The termination of any contract with a Lottery or any of Vendor's major suppliers for cause.
- The amounts of any material assessment of liquidated damages or penalties, including any resolutions or agreements reached by Vendor to avoid the material assessment of liquidated damages or penalties.
- Any judgment, decree, or order from any federal, state, or local governmental entity suspending or otherwise limiting Vendor's right to engage in any business, practice or activity.
- Any material pending or threatened litigation, administrative or regulatory proceedings to which the Vendor is a party.
- Any arrest or conviction of a "control person" for a felony charge or gaming related violation. Failure to disclose such matters may result in rejection of the Proposal or in termination of a Contract.

This is a continuing disclosure requirement; any such matter commencing after submission of a Proposal and, with respect to the Successful Vendor after the execution of a Contract, must be disclosed in a timely manner in a written statement to the Lottery. For the purposes of this subsection, the term "material" means an amount in excess of \$100,000 or a controversy that adversely impacts the vendor's ability to perform the functions set forth in this RFP.

### **1.37 Change of Ownership or Financial Condition**

#### **RESPONSE NOTE: Acceptance**

If a Vendor who has submitted a Proposal in response to this RFP experiences a material change in its ownership or financial condition prior to award, or in the case of the Successful Vendor during the term of a Contract with the Lottery, the Lottery must be notified in writing at the time the change occurs or is identified. "Material change in ownership" is defined as any merger, acquisition, assignment or change in parties who comprise ownership greater than five (5) percent of the Successful Vendor or the parent company of the Successful Vendor. "Material change in financial condition" is defined as any event which, following Generally Accepted Accounting Principles (GAAP), would require a disclosure in the annual report of a publicly traded United States corporation.

As part of the continuing disclosure requirement, disclosure documents must be submitted for a new "control person". The costs associated with background investigation will be borne by the Successful Vendor. Failure to disclose such matters may result in rejection of the Proposal or in termination of a Contract.

### **1.38 Required, Specified, Invited and Offered Options**

#### **RESPONSE NOTE: Acceptance**

A **Required Option** as noted in this RFP is identified as a key element of the RFP, which Vendor shall provide and include in the base system price set in this RFP.

A **Specified Option** as noted in this RFP is identified as a key element of the RFP. The Vendor is required to include the Specified Options in the Proposal. However, the Lottery may choose not to exercise such an option, and makes no commitment to the quantity or timing for acquisition.

An **Invited Option** as noted in this RFP is identified as being of specific interest to the Lottery, which the Lottery will consider whether to incorporate from a successful Proposal. The Vendor is not obligated to include an Invited Option in the Proposal.

An **Offered Option** is not referenced in this RFP but may be identified by the Vendor and included in the Proposal. This is an opportunity for Vendors to offer options that the Lottery did not identify as being of specific interest.

### **1.39 Independent Price Determination**

#### **RESPONSE NOTE: Acceptance**

By submission of a Proposal, the Vendor certifies the following:

1. The prices in the Proposal have been arrived at independently, without consultation, communication, or agreement with any other Vendor or with any competitor.
2. Unless otherwise required by law, the prices quoted have not been knowingly disclosed by the Vendor and will not knowingly be disclosed by the Vendor prior to award directly or indirectly to any other Vendor or to any person not representing the Vendor.
3. No attempt has been made or will be made by the Vendor to induce any other person or entity to submit or not submit a Proposal for the purpose of restricting competition.

#### ***1.40 Hiring and other Business Relationships with Lottery Staff***

**RESPONSE NOTE: Acceptance**

During the period from the RFP release until the signing of the Contract, Vendors are prohibited from officially or unofficially soliciting, making any employment offer or promise or proposing any business arrangement whatsoever to any Lottery employee or board member. A Vendor making such an offer, promise or proposition may be disqualified from further consideration, or a Contract signed pursuant to this RFP may be terminated.

Furthermore, for the duration of this RFP process, Vendors, their employees and any representative, designee or agent of the Vendor shall refrain from providing meals, entertainment, or gifts of any value for Lottery employees, Iowa elected officials or board members.

#### ***1.41 Disqualification for Non-Responsibility***

**RESPONSE NOTE: Acceptance**

Vendors who, in the Lottery's judgment after the evaluation of documents required to be submitted in response to this RFP, do not possess the capability to perform the Contract requirements, have a conflict of interest in serving the Lottery, or fail to demonstrate sufficient financial responsibility, security, integrity, and reliability to assure performance, shall be restricted from further participation in this RFP.

#### ***1.42 Applicable Laws and Procedures***

**RESPONSE NOTE: Acceptance**

This RFP, the Proposals, the resulting Contract, and the processes associated with the procurement, shall be governed by the laws of the State of Iowa. With respect to any and all legal actions or proceedings arising under this RFP or any resulting Contract, a Vendor, by submission of a Proposal, consents to the application of Iowa law to any dispute. By

submission of a Proposal, Vendor further consents to have the venue and jurisdiction for any such dispute to be the Polk County Iowa District Court or the United States District Court for the Southern District of Iowa, wherever jurisdiction is appropriate. Nothing in this provision shall be deemed to waive any immunity from claim or suit that the Lottery or the State of Iowa may have.

#### **1.43 Appeal of Award**

**RESPONSE NOTE: Acceptance**

Any Vendor whose bid or Proposal has been timely filed and who is aggrieved by the Lottery's Notice of Intent to Award may appeal the decision by filing a written notice of appeal to the Lottery, 13001 University Avenue, Clive, Iowa 50325-8225, within five days of the date of the Notice of Intent to Award, exclusive of Saturdays, Sundays, and state legal holidays. The notice of appeal shall state the grounds upon which the Vendor challenges the Lottery's award. Following receipt of a notice of appeal that has been timely filed, the Lottery will process the appeal in accordance with Iowa Codes chapter 17A and 99G, as well as Chapter 531 of the Iowa Administrative Code.

#### **1.44 Release of Claims**

**RESPONSE NOTE: Acceptance**

With the submission of a Proposal, each Vendor agrees that it will not bring any claim or have any cause of action against the Lottery or the State of Iowa based on any misunderstanding concerning the information provided herein or concerning the Lottery's failure, negligent or otherwise, to provide the Vendor with pertinent information as intended by the RFP. Additionally, each Vendor releases claims against each source of information of all claims, whether known or unknown, consulted by the Lottery to obtain information regarding the Vendor's criminal history, credit data, the Vendor, the Vendor's product, services, personnel or subcontractors which the Lottery deems pertinent to this RFP.

#### **1.45 News Release Prohibition**

**RESPONSE NOTE: Acceptance**

Vendors will not issue any news release or make any statement to the news media pertaining to this RFP, their Proposal, any proposed contract, or the work to be performed, without the prior written approval of the Lottery. Failure to comply with the News Release Prohibition may result in rejection of the Proposal or in termination of a Contract.

#### **1.46 Headings**

**RESPONSE NOTE: Acceptance**

The headings used in this RFP are for convenience only and shall not affect the interpretation of any of the terms and conditions thereof.

## **PART 2 – SPECIAL TERMS AND CONDITIONS**

### **2.0 Introduction**

#### **RESPONSE NOTE: Acceptance**

This section describes certain special terms and conditions that apply to the Lottery's procurement and which by virtue of incorporation will become part of the Contract executed pursuant to this RFP. Additional contractual terms for this procurement are set forth in Appendix C: Iowa Lottery Terms and Conditions. The Successful Vendor will be expected to sign a Contract that complies with and includes the terms of this section and those in Appendix C.

By submitting a Proposal, the Vendor agrees to the Terms and Conditions contained in this section and in Appendix C.

### **2.1 Contract Elements**

#### **RESPONSE NOTE: Acceptance**

The Contract between the Lottery and the Successful Vendor shall include as integral parts thereof:

- Addendums to the Contract;
- The Contract;
- The Terms and Conditions for Iowa Lottery contracts set forth in Section 2 and Appendix C of this RFP;
- The Lottery's clarifications and responses to Vendor questions;
- This RFP, including any addenda;
- Amendments to the Proposal and any Proposal clarifications, to the extent accepted by the Lottery; and
- The Proposal.

In the event of a conflict in the provisions of these documents, the order of precedence shall be as listed above from the highest to the lowest.

### **2.2 Amendments to the Contract**

#### **RESPONSE NOTE: Acceptance**

Any Contract provision resulting from this RFP may not be modified, amended, altered, changed, renewed, varied, waived or augmented, except in writing executed by the

parties hereto. Any breach or default by a party shall not be waived or released other than in writing and signed by the other party.

### **2.3 Severability**

**RESPONSE NOTE: Acceptance**

If a court of competent jurisdiction determines any portion of a Contract executed pursuant to this RFP to be invalid, that portion shall be severed and the remaining portions of the Contract shall remain in effect.

### **2.4 Term of Contract**

**RESPONSE NOTE: Acceptance**

Unless terminated sooner, the Contract resulting from this RFP will be in effect from the Contract effective date, plus an implementation period, and then for ten (10) years of production operations, plus such time as is necessary to finish out the Lottery business week then in progress. The Contract term may run a shorter period, as determined by the Lottery, due to causes such as, but not limited to, Contract termination or loss of statutory authority by the Lottery.

The Lottery reserves the right to renew the Contract at its sole option up to a maximum of five (5) additional one (1) year periods or any combination thereof. The Lottery may opt to award more than one renewal at a time, and may negotiate the terms of the renewal.

### **2.5 Emergency Extension**

**RESPONSE NOTE: Acceptance**

The Lottery reserves the right to reactivate or further extend the initial ten (10) year Contract, or any renewal thereof, at the rates and upon the terms and conditions then in effect for one (1) or more thirty (30) day periods if a different Vendor is chosen for a subsequent contract and the subsequent Vendor's system does not meet the requirements of the Lottery or cannot be fully implemented within the timeframe set by the Lottery.

Exercising these rights shall not be construed as obligating the Lottery to repeat the procurement process for any subsequent Contract or conferring any right or expectation for the Successful Vendor to continue operating the System after the expiration of any such emergency extension period.

### **2.6 Covenant Against Contingent Fees**

**RESPONSE NOTE: Acceptance**

The Vendor warrants that no person, selling agency or other agency has been employed or retained to solicit or secure an agreement pursuant to this RFP upon an agreement or understanding for a commission, percentage, brokerage or contingent fee. For breach or violation of this warranty, the Lottery shall have the right to terminate any Contract in

accordance with the termination clause, and in its sole discretion, to deduct from any Contract or otherwise recover the full amount of any such commission, percentage, brokerage or contingent fee.

## **2.7 Audit and Accounting Requirements**

### **RESPONSE NOTE: Acceptance**

Under the Contract, the Successful Vendor must meet specific auditing and accounting obligations:

1. The Successful Vendor shall have a complete corporate financial audit conducted annually, at its own expense. The audit must follow generally accepted auditing standards (GAAS), or the appropriate non-U.S. equivalent. A copy of the Successful Vendor's certified financial statements shall be provided to the Lottery within 180 days after the close of the Successful Vendor's fiscal year.
2. The Successful Vendor shall provide the Lottery with Securities and Exchange Commission (SEC) 10-K and 10-Q reports (or the appropriate non-U.S. equivalent) as they are issued, together with any other reports required pursuant to Section 13 of the Securities and Exchange Act of 1934, as amended, through the duration of the contract.
3. A SAS 70 audit of the Successful Vendor's Iowa operations must be conducted annually until no significant deficiencies are reported. At that time, at the Lottery's sole discretion, the SAS 70 audit may be conducted bi-annually. This SAS 70 audit engagement will review and test the effectiveness of the Successful Vendor's internal controls based on the AICPA Statement of Auditing Standards No. 70 with the deliverable being a Type II Service Auditor's Report. The SAS 70 audits shall be paid for by the Successful Vendor. For this review the Lottery and the Auditor of the State of Iowa will select the firm(s) to perform the work. All aspects shall be conducted pursuant to auditing standards as issued by the American Institute of Certified Public Accountants. SAS 70 Audits shall occur for a time period designated by the Lottery and will be reported no later than one hundred-twenty (120) days from the date the audit begins. The first SAS 70 audit shall be conducted during the first six (6) months of the fiscal year immediately following the Successful Vendor's implementation pursuant to this RFP. Status reports and findings will be provided to the Lottery on an on-going basis during the SAS 70 audit. Control objectives for the SAS 70 audits will be provided to and approved by the Lottery.
4. The Successful Vendor is required to maintain its books, records and all other information pertaining to the Contract in accordance with generally accepted accounting principles (GAAP) (or the appropriate non-U.S. equivalent) and such other procedures specified by the Lottery. These records shall be available to the Lottery, its internal auditors or external auditors and other designees at all times during the contract period and for five (5) years from the contract expiration date or final payment on the contract, whichever is later.

5. The Successful Vendor is required to participate in security reviews or audits performed by Lottery Security, any authorized representatives of the State or Federal government, or third-party contractors authorized by the Lottery. Any findings that require remediation in the Successful Vendor's operations must be corrected in accordance with a timetable agreed upon in writing with the Lottery.

## **2.8 Bonds and Insurance Qualifications**

**RESPONSE NOTE: Acceptance**

All required bonds and insurance must be issued by companies which are rated A- (Excellent) or higher by A. M. Best Company. All such companies must be approved by the Lottery, have a record of successful continuous operation, and be licensed, admitted, and authorized to do business in the State of Iowa. Required bonds and coverages must be put into effect as of the effective date of the Contract and must remain in effect throughout the term of the Contract, as determined by the Lottery. The Successful Vendor must submit certificates and copies of each required bond and insurance contract, and any renewals thereof, to the Lottery. The insurance policies must provide thirty (30) days advance written notice of cancellation, termination or failure to renew any policy.

## **2.9 Insurance**

**RESPONSE NOTE: Acceptance**

The Successful Vendor shall purchase and maintain insurance providing coverage for the claims set forth below which may arise out of or result from the Successful Vendor's operations under the Contract, whether such operations be by the Successful Vendor or by any subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

- Claims under workers' compensation, occupational disease disablement, disability benefits and other similar employee benefits acts.
- Claims for damages because of bodily injury, occupational sickness or disease, or death of any person, including Successful Vendor employees.
- Claims for damages because of injury to or destruction of tangible property, including any resulting loss of use.
- Errors and Omissions Insurance as set forth in Section 2.9.1.

### **2.9.1 Insurance Coverages**

**RESPONSE NOTE: Acceptance**

Specific coverage requirements are listed below. Dollar amounts defined below are minimums and the Successful Vendor must purchase and maintain these minimum insurance coverages. Statements of self-insurance to cover these obligations will be considered non-responsive.

1. **Property Insurance.** Insurance on all buildings, fixtures and equipment provided or used in providing the System and all services must be maintained in the amount of actual replacement cost thereof. This policy must insure personal property including contents, equipment, and mobile items against fire, collision, flood, and all other insurable hazards. Lottery retailers are not responsible for any terminal or equipment insurance.
2. **General Liability Insurance.** Commercial General Liability and Property Damages Insurance with limits of not less than ten million dollars (\$10,000,000) combined single limit for Bodily Injury and Property Damage per occurrence and ten million dollars (\$10,000,000) Aggregate.
3. **Professional Liability and Errors and Omissions Insurance.** Amount: twenty million dollars (\$20,000,000). Professional Liability and Errors and Omissions Insurance must indemnify the Lottery, its directors, officers and employees, and the State for direct or indirect loss due to any error or omission caused by the Successful Vendor and coverage must continue until one (1) year past the term of the Contract.
4. **Automobile Bodily Injury and Liability Insurance.** Insurance with a combined single limit of not less than one million dollars (\$1,000,000).
5. **Workers' Compensation Insurance.** Insurance must cover all of Successful Vendor's employees during the term of the contract in accordance with Iowa statutes, or other applicable worker's compensation laws.

All other insurances required by this section must be effective upon execution of the Contract and continue in full force and effect throughout the term of the Contract.

## **2.9.2 Certificates of Insurance**

### **RESPONSE NOTE: Acceptance**

Certificates of insurance must be furnished to the Lottery no later than the date of Contract execution, with the exception of the certificate for Errors and Omissions Insurance, which must be furnished no later than ten (10) business days prior to production start-up. The Lottery will be named as an additional insured on all Certificates of Insurance as allowable.

## **2.10 Performance Bond**

### **RESPONSE NOTE: Acceptance**

Upon notification of receiving the award, the Successful Vendor must provide to the Lottery, a performance bond, irrevocable Letter of Credit, or other form of security acceptable to the Lottery in the amount of ten million dollars (\$10,000,000) during the term of the Contract. The performance bond shall bind the Successful Vendor to fully and faithfully perform its obligations under the Contract, and provide payment to the Lottery if

the Successful Vendor defaults in the performance of the Contract or has caused or incurred any uncompensated liquidated damages.

The performance bond may be used to satisfy liquidated damages payments due the Lottery that have not been received within thirty (30) calendar days after written notice of liquidated damage occurrence has been given to the Successful Vendor by the Lottery.

Other forms of security may be acceptable but are subject to the Lottery's discretion and approval. Failure to post an additional bond or security following notice from the Lottery that proposed security is inadequate shall be grounds for immediate termination of the Contract.

#### **Letter of Credit as Performance Security.**

**Letter of Credit as Performance Security.** If the Successful Vendor elects to provide a Letter of Credit for satisfaction of these performance security requirements, the Successful Vendor shall maintain an irrevocable Letter of Credit in the amount of ten million dollars (\$10,000,000) with payment in favor of the Lottery. Any irrevocable Letter of Credit submitted must utilize the language and form required by the Lottery. The irrevocable Letter of Credit, as well as any amendments, additions, or replacement letters thereto, shall be issued by a financial institution that is well capitalized pursuant to Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) guidelines. Any issuing institution must be FDIC or NCUA insured, remain registered to do business in the State of Iowa, and maintain a physical presence in Iowa. Successful Vendor shall pay the cost of maintaining the irrevocable Letter of Credit.

**Delivery and Duration.** The Successful Vendor shall deliver the irrevocable Letter of Credit, original in form, to the Lottery before performing any services pursuant to the Contract, and in all cases no later than fifteen (15) calendar days following final execution of the Contract. The irrevocable Letter of Credit shall be in place for the term of the Contract and any extensions or renewals thereof. A lapse of the irrevocable Letter of Credit will be a material breach of the Contract.

**Nonrenewal of Letter of Credit.** In the event the Lottery receives a Notice of Non-Renewal from the Issuing Bank, the Successful Vendor must provide a substituted irrevocable Letter of Credit for the next Contract year no later than sixty (60) calendar days prior to the expiration of the Letter of Credit then in effect. Any substituted irrevocable Letter of Credit submitted must utilize form and language acceptable to the Lottery.

**Rights to Draw on the Letter of Credit.** The Lottery shall have the right to draw upon the Letter of Credit in one or more instances for either a portion or the full amount upon occurrence of any of the following events: (i) the Contract has been terminated by the Lottery for cause; (ii) the Successful Vendor is in default under the terms of the Contract and any notice period established by the Lottery in a notice of default has expired; or (iii) the Successful Vendor is in default under the terms of the Contract and

the issuance of a notice of the default is barred or stayed by law; or (iv) the Successful Vendor fails to make payments due from a notice of liquidated damage occurrence has been provided to the Successful Vendor by the Lottery. The Lottery may draw upon the Letter of Credit as often as any of the foregoing events occur up to the full amount of the Letter of Credit.

**Amendment.** Successful Vendor shall promptly cause the Letter of Credit to be amended if the Lottery reasonably requests an amendment, such as to change the address for notices. If the Letter of Credit is lost, stolen, or damaged, Successful Vendor shall cooperate with Lottery to replace such Letter of Credit.

## **2.11 Fidelity Bond**

### **RESPONSE NOTE: Acceptance**

Prior to Contract execution, the Successful Vendor will be required to obtain a fidelity bond in the amount of five million dollars (\$5,000,000) during the term of the Contract covering any loss or damage to the Lottery due to any fraudulent or dishonest act on the part of the Successful Vendor's officers, employees, agents or subcontractors. Such an event, in the sole discretion of the Lottery, could be grounds for termination of the Contract, whether or not the losses or damages arising as a result of the act or event are paid under the fidelity bond or insurance and whether or not the fraudulent or dishonest act occurred in or relates to Iowa.

If a subcontractor is not covered by the Successful Vendor's policy, the Successful Vendor must ensure the subcontractors have their own fidelity coverage that will satisfy the amounts set forth in this section.

## **2.12 Vendor Error Liability**

### **RESPONSE NOTE: Acceptance**

The Successful Vendor will be liable for any financial liabilities or obligations arising or resulting from errors and omissions by the Successful Vendor's employees, staff, subcontractors, and the goods or services provided by Vendor pursuant to Vendor's Proposal. Examples include, but are not limited to, errors in entry or posting of winning numbers by System operators, software and hardware errors that create retailer or payout liabilities, any error or failure by Vendor to validate and pay a valid winning ticket, or any error or failure by Vendor that results in payment of a prize for an invalid or nonwinning ticket. The Successful Vendor will pay all prize costs or liabilities relating to such errors, and shall also pay any additional cost incurred by the Lottery. In any case, the Successful Vendor's liability shall not be limited to the maximum amount of the applicable liability policy.

## **2.13 Ownership of Materials**

### **RESPONSE NOTE: Acceptance**

Ownership of all data, documentary material, and operating reports originated and prepared exclusively for the Lottery pursuant to any Contract resulting from this RFP shall belong to the Lottery.

The Successful Vendor will retain ownership of the retailer terminals, terminal peripherals, gaming computer systems, network systems, system documentation, software, and other materials originally supplied by the Successful Vendor.

## **2.14 Right of Use**

### **RESPONSE NOTE: Acceptance**

If for any reason other than a breach of the Contract by the Lottery, the Successful Vendor should lose its ability or refuse to provide the services to the Lottery as provided by the Contract, the Lottery shall acquire a right of continued use in the hardware, source and object program instructions, and the documentation for those programs as owned by the Successful Vendor, in conjunction with any products or services under the Contract which are necessary to provide the central facility, the backup facility, the communications network, all terminals, related equipment, procedures, and production gaming scripts.

Such right shall be limited to the right of the Lottery to possess and make use of these items solely for the use and benefit of the Lottery in operating, maintaining, altering and improving the programs and systems being used under the Contract, including any such training manuals and documentation in possession of Vendor. Such right shall be limited in time for the duration of the Contract and in scope to those items being used by the Lottery and on the Lottery's behalf under the Contract. All items, including modifications or alterations thereof, shall be kept in confidence, except to the extent that they are public records under Iowa law, and shall be returned to the Successful Vendor upon expiration of the Contract term.

## **2.15 Force Majeure**

### **RESPONSE NOTE: Acceptance**

A *force majeure* occurrence is an event or effect that cannot be reasonably anticipated, prevented or controlled and without the fault or negligence of the non-performing party. As herein used, *force majeure* includes fire, explosion, Act of God, rationing, war, terrorism, act of any governmental authority or agency, civil disturbance, governmental interference, or any other similar cause which is beyond the control of the party affected, and which, by the exercise of reasonable diligence, said party is unable to prevent or avoid.

Except as otherwise provided herein, neither the Successful Vendor nor the Lottery shall be liable to the other for any delay in, or failure of performance of, any covenant contained herein nor shall any such delay or failure of performance constitute default hereunder, to the extent that such delay or failure is caused by *force majeure*. The existence of such causes of delay or failure shall extend the schedule for performance to such extent as may be necessary to complete performance in the exercise of reasonable diligence after

the causes of delay or failure have been removed. The party asserting force majeure must provide the other party with reasonable information substantiating the basis for such assertion.

Any such delay in or failure of performance shall not in and of itself give rise to any liability for damages; however, the Lottery may elect to terminate the Contract should its continuing operations, in its sole judgment, be materially threatened or harmed by reason of extended delay or failure of performance, whether due to *force majeure* or otherwise.

During a period of non-performance due to *force majeure*, payments from the Lottery to the Successful Vendor will be suspended.

## **2.16 Production-Ready Acceptance Test Following Award**

### **RESPONSE NOTE: Acceptance**

The Lottery or designee will conduct a series of acceptance tests to fully assess and determine that, in the Lottery's discretion, the Successful Vendor has properly identified, installed, and produced the functional solutions set forth in the Vendor's RFP response. Vendor's deliverables shall be reviewed in light of the specifications of this RFP, the Proposal, the Contract, and any working papers developed jointly by the Successful Vendor and the Lottery during the implementation project.

The Lottery will not consider System components ready for Lottery acceptance testing while the System components are either still under development by the Successful Vendor or still subject to Quality Assurance verification by the Successful Vendor.

All defects discovered during acceptance testing must be corrected as soon as reasonably possible by the Successful Vendor. The Successful Vendor is responsible for submitting the corrected deliverable to the Lottery for re-testing. The Lottery, at its sole discretion, will determine whether performance against the acceptance tests is adequate, and whether conversion can proceed to production as scheduled.

If the software or deliverable contains so many defects that the Lottery is effectively unable to test the system, the Lottery reserves the right to halt acceptance testing until all defects have been remedied and the System is testable. Acceptance testing halts may lead to delays in System delivery and to liquidated damages being owed by the Successful Vendor to the Lottery. The Lottery further reserves the right to terminate the Contract if the Successful Vendor fails to provide functional deliverables that can satisfy the Lottery's acceptance testing process.

## **2.17 End of Contract Conversion**

### **RESPONSE NOTE: Acceptance**

Approximately twelve (12) months prior to the expiration of the Contract resulting from this RFP, the Lottery is anticipated to award a new contract for replacement of the System. The parties understand and agree that the Lottery may utilize part of the last year of the

Contract resulting from this RFP or any renewal or extension thereof for conversion to the replacement gaming system.

The Successful Vendor shall cooperate fully and in good faith in the conversion. Cooperation may include, but not be limited to, sharing of liability files, Scratch ticket pack inventory files, Pull-Tab pack inventory files, InstaPlay and Lotto files, retailer authority files, and cross-validation of winning tickets. The Lottery may determine in its sole discretion that cooperation by the Successful Vendor shall include providing information to allow ticket bar codes to be read by a third-party system for validation. Failure by the Successful Vendor to cooperate fully and in good faith may result in the assessment of liquidated damages.

Within the timeframe set by the Lottery, upon a conversion event at the end of the Contract as set forth in this section, the Successful Vendor further shall remove all equipment and materials relating solely to the Successful Vendor's gaming system from each retailer location and from Lottery property after final conversion of any location to the new gaming system. Equipment and materials not so removed by the Successful Vendor following the conversion period shall be considered abandoned and shall be disposed of at the Lottery's discretion at the cost of the Successful Vendor.

## ***2.18 Equipment and Software Corrections and Upgrades***

### **2.18.1 Corrections and Supported Products**

**RESPONSE NOTE: Acceptance**

The Successful Vendor must report any deficiencies in the hardware or software used in the System to the Lottery in a timely manner. The Successful Vendor maintains responsibility for ensuring that corrections are incorporated in the configuration and deficiencies are corrected. The Successful Vendor shall be responsible for obtaining and maintaining maintenance and support agreements for all applicable software, and to ensure that the solution provided to the Lottery pursuant to this RFP is regularly updated and kept secure.

### **2.18.2 Workload Growth**

**RESPONSE NOTE: Acceptance**

The Successful Vendor must provide equipment and software changes necessary to support increased System workload.

1. Increased volume of sales and distribution of Lotto, InstaPlay, Scratch and Pull-tab games must be included in the Successful Vendor's Baseline System price.
2. The Baseline System price shall also include expanded sales or requirements for existing or future multi-jurisdictional games that the Lottery may participate in as a member of the Multi-State Lottery Association or other similar consortium.

### **2.18.3 Reporting Changes**

**RESPONSE NOTE: Acceptance**

All software and/or stored procedure changes for scheduled administrative reports, ad hoc reports, screen displays, processing options, and other features required for the Lottery to manage the System, meet reporting obligations, and respond to new business needs or rules, shall be included by the Successful Vendor price. The Baseline System shall also allow for expanded reporting necessary for management information applications, as well as to the interface reporting necessary for accurate tracking by Lottery staff for service and repair calls.

### **2.18.4 Other Changes**

**RESPONSE NOTE: Acceptance**

Changes and enhancements to the equipment and software exceeding RFP-specified requirements and not otherwise accommodated by the pricing method and options in Part 4, such as additional terminal peripherals, game enhancements, game options, promotions, new games, new terminal types, new delivery methods and new Retailer user interface features, will be handled as follows:

1. Software changes and deliverables relating to new games are included in the Successful Vendor's Baseline System price. The Successful Vendor shall absorb the cost of any additional development required to create or adapt software for the Lottery's needs.
2. To the extent that changes requested by the Lottery require additional capital equipment or facilities, those costs shall be negotiated by the Successful Vendor and the Lottery.
3. When the Lottery requests a deliverable separate from the Successful Vendor's baseline system that includes hardware or software developed by a third party, the Successful Vendor shall provide the third-party licenses to the Lottery at cost.

### **2.19 Approval of Hardware and Software Changes and Upgrades**

**RESPONSE NOTE: Acceptance**

The Successful Vendor's configuration management system and practices shall preclude unauthorized changes to the System. Any engineering changes or variations from the designs and specifications of the RFP, the Proposal, the Contract, or signed-off working papers must be approved in writing by one of the following: Lottery CEO, COO, CFO, or Vice President of System Operations prior to installation or implementation.

### **2.20 Management and Escrow of Software and Documentation**

**RESPONSE NOTE: Acceptance**

Before conversion of the System, the Successful Vendor shall deliver a complete set of the Successful Vendor's software source programs, program object code, operations manuals, service manuals, written procedures, and any such other materials necessary for the Lottery to operate the System to the Lottery or to a Lottery-approved escrow agent. The software source and object programs, and documentation, shall be delivered on mutually agreeable media. Installation packages for third party software products licensed by the Successful Vendor must be included. These materials must allow the Lottery to (i) continue operations in the event the Successful Vendor becomes unable to perform or refuses to service the Lottery as provided by Contract, and (ii) confirm that only authorized software and procedures are employed with the System. In this regard, the Lottery shall have access to the escrow at the Lottery's discretion for auditing its contents or for preparation to assume operations of the System.

As System changes are implemented, both the change and change documentation shall be provided to the Lottery or escrow to continue the Lottery's protection. Changes to Lottery's (escrow's) copy of these materials must occur within one (1) week of installation in production operations.

### ***2.21 Compensation During Contract***

**RESPONSE NOTE: Acceptance**

The Lottery shall compensate the Successful Vendor for sales conducted through the gaming system from the time that the retailer network is fully converted to the Successful Vendor's System and in production, for the term of the Contract, or as otherwise agreed by the Successful Vendor and the Lottery. Compensation shall be based on a series of periodic payments. Invoices shall be submitted on a periodic schedule, but no more frequently than weekly.

### ***2.22 Title to, Use of, and Compensation for, Intellectual Property***

**RESPONSE NOTE: Acceptance**

To the extent a Successful Vendor utilizes or relies upon third party Intellectual Property Rights in fulfilling its obligations under the Contract, the Successful Vendor will represent and warrant to the Lottery that the Successful Vendor has a valid right to use such intellectual property right. In addition, in the event of failure to perform or breach of contract, the Successful Vendor must ensure the Lottery's continued right of use of licensed intellectual property.

The Successful Vendor shall indemnify and hold harmless the State of Iowa, the Lottery, the Lottery's officers and directors, employees, staff, other Lottery Vendors, retailers, and all agents, employees, officers and directors thereof, from and against any and all claims, damages, fees and expenses, including any attorneys' fees and the reasonable value of time for the Attorney General's Office, relating in any way to claims that any or all of the products or services provided by the Successful Vendor under the Contract violate the intellectual property rights of a third party.

While the Lottery and the Successful Vendor agree that Intellectual Property associated with any product or service provided by the Successful Vendor during the term of this Contract will remain the property of the Successful Vendor, the Successful Vendor will grant the Lottery a license at no additional charge to make use of any such Intellectual Property for Lottery business and operations until the latter of the following: Contract expiration or the end of a game utilizing the license.

Intellectual Property fees for third-party products, logos, trademarks, brands, or labels that the Successful Vendor deploys in the System under the Contract shall be addressed under RFP Section 2.18.4. The Successful Vendor may not separately charge the Lottery an Intellectual Property fee for any items owned by the Successful Vendor.

### ***2.23 Exclusive Use of the Transaction Processing Systems***

**RESPONSE NOTE: Acceptance**

The Successful Vendor's hardware and software configuration for processing the Lottery's gaming transactions shall be exclusive to the Lottery. The Successful Vendor shall not allow transactions or operations from other sources to be co-mingled with the gaming transactions and operations provided to the Lottery. The Successful Vendor's System shall not be used to process non-Lottery transactions without prior written approval by the Lottery CEO or COO.

### ***2.24 Attachment of Third Party Systems, Terminals, or Products***

**RESPONSE NOTE: Full**

The Lottery reserves the right to attach to the System or otherwise install terminals, terminal peripherals, games, software, products, or systems other than those required by this RFP, including but not limited to systems allowing customers to use electronic mail, mobile phones, and the internet to play Lottery games.

The Successful Vendor shall demonstrate how its proposed solutions can integrate with terminals, terminal peripherals, games, software, products, or systems developed by other companies.

The Successful Vendor shall be required to supply to the Lottery, in a reasonable time period, interface specifications to allow other products to carry out all functions and capabilities required by the Lottery. The Successful Vendor shall provide support to the Lottery in conducting future procurements for such products including providing facilities and support to allow other Vendors to attach or install and test products during the evaluation process. The Lottery will monitor progress to ensure full cooperation.

### ***2.25 Ticket Purchase and Prize Payment Restrictions***

**RESPONSE NOTE: Acceptance**

Pursuant to the Iowa Code section 99G, no ticket or share issued by the Lottery shall be purchased by and no prize shall be paid to any officer, employee, agent, or subcontractor

of any Vendor or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any such person if such officer, employee, agent, or subcontractor has access to confidential information which may compromise the integrity of the Lottery. The Successful Vendor shall ensure that this requirement is made known to each affected individual.

To ensure compliance with this requirement, the Successful Vendor and its subcontractors shall provide the Lottery with a list of individuals that have access to confidential information that may compromise the integrity of the Lottery. The list shall include name, address, date of birth, and social security number, and shall be updated monthly or on a schedule designated by the Lottery to maintain current information. This requirement applies throughout the duration of the Contract.

## **2.26 *Liquidated Damages Provisions***

### **RESPONSE NOTE: Acceptance**

With respect to each of the liquidated damages sections set forth in the RFP and the Contract, the Lottery and the Successful Vendor agree that it would be extremely impractical and difficult to determine actual damages which the Lottery will sustain in the event of a breach by the Successful Vendor. The Lottery and the Successful Vendor further agree that the goods and services to be provided under the Contract are not readily available on the open market, and that any breach by the Successful Vendor will delay and disrupt the Lottery's operations and will result in damages. Therefore, the parties agree that the liquidated damages as specified in all the sections of the RFP and the Contract are reasonable and are not to be construed as a penalty.

Assessment of liquidated damages shall be in addition to, and not in lieu of, such other remedies as may be available to the Lottery. Except and to the extent expressly provided herein, the Lottery shall be entitled to recover liquidated damages under each and every section applicable to any given breach, occurrence or incident.

In no case shall liquidated damages be measured in terms of potential lost revenue or potential lost net profit to the Lottery, unless and to the extent that a court of competent jurisdiction should determine that a liquidated damages provision is unenforceable as a matter of law.

### **2.26.1 Notification of Liquidated Damages**

#### **RESPONSE NOTE: Acceptance**

The Lottery shall notify the Successful Vendor in writing of the Lottery's determination and assessment of liquidated damages. The assessment of any liquidated damages, as well as the availability and period of any cure, shall be within the sole discretion of the Lottery.

## **2.26.2 Conditions for Cancellation of Liquidated Damage Assessments**

### **RESPONSE NOTE: Acceptance**

Except as waived in writing by the Lottery, no liquidated damages imposed shall be terminated or suspended until the Successful Vendor issues a written notice to the Lottery verifying the correction of the condition(s) for which liquidated damages were imposed, and all corrections have been subjected to system testing, acceptance testing, or other verification required at the discretion of the Lottery.

The Successful Vendor shall conduct system testing of any correction. Tests, including the test script, test environment, and test results, shall be developed jointly by the Lottery and the Successful Vendor. The Lottery must verify and approve the correction before a liquidated damages assessment may be suspended.

The termination or suspension of a liquidated damages event merely reflects the Lottery's acceptance that the Successful Vendor has resolved the deficiency that led to the assessments. The termination or suspension of a liquidated damages event does not relieve the Successful Vendor from the obligation to pay liquidated damages assessments issued by the Lottery.

## **2.26.3 Severability of Individual Liquidated Damages**

### **RESPONSE NOTE: Acceptance**

If any portion of the liquidated damages provisions is determined to be unenforceable, the other provision(s) shall remain in full force and effect.

## **2.26.4 Waivers of Liquidated Damages**

### **RESPONSE NOTE: Acceptance**

The Lottery's decision to waive or refuse to assess any liquidated damages due the Lottery shall not constitute a waiver of any other or future liquidated damages. Failure to assess liquidated damages or to demand payment of liquidated damages within any period of time shall not constitute a waiver of any such claim by the Lottery.

## **2.26.5 Payment of Liquidated Damages**

### **RESPONSE NOTE: Acceptance**

The Successful Vendor shall pay any liquidated damages assessment to the Lottery within the timeframe set forth in the Lottery's written notification of liquidated damages. At the Lottery's sole option, the Lottery reserves the right to deduct liquidated damages from any monies owed the Successful Vendor or through one (1) or more claims upon the Successful Vendor's performance bond or any applicable insurance policy.

## **2.26.6 Applicability of Liquidated Damages and Pro-rated Liquidated Damages**

### **RESPONSE NOTE: Acceptance**

The Successful Vendor shall not be required to pay liquidated damages for delays solely due to matters as enumerated in RFP Section 2.15 entitled "Force Majeure," or for time delays specifically due to, or approved by, the Lottery. In all the liquidated damages sections of the RFP and the Contract, the liquidated damages shall be pro-rated for partial periods.

## **2.26.7 Gaming System Installation**

### **RESPONSE NOTE: Acceptance as to all subparts**

#### **1. Condition**

The Successful Vendor shall complete all installation preparations as required, complete system testing to the Lottery's satisfaction, pass Lottery acceptance testing, comply with all other contractual requirements in effect during the implementation period, and achieve readiness for production operations.

#### **2. Damages**

The Lottery may impose liquidated damages for each calendar day of delay as follows.

- 1) Readiness for Start of Lottery Acceptance Testing. One thousand dollars (\$1,000) per day, beginning one hundred eighty (180) days prior to the Contract-agreed production start-up date.
- 2) Successful Completion of Lottery Acceptance Testing as determined by Lottery. Five thousand dollars (\$5,000) per day beginning twenty-eight (28) days prior to the Contract-agreed production start-up date, when such delay is caused by unresolved errors, problems and issues encountered in Lottery Acceptance testing.
- 3) Successful Completion of Data Conversion. Up to ten thousand dollars (\$10,000) per day for each day following an initial grace period of two days. All data required from the existing systems must be converted to the new systems and balanced and the new system must be able to reprocess transactions from the existing systems on a nightly basis.
- 4) Production Operations. Two hundred thousand dollars (\$200,000) per day beginning with the Contract-agreed production start-up date. At start-up, all terminals, network, communications and system requirements must be ready to go live.
- 5) Missing Project Deliverables/Milestones. Five-hundred dollars (\$500) per day for each and every failure to provide a deliverable, meet a requirement, or

resolve an acceptance testing problem pursuant to the agreed-upon project schedule until such is provided or performed.

## **2.26.8 Terminal, Kiosk and Peripheral Provisioning**

**RESPONSE NOTE: Acceptance as to all subparts**

### **1. Condition**

The Successful Vendor shall install and move, add, delete, remove, relocate and change terminals and/or kiosks, including their associated Successful Vendor-supplied peripherals, in accordance with the provisioning schedules agreed to by the Successful Vendor and the Lottery both at startup and during the life of the Contract.

### **2. Damages**

In the event that the Successful Vendor fails to install a new terminal or kiosk, delete or remove a terminal or kiosk, move a retailer terminal or kiosk to new premises, or conduct an inside move of a terminal or kiosk for a retailer according to the agreed-upon schedule, the Lottery may impose liquidated damages of three hundred dollars (\$300) per day per terminal or kiosk, prorated for each fraction of a day, until provisioning is complete. For this paragraph the Lottery and the Successful Vendor agree that a retailer terminal or kiosk includes all associated peripherals and communications equipment.

## **2.26.9 Gaming Host Systems Down**

**RESPONSE NOTE: Acceptance as to all subparts**

### **1. Condition**

The gaming hosts shall be defined to be "down" for the purposes of this provision if Lotto and InstaPlay tickets cannot be sold, Lotto tickets cannot be canceled under allowed conditions, Scratch or Pull-tab tickets cannot be moved from one status to another, Lotto, Scratch or InstaPlay winning tickets cannot be validated, Pull-tab ticket ownership cannot be verified during the operational sales period each day, or any iGaming tickets cannot be sold, processed, or validated. A grace period of two (2) minutes of down time per day shall be allowed for the gaming host systems. The total time during which the gaming hosts are down during the day shall be the sum of all time during such daily operational sales period when the systems are "down." If the Lottery determines in its sole discretion that downtime is the result of a chronic problem that has not been corrected in a timely manner, the Lottery reserves the right to rescind the grace period indefinitely until such time that the Successful Vendor can demonstrate to the Lottery's satisfaction, resolution of the problem causing the chronic down time.

### **2. Damages**

In the event that the gaming host systems have been down, the Lottery may impose liquidated damages according to the following schedule:

Liquidated damages in an amount of one thousand five hundred dollars (\$1,500) may be assessed for each one (1) minute of system downtime after the two (2) minute grace period, as applicable, or fraction thereof.

## **2.26.10 Gaming Host Systems Degraded Performance**

**RESPONSE NOTE: Acceptance as to all subparts**

### **1. Condition**

The gaming host systems ("the System") shall evidence "degraded performance" of no more than fifteen (15) minutes grace period during the operational sales period on any day. The amount of time during which the gaming hosts are degraded during the day shall be the sum of all time during such daily operational sales period when the systems are degraded. If the Lottery determines that the degraded performance is the result of a chronic problem which the Successful Vendor has not corrected in a timely manner, the Lottery reserves the right to rescind the grace period indefinitely until such time that the Successful Vendor can demonstrate resolution of the problem causing the chronic degradation of performance to the Lottery's satisfaction.

The System shall be considered as having degraded performance when:

- 1) Retailer terminal's response time fails to comply with the response time requirements as specified in RFP Section 3.1.5, or the System is incapable of meeting the throughput specifications provided in RFP Section 3.1.5.
- 2) The System can only process transactions from less than 95% of the installed and operational terminals.
- 3) The System can process transactions from all terminals, but not for all gaming products and not for all retailer-related activities (e.g., reports, retailer messaging, terminal disables).
- 4) Transactions are not logged to at least three (3) systems over two (2) locations and to the Lottery's ICS and backup ICS.
- 5) Critical functions of System management and administration cannot be conducted by the management workstations. These include file and data transfers to the Lottery and check writing functions.
- 6) Scratch/Pull-tab/InstaPlay ticket inventory management is compromised, including the capability to receive, order, distribute, process and return Scratch/Pull-tab/InstaPlay tickets, etc. in a manner in accordance with Lottery schedules; or equivalent functions are compromised when utilizing a courier system.

- 7) During a defined promotion period the System cannot issue tickets or conduct transactions to support an intended promotion or the promotion is running outside the promotion time period.
- 8) Game sales, delivery, production, and validation of iGaming tickets are compromised, including but not limited to failing to meet the response times set forth in 3.1.5.

## 2. Damages

In the event that the gaming hosts have "degraded performance," the Lottery may impose liquidated damages according to the following schedule:

Liquidated damages in an amount of seventy-five dollars (\$75) per minute of degraded time, or fraction thereof, after a fifteen (15) minute grace period, as applicable.

### 2.26.11 Timely and Accurate Reports

#### **RESPONSE NOTE: Acceptance as to all subparts**

#### 1. Condition

The Successful Vendor's system shall produce and deliver timely, sufficient, and accurate management and retailer reports within the specified time frames, as categorized and approved in writing by the Lottery. The time schedule shall also determine a grace period for the delivery of late, incomplete, or incorrect reports. Reports are categorized into groups A and B by the Lottery according to time criticality and importance, and the liquidated damages reflect those business needs.

Group A consists of critical reports needed to conduct a drawing, and without which a drawing will be delayed. Group A reports do not have a cure period.

Group B consists of all other time-sensitive reports, including but not limited to those needed for the Electronic Funds Transfer (EFT) process and Retailer Maintenance. Group B reports have a cure period of two (2) hours.

#### 2. Damages

For each late, insufficient, or inaccurate report in Group A, the Lottery may impose liquidated damages of five thousand dollars (\$5,000) for the first day or pro-rated fraction thereof and twenty-five thousand dollars (\$25,000) for each additional day or pro-rated fraction thereof, per report, until the report is provided, made sufficient or corrected.

For each late, insufficient, or inaccurate report in Group B, once the approved grace period has passed, the Lottery may impose liquidated damages of five hundred dollars (\$500) per day, or pro-rated fraction thereof, per report, until the report is provided, made sufficient or corrected.

## 2.26.12 Timely and Accurate Files

**RESPONSE NOTE: Acceptance as to all subparts**

### 1. Condition

The Successful Vendor shall produce and deliver timely, sufficient, and accurate files, including the retailer website, within the specified time frames approved in writing by the Lottery. The time schedule set by the Lottery shall also determine a grace period for the delivery of late, incomplete, or incorrect files. Files will be categorized into groups A, B and C by the Lottery according to time criticality and importance, and liquidated damages will reflect those business needs.

Group A consists of critical files needed to conduct a drawing, and without which a drawing will be delayed. Group A has no cure period.

Group B consists of all other time-sensitive files including, but not limited to, those needed for the Electronic Funds Transfer (EFT) process and Retailer Maintenance. Group B will have a cure period of two (2) hours.

Group C will include all other files including, but not limited to, those needed for IRS filings, and will have a twelve (12) hour cure period.

### 2. Damages

For each late, insufficient, or inaccurate file in Group A, the Lottery may impose liquidated damages of five thousand dollars (\$5,000) for the first day or pro-rated fraction thereof and twenty-five thousand dollars (\$25,000) for each additional day or pro-rated fraction thereof, per file, until the file is provided, made sufficient or corrected.

For each late, insufficient, or inaccurate file in Group B, once the approved grace period has passed, the Lottery may impose liquidated damages of five hundred dollars (\$500) per day, or pro-rated fraction thereof, per file, until the file is provided, made sufficient or corrected.

For each late, insufficient, or inaccurate file in Group C, once the approved grace period has passed, the Lottery may impose liquidated damages of one hundred dollars (\$100) per day, or pro-rated fraction thereof, per file, until the file is provided, made sufficient or corrected.

## 2.26.13 Terminal, Kiosk and Peripherals Repair

**RESPONSE NOTE: Acceptance as to all subparts**

### 1. Condition

The Successful Vendor shall ensure that “non-operational” terminals, kiosks and their associated peripheral devices are repaired or replaced and operational within the time schedule below. The Successful Vendor shall conduct repairs between 7:00 AM and 8:00 PM, Monday through Saturday and between 10:00 AM and 5:00 PM on Sunday.

A retailer kiosk is considered non-operational if:

- Tickets cannot be sold or canceled
- Instant ticket processing cannot be performed
- The terminal reader and/or scanner cannot process wagers or play slips
- The display screen cannot reflect the information desired by the Lottery
- The printer does not function properly
- The bill acceptor is not functioning or unable to accept cash.

A retailer terminal is considered non-operational if:

- Tickets cannot be sold or canceled
- Validations cannot be performed
- Instant and Pull-tab ticket processing cannot be performed
- Pull-tab verifications cannot be performed
- The terminal reader and/or scanner cannot process wagers or play slips
- The retailer display screen cannot reflect the information desired by the Lottery
- The retailer printer does not function properly

The repair or replacement time schedule shall be set as a tiered service level that consists of three (3) categories. The Lottery will make all determinations of which retailers fall into each category. The repair or replacement time schedule shall be:

- Category A, which shall include 70% of retailers, shall have repairs conducted within 2 hours;
- Category B, which shall include 25% of retailers, shall have repairs conducted within 3 hours;
- Category C, which shall include 5% of retailers, shall have repairs conducted within 4 hours.

For less critical failures that do not render the terminal non-operational as determined by the Lottery, the Successful Vendor has twenty-four (24) hours to complete a repair from the time of notice by the Lottery or affected retailer.

For purposes of this paragraph, "terminal" or "kiosk" refers to the retailer terminal or kiosk and all associated peripherals provided by the Successful Vendor.

## 2. Damages

If there has been repair or replacement delay beyond the allowable time schedule for non-operational terminals or kiosks, or terminals or kiosks with critical failures, the Lottery may impose liquidated damages of seventy-five dollars (\$75) per terminal per hour or pro-rated fraction thereof, excluding gaming system non-operating hours.

For terminals with other, less critical failures, the Lottery may impose liquidated damages of one hundred dollars (\$100) per terminal per day or pro-rated fraction thereof, until a repair or replacement has been completed.

For chronic failures applying to individual retailers, in which the retailer terminal has failed and required a dispatch and repair three (3) times in any thirty (30) day period including terminal replacements, the Lottery may impose a charge of five hundred dollars (\$500) per retailer. Chronic failure does not apply if it results from *force majeure* or tampering or abuse by the retailer or its customers. The Lottery may, at its discretion, require the Successful Vendor to produce maintenance related records for one or more specific retailers for a period of up to two (2) years.

### **2.26.14 Terminal and Kiosk Preventive Maintenance**

**RESPONSE NOTE: Acceptance as to all subparts**

#### 1. Condition

The Successful Vendor and the Lottery shall agree on a preventive maintenance cycle for retailer terminals and kiosks. Such attention tendered to retailer terminals and kiosks helps ensure that failures are minimized and do not become chronic. The Successful Vendor's failure to maintain the preventive maintenance schedule shall be subject to liquidated damages.

#### 2. Damages

If for a retailer terminal or kiosk there has been a delay in scheduled preventive maintenance beyond the first day of the month following the scheduled service cycle, then the Lottery may impose liquidated damages of one hundred dollars (\$100) per day per retailer terminal until the condition is rectified.

### **2.26.15 Failure to Modify Existing On-Line Games or to Install Additional Games**

**RESPONSE NOTE: Acceptance as to all subparts**

1. Condition

The Successful Vendor shall modify existing games or install additional games and their supporting controls, including both traditional lottery games and iGaming, within ninety (90) days from delivery of the Lottery's written approval for a set of game specifications, unless an extension is authorized in writing by the Lottery, or a schedule is otherwise established following written request of the Lottery for System enhancements. In addition, the Successful Vendor's modification/installation must complete a Lottery acceptance test and receive the Lottery's written approval, within the specified ninety (90) day time frame.

2. Damages

The Lottery may impose liquidated damages of ten thousand dollars (\$10,000) per day that the modified or additional game is not installed.

**2.26.16 Failure to Produce an Administrative Software Change**

**RESPONSE NOTE: Acceptance as to all subparts**

1. Condition

The Successful Vendor shall modify, add, and install software to produce reports, screen displays, administrative applications, or add data to the data warehouse in the form of new tables and datasets within sixty (60) days from delivery of written approval by the Lottery of a set of change specifications. This timeline will apply unless an extension is authorized in writing by the Lottery or a schedule is otherwise established following written request of the Lottery for changes. The Successful Vendor's change must complete a Lottery acceptance test and receive the Lottery's written approval within the time frame specified.

2. Damages

The Lottery may impose liquidated damages of five hundred dollars (\$500) per day that the modified or additional software is not installed.

**2.26.17 Failure to Support Scratch Ticket, Pull-tab, and/or InstaPlay Games**

**RESPONSE NOTE: Acceptance as to all subparts**

The Successful Vendor must ensure that Scratch ticket games, Pull-tab games, electronic Scratch ticket or InstaPlay games, and any other games provided to the Lottery pursuant to this RFP and any resulting contract are functional and supportable, and if not, liquidated damages will result.

1. Condition

The System must handle Scratch, Pull-tab, electronic Scratch or InstaPlay ticket, and other related Lottery transactions and if applicable, produce reports for all games ordered by the Lottery from its scratch ticket supplier(s).

2. Damages

The Lottery may impose liquidated damages of ten thousand dollars (\$10,000) per day for any Scratch, Pull-tab, InstaPlay, or other Lottery games for which the Successful Vendor does not provide timely and/or correct ticket related transaction handling and reporting.

**2.26.18 Unauthorized Software/Hardware Modifications**

**RESPONSE NOTE: Acceptance as to all subparts**

1. Condition

The Successful Vendor shall not modify any software or hardware for administrative, retail or iGaming operations without the prior written consent of the Lottery. The Successful Vendor's configuration management practices shall be designed to obviate this possible problem.

2. Damages

If the Successful Vendor modifies any software or hardware without the prior written approval of the Lottery, the Lottery may issue a written order that the change or modification be removed and the System restored to its previous operating state at the Successful Vendor's expense. "Modification" does not include replacement of a System component with an essentially similar working component in the event of necessary maintenance.

Further, the Lottery may impose liquidated damages of ten thousand dollars (\$10,000) per violation in addition to any other damages that may occur as a result of such unauthorized modification.

**2.26.19 Unauthorized Access or Compromise**

**RESPONSE NOTE: Acceptance as to all subparts**

1. Condition

The Successful Vendor shall preclude personnel not authorized by the Lottery from accessing, modifying, or otherwise interfering with the Lottery gaming systems, facilities, and any gaming system data, operation, or software.

2. Damages

If the Successful Vendor fails to preclude access, modification, or interference by unauthorized personnel, the Lottery may impose liquidated damages of ten thousand dollars (\$10,000) for each person, and for each incident. Each and every act that

permits access, modification, or interference by an unauthorized person qualifies as an incident for the purposes of this section.

## **2.26.20 Supply Shortage**

**RESPONSE NOTE: Acceptance as to all subparts**

### **1. Condition**

The Successful Vendor shall furnish retailer supplies including, but not limited to, retailer terminal or kiosk ticket stock, play slips, and all essential supplies and consumables to the retailer locations for all games.

The Successful Vendor shall ensure that a retailer that has reported as not having retailer terminal or kiosk stock is verified as having retailer terminal or kiosk stock within the category time periods established in 2.26.13 Terminal and Peripherals Repair.

The Successful Vendor shall ensure that a retailer that has been reported as not having adequate play slips or other essential supplies and consumables for a game is verified as having those missing items within one business day of the reported shortage.

This section does not apply to retailer supplies of scratch tickets, pull-tabs or point-of-sale advertising materials.

### **2. Damages**

In the event that retailers become unable to sell or validate tickets due to the Successful Vendor's failure to provide adequate operating supplies as set forth above, the Lottery may impose liquidated damages of three hundred dollars (\$300) per retailer per day, or on a prorated basis for any portion of a day, until the operating supplies are provided.

## **2.26.21 Failure to Report Incidents**

**RESPONSE NOTE: Acceptance as to all subparts**

### **1. Condition**

It will be the responsibility of the Successful Vendor to immediately report all significant incidents related to the operation of the gaming system. The reporting shall be delivered personally or by telephone to the Lottery Vice President, System Operations or Designee immediately upon discovery of the incident, followed by written correspondence addressed to the Lottery Vice President, System Operations within twenty-four (24) hours of the incident. Written reports and notifications must be sent by email. At a minimum, each of the following types of events shall be considered "significant" and shall require a written report:

- 1) System takeovers
- 2) Equipment or major communications failures
- 3) Significant operator errors
- 4) Out of balance conditions
- 5) Emergency software or hardware changes
- 6) Security violations
- 7) Other conditions as defined by a memorandum of understanding
- 8) Any situation, which may cause the general public to become concerned/alarmed and/or which, may damage the integrity or public image of the Lottery.

## 2. Damages

In the event that the Successful Vendor fails to report incidents as required by this RFP, the Lottery may impose liquidated damages of five thousand dollars (\$5,000) per incident per day, until the incident is correctly reported.

### **2.26.22 Failure to Comply**

**RESPONSE NOTE: Acceptance as to all subparts**

#### 1. Condition

The Successful Vendor is required to comply with all commitments of the RFP, the Proposal, and the Contract, and all clarifications and amendments to these documents. If the Successful Vendor fails to provide products, services, data, or documents as obligated pursuant to these requirements, the Lottery may invoke liquidated damages where not otherwise specifically addressed by another liquidated damage provision.

#### 2. Damages

In the event that the Successful Vendor fails to provide an obligated product, service, data, document, or any other commitment that is not already specified by another liquidated damages provision in this Contract, the Lottery may impose liquidated damages of five hundred dollars (\$500) per day per incident until the condition is rectified.

### **2.26.23 Retailer Network Outages**

**RESPONSE NOTE: Acceptance as to all subparts**

Communication equipment and network products and services provided by the Successful Vendor shall be subject to liquidated damages for outages and degraded performance.

1. Condition

A network damage condition occurs if a retailer's availability during the retailer's normal business hours falls below the agreed-upon Service Level Agreement in any month. See RFP Section 3.3.4, item 7, which defines the minimum SLA as 99.7%, which may be adjusted to a more stringent standard pursuant to the agreement of the Successful Vendor and the Lottery.

2. Damages

In the event that a retailer network damage condition exists, the Lottery may impose liquidated damages according to the following schedule:

- In the event that a retailer's availability during the retailer's normal business hours falls below the agreed-upon Service Level Agreement in any month, and such outage occurs between 05:00-22:00, liquidated damages in an amount of two hundred fifty dollars (\$250) per occurrence may be assessed for each retail location experiencing the outage until the condition is rectified.
- In the event that a retailer's availability during the retailer's normal business hours falls below the agreed-upon Service Level Agreement requirements in any month and such outage occurs before 05:00 and/or after 22:00, liquidated damages in the amount of one hundred dollars (\$100) per occurrence may be assessed for each retail location experiencing the outage until the condition is rectified.

**2.26.24 Failure to Comply with Required Standards or to Remedy Audit Recommendations**

**RESPONSE NOTE: Acceptance as to all subparts**

1. Condition

If the Successful Vendor fails to address recommendations or requirements made as a result of a system, security and/or control audit, or fails to comply with required Lottery, Lottery Association, or Lottery multi-jurisdictional group or game standards, a liquidated damage shall be assessed.

2. Damages

- 1) In the event that audit recommendations addressing any of the Successful Vendor's activities are not corrected within sixty (60) days of notification, the Successful Vendor may be assessed liquidated damages of five thousand dollars (\$5,000) at the end of the initial sixty (60) day period and an additional

five thousand dollars (\$5,000) for each subsequent thirty (30) day period or any portion thereof, for which the audit recommendation corrections have not been completed.

- 2) In the event the Successful Vendor fails to comply with any required Lottery or multi-jurisdictional association standard, the Lottery may assess liquidated damages of five thousand dollars (\$5,000) for each instance of non-compliance. The Successful Vendor will have thirty (30) days from date of notification to comply. If the Successful Vendor fails to comply within the initial thirty (30) day period, liquidated damages may apply in the amount of an additional five thousand dollars (\$5,000) for each subsequent seven (7) day period, or any portion thereof, for which compliance has not been achieved.

#### **2.26.25 Failure to Provide Software Testing and Quality Software Turnovers**

**RESPONSE NOTE: Acceptance as to all subparts**

##### 1. Condition

If the Successful Vendor fails to provide a quality assurance test plan or a report on the quality assurance test, or fails to provide quality-tested software, there will be a liquidated damage assessment.

##### 2. Damages

In the event that the Lottery determines in its sole discretion that the Successful Vendor has supplied untested or inadequately tested software for Lottery acceptance testing and production by the timeframe for doing so set by the Lottery and that software does not meet the specifications standards established by the Lottery, the Successful Vendor may be assessed liquidated damages, per release, of five thousand dollars (\$5,000) for the first violation (return or retraction of the software) and ten thousand dollars (\$10,000) for each subsequent violation.

#### **2.26.26 System Restoration**

**RESPONSE NOTE: Acceptance as to all subparts**

##### 1. Condition

The Successful Vendor must restore the System for retrieval of up to the previous twelve (12) months of Lotto and InstaPlay wagering transactions and Scratch and Pull-tab ticket accounting transactions, if applicable, within twelve (12) hours of the Lottery's written request.

##### 2. Damages

In the event that the Successful Vendor does not restore the System for retrieval of these transactions within twelve (12) hours of the Successful Vendor's receipt of the

Lottery's request to do so, the Successful Vendor may be charged liquidated damages of two hundred and fifty dollars (\$250) for each hour beyond the initial twelve (12) hours.

#### **2.26.27 Transaction Listing Delivery**

**RESPONSE NOTE: Acceptance as to all subparts**

##### **1. Condition**

The Successful Vendor must provide the Lottery with a complete transaction listing of daily activity occurring during the previous twelve (12) months at all retail locations or at retail locations specified by the Lottery. The Successful Vendor shall provide the requested transaction listing within two (2) hours of the Lottery's written request.

##### **2. Damages**

In the event that the Successful Vendor does not provide the requested transaction listing within two (2) hours, the Successful Vendor may be charged liquidated damages of two hundred and fifty dollars (\$250) for each hour beyond the initial two (2) hours.

#### **2.26.28 Ticket Validation**

**RESPONSE NOTE: Acceptance as to all subparts**

##### **1. Condition**

The Successful Vendor must provide accurate identification of winning and non-winning tickets and the correct prize level for all winning tickets to the Lottery, the retailer network, and any device authorized for iGaming.

##### **2. Damages**

In the event that the Successful Vendor does not provide accurate identification of winning and non-winning tickets and the correct prize level for all winning tickets, and the problem is determined to be as a result of the Successful Vendor's System, the Successful Vendor may be charged liquidated damages of one thousand dollars (\$1,000) for each incorrect identification of a ticket as winning or non-winning, and for each incorrect prize level identification. In addition to this amount, the Successful Vendor will be liable for the amount of any prize that is incorrectly validated.

#### **2.26.29 Network Conversion**

**RESPONSE NOTE: Acceptance as to all subparts**

##### **1. Condition**

During the new contract conversion and phase-in period before the start-up date, the Successful Vendor must not perform any network-related activity that results in interruption of the normal operation of the Lottery's terminals or kiosks.

2. Damages

In the event that the Successful Vendor causes any network-related interruption of normal operation of the Lottery's terminals or kiosks prior to the start-up date, the Successful Vendor may be charged liquidated damages of two hundred and fifty dollars (\$250) per hour for each terminal and/or kiosk which is unable to perform in normal operation mode until the terminal and/or kiosk is returned to normal operational status.

**2.26.30 Insufficient Successful Vendor Resources**

**RESPONSE NOTE: Acceptance as to all subparts**

1. Condition

The Successful Vendor and the Lottery will agree to a set of criteria for the staffing of hotline, operational, development, system support, conversion, field service, marketing support, and training services based on performance measures and standards. The Lottery will notify the Successful Vendor of its failure to meet the performance measures and standards. The Successful Vendor will have fourteen (14) calendar days from its receipt of written notice by the Lottery to remedy the failure.

2. Damages

In the event that the Successful Vendor fails to maintain sufficient resources, the Successful Vendor may be charged liquidated damages of two hundred and fifty dollars (\$250) per day, per position, for each day after fourteen (14) days from written notification until the condition is corrected.

**2.26.31 Invalid Ticket**

**RESPONSE NOTE: Acceptance as to all subparts**

1. Condition

The gaming system must neither produce nor validate a ticket that the Lottery does not determine to be a valid winning game ticket according to its game rules and prize claim procedures.

2. Damages

In the event that the Successful Vendor's gaming system processes an invalid ticket, the Successful Vendor may be charged liquidated damages of one thousand dollars (\$1,000). In addition, the Successful Vendor will be liable for the prize amount of the erroneously produced and/or validated ticket.

### **2.26.32 Defective or Non-Conforming Ticket**

**RESPONSE NOTE: Acceptance as to all subparts**

#### **1. Condition**

The gaming system must not produce defective or non-conforming tickets or electronic tickets due to any terminal equipment, printer malfunction, communication error, or hardware or software failure that causes loss of revenue or the inability to pay appropriate prizes.

#### **2. Damages**

In the event that the Successful Vendor's gaming system produces a defective or non-conforming ticket or electronic ticket due to any terminal equipment, printer malfunction, communication error, or hardware or software failure, the Successful Vendor may be charged liquidated damages of one thousand dollars (\$1,000) for each incident and will be liable for the prize amount of the ticket or eticket.

### **2.26.33 Unavailability/Degradation of the Back Office System**

**RESPONSE NOTE: Acceptance as to all subparts**

#### **1. Condition**

The Successful Vendor must ensure that no system malfunction results in the Lottery's inability to perform Lottery back office functions.

#### **2. Damages**

In the event that the Lottery's back office system becomes unavailable or operates in a degraded state due to the Successful Vendor's system, the Successful Vendor may be charged liquidated damages of ten thousand dollars (\$10,000) per day until the system is in a normal state. All determinations as to the unavailability or degraded state of the back office system shall be made by the Lottery in its sole discretion.

### **2.26.34 Availability of Recorded Calls**

**RESPONSE NOTE: Acceptance as to all subparts**

#### **1. Condition**

The Successful Vendor must make recorded hotline calls available in an audio format to the Lottery within twenty-four (24) hours of the Lottery's written request.

#### **2. Damages**

In the event that the Successful Vendor fails to provide recorded hotline calls within twenty-four (24) hours of the Lottery's written request, the Successful Vendor may be

charged liquidated damages of one hundred dollars (\$100) per day for each day after the initial twenty-four (24) hours until the condition is corrected.

### **2.26.35 Failure to Timely Respond to Retailer Hotline Calls**

**RESPONSE NOTE: Acceptance as to all subparts**

#### 1. Condition

The Successful Vendor must provide response to inquiries submitted through the retailer hotline system in a professional and timely manner. With a systemic problem, the call system shall play a prerecorded message and queue the calls. Under ordinary operational circumstances, Successful Vendor must provide a live operator response to ninety percent (90%) of Iowa retailer calls within two (2) minutes on a weekly basis, and failure to do so may result in liquidated damages.

#### 2. Damages

In the event that hotline calls are not serviced in the manner set forth in this section, the Successful Vendor may be charged liquidated damages of five thousand dollars (\$5,000) for any week during which the ninety percent (90%) minimum is unmet.

### **2.26.36 Retailer Training**

**RESPONSE NOTE: Acceptance as to all subparts**

#### 1. Condition

The Successful Vendor must provide requested training to retailers within five (5) working days of the Lottery's written request.

#### 2. Damages

In the event that the Successful Vendor fails to provide requested training to retailers within five (5) working days, the Successful Vendor may be charged liquidated damages of one hundred dollars (\$100) per day for each affected retailer for every day after the initial five (5) working days until the condition is corrected.

### **2.26.37 Testing and Corrective Actions of the Disaster Recovery Plan**

**RESPONSE NOTE: Acceptance as to all subparts**

#### 1. Condition

The Successful Vendor must test and document the testing of the Disaster Recovery Plan at least annually on the schedule set by the Lottery. The Successful Vendor shall report the results of the testing to the Lottery. The Successful Vendor must submit a plan within twenty-one (21) calendar days after the disaster recovery

test to resolve any deficiencies discovered as a result of the disaster recovery test along with a timeline for resolving the deficiencies

2. Damages

In the event that the Successful Vendor does not test the Disaster Recovery Plan and document the results of the Disaster Recovery Plan test as set forth in this section, the Successful Vendor may be charged liquidated damages of one hundred dollars (\$100) per day until the plan is tested and results of the test are reported to the Lottery. The Successful Vendor may be charged liquidated damages of one hundred fifty dollars (\$150) per day after twenty-one (21) days until a corrective action plan is submitted to the Lottery.

**2.26.38 Providing Connectivity**

**RESPONSE NOTE: Acceptance as to all subparts**

1. Condition

The Successful Vendor must provide connectivity from its system to the ICS systems, to any authorized iGaming platform, and any other third party software or hardware within the timeframe established by the Lottery's written request.

2. Damages

In the event that the Successful Vendor is unwilling or unable to provide connectivity from its system to the ICS systems, to any authorized iGaming platform, or any other third party software or hardware within the timeframe established by the Lottery's written request, the Successful Vendor may be charged liquidated damages of five thousand dollars (\$5,000) per day per connectivity request, beginning from the implementation date set by the Lottery for that connectivity request. Once initial connectivity has been established, the Successful Vendor may be charged liquidated damages of two hundred fifty (\$250) per hour for loss of connection.

**2.26.39 Backup UPS and Generator Testing**

**RESPONSE NOTE: Acceptance as to all subparts**

1. Condition

The Successful Vendor must test the backup power features of their facility failover system on a periodic basis. The test plan and test interval shall be approved by the Lottery. The outcome of any such test shall be reported to the Lottery.

2. Damages

In the event that the Successful Vendor fails to adequately test their UPS and Generator in accordance with the test plan and test interval or report the outcome

to the Lottery, the Successful Vendor may be charged liquidated damages of five thousand dollars (\$5,000) for each missed or late test or late report.

#### **2.26.40 Fire and Security System Compliance**

**RESPONSE NOTE: Acceptance as to all subparts**

##### **1. Condition**

The Successful Vendor must test the fire and security system components to ensure compliance with Lottery requirements on a periodic basis. The test plan and test interval shall be approved by the Lottery. The outcome of any such test shall be reported to the Lottery.

##### **2. Damages**

In the event that the Successful Vendor fails to adequately test their Fire and Security Systems in accordance with the test plan and test interval, or fails to report the outcome to the Lottery, the Successful Vendor may be charged liquidated damages of five thousand dollars (\$5,000) for each missed or late test or late report.

#### **2.27 Security Program Under the Contract**

**RESPONSE NOTE: Acceptance**

Prior to operations under the Contract, the Successful Vendor shall establish a security program for the entire System, subject to the written approval of the Lottery. This program must be updated, reviewed, and approved annually by the Lottery. As part of this requirement, the Successful Vendor must maintain an approved Operations Security Plan.

##### **2.27.1 Personnel Security**

**RESPONSE NOTE: Acceptance**

The Lottery may initiate investigations into the backgrounds of any officers, principals, investors, owners, subcontractors, employees, or any other associates of the Successful Vendor it deems appropriate. Such background investigations may include fingerprint identification. These investigations may be conducted prior to or during the duration of any Contract issued as a result of this RFP.

Key personnel who will be performing services under any Contract resulting from this RFP, as determined by the Lottery, shall be required to undergo a background investigation by the Lottery within thirty (30) days of execution of the resulting Contract. Each employee will be required to complete a Background Investigation Forms provided by the Iowa Lottery.

All Iowa based employees may also be required to sign an Iowa Lottery Confidentiality Agreement.

The Successful Vendor consents to cooperate with such investigations, and to instruct its employees to cooperate. The Lottery reserves the right to require the removal of any and all employees of such Successful Vendor from any responsibility in the performance of services as provided for under this RFP, based upon the results of background checks, or if the Lottery finds that any such employee is not performing in the best interest of the Lottery. The Lottery may terminate the Notice of Intent to Award or any Contract resulting from this RFP based upon adverse results of these background checks if the Lottery determines in its sole discretion that the Lottery's integrity, security, or goodwill may be in jeopardy.

The Lottery may extend this requirement to include any officers and employees of the Successful Vendor and any subcontractors involved in any way in the implementation, installation and operation of the System. The Lottery may also extend this requirement to include investors and owners with a five percent (5%) or greater interest.

Following the issuance of a Notice of Intent to Award of any Contract resulting from this RFP, the Successful Vendor shall submit and allow, at a minimum, the following security elements:

1. A list of the names, addresses, dates of birth, and Social Security numbers of all employees and subcontractors assigned to and associated with the Contract.
2. Authorizations signed by the employees and subcontractors to allow law enforcement agencies to release relevant background information. This may be extended to include officers, investors, owners, and associates.
3. Assurance to the Lottery that, as changes are processed throughout the Contract and any extension thereof for the aforementioned types of personnel, any changes in this requested data and authorization shall be reported to the Lottery within one (1) calendar month.
4. Notification in writing to the Lottery within ten (10) business days if a person, group of persons, partnership, corporation, associate group of investors, limited liability company or other legal entity acquires directly or indirectly the beneficial ownership in the amount of five percent (5%) or more of the ownership interest in, or any class of equity securities of, the Successful Vendor or the parent company of the Successful Vendor. Background investigation and licensing may be required for these new owners and if the investigations are unsatisfactory, the Lottery may, at its option, terminate the Contract, after providing thirty (30) days written notice to the Successful Vendor.
5. Unfettered and unannounced access, inspection and evaluation privileges for all phases of performance and for all facilities and premises used by the Successful Vendor in fulfillment of this Contract and any extension thereof.

6. Immediate notification in writing to the Lottery's Vice President of Security and the Lottery's Vice President of System Operations or Designees of all terminations and resignations of employees and staff assigned to and associated with this Contract.
7. Confirmation from all employees and/or subcontractors assigned to and associated with this Contract that they agree not to play the Lottery during the term of this Contract and any extension thereof.

#### **2.27.2 Security Violation Reporting**

##### **RESPONSE NOTE: Acceptance**

The Successful Vendor shall immediately report in writing to the Lottery's Vice President of Security any security procedural violation, system compromise, violation of law, rule, or Lottery policy, or disappearance of any tickets, Lotto or InstaPlay ticket stock, validation files, or other equipment, software or material used or to be used in the performance of the Contract.

#### **2.27.3 Security Information (Disclosure) Updates**

##### **RESPONSE NOTE: Acceptance**

The Successful Vendor shall report any change in, addition to, or deletion from, the security information disclosed to the Lottery. The report shall be in the form of a letter addressed to the Lottery and shall be delivered to the Lottery's Vice President of Security within thirty (30) days of the effective date of the change, addition, or deletion. In particular the Successful Vendor must report the involvement of any of the Successful Vendor's employees, owners, or agents in any known criminal arrest (exclusive of minor traffic violations) or investigation.

#### **2.27.4 Security and Safety Rules**

##### **RESPONSE NOTE: Acceptance**

When accessing Lottery networks and systems, the Successful Vendor must comply with all applicable policies and regulations regarding data security and integrity. When on any property owned or controlled by the Lottery, the Successful Vendor must comply with all security and safety rules applicable to people on those premises.

#### **2.27.5 Handling of the State's Data**

##### **RESPONSE NOTE: Acceptance**

The Successful Vendor must use due diligence to ensure computer and communications systems and services involved in storing, using, or transmitting State data are secure and

to protect that data from unauthorized access, disclosure, modification, or destruction. To accomplish this, the Successful Vendor must:

1. Apply appropriate risk management techniques to balance the need for security measures against the sensitivity of the data.
2. Ensure that its internal security policies, plans, and procedures address the vital security elements of confidentiality, integrity, and availability.
3. Maintain plans and policies that include methods to protect against security and integrity threats and vulnerabilities, as well as detect and respond to those threats and vulnerabilities.
4. Maintain appropriate individual identification and authentication process for information systems and services associated with Lottery data.
5. Maintain appropriate individual access control and authorization policies, plans, and procedures to protect system assets and other information resources associated with Lottery data.
6. Implement and manage security audit logging on information systems, including computers and network devices.

The Successful Vendor must maintain a robust boundary security capacity that incorporates generally recognized system-hardening techniques. This includes determining which ports and services are required to support access to systems that hold Lottery data, limiting access to only these points, and disable all others. To do this, the Successful Vendor must use assets and techniques such as properly configured firewalls, a demilitarized zone for handling public traffic, host-to-host management, Internet protocol specification for source and destination, strong authentication, encryption, packet filtering, activity logging, and implementation of system security fixes and patches as they become available. The Successful Vendor must use two-factor authentication to limit access to systems that contain particularly sensitive Lottery data, such as personally identifiable data.

Unless the Lottery instructs the Successful Vendor otherwise in writing, the Successful Vendor must assume all Lottery data is both confidential and critical for Lottery operations, and the Successful Vendor's security policies, plans, and procedure for the handling, storage, backup, access, and, if appropriate, destruction of that data must be commensurate to this level of sensitivity. As part of the Successful Vendor's protection and control of access to and use of data, the Successful Vendor must employ appropriate intrusion and attack prevention and detection capabilities. Those capabilities must track unauthorized access and attempts to access the Lottery's data, as well as attacks on the Successful Vendor's infrastructure associated with the State's data. Further, the Successful Vendor must monitor and appropriately address information from its system tools used to prevent and detect unauthorized access to and attacks on the infrastructure associated with the State's data.

The Successful Vendor must use appropriate measures to ensure that Lottery data is secure before transferring control of any systems or media on which Lottery data is stored. The method of securing the data must be appropriate to the situation and may include erasure, destruction, or encryption of the data before transfer of control. The transfer of any such system or media must be reasonably necessary for the performance of the Successful Vendor's obligations under this Contract.

The Successful Vendor must have a business continuity plan in place that the Successful Vendor tests and updates at least annually. The plan must address procedures for response to emergencies and other business interruptions. Part of the plan must address backing up and storing data at a location sufficiently remote from the facilities at which the Successful Vendor maintains the Lottery's data in case of loss of that data at the primary site. The plan also must address the rapid restoration, relocation, or replacement of resources associated with the Lottery's data in the case of a disaster or other business interruption. The Successful Vendor's business continuity plan must address short- and long-term restoration, relocation, or replacement of resources that will ensure the smooth continuation of operations related to the Lottery's data. Such resources may include, among others, communications, supplies, transportation, space, power and environmental controls, documentation, people, data, software, and hardware. The Successful Vendor also must provide for reviewing, testing, and adjusting the plan on an annual basis.

The Successful Vendor may not allow the Lottery's data to be loaded onto portable computing devices or portable storage components or media unless necessary to perform its obligations under the Contract properly. Even then, the Successful Vendor may permit such only if adequate security measures are in place to ensure the integrity and security of the data. Those measures must include a policy on physical security for such devices to minimize the risks of theft and unauthorized access that includes a prohibition against viewing sensitive or confidential data in public or common areas. At a minimum, portable-computing devices must have anti-virus software, personal firewalls, and system password protection. In addition, the Lottery's data must be encrypted when stored on any portable computing or storage device or media or when transmitted from them across any data network. The Successful Vendor also must maintain an accurate inventory of all such devices and the individuals to whom they are assigned.

Any encryption requirement identified in this provision means encryption that complies with National Institute of Standards Federal Information Processing Standard 140-2 as demonstrated by a valid FIPS certificate number.

The Successful Vendor must have reporting requirements for lost or stolen portable computing devices authorized for use with Lottery data and must report any loss or theft of such to the Lottery in writing as soon as practical. The Successful Vendor also must maintain an incident response capability for all security breaches involving Lottery data whether involving mobile devices or media. The Successful Vendor must detail this capability in a written policy that defines procedures for how the Successful Vendor will detect, evaluate, and respond to adverse events that may indicate a breach or attempt to attack or access State data or the infrastructure associated with State data.

In case of an actual security breach that may have compromised Lottery data, the Successful Vendor must notify the Lottery immediately after the Successful Vendor becomes aware of the breach, followed by written notification as soon as practical. The Successful Vendor must fully cooperate with the Lottery to mitigate the consequences of such a breach. This includes any use or disclosure of the Lottery data that is inconsistent with the terms of the Contract and of which the Successful Vendor becomes aware, including but not limited to, any discovery of a use or disclosure that is not consistent with the Contract by an employee, agent, or sub-contractor of the Successful Vendor.

The Successful Vendor must give the Lottery full access to the details of the breach and assist the Lottery in making any notifications to potentially affected people and organizations that the Lottery deems are necessary or appropriate. The Successful Vendor must document all such incidents, including its response to them, and make that documentation available to the Lottery on request.

## **2.28 Vendor Ethics and Integrity**

### **RESPONSE NOTE: Acceptance**

The Successful Vendor is obligated to meet high standards for ethics and integrity under the Contract. The Successful Vendor and employees:

1. Shall accept no pay, remuneration, or gratuity of any value for performance on or information derived from this project from any party other than the Lottery as described in this Contract, or from any party under contract to the Lottery or seeking to contract with the Lottery with respect to this project.
2. Shall comply with all applicable Iowa Code chapters, including but not limited to chapters 68B and 99G, and any applicable administrative rule, containing requirements relating to the provision of gifts or benefits to state employees and requires certain individuals to disclose information concerning their activities with state government. Vendors are responsible for determining the applicability of the chapter to their activities and for complying with those requirements.
3. Shall not disclose any business sensitive or confidential information gained by virtue of the Contract to any party without the explicit written consent of the Lottery.
4. Shall take no action in the performance of the Contract to create an unfair, unethical, or illegal competitive advantage for itself or others.
5. Shall not have any financial or personal interests relating to this project (other than the Contract itself) without the explicit written consent of the Lottery.

For violation of the above provisions, the Lottery may terminate the Contract, receive restitution from, debar, or take any other appropriate actions against the Successful Vendor.

## **2.29 Compliance with Association Standards**

**RESPONSE NOTE: Acceptance**

All services, products, systems, and procedures to be employed by the Successful Vendor must comply with the game security and operational standards current at the time of Contract performance as issued by any multi-jurisdictional association of which the Lottery is a member or in the event the Lottery becomes a member. The Lottery is currently a member of NASPL, WLA and MUSL.

## **2.30 Taxes on Vendor**

**RESPONSE NOTE: Acceptance**

The Successful Vendor shall pay all taxes, fees and assessments upon the System, however designated, levied or based. The Lottery is exempt from Federal, State and Local sales and use taxes on the services provided pursuant to the Contract. Such taxes must not be included in the Proposal prices.

## **2.31 Tax Withholding from Retailers**

**RESPONSE NOTE: Acceptance**

The Successful Vendor's system shall support the Lottery's compliance with applicable tax guidelines for income tax withholding from Lottery retailers.

## **2.32 Location of Data**

**RESPONSE NOTE: Acceptance**

Unless the Lottery agrees otherwise in writing, the Successful Vendor and its subcontractors must do the work and keep all Lottery data at the location(s) disclosed in the Successful Vendor's Proposal. Additionally, if the RFP contains any restrictions on where the work may be done or where any Lottery data may be kept, the Lottery may reject any Proposal that proposes to do any work or make Lottery data available outside of those geographic restrictions.

## **2.33 Advanced Equipment**

**RESPONSE NOTE: Acceptance**

If during the term of the contract, advanced equipment becomes available, the Successful Vendor will offer the equipment to the Lottery at a rate commensurate with the Vendor's cost.

# **PART 3 – SPECIFICATIONS**

## **3.0 Introduction**

**RESPONSE NOTE: Full**

This section describes the systems and services specifications for the Lottery Gaming System (System). Prior to the detailed responses to each paragraph of Part 3, the Vendor must provide the following summary level responses:

1. Overview. Present an overview of the System's design and field experience.
2. Flexibility of the System. The System must be flexible, able to grow, and adaptable to the business needs and rules of the Lottery. Flexibility and adaptability are critical as the gaming environment can be expected to evolve over the course of the Contract.
3. Certified Equipment. The proposed equipment must have been inspected for safety and approved by a reputable testing laboratory, and all proposed equipment must be in compliance with FCC regulations suitable for devices of the types proposed. Alternatively, if the devices proposed are new models, and not yet inspected and/or certified, the Successful Vendor must commit to providing a document showing certification as of the Contract signing.
4. New and Unused Equipment. All proposed transaction processing computers, front-end processors, networking equipment, retailer terminals and associated peripherals, diagnostic equipment, etc. must be new and unused. Equipment proposed must be compliant with current electronic technology manufacturing standards and currently being manufactured by the Vendor or its suppliers. All hardware models and software versions installed at start-up must represent the proposed version or then-current equivalent or better version, at the same price and at the Lottery's discretion. The Vendor should identify any existing equipment or major component that is part of their enterprise level network topology, e.g. satellite, relay centers, etc. that will be a component of the proposed System.

### **3.1 Central Configuration**

#### **RESPONSE NOTE: Full**

The Lottery requires a configuration capable of handling the immediate and long-range needs of the Lottery, as defined in the following sections. Each hardware and software item must be identified by manufacturer, product name, and model number, as applicable. For software, version numbers must be provided. Any deviations from the suppliers' standard hardware and software products must be disclosed and an explanation provided. Installation of any such deviations would require prior written approval of the Lottery. Configuration block diagrams, down to the component level of the proposed System, must be submitted with the Proposal.

The Vendor must describe how they will ensure that the System will be upgraded or enhanced throughout the term of the contract in order to ensure that the System and its components do not become antiquated or outdated. This shall include schedule for updating computer hardware, including the ICS firewalls, for the life of the Contract.

The Vendor must describe how they will perform a technology review at least every twenty-four (24) months during the term of the contract in order to ensure to the Lottery that the System is not antiquated or outdated.

### **3.1.1 Gaming Host Systems at the Primary Data Center**

#### **RESPONSE NOTE: Full**

1. Transaction Processing/Database/Games Administration Hosts. All game, database, and games administration functions for mission-critical Lotto, InstaPlay, Scratch, Pull-tab and gaming support, and other gaming types that are added in the future including but not limited to iGaming, must be supported by a protectively redundant configuration. At the primary data center, each processing complex must consist of at least two (2) physically separate systems, networked or coupled for high availability processing and storage redundancy. A component failure in one primary data center system must not cause a failure in the other system(s).
2. Failover. The remaining system(s) (primary or secondary) shall immediately assume the load in case of a failure in one of the systems, without loss or corruption of any data and transactions received prior to the time of the failure.
3. Operations Procedures. Procedures for computer operations staff, especially regarding failure situations, must be straightforward. It is required that in addition to operator-prompted failover that the System be able to recover from failures without operator intervention ("auto-failover"). The Proposal must discuss a typical failure scenario and describe the procedures that operators would use for corrections.
4. Secure Connections. There must be no capacity to connect into any gaming system from a remote non-retailer terminal without Lottery approval. Any such capability, such as for remote monitoring, or diagnosis of equipment or software, must employ stringent security mechanisms. Connections to other remote systems and terminals must be protected by firewalls, encryption, and/or other means. Any routers must route traffic only to addresses defined in their routing tables as valid. The acceptability of any such security approach will be subject to Lottery approval.

The Successful Vendor is required to use Permission Access Management (PAM) tool. All administrative tasks (changes to user accounts, permissions, and all tasks performed while using elevated privileges) on CGS should be performed via PAM system (for example Bomgar, CyberArk, etc).

At any time, personnel authorized by Iowa Lottery shall have access to the Vendor's PAM system and may review logs or video footage if/when necessary.

Personnel authorized by Iowa Lottery shall be notified (via email and/or text) any time that remote access to the CGS systems/network is requested and authorized

Iowa Lottery personnel will have final decision if that remote access request is granted.

5. Time Synchronizing. All gaming hosts at the primary data center must have a time-synchronizing mechanism to ensure consistent time recording and reporting for events and transactions. Synchronization with an external time source agreed to and approved by the Lottery is required.
6. Host Location. The primary host systems and their facility shall be supplied by the Successful Vendor must be located within twenty (20) miles of the Lottery Headquarters in Clive, Iowa. Vendor shall describe a vulnerability management system to detect infrastructure vulnerabilities. Vulnerability scans will be conducted on a weekly basis and vendor shall develop and provide a plan for vulnerability remediation.

At any time, personnel authorized by Iowa Lottery shall be able to request and review reports from the vulnerability management system.

CGS vendor will patch critical system vulnerabilities at least monthly. All patches will be installed on Test environment prior to installing on production.

ICS vendor will patch critical system vulnerabilities at least quarterly. All patches will be installed on Test environment prior to installing on production.

7. Disaster Recovery. In the event of irreparable damages at the primary data center, or of an unplanned, extended abandonment of the primary data center, the Successful Vendor shall provide at no additional cost those host systems, facilities, and other components necessary to resume Lottery sales under an operational scenario using two data centers. Such host systems, facilities, and other components shall be furnished, installed, and operational within thirty (30) days after the disaster. Until a permanent primary data center can be re-established, substitute facilities must meet Lottery-approved environmental and security measures. During the thirty (30) days, the Successful Vendor shall be required to be processing transactions from their backup systems. This provision is for the re-establishment of a permanent primary location in the event of a disaster recovery scenario.

### **3.1.2 Gaming Host Systems at the Backup Data Center**

#### **RESPONSE NOTE: Full**

1. Backup Gaming Host Systems. The Successful Vendor shall provide two (2) or more remote backup systems that will take over for the primary data center systems if necessary. Data transferred to and recorded at the remote backup systems will always contain the most recent transactions, allowing a takeover. A wide-area-network (WAN) connection consistent with the requirements of RFP Section 3.3 will provide routing of gaming transactions from the Lottery's gaming network independent of the Lottery and the Successful Vendor's primary data

center. Games administration functions must be available at the backup data center, as well as being available remotely by communications from the primary data center. The Successful Vendor shall demonstrate on a scheduled basis that the backup data center is fully functional by operating in production from that site upon request of the Lottery.

2. **Gaming System Backup Sizing.** The remote backup systems must mirror the primary data center host systems.
3. **Remote Backup Location.** The remote backup systems and their facility shall be supplied by the Successful Vendor must be located within the contiguous forty-eight (48) United States at the Successful Vendor's discretion, subject to Lottery approval.
4. **Secure Connections.** These systems have the same specification as the primary systems, given in RFP Section 3.1.1 and their response may reference that, if identical.
5. **Time Synchronizing.** All gaming hosts at the backup data center must have a time-synchronizing mechanism to ensure consistent time recording and reporting for events and transactions. Synchronization with an external time source agreed to and approved by the Lottery is required.
6. **Disaster Recovery.** This section has the same specification as RFP Section 3.1.1 and the response may reference that response, if identical.

### **3.1.3 Lottery Acceptance Testing System**

#### **RESPONSE NOTE: Full**

A testing system for the Lottery must be provided, and as well as any of the above production systems must be available for testing by the Lottery, with full support from the Vendor.

1. **Lottery Testing System.** The Successful Vendor must provide a separate system for testing by the Lottery. The testing system must be located at the primary data center and must support testing from Lottery Headquarters. The Lottery Testing System capability must be ready one hundred eighty (180) days prior to production start-up for Lottery acceptance testing. The testing system must be identical in architecture and capacity to a production system provided for all transaction processing, front-end processing, and games management applications. In the event of multiple failures of active production systems, the testing system must be able to be updated and activated for production in case of further hardware or software failure.
2. **Lottery Testing Retailer Terminals.** At a minimum, six (6) retailer terminals and one (1) of each type of terminal or ticket dispensing machine must be permanently installed at a Lottery designated facility for testing by the Lottery along with other

point-of-sale equipment proposed. At times the Lottery may require the installation of more retailer terminals for specialized tests. All these terminals shall be supplied within the baseline cost to the Lottery. These terminals must support testing of all features and options available on the production System. Due to that, these terminals must be configured in all logical configurations with all peripherals that represent configurations at retailer locations. The Successful Vendor must provide and support connectivity for at least three (3) management terminals and a printer for testing. The management terminals (personal computers) must be supplied by the Successful Vendor as part of the test system.

3. Testing System Communications. The testing terminals must be supplied with any and all communications mechanisms employed by the Successful Vendor's retailer terminals in the field. The testing system must be able to connect to the Lottery's test ICS.
4. Secure Connections. These systems have the same specifications as the primary systems, given in RFP Section 3.1.1 and the response may reference that, if identical.
5. Successful Vendor's Development and Test System. The Successful Vendor must not conduct software development or its own quality assurance activities on any of the production systems, nor on the Lottery testing system identified above, but rather must employ separate system(s) located conveniently for the Successful Vendor.

### **3.1.4 Internal Control System Configuration**

#### **RESPONSE NOTE: Full**

All component and fully-operational services for the ICS Systems shall be provided by the Successful Vendor through an independent ICS subcontractor sixty (60) days prior to the first day of sales. The Iowa Lottery reserves the right to specify which of the subcontractors conducts the work, or to require that the Successful Vendor identify other subcontractor alternatives for providing the work.

The Successful Vendor and the selected subcontractor shall provide operating instructions to the Iowa Lottery for operating the ICS. Following delivery, the selected third party contractor shall provide maintenance and enhancement for the ICS application software.

The three (3) ICS systems will be located as follow:

- Primary, Iowa Lottery
- Back-up, Vendor In-State Office
- Development/Test, Vendor In-State Office

The Successful Vendor must supply data communications to connect to all three (3) ICS systems. The primary and backup ICS systems must receive a near real-time feed of Lottery gaming transactions for Lotto, Scratch, InstaPlay, and Pull-tab transactions, as well as other games that may be authorized during the agreement authorized by this RFP.

Vendors should propose a solution for prize breakout reporting for the Lottery's in-state games such as Pick 3 and Pick 4 in order to allow the Lottery to reduce or eliminate the use of its own proprietary internal control system.

Vendors are encouraged to describe solutions for providing Lotto API in order to allow the Lottery to look up serial numbers for game and retailer sale information.

### **3.1.5 Gaming System Quantitative Performance Criteria**

#### **RESPONSE NOTE: Full**

The Vendor shall fully describe the operation of its Gaming system and its capacity to expand and adapt to the Lottery's changing business needs over the course of the Contract. At a minimum, any solutions proposed by the Vendor should be capable of doing the following:

1. The System must initially support a network of at least two thousand six hundred (2,600) lotto retailer terminals.
2. The capability to expand the System to accommodate up to five thousand (5,000) active retailer terminals must be available, should such an expansion opportunity be sought by the Lottery.
3. The System must be able to support iGaming sales as directed by the Lottery.
4. The System as delivered must be capable of handling up to fifty thousand (50,000) sales transactions per minute on a continuous basis.
5. The System as delivered must be capable of processing up to five thousand (5,000) combined cash (validation) and cancel transactions per minute, while selling at the rate above.
6. Each single play (single panel) Lotto ticket shall be produced in no more than four (4) seconds from completion of data entry ("Send" is pressed or play slip is inserted) to availability of the ticket for the retailer or player.
7. Capability to sell a minimum of one hundred (100) single play quick pick tickets without requiring operator re-entry.
8. Variable length, multi-play Lotto tickets shall be produced in no more than six (6) seconds after completion of data entry ("Send" is pressed or play slip is inserted) to availability of the ticket for the retailer or player.

9. All other transactions shall be produced in no more than five (5) seconds after completion of data entry to availability of the ticket or report to the retailer or player.
10. Primary data center system recovery in auto-failover mode from a one-system failure must be accomplished in no more than two (2) minutes while still maintaining current transactions.
11. Backup data center system recovery from a primary data center failure in auto-failover mode must be accomplished in no more than two (2) minutes while still maintaining current transactions.
12. The System must have the as-delivered capacity in all hardware and software aspects to accommodate four-digit numbering for Scratch, Pull-tab and InstaPlay games. The Lottery currently has at least eight hundred (800) concurrent scratch games and one hundred (100) concurrent pull-tab games being in any status (e.g. loaded, distributed, sold, validated, closed out), a Lotto sales day of at least fifty million dollars (\$50,000,000) and a Lotto jackpot over one billion dollars (\$1,000,000,000).
13. The System must be able to successfully process the Lottery's current suite of Lotto games as well as raffle style games and other new Lotto games.
14. The System must have the capacity in all hardware and software aspects to allow winning tickets to be retained and validated up to one (1) year after the drawing, consistent with Iowa Code 4.1(34).
15. The System must be able to process a Lottery play slip.

The response time specifications of this section shall be considered met if greater than ninety-five percent (95%) of the transactions of particular types comply with the specifications.

### **3.1.6 Systems Management and Monitoring**

#### **RESPONSE NOTE: Full**

Vendor shall fully describe all applications, features, and services in the systems management and monitoring capabilities set forth in the solutions offered pursuant to this RFP. At a minimum, any systems management and monitoring must be available at both the primary and backup data centers. Systems management tools must create visual and/or audible alarms to provide warning of problems with host operating system or system hardware components. The capability must be included to identify whether a failure has occurred in any of the host systems at the primary or backup data center. An application for automated alarm notification to the Vendor's computer operator is of interest to the Lottery, and Vendor shall describe what capability, if any, Vendor's system has for such a notification.

### **3.1.7 Operating Hours**

#### **RESPONSE NOTE: Full**

Vendor shall describe its capability to accommodate near twenty-four (24) hour-a-day operations is required by the Lottery, including a minimum of twenty-three (23) hours of sales and validations, as well as including Scratch and Pull-tab ticket processing. Any System proposed by the Vendor shall accommodate End of Day functions during the timeframe specified by the Lottery.

### **3.1.8 Host Systems Security**

#### **RESPONSE NOTE: Full**

Host systems security represents a critical component of the Successful Provider's role in ensuring the integrity of the System. Vendor shall fully describe the features of the security of any host system.

At a minimum, any Successful Vendor's primary and backup data center configuration including the production, backup and testing systems as well as any administrative host systems supporting games management or other applications operated by the Successful Vendor shall meet or exceed the following security requirements:

1. **Systems Access.** All systems and users requiring access to a host system (for any purpose) must be approved by the Lottery. Host systems must also support controls and procedures that allow the Lottery to audit all system access.
2. **Authentication, Authorization and Access Controls.** The Proposal must clearly identify controls related to user authentication, authorization and access controls for operating systems.
3. **Principle of Least Privilege.** All operating systems must be configured to support only those services required to provide the intended System functions. System users must be granted access only to the operating system functions and file systems needed to perform their job functions.
4. **Compliance with Security Requirements.** Gaming host systems must be compliant with all systems security and fault tolerance requirements accepted as operating principles by the Lottery, or promulgated by any multi-jurisdictional Lottery game organization or association of which the Lottery is or may become a member.
5. **Protection against Unauthorized Access or Service Disruption.** The Successful Vendor will ensure that host systems are not vulnerable to unauthorized access. The Proposal must specify the methods by which host systems will be protected against access, viruses, spy-ware, denial of service, and other attacks.
6. **Other Systems Security Controls.** The Proposal must provide additional information on other systems security components and controls that will be implemented including host intrusion protection, operating system hardening, login

and password controls, system security log management, etc. The acceptability of all system security controls will be subject to Lottery approval.

### **3.2 Retailer Terminals**

**RESPONSE NOTE: Acceptance**

The Successful Vendor is required to supply the Lottery with terminals as specified in this section. The initial terminal counts are set forth below and the Successful Vendor must be able to deliver, install, and support additional terminals as ordered by the Lottery under the terms defined in the Contract.

#### **3.2.1 Retailer Lotto Terminal Hardware**

**RESPONSE NOTE: Full**

At conversion, within the baseline price, the System will support and the Vendor shall supply two thousand six hundred (2,600) full function terminals, flat-panel displays with adjustable stands, ranging from 7 to 27 inches tall from the bottom of the flat panel display, permitting the display to be visible to consumers above retailer counter displays, and ticket checkers for retailers. The Successful Vendor must also supply additional terminals, flat-panel displays and ticket checkers for training, testing, and spares.

Under the **Required Option** pricing section, the Vendor shall propose a cost for the Lottery to order additional terminals in batches of twenty-five (25). The price includes hardware, software, installation, communication hardware and associated service fees, and service, maintenance, repair or replacement.

##### **3.2.1.1 Lotto Terminal Identification**

**RESPONSE NOTE: Acceptance**

No manufacturer or Vendor logo or identification shall be attached. The terminal and any terminal peripherals as designated by the Lottery must bear a serial number or bar code for maintenance and logistics. The Lottery reserves the right to place a Lottery logo or other informational signage on the terminal.

##### **3.2.1.2 Retailer Lotto Terminal Features and Functions**

**RESPONSE NOTE: Full**

Vendor shall fully describe all the features and functions of the terminals, and how those features and functions further the business needs of the Iowa Lottery. In particular, Vendor will fully describe how the terminals proposed meet the following criteria:

- 1) Size. A compact size is required that will ensure retailer acceptance. If the terminal is modular, then it is important that the connecting data and power cables not be unwieldy or obtrusive. The Vendor shall list the dimensions and weight of the proposed terminal(s) and its peripherals, and shall identify the external data and

power cables required. In addition, the Vendor shall provide a diagram of a standard installation.

- 2) Retailer Touch screen. There must be included a retailer touch screen that will automatically display the entire transaction being processed, and will accommodate graphics as well as text. Currently, the Lottery utilizes Surface Acoustic Wave (SAW) technology on the terminal screens. Describe the technology utilized by the proposed operator display.
  - a) The screen must be capable of displaying retailer messages, reports, and transactions, including lists of past transactions, using such readability features as fonts, colors, and screen layouts to provide displays easily read by the user.
  - b) There shall be sufficient screen functions to provide for the current Lottery games, and for reasonable expansion into new games and gaming options. The colors, locations, graphics, and text labels will be approved by the Lottery.
  - c) The screen must be readable from a variety of user distances and viewing angles, and under various lighting conditions.
- 3) Ticket/Report Printer and Stock. A thermal printer or an essentially equivalent alternative must be proposed. Printers must provide high-resolution images suitable for rendering logos, messages, and symbols, as well as play data, must be fast, quiet, and reliable.

Tickets must be highly readable and long-lived under ordinary consumer use in the Iowa environment. At all times the ticket and report printer and its stock must be in compliance with multi-jurisdictional security standards that apply to the Lottery.

- a) The printer must be capable of producing tickets and reports using a variety of fonts as approved by the Lottery. Graphics, such as the Lottery's Corporate or game logo, or a promotional coupon, must be producible.
- b) The printer must be capable of issuing tickets having uniform size or variable length as determined by the Lottery. The minimum ticket length will be five (5) inches. Tear off tickets are not acceptable. Each ticket regardless of length must contain a pre-printed stock number on the back.
- c) The printer must provide stacking for printed tickets that will accommodate up to one hundred (100) tickets printing serially in a multiple ticket request (bulk buy or repeat) with the stacking to occur without operator assistance.
- d) Ticket stock for the printer must be able to be pre-printed front and back with text, images, and colors, using designs provided by, or approved by, the Lottery.

- e) Thermal ticket stock must withstand at least one hundred-seventy degrees (170°) Fahrenheit ambient temperature for greater than four (4) hours and must be top-coated.
- f) The Successful Vendor must provide methods to investigate and verify damaged and altered tickets, and these shall include security features of the ticket stock.
- g) All Vendors must also describe their capability to utilize API to facilitate secure in-lane lottery sales consistent with MUSL confidential security standards.

Vendor's response shall fully discuss the security features of the Vendor's ticket stock and methods to investigate and verify damaged and altered tickets must be addressed. One (1) roll of sample ticket stock should be included with the Proposal. In addition, if the Vendor is capable of doing so, Vendor should also include examples of printed tickets and terminal reports with graphics, colors, and different fonts.

- 4) Software Loading. Gaming software will be available via down-line loading and must also be available through a local load by a service technician. Any device on the terminal that will be used to perform the local load functionality by an authorized service technician must not be usable except when the terminal is in maintenance mode based upon approved access by an authorized service technician.
  - a) Gaming software may be either solicited by the terminal (when such resident software needs replacement) or driven by the central system (when gaming software enhancements [e.g., new Lottery games] or corrections, are required).
  - b) Downloading must not preclude near-24 hour operation of the terminal on the network. Software must be downloadable in a modular fashion; only the modules requiring a change shall need to be downloaded. Background downloading with storage of more than one software version is required, with scheduling or prompting from central to activate the new version or return to the prior version.

The Vendor shall describe their methods for ensuring that the terminal is secured against unauthorized software or devices. The Vendor shall also identify how the download process optimizes the use of the available wide area network bandwidth without interfering with the normal functions and speed of the terminal.

- 5) Secure Sign-On. The terminal must prohibit unauthorized use through a coded sign-on procedure. The System must permit changing of the code without a service call to the terminal. A password, for security purposes, is not to be displayed, printed or visible in any manner whatsoever at the terminal.

The password facility must permit multiple levels of secure access, including Lottery representative, Successful Vendor representative, store manager/owner, and clerks. This capability could be used to restrict privileged transaction types to authorized users; for example, store managers may be able to display retailer

financial reports and monitor transactions by individual clerks, but that function may be inaccessible to clerks.

- 6) User Interface Design. The Vendor shall fully describe the process of selling a ticket, including examples depicting such a sale.

The design ultimately approved by the Lottery shall minimize keystrokes and navigation through levels of nested screens to ensure utility and productivity for the user. Each game shall be set up with default play parameters and a subsequent wager shall use the same parameter setting unless the wager is altered by the retailer.

- 7) Play Slip and Document Scanner/Reader. Vendors shall describe the capabilities of its play slip and document scanners/readers, including but not limited to references to the speed and manner in which the reader is capable of processing documents and play slips. At a minimum:

a) The reader must be capable of scanning play slips and other documents of that size.

b) The reader must provide flexibility in terms of its capability to read various colors and graphics on the play slips, and the latitude it allows for markings by players. Special markers shall not be needed for the play slips.

c) The reader must provide flexibility in the manner documents can be read.

d) The reader must be capable of rapid processing of play slips.

e) The reader must be capable of reading and processing existing game play slips.

f) The reader shall be jam-resistant and have a simple mechanism for immediately clearing any jam or non-readable document.

g) The reader must accommodate forms whose purpose is to collect information from retailers, players, or field service or maintenance personnel. The Successful Vendor may be called upon to collect such data and furnish a data file to the Lottery for analysis.

- 8) Random Play Generator. The terminal must have a mechanism for generating one (1) or more random play numbers (quick pick numbers) for any game as requested by the retailer or via play slip. The random number generator mechanism must be certified by a designated third-party testing agency approved by the Lottery.

The Proposal shall describe the algorithms, seeding process, and any other mechanisms employed in the System to ensure that the random number generator produces random outcomes.

- 9) Ticket Serial Numbers. Tickets produced by the terminals must bear a unique serial number in Arabic numerals and in a code that is readable by the terminal. The serial number must allow tickets to be unambiguously identified for the term of the Contract. The Vendor shall describe how the ticket serial number includes a game identifier.
- 10) Lotto Ticket Reader. The terminal must include a reader that will allow reading of lotto tickets, for validating or canceling a ticket under Lottery-specified terms. Winners must also be able to be validated by manual entry.
  - a) First read rate is a key factor in the success of the terminal. A first read rate exceeding ninety-five percent (95%) is mandatory.
  - b) The ticket reader must default to ticket validation mode when a ticket is inserted.
- 11) InstaPlay Ticket Reader. The Vendor shall describe its capability to sell and validate InstaPlay products produced through terminals. Presently, the Iowa Lottery sells InstaPlay tickets that have a bar code on the front of the ticket. At a minimum, the Vendor shall describe in full its capability to support sales and validation for the Lottery's existing InstaPlay product.
- 12) Scratch Ticket Reader. The terminal must read bar codes, primarily for Scratch ticket processing (including, but not limited to, pack distribution, ticket validation and coupon processing).
  - a) The terminal must be capable of validating winning Scratch tickets, both through keyless validation (using bar code printed under security coating) and manual entry.

The terminal must support other administrative functions which employ machine-readable codes such as the interleaved two (2) of five (5) bar code, PDF-417, two-dimensional matrix bar codes, UPC, and other standards.
  - b) The Lottery considers the bar code reader's first read rate for validating a winning scratch ticket as a key retailer satisfaction item. A high first read rate is mandatory—in excess of ninety-five percent (95%). Bar code reading technologies, such as Charge Coupled Device, CMOS, and laser, may be proposed.
  - c) The terminal must be capable of reading and processing serialized, bar coded coupons. Characteristics of the coupon bar code shall be similar to that for scratch tickets.
  - d) The retailer terminal must have a bar code reader that is movable/removable and thus must have means to reach at least eight (8) feet from the terminal, giving it the capability to read different size and shape items such as Point Of

Sale [POS] items, bar coded Scratch ticket packs, Lotto ticket stock boxes, and Scratch tickets in ticket dispensers.

- 13) Pull-Tab Ticket Reader. The Iowa Lottery sells Pull-tab tickets that have a bar code on the front of the ticket that is used for pack distribution and retailer ownership verification.
- a) The terminal must support administrative functions which employ machine-readable codes such as the interleaved two (2) of five (5) bar code, PDF-417, two-dimensional matrix bar codes, UPC, and other standards.
  - b) The Lottery considers the bar code reader's first read rate for confirming ownership of pull-tab tickets as a key retailer satisfaction item. A high first read rate is mandatory in excess of ninety-five percent (95%). Bar code reading technologies, such as Charge Coupled Device, CMOS, and laser, may be proposed.
  - c) The terminal must be capable of reading and processing serialized, bar coded coupons. Characteristics of the coupon bar code shall be similar to that for Scratch tickets.
  - d) The retailer terminal must have a bar code reader that is movable/removable and thus must have a means to reach at least eight (8) feet from the terminal, giving it the capability to read different size and shape items, such as POS items, bar coded pull-tab ticket packs, and lotto ticket stock boxes.

At present, Iowa Lottery Pull-tabs can only be redeemed at the place where the ticket is purchased. Before redeeming the Pull-tab, retailers scan the bar code to ensure that the ticket was purchased at their business. After the ticket is scanned, the terminal returns a message confirming whether the retailer should or should not pay the ticket. At a minimum, Vendor must demonstrate that it can provide this functionality with any solution offered through this RFP.

- 14) Training Mode. The terminal must be capable of operating in a training mode. Ticket facsimiles generated in training mode transactions shall be marked "VOID - DEMO - NOT FOR SALE" or equivalent in the body of the ticket.

Vendor shall fully describe the terminal's capability to support and allow for multiple different training modes, such as Retailer, Lottery DSR, and Field Technician.

Training mode at retailer locations must be capable of being monitored from the central system and create a transaction for the central system advising that the terminal has entered/exited training mode. All retailer-site training transactions shall be logged to the central system and labeled as training transactions. Training mode must be capable of simulating all transactions allowed without updating production files other than the log file. The training mode shall always be available and updated prior to a new game start.

Tickets produced in training mode will use "XXX" in place of numbers representing play data.

15) Self Diagnostics. Vendors shall fully describe the System's capabilities for self-diagnostics, including submission of all indicators and operator messages available in that system. The terminal must be equipped with self-diagnostics and indicators that enable the retailer and service technicians to monitor the operating status of the terminal. It is required that terminal diagnostics and internal status conditions can be initiated and observed remotely by technicians or hotline operators.

16) Transaction Integrity with Consumables Fault.

a) The terminal must provide a method of preserving the integrity of the transaction when a printer fault, misprint, jam, or end-of-ticket-stock condition occurs. Vendors shall demonstrate how its solution addresses such a condition.

b) The terminal must return to service when the fault is cleared without notable delay or disruption for the retailer.

17) Universal Serial Bus (USB) and Peripheral Slots/Ports. The Lottery anticipates the possibility of using various peripheral attachments for the retailer terminals. Flexibility to enhance the terminals in such a manner is an important characteristic. In addition to interfaces for terminal features and peripherals identified in this RFP as required upon delivery, there must be a minimum of four (4) additional, initially unoccupied slots/ports which are standard interfaces for other peripherals. These ports shall be physically or logically secured when they are not in authorized use.

18) Environmental Fitness. The terminal shall be suitable for the conditions of Iowa retailer locations: 110V 15 amp electrical circuit; small counter top spaces; difficult environmental conditions such as heat, cold, moisture, dust, grease, spilled liquids, and operator abuse.

19) Power Cord. Vendors must describe what length of cord, approved by a reputable testing laboratory and containing a three-prong grounded plug, shall be supplied with the terminal. Preference shall be given for power cords that are at least ten (10) feet in length.

20) Memory and Storage.

a) The Lottery requires the capability to add games and to insert promotions, which may consume terminal memory. It is required that the terminal as-delivered provide at least a fifty percent (50%) margin of available game and promotion memory for future games and promotions as that anticipated to be consumed at conversion time by the current Iowa games.

b) The terminal must have sufficient memory to support at least eight hundred (800) concurrent Scratch games, one hundred (100) concurrent Pull-tab

games, and twenty (20) InstaPlay games using up to three (3) different bar code algorithms without an upgrade of terminal resources.

- c) The terminal's memory, both dynamic and static, must be expandable and/or upgradeable. Vendor shall describe its capability to upgrade terminal memory, including reference to any maximum capacity. The Lottery's current fleet of terminals have a 32GB solid-state hard drive.
  - d) Should AC power to the terminal be interrupted, the gaming software (stored in the terminal's memory) must not be destroyed, modified or lost for a minimum period of ten (10) days from the occurrence of such failure.
- 21) Casework Color. The casework of the terminal and any peripherals must be provided in a durable and uniform color selected by the Lottery among options available, using a manufacturer's standard color chart. Vendor must identify whether the color is a coating applied to the surface, or molded throughout the casework.
- 22) Sound Generator. The terminal must be capable of producing tones and high fidelity audio when certain transactions or functions are performed, or specified events occur. The use of sounds must not unduly delay the transaction processing time. The Lottery will approve which functions shall trigger this feature as well as the sounds used by the terminal. It is required that the terminal be capable of supporting auxiliary speakers as a peripheral. The sound volume shall be controlled from the central system or be adjusted by an authorized terminal technician with the terminal in maintenance mode.
- 23) Broadcast Messages. Messages from the central system must be received and displayed to the retailer and/or DSRs. If the terminal is not powered on or communicating with the central system at the time of broadcast, the central system will ensure that the terminal receives the message immediately upon sign on. The capability for the Lottery to send broadcast messages without the need for the Successful Vendor assistance is required. Vendor shall describe its capability to provide such messages with at least a minimum of 1024 spaces.
- 24) Large Dollar Transaction Verification For Purchases and Validations. The terminal screen must display a message for each "large dollar" transaction that provides an option to the retailer to stop or take other appropriate action before completing the transaction. The Lottery will define the default amount of a "large dollar" transaction and must approve the terminal messages.
- 25) Previous Transaction Listing. The Vendor shall describe the terminal capability to display, export, or print lists of previous transactions. At a minimum, the terminal must be able to display eight (8) days' transactions at a time and be able to print the last fifty (50) transactions accepted by the System, upon request of the retailer, in order to compare printed tickets with registered tickets. The System should also

have capabilities to export such transaction lists to external devices via USB and Lottery management interfaces through secure file transfer.

- 26) Cancellations. The terminal must support ticket cancellations for those games that permit it. Cancellations must be governed by a set of parameter-driven rules as established by the Lottery.
- 27) Validation Limits. The terminal must not cash wins in excess of that permitted by law, currently \$600.00, as set as a parameter by the Lottery. For larger wins, the terminal must return a response as defined by the Lottery, permitting the win to be claimed at a location designated by the Lottery.
- 28) Terminal Case Design for Safety. The terminal's design must partition electronic and electrical components from access by the retailer when conducting retailer tasks to operate or maintain the terminal. Sharp and protruding edges must be minimized.
- 29) Last Transaction Display. The terminal must provide a mechanism for display of the last transaction of each type, including last wager, last cancel, last winner validation, last report, etc., as selected by the retailer.
- 30) Terminal Addressing. Each terminal must be addressed using IP-based addressing.
- 31) The terminal and related components must be able to produce wagers for multiple lotto games from a single function.
- 32) Retailer Terminal Reports. All reports must include the words Information Only-Not For Sale (or a similar Lottery approved message) at the top or bottom of the report.
- 33) The terminal must be capable of tracking scratch ticket sales transactions entered by the clerk. This can be accomplished by scanning the UPC or manually entering the sales transaction.
- 34) Terminal must have the capability to print a player claim form. The claim form will print automatically whenever a high tier ticket is validated.

### **3.2.1.3 Retailer Lotto Terminal Attachments**

#### **RESPONSE NOTE: Full**

- 1) Player Flat Panel Display. The Lottery requires a flat panel display and stand having the following characteristics: minimum seventeen inch (17") diagonal, flexibility of placement within the retail establishment, characters/graphics visible from ten (10) feet or greater, and sound available through auxiliary speakers or through the terminal.

As a **Required Option**, included in the base price, the Vendor shall propose two thousand six hundred (2600) player displays that could be deployed at retailer locations. Units must have the capability of being "programmed" using a games management application.

Under the **Required Option** pricing section, the Vendor shall propose a cost for the Lottery to order additional flat-panel displays in batches of twenty-five (25). The price includes hardware, software, installation, communication hardware and associated service fees, and service, maintenance, repair or replacement.

Due to the wide diversity of available space in retailer locations, the player flat panel display unit must be capable of resting on the counter beside the terminal, or being mounted on or suspended nearby the terminal. The exact location of the player display unit will be decided by the Lottery in conjunction with the retailer on an individual retailer basis to optimize visibility. Display units must be viewable by the public through the use of adjustable stands ranging from 7 to 27 inches tall from the bottom of the flat panel display.

The purpose of this display is to communicate:

- Customer transaction information (e.g., current sales transaction, customer balance)
- Ticket validation information (e.g., notify the player that he or she has a winning ticket)
- Lotto and InstaPlay jackpot information
- Marketing, promotional or informational messages
- New game announcements/instructions
- Amber Alerts
- Lottery winner information

The terminal should be capable of storing sound, static image files, and at least ten (10) videos and animations of up to thirty (30) seconds each. The terminal should be capable of displaying static image files and/or animations based upon predefined terminal events approved by the Lottery. The Vendor shall describe their capability of partitioning the display to show multiple messages at the same time.

The stored information should be downloaded in the background over the retailer terminal network, as well as being loadable at the retailer location.

2) Player Transaction Display. As a **Required Option**, the Proposal shall include one hundred (100) player transaction displays in the baseline price for each retailer location not deploying a Player Flat Panel Display. The player transaction display

is a discreet, individual-oriented display for the player conducting the current transaction. This display may communicate the amount of the current transaction, or notify the player that he or she has a winning ticket. In the event that the ticket is a winning ticket, an appropriate message may be displayed. When not displaying a transaction, the player display may provide an advertising or informational message. The Lottery must approve the display design and message presentation to ensure functionality and player privacy. The Vendor must describe its capability for permanently affixing the Player Transaction Display to the terminal.

Under the **Required Option** pricing section, the Vendor shall propose a cost for the Lottery to order additional Player Transaction Displays in batches of twenty-five (25). The price includes hardware, software, installation, communication hardware and associated service fees, and service, maintenance, repair or replacement.

- 3) Self-Service Ticket Checker. As a **Required Option**, included in the base price, the Proposal shall include a terminal peripheral for each retailer location that allows players to check their own Lotto, InstaPlay, Scratch tickets and possibly Pull-tabs for winners. These devices would be located far enough away from the retailer terminal to minimize activity or traffic at the retailer counter. In addition, Vendor's proposal shall describe its capability to allow players to check tickets through an application on a mobile device.

Under the **Required Option** pricing section, the Vendor shall propose a cost for the Lottery to order additional ticket checkers in batches of twenty-five (25). The price includes hardware, software, installation, communication hardware and associated service fees, and service, maintenance, repair or replacement.

The Vendor shall describe the power requirements and connectivity requirements for each ticket checker option.

- 4) Lotto Jackpot Signage. As a **Required Option**, the Proposal shall offer advertising signage capable of displaying game name and jackpot information for at least two multi-state lotto games inside the front window of the store. Vendor shall include eight hundred twenty-five (825) signs in its base price. The signage must be visible and legible for daytime and nighttime viewing from at least one hundred (100) feet outside the store, bearing a fixed logo and/or Jackpot advertising message designed in conjunction with the Lottery. This sign must be remotely updated with jackpot amount capable of displaying millions and billions. Neon or other internal lighting technologies may be used.

Under the **Required Option** pricing section, the Vendor shall propose a cost for the Lottery to order additional Jackpot Signage in batches of twenty-five (25). The price includes hardware, software, installation, communication hardware and associated service fees, and service, maintenance, repair or replacement.

- 5) **Wireless Peripherals.** As an **Invited Option**, the Proposal may offer a terminal mechanism for supporting peripherals around the store on a wireless basis. Wireless signals must be designed so as not to interrupt or interfere with any electronic devices operated otherwise in the store or carried by store customers or employees. Wireless terminal peripherals must support a transmission security method approved by the Lottery. The Vendor shall describe all security features related to the wireless peripherals in order to prevent unauthorized access.
- 6) **Rapid Draw Game Monitors.** As a **Specified Option**, the Proposal shall include monitors to display rapid draw game drawings. The System will support a twenty-six (26)-inch or greater color flat panel video display with mounting brackets. The Successful Vendor will be required to supply and install monitors and mounting brackets as required. The location and number of monitors per retailer location will be determined by the Lottery.

The Successful Vendor will be responsible for the maintenance of all monitors under the same guidelines as stipulated for retailer terminal maintenance.

As an **Invited Option** the Proposal may offer various other sizes (e.g. thirty-two [32]-inch, forty [40]-inch) flat panel video display with mounting brackets, wiring and interface to the terminal.

### **3.2.2 Multiple Terminals per Retailer**

#### **RESPONSE NOTE: Full**

The System must permit, and the Successful Vendor must support, more than one terminal temporarily or permanently installed at a retailer's location. The System must be able to account for individual and multiple terminals as part of a single retailer account. Reports must roll up to a single retailer account or be broken out by individual terminals as directed by Lottery. At times of large jackpots, or for promotions, the Lottery may require temporary installation of additional terminals at retailer locations. It is expected that the Successful Vendor will promptly install additional terminals during times of large jackpots as directed by the Lottery. As a portion of this response, Vendor shall describe its ability for the Lottery to ascertain whether a terminal is a stand-alone device or a terminal incorporated into a kiosk by using a distinct identification or numbering sequence.

### **3.2.3 Kiosks and Specialty Retailer Terminals**

#### **RESPONSE NOTE: Full**

The Lottery is aware that certain needs might be better served by alternatives to the conventional retailer terminals.

1. **Privileged Validation Retailer Terminals.** The Successful Vendor shall provide a method to designate certain terminals as 'privileged', meaning capable of cashing high-tier winning tickets. For these terminals, cashing will be restricted by the Lottery to ranges different from ordinary retailer authorization. (For example in current practice, privileged terminals at Lottery Headquarters cash all prizes,

without limit, while terminals at Lottery Regional Offices can only cash up to \$250,000). Additionally terminals used at Lottery Headquarters to validate mailed prize claims are capable of not cashing low tier prizes until it is determined all claim information has been received from the player. These functions must be capable of being performed by full function terminals. These terminals will be considered in addition to the two thousand six hundred (2,600) retailer terminal baseline allocation.

2. **Wireless Terminals:** full-sized, hand-held, tablet or mobile. As an **Invited Option**, the Lottery may consider retailer terminals that are mobile and capable of being carried by an operator at special events.
3. **Kiosks.** As a **Required Option**, Vendor shall describe its capability to provide the Lottery with one hundred thirty (130) newly manufactured machines self-service kiosks for Lottery retailer locations which contain at least twenty-four (24) Scratch game bins and which comply with Iowa Code 99G.12. Vendor shall include the one hundred thirty (130) kiosks in the Vendor's base system price.

Vendor shall also describe its capability to provide the Lottery with additional newly manufactured self-service kiosks for Lottery retail locations that comply with Iowa Code 99G.12.

Vendor shall describe all features and functions of the solutions proposed relating to this requirement. At a minimum, Vendor shall describe how its proposed solutions address the following:

- The dimensions and features of any proposed solution, including but not limited to the solution's compliance with any requirements or machine size limitations that may have been set by large volume retail locations selling lottery tickets elsewhere in the United States;
- The kiosk shall have the capability to display and sell all Iowa Lottery Scratch, InstaPlay, Raffle, Lotto, computerized games or comparable games that may be implemented on a sales terminal, that presently exist or may be implemented by the Iowa Lottery during the duration of the Contract. The kiosks shall dispense tickets in a smooth and prompt manner without damage to the ticket.
- The capability of the proposed solution to display advertising or marketing content created by the Lottery, which can be modified or updated as frequently as may be requested by the Lottery.
- The capability of the proposed solution to function as ticket checkers and perform validation functions, as directed by the Lottery.
- The materials utilized in the construction of the proposed solution, and the features that allow the proposed solution to be reasonably resistant to scratching, marring, breaking, shattering, as well as to attempted thefts, and capable of being effectively cleaned with household cleaning items.

- The type of currency acceptor/stacker utilized by the solution, the anti-theft and anti-fraud features of the acceptor/stacker, and the denominations of bills accepted by the proposed solution;
- The capability of the machines proposed to have a unique serial number and provide for data analytics and reporting as designated by the Lottery. Vendor shall describe the types of reporting that can be generated by the proposed solution.
- Vendor shall ensure that any solution or kiosk proposed complies in all respects with applicable federal, state, and local laws, rules, regulations and policies, including but not limited to the Americans with Disabilities Act, the Iowa Civil Rights Act, and Iowa Code Chapter 99G.

To the extent that Vendors provide multiple different versions of kiosks, Vendors are encouraged to provide specifications and pricing for each version submitted.

### **3.2.4 Additional Retailer Game Support Items**

**RESPONSE NOTE: Full**

The Lottery may consider certain other items such as Lottery System/Retailer POS system integrated applications, etc., that enhance customer awareness and facilitate sales. **Offered Options** may be submitted.

### **3.2.5 Retailer Terminal Security**

**RESPONSE NOTE: Full**

Retailer terminals must exhibit a high degree of security as a device in a location with public access. The local operating system and applications must be "hardened" so that they cannot be co-opted for other usage besides Lottery operations.

The Vendor must describe the following and all other applicable security features for all proposed retailer terminal types.

1. **Embedded Operating System Security.** For retailer terminals utilizing embedded operating systems, the Proposal must provide information regarding the security of this component including but not limited to operating system hardening processes, when and how patches are applied to address critical security vulnerabilities and identification of other software or controls utilized to protect the device.
2. **Secure Transmissions.** All data communications from the retailer terminal devices to the central gaming host systems must be encrypted. Protected information includes but is not limited to plays, validations, security codes, reports, and downloaded software. Commercially available encryption mechanisms are required and must be approved by the Lottery and any multi-jurisdictional associations of which the Lottery may be a member.

3. Compliance with Security Requirements. Terminal communications must be compliant with all security requirements related to encryption and hardware authentication accepted as operating principles by the Lottery or promulgated by Lottery Association or multi-jurisdictional organization of which the Lottery may be a member.
4. Protection against Unauthorized Access or Service Disruption. The Successful Vendor will ensure that terminal operating systems are not vulnerable to unauthorized access. The Proposal must specify the methods by which these systems will be protected.
5. Other Terminal Security Controls. The Proposal must provide additional information on any other terminal security components and controls that will be implemented including host-based intrusion protection, terminal log management, etc. The acceptability of all terminal security controls will be subject to Lottery approval.
6. Vendor shall ensure the randomness of quick pick/easy pick selections generated by the terminal.

### **3.3 Communications Networks**

#### **RESPONSE NOTE: Full**

The Successful Vendor must propose a design for a communications network to serve the Lottery. Under the Contract, the Successful Vendor is responsible for seeing that the design is implemented and operated in compliance with RFP specifications, including the responsibility for network management. The Vendor shall demonstrate how its proposed communications network will fit the business needs of the Iowa Lottery.

#### **3.3.1 Network Design and Implementation**

##### **RESPONSE NOTE: Full**

The Successful Vendor is provided wide latitude as to the topology and technologies proposed for the network. However, if multiple technologies are employed in the design the Vendor's Proposal must make clear the distribution of different technologies across the retailer population. All Vendor-provided configuration items (that is, those not within a carrier "cloud") must be identified by manufacturer and model number.

At a minimum, the Vendor must identify the types of communications technologies to be utilized. For each technology type, Vendor shall provide the utilization percentage rate and explain how the technologies will be configured to operate in both urban and rural terminal locations. Vendors must also respond to these specific questions:

- 1) In the event DSL is utilized:
  - a) Is it public or private?
- 2) In the event VSAT is utilized:

- a) What size dish is proposed?
  - b) Will it be covered?
  - c) What installation options are available (e.g., roof mount, pole mount)
  - d) What number of satellites and Earth stations are proposed?
- 3) In the event radio is utilized:
- a) How do you assure that the terminal is not moved from the approved location?
- 4) In the event cellular is utilized:
- a) How do you assure that the terminal is not moved from the approved location?
- 5) In the event other communication types are utilized:
- a) Specify details

The Vendor must state the circuit speed for the proposed terminal. The Vendor must state if the speed will be different for the various communication solutions that may be deployed. The types of networks on which the proposed terminals previously have been deployed must be indicated.

The design must cover at a minimum the following network nodes, however, additional connections relevant to the network's topology and purpose may be employed as befits the design and Lottery business requirements:

1. **Retailer Network.** The design must provide end-to-end connectivity for retailer terminals to the data centers. Since transactions must be processed at both data centers, there must be links between retailers and both the primary and backup data centers and the network design must facilitate immediate switching between sites.
2. **Inter-Site Connections.** Since transactions must be logged at both data centers on a real-time basis to keep the sites synchronized, the Vendor must provide inter-site links for game control and data flow.
3. **Games Management Network.** The design must also accommodate other connections for games administration by the Successful Vendor and by the Lottery. This includes connections from the primary and backup data centers to the Lottery Headquarters for management terminals and to the primary and secondary ICS. The proposed design will include the provision and programming of all security appliances necessary to protect the Lottery network from unauthorized access.
4. **Lottery Back Office System Connectivity.** The Lottery operates a back office system, which requires one or more interfaces to the Successful Vendor's System for its adhoc database server, check writing applications, and other systems.

5. **Administrative Connectivity.** The Lottery currently has a claim center at its Clive headquarters/regional office and its four (4) outlying regional offices. The Lottery also has a remote warehouse facility. The Successful Vendor will be responsible for working with the Lottery and the Iowa Communications Network to ensure connectivity of the Games Management Network to the Lottery offices and warehouse through connections to both data centers and all systems for winner cashing, games monitoring and management functions. Vendor shall bear the responsibility of ensuring that any necessary hardware switches, routers are properly maintained and patched.
6. **Data Center Local Area Networks.** Within the data centers there will be multiple LAN connections dependent upon the Successful Vendor's configuration.
7. **Retailer In-Store Installation.** Should the Successful Vendor employ a communications carrier whose demarcation at the retailer premises is not near the retailer's prescribed location for the Lottery terminal, it is the Successful Vendor's responsibility to provide the inside wiring or other communications mechanism to reach the terminal. This connection must be maintained if the retailer adjusts the in-store design. The vendor must describe the standards for wiring the in-store terminal and peripherals.

### **3.3.2 Network Design Features**

#### **RESPONSE NOTE: Full**

Communications facilities must be designed with performance, monitoring, redundancy, diversity, and security features to reduce the possibility that a disruption could impact the network and the Gaming System.

1. **Fault Tolerance.** The Proposal must contain an analysis of the proposed configuration with regard to single points of failure and major points of failure that could afflict a significant proportion of the network. (For example third-party network backhauls, trunk circuits, cellular networks, satellites, or satellite ground stations.) The Network is required to exhibit redundancy and diversity that virtually eliminates single systemic failures removing service from more than forty percent (40%) of the total network.
2. **Fault notification.** The host processor, front-end processor, retailer terminal, and/or diagnostic equipment must be able to notify the network monitor or System monitor of significant transmission failures or outages as soon as possible after occurrence.
3. **Secure External Transmissions.** All data communications external to secured facilities must be encrypted. All data must be encrypted from point of transmission to point of receipt, including any data transmitted directly from the gaming central systems to the remote backup system, to Lottery regional offices and other remote locations. Protected information includes but is not limited to plays, validations, security codes, reports, and downloaded software. Commercially available

encryption mechanisms are acceptable if approved by any multi-jurisdictional associations of which the Lottery may be a member, and if approved by the Lottery.

4. **Incomplete Transaction Protocol.** On incomplete or unresolved transactions between the host systems and the retailer terminals, there must be mechanisms for reconciliation. These may include retries, logging for reporting, and error messages to the retailer, System operators, and Lottery. Describe this procedure.
5. **Non-Responding or Failing Terminals.** If the central system finds a terminal that is not responding within a set number of re-tries or within a reasonable time window, the terminal shall be logged as not responding. The System shall make allowance for servicing of all other terminals on the network between re-tries of the terminal not responding. Failing terminals shall not preclude communication with other terminals. Non-responding/failing terminals shall be apparent to a network monitoring application. The Vendor should describe how the network monitoring application will notify the Vendor and the Lottery of alarm, error, and/or other Lottery defined events.
6. **Communications Outages.** In the event of a communications disruption between central and any terminal, the System shall continue to attempt to service the terminal until the problem is resolved or the System is shut down for end-of-day processing.
7. **Commercially Available Communications Protocols.** To enhance the "open systems" aspect of the System to introducing changes and improvements, it is required that communications protocols below the applications layer be widely used, commercially available protocols, not Vendor-proprietary.
8. **Connection to Systems and Networks Not Dedicated/Private.** Any connection made between the System that processes games transactions, and any other systems or networks that are not private and/or dedicated to Iowa gaming transaction processing (such as the Lottery administrative system and the Successful Vendor's administrative support system and development/QA system), must be effected through devices that detect and block or filter out unnecessary and unauthorized traffic and must be approved by the Lottery prior to implementation. Traffic must be supported only from authorized nodes. Software transfers must be secured. The Vendor must describe how the System will ensure that any such connections do not create vulnerability to unauthorized access, malware, denial of service attacks, and similar security threats.
9. **Network Device Access.** All systems and users requiring access (for any purpose) to the network devices utilized in supporting gaming operations must be approved by the Lottery. Network devices must support controls and procedures that allow the Lottery to audit related network device access.
10. **Principle of Least Privilege.** All networks related to gaming operations must be designed with this principle in mind. Network access controls must be utilized to

allow only the required network services needed by specific hosts or networks to be routed.

11. Mitigation of Design Limitations. The design must mitigate the limitations of the proposed communications technologies. For each retailer network technology identified in response to this Proposal, the Vendor must identify its known limitations and how they will be addressed, including but not limited to unavailability of service in certain areas; radio interference; adverse weather; variability in latency or bandwidth; failure of retailer clusters; carrier SLA that involves long response/repair times; and/or long provisioning times.

12. Bandwidth. The network bandwidth must be adequate to support game play at high transaction rates plus rapid software and data downloads.

For each technology proposed the Vendor must note the nominal bandwidth to and from the retailer and/or player in the case of iGaming, and the aggregate bandwidth through network paths shared by multiple retailers and/or players in the case of iGaming. If bandwidth is shared with other Vendor clients then the Proposal must describe whether any portion of the bandwidth is reserved or guaranteed for the Iowa Lottery and identify the bandwidth/subscriber ratio defining the average allocation of bandwidth to a terminal. If flash video or streaming video is proposed the Vendor must describe the bandwidth limitations and steps taken to ensure that system operations/terminal functionality are not degraded.

13. Approval for Installation. If the Vendor's design calls for installations that must be approved by or negotiated with third parties, such as landlords, municipalities or other jurisdictions, property owners, or governmental agencies, the Vendor is responsible for implementation, and must cite the expected process, including how the Vendor shall carry it out.

14. Single Point of Failure Analysis. Annually, as part of the Network Reporting Requirements, the Successful Vendor will create and provide a "Single Point of Failure Analysis" report on the various segments of the Communications Network that would cause an entire network or sub-network outage. Analysis of each of these segments will be reported back to the Iowa Lottery with recommendations on any modification that may be necessary as well as a timeline to implement the recommendations. The Proposal must provide additional information on the network security components and controls that will be implemented for the System LANs and the proposed WAN connections including firewall and Intrusion Detection System protection, network access controls, network device hardening, login and password controls, network device log management, etc. The acceptability of all network security controls will be subject to Lottery approval.

### **3.3.3 Network Administration Services**

**RESPONSE NOTE: Full**

The Successful Vendor will be responsible for network management. Network administrative services must include:

1. Provisioning. Under the contract the Lottery will identify new retailer locations along with any moves or removals. After the order is placed, further monitoring and install/de-install actions shall be performed or supervised by the Successful Vendor.
2. Configuration Management. Configuration changes and asset records must be managed. This includes an inventory of Lottery network resources and their operating parameters. The Vendor must provide change management control procedures and online storage of network component configuration files.
3. Carrier Interface. The Successful Vendor must interface with the communications carriers, the retailers, and the Lottery to schedule installs, correct problems and improve service delivery. The Successful Vendor will be responsible for working communications problems to resolution through the common carriers/external suppliers, and shall describe this conflict resolution process including any escalation procedures.

### **3.3.4 Network Monitoring and Fault Resolution**

#### **RESPONSE NOTE: Full**

The Successful Vendor must diligently and constantly monitor the network, detect current operating characteristics, and detect faults and take action to remediate them. Vendor shall describe its capability to perform network monitoring, recording, and analysis. At a minimum, Vendor shall outline its ability to conduct the following functions:

1. Network Monitoring System. Communications test and monitor capability must be available at both the primary and remote data center sites. Network monitoring tools must be able to interface and analyze protocols, view transaction data for analysis, and create visual and/or audible alarms to provide warning of problems. The capability must be included to determine whether failure has occurred in the equipment at the central or remote sites, within the wide area communications network, or at the retailer terminal level. Other network connections may be relevant depending on the Successful Vendor's proposed design. The Successful Vendor should describe in detail the network monitoring tools and features that will be available to the Lottery for the day-to-day oversight and monitoring of the Successful Vendor's communications network and system. Vendor shall also describe the Vendor's capability, if any, to provide the Lottery with an application or system providing for automated alarm notifications.
2. Network Event Recording. Communications test and monitor equipment must have recording and recall/reporting capability. The standards for the types of events recorded and the period of retention will be developed jointly with the Lottery.

3. Network Monitoring Protocols. It is required that network monitoring tools, and the networked devices provided by the Successful Vendor, employ a standard protocol to facilitate monitoring all along the communications path, and to extend this capability to new network devices readily should they be introduced.
4. Communications Expertise. Communications technicians trained in the use of test and monitor equipment must be present at the active (retailer terminal-serving) system site whenever the Lottery Gaming System is operational and whenever the Lottery requests such support for test purposes.
5. Hotline Monitoring of Retailer Network. Hotline equipment must have a display of terminal status allowing the hotline operator to see if a terminal is down, if a retailer is signed on or not, and other relevant diagnostic information.
6. Lottery-Initiated Network Monitoring. The Iowa Lottery itself must be able to monitor the network using a management workstation software application, or with specialized workstation(s) as supplied by the Successful Vendor. As well as having status information available to the Lottery, the Lottery must receive reports or displays from the Successful Vendor that would indicate attempts at unauthorized access to or manipulation of the System's components or settings.
7. Service Level Agreement. The Successful Vendor must propose a Service Level Agreement for retailer network service. Network availability from the retailer's perspective, as measured on a monthly basis, must be a minimum of 99.7% of system operation hours. The Service Level Agreement may commit to a higher level of monthly availability. If the Proposal commits to a higher level of network availability, the Successful Vendor will receive the benefit of an increased technical score but will be held to that standard for the corresponding liquidated damages. See RFP Section 2.26 for liquidated damages as a result of Communications network outages.

### **3.3.5 Network Conversion**

#### **RESPONSE NOTE: Full**

The Successful Vendor is expected to provide a dedicated network conversion team for the purpose of coordinating and implementing the migration of Lottery retailers from the existing network to the new. This team will handle all aspects of the migration, including all interactions between the Lottery retailers, property owners and utility company/service providers.

The Successful Vendor will be required to provide and install all communication equipment and other accessories necessary to connect the communication equipment at each retail location to the central system.

### **3.3.6 Sales Force Field Automation System**

#### **RESPONSE NOTE: Full**

As a **Required Option**, included in the base price, the Proposal shall contain an mobile and desktop accessible system, hosted by the Vendor, for the DSR group and designated Lottery staff to access in-house or third party sales force automation tools (RFP Section 3.4.13) that shall be housed on the server described in: (RFP Section 3.4.9. The interface must have the same security specification as the secure connections given in RFP Section 3.1.1. The Successful Vendor will be responsible for the hardware and software support of the proposed system.

### **3.4 Software Controls and Data Management**

#### **3.4.1 Gaming Software Security, Control Features and Functions**

##### **RESPONSE NOTE: Full**

In addition to selling and cashing tickets, the System must provide particular features and functions to meet requirements for secure and efficient operation. Vendor shall fully describe how its proposed solution provides necessary gaming software security, outlining any key control features and functions. At a minimum, Vendor must articulate how its solution satisfies the following requirements:

1. Logging. All game processing activities are to be recorded immediately on electronic media on multiple hosts. Such game processing activities at a minimum include sales, cancels, cashes, validation attempts and other play-related transactions, any other retailer terminal commands, error conditions, operating system entries, job console entries, and any changes using the games management applications.

Requirements include, but are not limited to:

- 1) The gaming system back-up, recovery and redundancy features can be supported, using log files for re-processing, if necessary.
- 2) The gaming system – including outages and recovery events – can be audited and checked for appropriate usage and freedom from error. There must be a strict relationship between tickets printed, tickets registered in the log files, and ticket transactions forwarded to the ICS.
- 3) Authorized Lottery personnel shall be able to research transactions and operations when required. The transaction log will include detailed records of sales, validations, canceled Lotto tickets, rejected validation inquiries, terminal outages, login information, type of play (e.g., quick pick or play slip), and system events. Reports on transaction log entries must allow standard queries and sorts. It is preferred that research into transactions up to one (1) year old not require the loading of archived physical media.

- 4) The transaction logging process includes periodic checkpoints including significant counts and amounts totals for all games.
  - 5) The Lottery requires a near real-time feed of the transactions to the Internal Control System. The near-real time feed shall include periodic checkpoints to ensure that the ICS file is complete at that time. In addition, the Successful Vendor must be able to provide audit files to the Lottery within five (5) minutes following the close of sales for any game, and prior to the drawing for that game. A final audit file for the day must be available to the Lottery immediately after close of the Lottery Gaming System each day. The ICS solution shall be compliant with MUSL Rule 2 and Confidential Standard.
  - 6) The Successful Vendor will provide the Lottery with any software necessary to interpret or decrypt any proprietary or unique ICS (audit) record formats, resulting in ASCII and/or EBCDIC text and in a format/structure that is approved by the Lottery.
2. Unique Transaction Number. The serial number assignment method used by the Successful Vendor must account for the fact that transactions resulting from unclaimed winners, from subscription sales, and possible other causes may reside for extended periods in the System. It is required that the ticket serial numbers be unique over the term of the Contract.
  3. Transactions Protected. The System must ensure that transactions cannot be tampered with, including but not limited to the log files and validation files. The Proposal shall evidence the Vendor's methods and procedures that prevent tampering with the System. The Lottery reserves the right to review any and/or all System narratives, source program listings and operational procedures to ensure data and System integrity.
  4. Tickets Not Duplicated. Tickets must not be able to be duplicated on terminal or kiosk equipment nor on personal electronic devices.
  5. Liability Levels. The Lottery shall be alerted immediately when sales of a number in a fixed payout game reach a warning level, and then reach a specified liability level set by the Lottery. The System, through a games management application, must provide a payoff figure and a payoff liability, whenever requested by the Lottery. The System shall automatically suspend sales of any number when the liability limit is reached, although the Lottery shall have the ability to override the suspension.
  6. Operator Console Records. All operator commands executed by the System and any System warnings or problem messages shall be placed on a non-volatile medium (for example, on a write-once medium). This log must be provided on digital media or as an electronically transmitted file to the Lottery, which the Lottery may at its option process and review for auditing purposes.

7. Retailer Spoofing. The System must ensure integrity wherein no action, either operational or by tampering, can permit duplicate or unauthorized terminal addresses to be established. In all cases, authorized terminal identification must be ensured.
8. One-Time Cashing. A winning ticket, whether physical or electronic, must not be able to be cashed more than once.
9. Software Checksums. Checksums are required for executable programs on the gaming host systems, front-end processors, network equipment, administrative systems, and retailer terminals for auditing purposes. This requirement applies also to the development and quality assurance systems. Checksum information will be provided to the Lottery upon request. The Successful Vendor must maintain control of software distribution such that systems and terminals are not able, inadvertently, to run inappropriate versions of the software.
10. Transaction Storage Redundancy. Every transaction of the terminals must be received in at least three (3) systems before authorization to print a ticket, including the gaming transaction system handling the transaction, a local backup transaction system capable of recovering for a failure of the system processing the transaction, and a remote backup transaction processing system. In the event of a system failure, every transaction must be recorded on at least two (2) systems.
11. Game Monitoring. Real-time monitoring of gaming transaction traffic and system utilization must be provided for use by both the Vendor and the Lottery. The Successful Vendor must maintain these tools to correspond with the latest gaming system changes and with industry-available improvements. The Lottery shall receive immediate notification of abnormal System operations and their causes, such as validation problems, communication difficulties, computer downtime, etc.
12. Transaction Simulation. A transaction simulator program is required to generate all types of terminal and System transactions in optional percentages for use in testing software quality and performance. The program must accommodate simulated Scratch ticket validations against a validation file as part of the transaction mix. The program must allow manually entered transactions, including Scratch ticket transactions, to mix with the program-generated transactions.
13. Secure On-Site and Off-Site Storage. The Vendor must provide for secure on-site and off-site storage of critical files, software, and back-up data, subject to approval of the Lottery. Stored materials retention shall follow a schedule negotiated with the Lottery. Media stored in archives must be checked and/or exercised periodically to ensure their physical integrity. At the Lottery's direction, the Successful Vendor may be directed to restore a backup file to a test system to ensure viability.
14. Valid Backups of Files. The Successful Vendor must use operational practices through report balancing and reconciliation to ensure that current data files and

archived backup copies are valid. This is particularly important for validation files and future plays files where recovery by reprocessing large volumes of aged transactions may be impractical.

15. Configuration Management. The Successful Vendor shall operate under a defined procedure for changes to documentation, procedures, specifications, program source and object code, and other major System components. Strict performance according to principles of configuration management is required:

- 1) System components shall have version or release numbers, or model and serial numbers.
- 2) Components shall be traceable, identifying the history, use, and location of a component.
- 3) The System must provide reports showing when and by whom a change was made and must avoid multiple update conflicts.
- 4) The System shall have the capability to produce a configuration status report or listing.
- 5) The Successful Vendor shall ensure through procedural and System controls that only approved changes, on an approved schedule, can be made.
- 6) The retailer terminal software version number should be identifiable by some means on the retailer terminal (displayed at sign-on or retrievable). The gaming system should have a means of determining that all terminals and kiosks are running the correct software version. Any terminals or kiosks found that do not have the correct software should either receive an automatic download of the correct software (preferably) or be identified so that a field representative can investigate and correct immediately.

Reports and/or displays shall be available to the Lottery to review configuration management activities.

16. Software Quality Assurances and Acceptance Testing. The Successful Vendor shall perform quality assurance practices for software enhancements and corrections. This QA program shall be complemented by the Lottery's acceptance testing program using the testing terminals and systems described earlier in this RFP.

- 1) The testing environment must be capable of providing production-type reports including management reports and terminal reports, and the capability to research and report transaction history.
- 2) All software changes must be accompanied by release notes that characterize the planned changes and the software changes shall be incorporated into a completely defined release package. The release notes shall include, but not

be limited to, version numbers, files affected, change request identifiers, and change descriptions.

17. Dynamic Pools. For all matrix-type games, the Successful Vendor must maintain dynamic pools for the current draw, and dollar summaries for all plays for all future draws on sale. The Successful Vendor must also maintain dynamic pools for the current draw and future draws for the numbers-type games. The total dollars played by game by play type must be maintained for all future draws. The current day's pools must include all current day's sales as well as advance day sales for that draw.
18. Ticket Stock Tracking. Ticket stock is delivered to retailers in cartons having a bill of lading. Each roll inside shall have a unique bar code allowing the ticket stock to be received at the retailer terminal. Ticket stock tracking shall permit returns, re-issues, and destruction of stock, as appropriate, by authorized users. Ticket stock activity reports will be required to track erroneous ticket stock activity. The ticket stock tracking information shall be delivered from the ticket stock printer directly to Lottery Security, using a method of secure electronic delivery as prescribed by the Lottery. The Successful Vendor's technician, by virtue of delivering ticket stock as a consumable, will be permitted to know the carton numbers, but not the contained roll numbers. The Successful Vendor must provide any hardware and software necessary to store, maintain, inquire of, or interpret this information. There must be a backup for this capability at the remote backup data center.
19. Dual Security System. The retailer terminal must generate a unique number, aside from the System-logged transaction serial number, that can be used to link winning tickets to selling terminals. This "dual security" approach must be acceptable to all multi-jurisdictional associations of which the Lottery is a part or becomes a part. This application must be under the physical and operational control of Lottery Security. The Successful Vendor must provide any hardware and software necessary for the Lottery to decrypt dual security numbers. The methodology must avoid retailers having to save sign-on slips or other materials, and must preclude Successful Vendor staff from decrypting the dual security number. The use of an encrypted control number is required.

Vendor must include on all multi-jurisdictional tickets Encrypted Control Number (ECN) functionality meeting current MUSL requirements. Vendor will update ECN functionality to keep up with current technology as described in the most current MUSL rules within 180 days of any rule change.

Vendor shall describe its capability to provide dual security in the provision of iGaming or electronic tickets.

20. Anomalous Condition Reporting. The System must be capable of displaying and reporting anomalous conditions that may indicate operational problems or attempts at fraud. This capability must include, but is not limited to, the capability to report a terminal with anomalous and excessive transactions (such as sales,

cancel, and log-in attempts), attempted cashes of stolen tickets, unusual console log entries, unusual transaction journal entries, and systemic events such as no sales for a game scheduled to be operational. The Successful Vendor must provide a printer installed at the Lottery to provide a record of these events or provide the information via secure electronic delivery.

21. Incomplete Transaction Protocol. On incomplete or unresolved transactions between the host systems and the retailer terminals, there must be mechanisms for reconciliation. These may include retries, logging for reporting, and error messages to the retailer, System operators, and Lottery.
22. Non-Responding or Failing Terminals. If the central system finds a terminal that is not responding within a set number of re-tries or within a reasonable time window, the terminal shall be logged as not responding. The System shall make allowance for servicing of all other terminals on the network between re-tries of the terminal not responding. Failing terminals shall not preclude communication with other terminals. Non-responding/failing terminals shall be apparent to a network monitoring application.
23. Communications Outages. In the event of a communications disruption between the central system and any terminal, the System shall continue to attempt to service the terminal until the problem is resolved or the System is shut down for end-of-day processing.
24. Scratch/Pull-tab/InstaPlay Ticket Information Protection. Scratch/Pull-tab/InstaPlay ticket information and validation data must be protected from unauthorized access during the period beginning with ticket manufacturing, through the period where tickets are being distributed, sold and validated, and ending when the game is no longer on the System. The Lottery determines when the game is no longer on the System, which is typically three (3) years after the validation period ends.
25. Validations. The System must be capable of validating winning tickets by means of a reader and by manual entry.
  - 1) The System must validate winning tickets presented within the validation periods as determined by the Lottery. The schedule for validation may be found at [www.ialottery.com](http://www.ialottery.com).
  - 2) In addition to the customer display, the terminal shall print a receipt that confirms the result of any validation attempt of a Lotto, Scratch, or InstaPlay ticket. The prize amount for all tickets presented for cashing or checking must appear on the customer display and the terminal must print two (2) receipts for winning tickets and one (1) for non-winning tickets. The receipts will contain verbiage approved by the Lottery. The validation ticket transaction as logged on the System must be referenced to the original sell transaction. The exact specifications will be established during implementation.

- 3) The Lottery expects retailers to pay winning tickets valued equal to or less than six hundred dollars (\$600). A Lotto ticket may incorporate multiple plays under a single serial number, and win multiple prizes. Multiple winners on the same ticket still observe the six hundred dollar (\$600) rule. This threshold should be parameter-driven and capable of being changed easily, by authorized users, without the need for extensive full regression testing of the entire system.
- 4) When cashing a multiple draw ticket prior to the last draw on the ticket, an exchange ticket for the balance of the plays must be printed. The exchange ticket must have a distinct serial number from the original ticket but the System must be capable of relating the two.
- 5) For Lotto games, the System must allow paid Lotto winning tickets to be retained for one (1) year after the winning draw date, claimed but non-validated Lotto winning tickets for one (1) year plus sixty (60) days after winning draw date, and non-validated winning lotto tickets for one (1) year plus sixty (60) days after the drawing. The exact specifications will be established during implementation (e.g. messages regarding validation status to be displayed).
- 6) The System must provide the capability for the retailer to decline to cash validations from \$100 up to and including \$600. The Lottery privileged terminals must be capable of declining to cash any prize.

26. The Lottery has its own check writing application that interacts with the System in order to pay tickets at Lottery Regional Offices and Headquarters. The Successful Vendor shall provide a SOAP web service API to support the claims payment process by developing web services matching the examples in Appendix F part 6.g – Lottery Check Writer API.

### **3.4.2 Application and Database Security**

#### **RESPONSE NOTE: Full**

Application security controls are another critical component of the Successful Vendor's role in ensuring the integrity of the System. The following security requirements apply:

1. Authentication, Authorization and Access Controls. The Proposal must clearly identify controls related to user authentication, authorization and access controls for applications (including database applications). The Vendor shall propose a convenient method allowing authorized users the ability to reset and manage their own passwords on the System.
2. Audit Trail. All application login attempts, whether successful or not, must be logged. Log entries must reference identifiers such as the time, date, IP address, and login success status. All modifications to the System must be logged and protected by verification steps. The application must provide display and reporting tools for the Lottery to verify the events recorded in the audit trail.

3. Principle of Least Privilege. All applications and databases must be designed to support only the processes and user access required to provide the intended application functions. Application and database users must be granted access only to the application and database functions and data elements needed to perform their job functions.
4. Compliance with Security Requirements. All applications must be compliant with any application security requirements promulgated by any association or multi-jurisdictional game organizations of which the Lottery may be a member.
5. Protection against Application Compromise or Service Disruption. The Proposal must provide information on the mechanisms by the Vendor to validate developed code to ensure applications are not vulnerable to denial of service attacks or similar security threats.
6. Other Application Security Controls. The Proposal must provide additional information on other application and database security controls that will be implemented including login and password controls (if applications are not directory-integrated), application and database security log management, database hardening procedures, etc. The acceptability of all related security controls will be subject to Lottery approval.

### **3.4.3 Lotto Games Drawing Controls**

#### **RESPONSE NOTE: Full**

1. Automatic Close. At a specified time before the drawing, the System shall automatically close a game without operator intervention. The Vendor should identify whether their System has the capability to manually override the automatic closure of a game.
2. Transactions at Close. The System must maintain control of transactions underway at close time so that all transactions before the game close transaction apply to the forthcoming drawing and all transactions after the game close transaction apply to the subsequent drawing. The CGS and ICS systems need to share the same Network Time Protocol (NTP) servers. The CGS and ICS must process transaction related timestamps in the same way so that bets are matched to the appropriate drawing on both the CGS and ICS. This requirement applies regardless of whether the play in question is generated at a retailer terminal or, in the case of iGaming, is generated on a personal electronic device.
3. Drawing Information. At game cut-off for any game the system must display within the games management application the following information for the game:
  - Time of day
  - Net game pool (sales minus cancels)

- Hash total of plays (including cancels)
  - Pool Status
  - Draw Identifier
4. Manual Winning Number Entry. Dual manual entry of drawn winning numbers, prize and jackpot amounts must be supported. All attempts, successful or not, must be logged.
  5. Suspend Sales After Last Drawing. The System must provide the option to suspend sales of a game for the remainder of the sales day, after the last drawing of the day. This feature should, for example, support a game matrix change to take place after one day's last drawing.
  6. Closing, Drawing, and Cashing Time Window. The Lottery considers it necessary to minimize the time window between close of the games, drawings, and the capability to pay winning tickets. The System shall comply with the time window specifications of the current and future Lottery Lotto games for closing games, conducting game drawings, entry of winning numbers, and readiness to pay winning tickets. All game types must be addressed. The Vendor should describe the functionality available to change the Closing, Drawing, and Cashing time windows.
  7. Roll to Next Day after a Problematic Drawing. The System shall allow the Lottery to resume ticket sales and operations for retailers and customers for future sales without finalizing and declaring official a problematic drawing.

### **3.4.4 Games Management Application**

#### **RESPONSE NOTE: Full**

The Lottery requires staff access to the Successful Vendor's games management applications for performing functions such as configuring game settings, managing retailer terminals, performing retailer accounting functions, sending messages to retailer terminals and tickets and accessing management, sales, and retailer reports. The Vendor shall describe its ability to provide Lottery staff access to game management applications for the performance of necessary functions. At a minimum, Vendor shall articulate how its solution satisfies the following requirements:

#### **3.4.4.1 Games Management Application Access**

##### **RESPONSE NOTE: Full**

Access to the games management application will be from various locations including workstations on the internal LANs at the Lottery Headquarters and remote Lottery offices, subject to prior written approval by the Lottery. In addition, certain functions may be performed by staff with remote access subject to prior written approval by the Lottery.

Lottery workstations will be configured as needed with any required software for accessing the games management application provided by the Successful Vendor subject to prior approval by the Lottery. The Lottery requires that the games management application be web browser-based, compatible with industry leading web browsers such as Chrome or Firefox that do not require the installation of any additional client software.

The number of users requiring access to the games management application will be determined by the Lottery. Currently, approximately sixty (60) users are registered for access to Lottery systems, with varying authorizations. The Lottery estimates that at any one time there are fewer than thirty-five (35) concurrent users on the Lottery Systems.

### **3.4.4.2 Games Management Application Features and Capabilities**

#### **RESPONSE NOTE: Full**

The System shall provide a range of features and capabilities that taken together accomplish all tasks to manage and control the Lotto, InstaPlay, Scratch and Pull-tab games, plus mobile and iGaming (as applicable). The features and capabilities include, but are not limited to, the following list and will be available to both Successful Vendor and Lottery authorized personnel.

- 1) Management Reports. The games management application must be capable of producing at a minimum Lotto, InstaPlay and off-line management reports similar to those found in Appendix D. In order to satisfy this requirement, Vendor must design a capability for the Lottery to manually run reports upon demand. In addition, Vendor must describe its ability to supply the Lottery with an option to schedule automated reports through the application.
- 2) Retailer Terminal Management. Vendor shall describe the capability of the authorized games management application users to enable and/or disable any retailer terminal, partially or fully. The Vendor shall describe all of the parameters/features that the games management application has to allow the enable and/or disable of any retailer terminal, partially or fully. Actions taken toward retailer management must be effective immediately and must create an audit trail of the changes made, the date of the change, and the user who made the change to a retailer terminal record.
- 3) Retailer Disablement Codes. The games management application must support a coding scheme for differentiating various retailer "disabling" reasons. For example, if a retailer is disabled for a collection-related problem, for EFT sweeps, and for a disciplinary problem, this multiple-cause disabling must be recorded in the retailer record and clearly displayed upon inquiry. The coding scheme must be able to accommodate up to twenty (20) total disablement conditions with up to five (5) concurrently. The application must be capable of reporting a retailer's history of disablement conditions.
- 4) Dual Entry. The application must provide the capability to enter critical data such as Lotto game winning number entry through two (2) different application user

sessions, one of which is from the Vendor and the other from the Lottery, whose results are verified to be the same before allowing the process to continue. All attempts, whether successful or not, must be logged.

- 5) Game Control. The games management application must support the capability (for an authorized user) to shut off and resume sales and validations on each game independently.
- 6) Message Groups. The games management application must support the capability (for an authorized user and subject to prior Lottery approval) to send messages to retailers or DSRs, a specific retailer or DSR, or to any group of retailers or DSRs such as, but not limited to, all retailers or DSRs, retailers or DSRs in a sales region or retailers in the same county, zip code, business type, corporate account, terminal type/functionality (including attached peripherals), or sales level in one single transmission. In addition to game messages, the Lottery also utilizes this functionality to send messages such as "Amber Alerts" to all retailer terminals. The Proposal shall describe how the application allows retailer groups to be designated for message distribution. Additionally, the Proposal shall describe how the application will keep retailer and DSR messages separated from view by the other.
- 7) Message Size. The Vendor shall provide the Lottery with the ability to relay Retailer and DSR informational messages. The Vendor shall identify the capacity of the messages supported by the system proposed in this RFP. At a minimum, the Vendor must be able to support a message of up to one thousand twenty-four (1,024) characters.
- 8) Immediate, Deferrable, and Automated Messages. The games management application must support the capability (for an authorized user) to define any retailer message as immediate or deferrable. Immediate messages must be displayed by the retailer terminal right away. For a deferrable message, the retailer terminal is notified to take a specified message within a certain time, but the message can be taken by the retailer when it is more suitable to player traffic. The games management system must support the functionality to issue automated terminal messages as the result of events specified by the Lottery.
- 9) Player Display Messages. The games management application must support the capability (for an authorized user) to create and send video, graphics and messages to the player display units associated with the retailer terminals and to the groups identified in RFP Section 3.4.4.2, item 6.
- 10) Ticket Messaging. The games management application must support the capability (for an authorized user) to create and send messages to be printed in "banner" spaces on the tickets. These messages would be triggered by situation, for example by the game, bet type, or price point. One application will be a unique, by game, marketing message to display on tickets so that a ticket (e.g., Powerball, etc.) could display a unique message. The Lottery may also utilize this functionality to send messages such as "Amber Alerts" for printing on tickets.

- 11) Game Monitoring. Authorized games management application users must have the capability to observe real-time statistics on the operation of the System by game, retailer, or group of retailers. (For example, up-to-date statistics on sales by game, by calendar day or draw.)
- 12) Sales and Transaction Research and Reporting. The Lottery requires the capability for authorized games management application users to request, process, and print portions of the gaming System's sales history and transaction history. At least thirty-five (35) days of transaction detail must be online.
- 13) Retailer Reports. The System must be capable of automatically printing retailer statements on a Lottery regional office printer. The games management application must be able to generate reports in the same formatting as the retailer terminal reports to allow Lottery staff to review results with retailers.

### **3.4.4.3 Data Warehouse**

#### **RESPONSE NOTE: Full**

The Lottery requires a data warehouse solution that will allow its users to access the data needed to produce custom reports and datasets and to transfer the data directly to other applications for operational and analytical purposes.

The data warehouse will contain a subset of the data from the games management application but in a non-normalized form optimized for querying. At a minimum, the data warehouse must contain the data described in Appendix K. As the Lottery's business needs continue to evolve, the Successful Vendor must be able to add new datasets and tables to the data warehouse as required by the Lottery.

The data contained within the data warehouse must be updated on the schedule set by the Lottery. Vendor shall describe the capability of its solution to make updates, including how many times per day the solution can provide updated data. The Vendor shall describe which platform will be used for the data warehouse solution. The Lottery strongly prefers this solution to be based on Microsoft SQL Server.

It must be possible to access the data contained within the data warehouse by using API (including, but not limited to, an ODBC connection) and a direct SQL query. The Vendor may propose a query and reporting tool to be used with the data warehouse that will allow the end-user to build reports by defining the reporting parameters within the tool's user interface and to produce the output in a number of commonly used file formats such as PDF, XML, and CSV.

The Successful Vendor shall describe the Vendor's ability to provide technical support and ongoing development of the data warehouse and any related tools and the vendor's

ability to protect the system while hosting the data warehouse on the Lottery's internal network.

### **3.4.5 Support of Scratch Ticket Transactions at Retailers**

#### **RESPONSE NOTE: Full**

The Lottery is seeking a system that will support Scratch ticket distribution, validation, accounting and reporting. The Lottery has been utilizing a courier delivery supplemented by trunk-stock delivery method for the distribution of Scratch tickets. The new System must allow for scratch tickets to be delivered to retailers by various delivery methods. The System will be required to support scratch games through the retailer terminal and shall include but not be limited to the features and transactions noted below.

1. Bar Codes. Many scratch ticket transactions depend on bar coded numbers for unique identification of tickets. The System must accommodate reading at least three (3) different bar code algorithms. If the Successful Vendor has input into the scratch ticket identifier and/or bar code encoding scheme, the identifier design and the algorithm must be secure against compromising the integrity of the game. The System must accommodate the Lottery's current bar code practices and new standards.
2. Security Grid. Operations on packs and tickets will depend on a rules-based security grid that defines acceptable status changes. The grid's rules shall be developed jointly with the Lottery.
3. DSR Transactions. The System must support retailer inventory management transactions and messages for DSRs. For each retailer where a DSR conducts pack management transactions the system must produce reports of all activity.
4. Pack Delivery and Returns. Transactions for packs delivered directly to retailers from the DSR inventory or shipped to retailers via a courier service must be registered on the System and produce a pack activation report. Full packs may be returned by the retailer via the DSR and are allocable for use elsewhere, or for return to inventory in the warehouse. Partial pack returns may be returned by the retailer via the DSR and returned to the regional warehouse. Full and partial pack returns will produce a return ticket receipt, content subject to Lottery approval.
5. Pack Activation. The System must have the capability to activate packs for sale, validation and settlement at the time of delivery from the DSR or courier service to the retailer and produce pack activation report of the transaction.
6. Scratch Ticket Validation. Scratch game validation transactions at the retailer terminal will inquire against a validation database maintained by the Successful Vendor system. The System will respond with a pay/no-pay/claim, etc. transaction sent back to the retailer. This transaction will verify whether the ticket is a winner and specify the amount to be paid. The System must provide the retailer and

customer a receipt for each winning ticket. The System must print two (2) receipts for winning tickets and one (1) for non-winning tickets. The System must provide the capability to display different messages and perform different functions depending upon the prize amount or status of the ticket. During this process the System must confirm that the ticket is from a pack in "payable" status. Tickets sold by one retailer must be able to be validated by any other retailer ("cross-validation"). Accountability must apply to ranges of tickets within a pack if necessary, in the case of stolen packs or partially settled packs.

7. Keyless Validation. The Vendor must describe a process for "keyless" validation, requiring no more than bar code reading, for any and all specified prize levels. Any proposed solution should address security issues relative to keyless validation.

The Successful Vendor's system must be capable of reading the Scientific Games International Inc. Fail-Safe® scratch ticket validation technology currently utilized by the Lottery. The Vendor shall describe this capability.

8. Settlement. The terminal must support settlement of packs that have been distributed to, and sold by, the retailers. Packs must be able to be manually settled, and the System must also support automatic settlement based on Lottery-established parameters such as the time since the pack was activated, delivered or the percentage of low-tier validations. The System must support multiple settlement techniques at the same time. Different settlement criteria can be used for specified retailers.
9. Pack Activation Card. Transactions at the pack level, such as activation must be supported by (i) having a pack activation card, (ii) the capability to operate without a pack activation card, affecting activity through reading the bar code of a ticket from (and identifying) the pack and (iii) from a bill of lading that accompanies a courier shipment.
10. Retailer Status and Reporting. The retailer must be able to obtain, through the terminal, an appropriate collection of reports summarizing scratch ticket status and transaction activity. These include, but are not limited to, the retailer's own inventory information by pack status, summary of validations, scratch sales and adjustments, game and pack number, and news messages. Retailer reports must indicate that they are "for information only" and "not for sale" to avoid confusion with tickets. The gaming system must provide to both the retailer and to the Lottery, combined business reports incorporating Scratch, Pull-tab, InstaPlay and Lotto product results. Refer to Appendix E for descriptions of retailer terminal reports.

### **3.4.6 Support of Pull-tab Ticket Transactions at Retailers**

#### **RESPONSE NOTE: Full**

The system will be required to support Pull-tab games through all retailer terminals supplied by the Successful vendor.

Support from the Successful Vendor shall include but will not be limited to the transactions noted below, which generally fall into the classes of: Consignment, Activation, Returns, Settlement, Retailer Pack Verification, Inventory, Reports, and Terminal Setup/Controls. The Lottery has been utilizing a trunk delivery method for the distribution of Pull-tabs. The new System must allow for Pull-tabs to be delivered to retailers by various methods.

1. Bar Codes. Pull-tab ticket transactions depend on bar coded numbers for unique identification of packs. The Vendor should discuss its capability for its terminal to read both interleaved two (2) of five (5) and PDF-417 bar codes (or other formats).
2. Security Grid. Operations on packs and tickets will depend on a rules-based security grid that defines acceptable status changes. The grid's rules shall be developed jointly with the Lottery.
3. DSR Transactions. The System must support retailer inventory management transactions and messages for DSRs. For each retailer where a DSR conducts pack management transactions the System must produce reports of all activity.
4. Pack Activation. The System must have the capability to activate packs delivered directly from a DSR or packs delivered by a courier service to a retailer for sale and produce a pack activation report of the transaction.
5. Pack Returns. Retailers may return full and partial packs via the DSR with a ticket/pack return report. Full pack returns will be reassigned to the Lottery sales representative to be used elsewhere, or for return to inventory in the regional warehouse. Partial pack returns will be reassigned to the Lottery sales representative and will be returned to the regional warehouse.
6. Retailer Pack Verification. Pack verification at retailer terminals will respond with "pack was sold here" or "pack was not sold here" message sent back to the retailer. This transaction will verify whether the pack is consigned to retailer.
7. Settlement. The terminal must support settlement of the packs that have been distributed to, and sold by, the retailers. Today, packs are settled at the time they are consigned to the retailer.
8. Retailer Reports. The retailer must be able to obtain, through the terminal, an appropriate collection of reports summarizing pull-tab transaction activity. These include, but are not limited to, (the retailer's own) pack status information, current and previous two (2) weeks pack activation reports, daily activity reports, weekly settlement reports and news messages. The gaming system must provide the retailer an integrated business report incorporating Scratch, Pull-tab, InstaPlay and Lotto summaries.

### **3.4.7 Claims and Payments**

**RESPONSE NOTE: Full**

The System must provide a robust mechanism for payments to winners. Vendor shall describe the capability of its proposed solution to accurately, conveniently, and swiftly provide validations and claims processes for winning tickets. At a minimum, Vendor's proposed solution shall be capable of performing all of the following functions:

- 1) The System must validate winning tickets presented within the validation periods as determined by the Lottery. The schedule for validation may be found at [www.ialottery.com](http://www.ialottery.com).
- 2) Winning ticket amounts must appear on a customer display and the terminal must print both a retailer and a customer receipt that confirms the result of a winning Lotto, InstaPlay or Scratch ticket. All tickets presented for cashing or checking must appear on the customer display and the terminal must print two (2) receipts for winning tickets and one (1) for non-winning tickets. The receipts will contain verbiage approved by the Lottery. The validation ticket transaction as logged on the System must be referenced to the original sell transaction. The exact specifications will be established during implementation.
- 3) The Lottery expects retailers to pay winning tickets up to a winning amount set by the Lottery. A lotto ticket may incorporate one (1) or more plays under a single unique serial number; multiple winners on the same ticket still observe the winning amount parameter.
- 4) When cashing a multiple draw (advance play) ticket prior to the last draw on the ticket, an exchange ticket for the balance of the plays must be printed. The exchange ticket must have a distinct serial number from the original ticket but the System must be capable of relating the two. The terminal display must show "exchange ticket being printed" or some type of similar method to inform the player that they are to receive an exchange ticket.
- 5) Control of Validations. The System must be able to turn off cashing at the terminal for a specific game and specific draw.
- 6) The System must be capable of validating winning tickets by means of a reader and by manual entry.

### **3.4.8 Data Management and Reporting**

#### **RESPONSE NOTE: Full**

1. Database Access. The Lottery requires access to Iowa gaming information collected by the Successful Vendor, including retailer data, sales records, terminal maintenance data, and daily transactions, for scheduled and ad hoc reporting. Queries and reports must be supported within the games management application.
2. Sales Reporting Tool Set. The Successful Vendor must provide software tools for accessing, reporting on, and downloading gaming information. The Lottery's access to data on the active gaming systems must be read-only. For reporting and

inquiries, the Lottery may employ a separate copy of the data on a separate host from that of the active gaming systems, since the Lottery does not intend any negative impact on production operations or gaming response time while obtaining useful reports on retailers and sales.

3. History. The System database must contain all retailer data and financial activity online for the term of the Contract.
4. Report Export. Reports generated by the System must be exportable to Excel and other common data formats (PDF, XML and .CSV). The Lottery requires (unless otherwise specified) that all reports be date-driven, capable of being sorted and filtered.

The qualified system will include the ability to export data from the system in a modern format that allows for this data to be used in other systems. The data request will be specified through the use of a SQL query, API, or user interface that allows an authorized user to define the tables, columns, and parameters of the search criteria. Examples of acceptable formats include XML, XLSX, XLS and .CSV.

### **3.4.9 System Interfaces**

#### **RESPONSE NOTE: Full**

The System must interface with several applications in the Lottery's environment, including but not limited to those identified below. The structure, content, frequency interval, transport mechanism, and configuration of the interfaces will be defined by the Lottery and the Successful Vendor with final approval by the Lottery.

1. Integrated Scratch, Pull-tab, InstaPlay, and Lotto Information. The System must integrate seamlessly between Lotto, Pull-tab, InstaPlay and Scratch game information when providing data for Lottery accounting and management applications. No data conversion and merge efforts shall be required for the files and reports that the Lottery receives unless otherwise agreed to and approved by the Lottery.
2. Lottery requires a near real-time and read-only replicated server (a.k.a. ia-adhoc server), separate from the ICS, located at Lottery Headquarters. The Lottery requires various forms of data provisioning to feed Lottery administrative and gaming support systems. For some applications, a data file must be supplied of a specified format and frequency. Appendix F details files that may be transferred to/from the Lottery.

3. The Vendor shall provide the export from, and import into, the Gaming Management Application using data of various formats including: XML, XLS, XLSX, PDF, CSV, or other formats as designated by Lottery. The Successful Vendor shall be required to support this and any such industry standard projects.

Retailer Reporting Website. All retailers, and especially corporate retailers, must have access to reports that display sales and other accounting data from a Successful Vendor-hosted website. Retailers must only be able to see their own account, and for authorized corporate individuals, any or all sites within the corporate account. The retailer website must also support announcements and other information useful for retailers. Microsoft Excel (XLSX) or similar, and Extended Markup Language (XML) must be supported from startup. Customized reports for corporate accounts must be available.

The system shall provide user self-registration and password reset functionality that does not require Lottery intervention nor password support.

The Lottery currently uses Gem Retailer website in order to provide this functionality. As a **Required Option**, the Vendor shall propose solutions for the generation and production of retailer reporting deliverables for the Lottery and shall include any related cost in the baseline system price.

Lottery Sales Force Automation System. All Lottery DSRs must have access to retailer and route information that supports Lottery sales. In general, the Lottery would utilize this system to provide DSR staff with real time data in furtherance of sales goals. In addition, Lottery DSRs utilize this system to submit personnel timesheets, car reports, and obtain information on routes and delivery.

The Lottery currently uses Gem Intelligence website in order to provide this functionality. As a **Required Option**, the Vendor shall propose solutions for the generation and production of sales force automation deliverables for the Lottery and shall include any related cost in the baseline system price.

### **3.4.10 Security Information Practices and Reporting**

#### **RESPONSE NOTE: Full**

The Successful Vendor's operational practices must include reporting and compliance including, but not limited to, the following to support Lottery Security operation.

1. Retailer "fishing" reports (multiple attempts to cash scratch tickets with same game, pack, transaction number).
2. Attempts to cash missing, stolen or blocked Scratch, Pull-tab, InstaPlay and Lotto tickets.

3. Invalid pack consignments.
4. Excessive cancels of lotto games that allow cancellations, such as Pick 3 and Pick 4.
5. Previously validated tickets.
6. Investigative Information. The Successful Vendor and the System must provide the Lottery's Security staff various reports and displays to support investigations, as needed.
7. Mis-delivered, stolen, or borrowed ticket stock.
8. Anomaly reports such as wrong scratch ticket pin entry, not a winner and significant changes in scratch ticket activations. Ability for Lottery to configure parameters in the Games Management Application to trigger anomaly reports and suspicious cashing patterns. Anomaly reports related to ticket checking done through the Vendor-provided mobile app shall include the public IP address of the user device of the mobile app in section 3.4.15.
9. Vendor will provide 24x7 messaging and call support to notify Lottery on-call Security personnel.
10. Transaction Log report.
11. The System shall send and/or print all security related reports (as designated by the Lottery) directly to the designated Lottery Security Personnel.
12. The solution proposed shall allow for the delivery of SQL reports and reports through an interface SQL Server such as Oracle, MySQL, or Microsoft SQL Server.
13. Option to include custom alerts and reports as needed.
14. The exact specifications will be established during implementation.

### **3.4.11 Lotto Subscription System**

#### **RESPONSE NOTE: Full**

As an **Invited Option**, the Vendor may propose a Subscription System. Vendors shall fully describe the capabilities of any Subscription System, including a reference to other state lotteries which may utilize such a system. Without attempting to be exhaustive, at a minimum, Vendors shall describe how the proposed solution satisfies this list of specifications:

1. Entries. New subscriptions and updates would be processed by completion of a form by a range of methods, to be determined.

2. **Subscription Length.** Subscriptions may be less than, but can extend up to twelve (12) months.
3. **Merging Subscription Plays.** Subscriber plays would be merged with the ordinary game pools for determination of winners and payouts.
4. **Winner Payments.** Winners would be paid automatically through the subscription management system. Within limits determined by the Lottery, low-tier winners may extend the length of the subscription, while higher winners may be paid by EFT or check.
5. **Renewal Notices.** The system would generate renewal notices automatically for subscriptions that are nearing the lapse date; to begin with the next drawing after the original subscription expires.
6. **Subscription Account Management.** The Lottery, through the games management application, would provide for all mailings and player services to subscribers.

#### **3.4.12 Player Registration System**

##### **RESPONSE NOTE: Full**

As an **Invited Option**, the Lottery may set up a player loyalty program that involves registering players for various informational, promotional, and data gathering purposes. Players may register and interact with the registration system through a range of options.

The Lottery presently utilizes its own systems to maintain a VIP Club that manages a player database, player account management, including all scheduled reporting and mailing services. Vendor should describe its best option to manage or replace the functions of the Lottery's current VIP club with Vendor's proposed solution. Vendor should also describe its ability to provide games for entertainment purposes or player loyalty programs on the Lottery website.

Vendor shall offer solutions for a secure mobile application that runs on Android and Apple platforms.

#### **3.4.13 Field Access and Related Applications**

##### **RESPONSE NOTE: Full**

The Successful Vendor must provide field staff access to software tools for retailer route, sales, inventory and performance information. For reporting and inquiries the Lottery requires the Vendor to host a separate copy of the data on a Vendor provided server from that of the active gaming system, since the Lottery does not intend any negative impact on production operations or gaming response time while obtaining useful reports on retailers and sales.

Typical capabilities associated with this software would include, but are not limited to:

1. Route Call / Retailer Contact Management: Identify stops and dates for route management, support a calendaring function related to sales calls, allow recording of detailed notes related to sales calls and other retailer contacts.
2. Sales Performance: Track sales performance and associated sales activity for all products. Performance with respect to sales goals for each retailer on the route. Sales trend reporting, cross-retailer comparisons.
3. Sales Forecasting. Capability to track past scratch deliveries and validations and pull-tab deliveries by retailer and provide the DSR with a suggested order on request.

### **3.4.14 Monitor Games**

#### **RESPONSE NOTE: Full**

As a **Specified Option**, the Vendor must describe their support for (Automated) Rapid Draw Monitor Games including provision of Random Number Generation equipment. The System must allow for the following features: varying presentation formats for the same game at different retail locations, different monitor games at different retailer locations, alternating monitor games at a single location possibly on a single or multiple monitor(s). To address responsible gaming, the System must allow for setting sales limits on monitor games at retailers. The Successful Vendor must provide and regularly update via terminal download monitor game presentation formats except when it is provided by the Lottery. The Successful Vendor must adapt drawing content on an agreed upon schedule. Any solution proposed by the Vendor pursuant to this section shall fully comply with the requirements of Iowa Code 99G, including but not limited to Iowa Code 99G.3 and Iowa Code 99G.30A. The Vendor shall describe their solution and the additional capabilities this solution could offer.

### **3.4.15 Mobile Device Application**

#### **RESPONSE NOTE: Full**

As a **Specified Option**, the Vendor must describe the features, functionality and support for a mobile device application for iPhone and Android mobile devices. The mobile app shall include:

- search for Lottery retailer locations,
- generation of Lotto electronic play slips that can be scanned by terminals and kiosks to create bets,
- display of Lotto games' information (i.e. current jackpot and cash amount, drawing results, jackpot last won with date and location, prize information and overall odds),
- InstaPlay information (ticket images, progressive jackpots, jackpot last won with date and location, how to play, prizes and odds),
- Scratch and Pull-tab game information for active games (game name, game byline, game image, game description, prize and odds information),
- active promotions information,

- integration with Lottery's VIP Play-It-Again club login providing the ability to scan tickets into active promotions,
- scanning of Lotto, InstaPlay and Scratch tickets to determine winners, including prize information. The Vendor shall describe methods to log IP addresses of mobile app users when scanning tickets for usage in Security anomaly-reports as specified in section 3.4.10.
- iGaming technology as it is developed and approved by Lottery.
- other features as proposed by Vendor and approved by Lottery.

### **3.4.16 Gift Card, Vouchers, and Payment Applications**

**RESPONSE NOTE: Full for all subsections.**

#### **3.4.16.1 Retail Gift Cards**

As a **Specified Option**, the Vendor must propose providing the Lottery with an application enabling the Lottery to sell gift cards to players via retail locations for the sole purpose of purchasing Lottery products. The application would allow a player to purchase a gift card at any Lottery location, have the retailer activate the card via an electronic transaction, and use the gift card to purchase Lottery products using the Vendor's terminal, a device integrated with the Vendor's system or an application that enables a player to purchase plays on the internet. Initially, the gift cards will be one-time programmed with fixed dollar amounts. The cost and obligation of obtaining or producing gift card stock would be negotiable.

#### **3.4.16.2 Prepaid Player Accounts**

As a **Specified Option**, the Vendor must propose an application to support a program where a player can establish an account through a pre-paid voucher. The voucher will allow monies to be prepaid for play using the Vendor's terminal or kiosk at the store, a device integrated with the Vendor's system or an application that enables a player to purchase plays on the Internet and for winnings associated with such plays to be applied to the account.

The Vendor must describe in their responses the reporting capabilities and account management it will provide with the payment applications. Vendor shall also provide detail about how its proposed solution satisfies applicable state and federal law and applicable rules, including but not limited to regulations relating to the management and distribution of funds and rules designed to prevent money laundering activity.

### **3.4.17 Internal Control System (ICS)**

**RESPONSE NOTE: Full**

The Successful Vendor must supply the Iowa Lottery with three (3) ICS Systems through a qualified third party. Costs for all hardware and software elements of the ICS, including

maintenance, and continuing support from the ICS subcontractor, must be included in the Baseline System price. The ICS will check the System independently by re-processing transactions, allowing auditing of the daily transactions, winner selection/verification, prize payout calculations, sales summaries, and various inquiry and reconciliation activities. These reports shall be exportable in electronic file format(s) agreeable to the Lottery.

Systems management tools must create visual and/or audible alarms to provide warning of problems with logging transactions to the ICS. The ICS solution shall comply with MUSL Rule 2.

Vendor shall describe in full how it intends to comply with this provision.

#### **3.4.17.1 Suppliers**

##### **RESPONSE NOTE: Full**

The ICS application must be supplied by an independent, third-party software subcontractor subject to Iowa Lottery approval. The Proposal must identify at least two (2) subcontractors from which the Lottery can select. The Iowa Lottery reserves the right to obtain documentation verifying the ICS subcontractor's independence from the Vendor and/or any of its affiliates. Credentials of the ICS subcontractor must indicate it is experienced and qualified in providing this type of software. The ICS vendor shall keep current maintenance agreements for hardware and software that support the ICS systems.

#### **3.4.17.2 ICS Operations by the Iowa Lottery**

##### **RESPONSE NOTE: Full**

The Successful Vendor and the selected subcontractor will provide operating instructions and training to the Iowa Lottery at no additional cost to the Lottery.

#### **3.4.18 Retailer Accounting**

##### **RESPONSE NOTE: Acceptance**

The Lottery currently utilizes various applications for managing data related to Lottery retailers. The Lottery will administer licensing and other retailer account management functions using an application provided by the Successful Vendor.

#### **3.4.18.1 Retailer Account Setup**

##### **RESPONSE NOTE: Full**

Vendor shall describe the functionality of its retailer account solution. At a minimum, Vendor shall describe how the solution proposed complies with the following criteria:

- 1) **Retailer Data.** The System will support a comprehensive retailer database, central to all other games management functions. Database elements will include, but are not limited to, retailer names, addresses, days and hours of operation, billing data, products, DSR assignments, retailer status and history (e.g. active, terminated), retailer relationships and various codes defining the retailer (e.g. SIC, chain codes, geo-codes, etc.). Retailer data shall include an audit trail as specified and approved by Lottery. The audit trail would include when data is added, edited, deleted – what the changes are, and by whom.
- 2) **Retailer Key Personnel.** The System will support entry of retailer personnel including control persons, clerks and associated contact information. The information must be searchable by name.
- 3) **Retailer Configuration.** The System will maintain a list of equipment assigned to the retailer. This will include both Successful Vendor-supplied equipment and Lottery supplied equipment (e.g. vending machines).
- 4) **Retailer Event and Compliance Tracking.** The Vendor shall propose a system which will support application processing, retailer security investigations, on-going license management, retailer compliance with Iowa rules, and retailer training status.

### **3.4.18.2 Retailer Tax Accounting**

#### **RESPONSE NOTE: Full**

- 1) The Successful Vendor must support combined Scratch, Pull-tab, Lotto and InstaPlay product accounting for retailers. Retailer IRS filing (1099) services shall be provided by the Successful Vendor. The files transferred to the Lottery for this purpose must be made available by January 5 of the new year. The 1099 filings operate under the following requirements:
  - a) The database captures all 1099 information based on retailer terminal activity: sales commission, cashing commissions, incentives, bonuses, and certain retailer adjustments.
  - b) Capability for Lottery to enter or adjust additional 1099 data (e.g. bonuses paid to retailers for selling high tier winning tickets). These entries do not affect the retailer invoice but are folded into the 1099 reporting.
  - c) Roll-up of all owner's (based on EIN/TIN) stores to one 1099.
  - d) Reports must show year-to-date 1099 totals; shows individual store/retailer data rolled into each owner.

- e) The Lottery currently produces 1099 forms in-house.
  - f) The Lottery currently reconciles 1099 retailer totals on a quarterly basis.
- 2) The Successful Vendor must support System capability to provide for income tax withholding on Lottery retailers as required by federal and state tax guidelines (e.g., Internal Revenue Service 26 CFR Part 31[REG-158747-06] RIN 1545-BG45 Withholding Under Internal Revenue Code Section 3402(t)).

### **3.4.18.3 Retailer Accounting Period**

#### **RESPONSE NOTE: Full**

The normal accounting cycle for computing monies owed by retailers and processing EFT files is currently Sunday through Saturday. End of Day will be midnight Central Time. This accounting period is also referred to as an accounting week or business week. However the Successful Vendor's system must provide flexibility to allow for end of day or other retailer accounting periods. The Lottery reserves the right to change the accounting period during the term of the Contract. The Successful Vendor shall be responsible for the creation of the EFT file for transmittal by the Lottery to the bank. The data must be available to the Lottery on the Sunday following the end of the accounting week.

### **3.4.18.4 Accounting by Retailer Location**

#### **RESPONSE NOTE: Full**

Some Iowa retailers have multiple retailer terminals in one location, and these must be accounted for using one retailer account.

Another accounting obligation is to continue the capability to identify and report sales for a location even if it has undergone a change of ownership. The Lottery gives these locations a new retailer number when the change occurs. The Proposal shall describe the process to be used to identify and report sales for a location that has undergone a change of ownership.

### **3.4.18.5 Retailer Adjustments and Reimbursements**

#### **RESPONSE NOTE: Full**

The System must provide an application for the Lottery to make retailer account adjustments and reimbursements. Authorized games management application users must have the capability to make adjusting entries to retailer accounts with a complete audit trail of adjustment amount, date of adjustment, user who entered the adjustment, adjustment type and a description/reason for the adjustment. There must be the capability to make recurring adjusting entries either based upon parameters within the system

and/or a file provided by the Lottery. The System must assign a unique reference number to each adjustment upon entry.

#### **3.4.18.6 Tracking for Retailer Changes**

**RESPONSE NOTE: Full**

The System must provide for tracking all changes to the retailer master file and accounting files. There must be displays and reports that show past changes and statuses of the files.

#### **3.4.18.7 Prospective Retailer Licensing Process**

**RESPONSE NOTE: Full**

The System must provide a software application to capture retailer applicant licensing information. This part of the System must allow Lottery management terminal tracking of prospective applicants and must allow for various Lottery entities to approve or deny the application. Upon the necessary approvals the applicant shall be automatically added to the Successful Vendor's retailer master file as a licensed retailer. At the start of the contract resulting from this RFP, Lottery's then-current Retailer Master File will be provided to the Successful Vendor by the Lottery which will be imported into the System. The System shall allow authorized Lottery users the ability to print and re-print Lottery licenses.

The qualified system will include the ability to import data from external sources through a modern application programming interface (API). The API should be capable of importing individual records or a batch file. The API should include error handling and a description of invalid data so it can be corrected and re-imported. The vendor shall describe its ability to support electronic signature and document management solutions.

#### **3.4.18.8 Retailer Account Management**

**RESPONSE NOTE: Full**

Retailer EFT transactions and IRS filings shall be handled by the Lottery, based on files transmitted from the Successful Vendor on a regularly scheduled basis. The Lottery will be responsible for the final production and accounting of retailer 1099 forms and winner W2G forms. The Successful Vendor must maintain retailer 1099 data for at least the three (3) most recent calendar years. The Successful Vendor shall process the EFT files and IRS 1099 files upon the Lottery's request. The Successful Vendor must support combined scratch, pull-tab, lotto and InstaPlay product accounting.

### **3.4.18.9 Chain Accounting**

**RESPONSE NOTE: Full**

The System must provide a mechanism for accounting that accommodates multi-store chains. Chain headquarters must be able to see individual store accounting as well as chain roll-ups.

### **3.4.18.10 Variable Retailer Commission Rates**

**RESPONSE NOTE: Full**

The System must support variable commission rates for retailers. Various rates may be triggered by terms and conditions of retailer contracts, by retailers meeting sales objectives, by game or for other defined conditions.

### **3.4.18.11 Variable Retailer Allowance Rates**

**RESPONSE NOTE: Full**

The System must support retailer variable allowance rates for tickets issued in error. Various rates may be triggered by terms and conditions of retailer contracts, by retailers meeting sales objectives, or for other defined conditions. The allowance will be a percentage of sales of the games identified by the Lottery which will be credited weekly to the retailer.

## **3.4.19 Ticket Accounting**

### **3.4.19.1 InstaPlay Ticket Accounting**

**RESPONSE NOTE: Full**

Vendor shall describe all capabilities of its proposed system relating to InstaPlay ticket accounting.

### **3.4.19.2 Lotto Ticket Accounting**

**RESPONSE NOTE: Full**

Vendor shall describe all capabilities of its proposed system relating to Lotto ticket accounting.

### **3.4.19.3 iGaming Ticket Accounting**

**RESPONSE NOTE: Full**

Vendor shall describe all capabilities of its proposed system relating to iGaming or electronic ticket accounting.

### **3.4.19.4 Scratch and Pull-Tab Ticket Accounting**

**RESPONSE NOTE: Full**

Vendor shall describe all capabilities of its proposed system relating to Scratch and Pull-tab ticket accounting. At a minimum, system features must include:

1. Monitor individual pack status at the retailer level for the purpose of initiating pack settlement.
2. Provide weekly settlement information to retailers and the Lottery conforming to the weekly accounting cycle.
3. Provide retailer account record-keeping, including retailer Scratch and Pull-tab ticket inventory and inventory value.
4. Maintenance of game ticket validation records, to ensure one-time-only payment of winners.
5. Protect information regarding the retailer locations of winning Scratch and Pull-tab tickets.
6. Support transactions that depend on bar coded numbers for unique identification of scratch tickets. The System must accommodate reading at least three (3) different bar code algorithms. If the Successful Vendor has input into the scratch ticket identifier and/or bar code encoding scheme, the identifier design and the algorithm must be secure against compromising the integrity of the game.
7. Ability to support multiple pack status attributes for each pack. Vendor should describe the capability of its system to distinguish between pack attributes that may be placed by various Lottery officials, such as Security staff and Financial staff. Vendor shall explain under what circumstances its system will take a

attribute from one context and apply it elsewhere, such as triggering the financial settlement of a pack once the pack has been placed in a "stolen" security status.

### **3.4.20 Inventory Management**

#### **RESPONSE NOTE: Full**

The Lottery has been utilizing a courier delivery method of delivering Scratch tickets and a trunk stock method for Pull-tabs and is seeking a system that will support numerous methods of delivering Scratch tickets and Pull-tabs to retailers.

The System should be able to accommodate the following delivery methods: (i) courier delivery, (ii) trunk delivery, (iii) orders entered through retailer terminals, (iv) auto-order, (v) walk-in orders and (vi) telemarketing orders. Auto-order will be the primary method for order generation associated with the courier delivery method of scratch tickets to retailers.

The System must allow for packs of Scratch and Pull-tab tickets to be received at the warehouse, entered into inventory and then shipped to Lottery regional warehouses. The System must also provide for trunk stock deliveries to retailers by the Lottery's sales representatives.

1. Provide secure receiving, off-loading, and inventory verification of tickets delivered from the Lottery's ticket manufacturer(s). Provide to the Lottery receiving reports and other documentation as may be necessary.
2. Maintain and report pack inventory and pack history.
3. Monitor and report pack status at the warehouse, in-transit, regional warehouse, DSR and at the retailer level. Reports must show games and packs by ownership and date range.
4. Transfer or return ticket stock to inventory.
5. Perform activities such as return packs of tickets, process stolen ticket reports and serve as the initial point of contact concerning damaged, misprinted, or mis-packaged packs of tickets.
6. Support secure destruction of tickets remaining in the warehouse after the end of a game. No tickets will be destroyed until the Lottery has accounted for and reconciled the disposition of all inventory for that game.
7. Accommodate full and partial pack returns by District Sales Representatives (DSR).
8. Employ a security grid concept. Operations on packs and tickets will depend on a rules-based security grid that defines acceptable status changes. The grid's rules shall be developed jointly with the Lottery.

9. The System must support inventory transactions for DSRs.
10. The System must support full and partial pack inventory life cycle transactions as defined by the Lottery.

#### **3.4.20.1 Trunk Stock Delivery Method**

##### **RESPONSE NOTE: Full**

**Pack Activation:** The system must have the capability to allow a DSR to activate packs of tickets to a retailer by scanning barcodes to produce a pack activation report of the transaction.

**Pack Returns:** Retailers may return full and partial packs via DSR by scanning barcodes and generating a ticket/pack return report. Full pack returns will be reassigned to the DSR to be used elsewhere, or for return to inventory in the regional warehouse. Partial pack returns will be reassigned to the DSRs and will be returned to the regional warehouse. Partial pack returns are not eligible for reissue.

**Settlement:** The terminal must support settlement of the packs that have been distributed to, and sold by, the retailers. The System must support manual and automatic pack settlement based on parameters such as the time since the pack was activated or the percentage of validated low-tier prizes.

#### **3.4.20.2 Courier Delivery Method**

##### **RESPONSE NOTE: Full**

Included in the base price, the Vendor must provide the Lottery with a system enabling the Lottery to deliver tickets by courier, including but not limited to all features set forth in items (1), (2) and (3) in this section. Vendors must propose a detailed solution that effectively and economically allows the Lottery to utilize a courier system.

##### **Equipment to Process Courier Orders**

The Lottery currently utilizes shelving, roller track, work station furniture and packaging equipment, as well as warehouse/order processing staff will also be provided by the Lottery. Vendor's response shall either factor in those assets or describe how the Vendor will supply the Lottery's needs.

1. The vendor will equip up to five (5) regional office work stations with the following: computer, monitor, printer and two (2) wireless hand-held scanners. This equipment is intended to provide Pic-N-Pack distribution of inventory from the regional warehouse to the DSRs and return tickets from the DSRs to the warehouse. The vendor shall ensure that any equipment provided pursuant to this section is adequately maintained and kept up to date.
2. The vendor will further equip the central warehouse with two (2) work stations with the following: computer, 55" or greater monitor, manifest printer, and wireless hand-held scanners to process Pic-N-Pack orders. The vendor will also provide

each work station with a fifty (50) inch or larger monitor to display Pic-N-Pack orders.

3. The Lottery shall obtain a printer, packaging device and related materials from the courier service.

### **Order Generation**

1. Vendor shall describe capability to fill orders in the following methods: (i) entered through retailer terminals, (ii) auto-order, (iii) walk-in orders, (iv) telemarketing orders, and other order methods not listed.
2. Auto-Order capability. The system must be delivered with the capability for auto-ordering, specifically generating orders for shipment based on inventory rates of turnover at retail locations. Auto-order must be set up to allow usage of only certain games which are variable by individual retailer. Auto-order parameters must be able to be cancelled or adjusted by the Lottery. Refer to Appendix L for the Lottery's existing auto-order process.
3. Pre-assigned packs are not permitted. Packs will be assigned through the Pic-N-Pack process.
4. The system shall be capable of generating reports associated with all orders generated. This includes, but is not limited to, packs ordered, packaged orders, packs in transit and packs delivered.

### **Implementation**

The Proposal shall describe the courier delivery system proposed by the Vendor. Within the response, the Vendor will describe the proposed system application and associated hardware to allow Lottery personnel to execute an ordering system, packaging process and pack management. The Lottery intends to work with the Successful Vendor to develop an implementation schedule, order parameters and reporting/tracking capabilities.

## **3.5 Games and Marketing**

### **RESPONSE NOTE: Acceptance**

The Successful Vendor must apply its best efforts to support the Lottery in retailer placement and network planning, game design, and marketing, assisting the Lottery to achieve its financial objectives.

### **3.5.1 Corporate Marketing Support**

#### **RESPONSE NOTE: Full**

The Lottery will require new games and features over the term of the Contract. Successful Vendors shall describe how the proposed solution can accommodate the Lottery's marketing plans and efforts with corporate marketing support. At a minimum, the solution offered must include, but not be limited to, the following:

1. Marketing Strategy Meetings. Annual strategy meetings shall be held with the Lottery for (i) formulating the slate of games, game changes, and promotions to be introduced in the coming twelve (12) months, and (ii) monitoring and analyzing progress.
2. Vendor "State of the Industry" Presentation. The Successful Vendor shall provide an annual review of the industry, identifying new games, new gaming media, relevant technologies, sales trends, and public policy developments. The Successful Vendor shall also identify its own new developments, capabilities, and directions relevant to supporting the Lottery.
3. Gaming Product Planning. Associated with the meetings and presentations cited immediately above, the Successful Vendor will be expected to propose product and promotional releases and changes for consideration by the Lottery. As part of the Proposal, the Vendor must provide a brief analysis of the Lottery's current slate of products and promotions and propose appropriate changes, if any, for the next one (1) year.
4. Gaming Concept Design and Development. The availability of new gaming products and product ideas is critical to the Lottery. The Successful Vendor is expected to have a continuous program of research and development into gaming concepts and products. The Proposal must contain a brief description of the Vendor's gaming R&D program. The vendor shall provide an annual Marketing Research Credit of \$40,000/year for use at the Lottery's discretion.
5. Local Marketing Support Person. The vendor shall provide a full-time marketing support person located at the Successful Vendor's primary Iowa site who will assist the lottery in developing and designing Player Flat Panel Display content, report development and research. The vendor shall provide information regarding the vendor's capability to geo-target display content. The vendor shall also provide information regarding the vendor's ability to facilitate content update on a daily or hourly basis.

### **3.5.2 Games Menu**

#### **RESPONSE NOTE: Full**

The Successful Vendor must support the current set of Lottery game offerings and provide flexibility for growth into new games, game features, and play types.

1. Current Games and Play Types. The Successful Vendor must include all games currently being offered by the Lottery, at the time the Successful Vendor's System is to take over.
2. Additional Games and Play Types from the Successful Vendor. The Lottery reserves the right to add games, game features, play types, and promotions for start-up, or at any time later in the contract. Emerging game types must be available to the Lottery. The Vendor's Proposal shall address the depth and

breadth of the games library and the capability to expand beyond traditional games and play options.

3. Association-Based Games. The Successful Vendor must support games from all multi-jurisdiction associations with which the Lottery may become affiliated.
4. Third-Party or External Games. The Lottery may identify games or game concepts not from the Successful Vendor's library that the Lottery may determine could be productive if made available in Iowa. As the Lottery may direct in such a case, the Successful Vendor is obligated to implement a version or variation of such a game, or if need be to acquire, at Lottery's expense, any rights including software and any other mechanisms on behalf of the Lottery to offer such a game, assuming that it could be effectively supported on the Successful Vendor's System.
5. Internet Games. The Vendor's Proposal shall address the depth and breadth of the Vendor's games library and the ability to expand beyond traditional games and play options. The Vendor should describe their capability to supply gaming content and infrastructure for iGaming initiatives.

### **3.5.3 Promotional Features**

#### **RESPONSE NOTE: Full**

The System must be capable of providing a broad range of promotional features should the Lottery opt to include them. The System must include a promotions generator capability. Tracking and reporting of all promotions is required. The Vendor should describe the ability of the System to implement all types of Lotto, InstaPlay and Scratch promotions.

Specific promotions required, at a minimum, are as follows:

1. Multiple Drawings per Day. Multiple drawings for the same game within one day, including Day/Night feature with the same play for the day and night drawings of a game.
2. Bonus Draw. Drawing of more than one (1) winning number (set of winning numbers) at the Lottery's option.
3. Bonus Payoff. A specified increase in the payoff for specified winning plays at the Lottery's option.
4. Drawing Events. Varying the number of drawings per game per week and/or the days the drawings are conducted.
5. "Regional" Marketing. Sale of specified games/products/features (e.g., couponing, discounting) through selected retailers, retailer groups, and/or selected geographical areas.

6. **Sampler Ticket.** A multi-game quick pick where the System will automatically generate more plays--possibly one for each game on the market – either with or without a premium.
7. **Variable Commission Rates.** For certain Lotto, InstaPlay and Scratch products, commission rates may be set differently from the default value. For certain retailers or retailer subsets, commission rates may temporarily or permanently be set differently from the default. Commission rates may be set for one or more days or any portion of a day.
8. **Certificate.** The System must support a promotion where a ticket purchase attempt could result in a certificate worth a certain dollar amount or exchangeable for a commodity item. The System must be able to add a barcode, a UPC code, or other appropriate identifier to the certificate generated. The System must track liability for prizes due to issuance of certificates.
9. **Entry Forms.** The System must support entry forms issued upon ticket purchase to create an entry for a prize drawing.
10. **Retailer Clerk Incentive.** Under conditions specified by the Lottery, a ticket sale or other action may prompt the retailer terminal to issue a form for a clerk to enter a drawing, or other clerk incentive.
11. **Buy "X" get "Y".** Under conditions specified by the Lottery, the retailer terminal may print a promotional ticket if the player purchases "X" number of tickets.
12. **Every "nth" ticket.** Under conditions specified by the Lottery, the retailer terminal may print a promotional ticket if the "X" numbers of tickets have been sold.
13. **Free Play.** Free play when several plays are purchased or other conditions specified by the Lottery.
14. **Cross Promotion.** Promotions between products that allow for discounts (e.g., buy "X" amount of Game A and get "Y" amount of Game B free). Lotto, InstaPlay and Scratch products may be cross promoted in combinations, namely Lotto to Lotto, Lotto to InstaPlay, Lotto to Scratch, etc.
15. **Raffle.** Producing a raffle ticket for a promotional drawing when the correct combination or dollar values of plays are purchased.

### **3.5.4 Scratch Game Support**

#### **RESPONSE NOTE: Full**

The proposed System must handle all Scratch ticket related transactions, as required by the Lottery, through the retailer terminals. Support from the Successful Vendor shall include but will not be limited to the transactions noted below, which generally fall into the classes of: Activation, Returns, Settlement, Validation, Inventory and Reports. Examples of Scratch tickets used in Iowa are provided at [www.ialottery.com](http://www.ialottery.com).

1. Game Volumes. The System must accommodate large game volumes. Based on current practice, the Lottery may have one hundred (100) Scratch games active at one time, ranging from approximately one hundred thousand (100,000) to ten million (10,000,000) tickets per game. The Lottery requires that the System accommodate games of up to fifty million (50,000,000) tickets. Approximately fifty (50) new games may be introduced annually.
2. Validating Winners. Winning scratch tickets may be validated up to ninety days (90) following the official game-ending announcement.
3. Game Identifiers. The System must accommodate up to a four (4) character game identifier.
4. Pack Identifiers. The System must accommodate up to a six (6)-character pack identifier.
5. Ticket Bar Code Identifiers. The System must be able to accommodate:
  - 5.1 The current Datamatrix (FailSafe) validation bar code containing twenty-six (26) digit bar code: three (3) digit game number, six (6) digit pack number, three (3) digit ticket number, eight (8) digit encrypted validation number, three (3) box digits, one (1) reserved digit, and two (2) digit check number.
  - 5.2 The current interleaved 2-of-5 symbology containing twenty-two (22) digit bar codes: three (3) digit game number, six (6) digit pack number, three (3) digit ticket number, eight (8) digit pad field – always “0” value, and two (2) digit check number.
  - 5.3 Any expansion to the current bar code or any new bar code the Lottery may define for use in the future.
6. DSR Transactions. The System must support inventory transactions and messages for DSR.
7. Pack Consignment/Activation. The System must have the capability to allow pack activation for packs of tickets that are delivered by a DSR or a courier service and produce a pack activation report of the transaction.
8. Pack Returns. Full packs may be returned by the retailer via the DSR and are allocable for use elsewhere, or for return to inventory in the warehouse. Partial pack returns may be returned by the retailer via the DSR and returned to the regional warehouse. Full and partial pack returns will produce a return ticket receipt, content subject to Lottery approval.
9. Prize Payouts. The System must support prize structures for low, mid, and high tier levels, with numerous subdivisions. The System must support up to fifty (50) prize levels, with ninety-nine million dollars (\$99,000,000) as a top prize limit. Non-cash prizes must also be supported (e.g., merchandise, trips, vehicles).The

Proposal must identify any limitations the System may have in prize tiers or payout levels. High tier prize levels will require the capability to determine if a prize payout involves the file claim process.

10. The System must support ticket messages to announce prize awards and must support prizes that are cash; merchandise; cash/merchandise; trips; and annuity (weekly, monthly, annually). Prize messages must allow descriptive information as well as prize amounts.
11. Flexibility in Scratch Products. The System must accommodate new Scratch ticket products that may be of different sizes and shapes, bar code qualities, pack quantities, prize structures, and price points, from those described as current products.
12. Retailer Reports. The retailer must be able to obtain, through the terminal, an appropriate collection of reports summarizing scratch ticket transaction activity. These include, but are not limited to, (the retailer's own) pack status information; current and previous two weeks pack activation reports, daily activity reports, weekly settlement reports and news messages. The gaming system must provide the retailer an integrated business report incorporating Scratch, Pull-tab, InstaPlay and Lotto summaries as well as any future game types or products the Lottery may offer in the future.
13. Terminal Software. The Successful Vendor will be responsible for all terminal programming necessary to meet the needs of the Iowa Lottery at start-up and on a continuing basis for Scratch, Lotto and InstaPlay ticket and coupon handling.
14. Settlement. The terminal must support settlement of the packs that have been distributed to, and sold by, the retailers. Packs are settled according to the criteria established by the Lottery (e.g. upon delivery time, time and/or percent of low-tier validation).

### **3.5.5 Pull-tab Game Support**

#### **RESPONSE NOTE: Full**

Support from the Successful Vendor shall include but will not be limited to the transactions noted below, which generally fall into the classes of: Consignment, Activation, Returns, Settlement, Retailer Pack Verification, Inventory, Reports, and Terminal Setup/Controls. The Lottery has been utilizing a trunk delivery method for the distribution of Pull-tabs. The new System must allow for Pull-tabs to be delivered to retailers by various methods.

1. Game Volumes. The System must accommodate large game volumes. Based on current practice, the Lottery may have fifty (50) Pull-tab games active at one time. Approximately ten (10) new games may be introduced annually.
2. Game Identifiers. The System must accommodate up to a four (4) character game identifier.

3. Pack Identifiers. The System must accommodate up to a six (6) character pack identifier.
4. Ticket Bar Code Identifier. The system must be able to accommodate the current nine (9) digit bar code tickets: three (3) digit game and six (6) digit pack. Also the System must accommodate any expansion to the current bar code or any new bar code the Lottery may define for use in the future.
5. DSR Transactions. The System must support inventory transactions and messages for DSRs.
6. Pack Consignment/Activation. The System must have the capability to activate packs delivered directly from a DSR or packs delivered by a courier service to a retailer for sale and produce a pack activation report of the transaction. Packs are currently activated for sale purposes at the time of delivery.
7. Pack Returns. Retailers may return full and partial packs via the DSR with a ticket/pack return report. Full pack returns will be reassigned to the Lottery sales representative to be used elsewhere, or for return to inventory in the regional warehouse. Partial pack returns will be reassigned to the DSR and will be returned to the regional warehouse.
8. Retailer Pack Verification. Pack verification at lotto retailer terminals will pass against a Pull-tab database, maintained by the Successful Vendor's system. The system will respond with 'pack was sold here' or "pack was not sold here" message sent back to the retailer. This transaction will verify whether the pack is consigned to retailer.
9. Settlement. The terminal must support settlement of the packs that have been distributed to, and sold by, the retailers. Packs are settled at the time they are consigned to the retailer.
10. Retailer Reports. The retailer must be able to obtain, through the terminal, an appropriate collection of reports summarizing Pull-tab transaction activity. These include, but are not limited to, (the retailer's own) pack status information, current and previous two weeks pack confirmation reports, daily activity reports, weekly settlement reports and news messages. The gaming system must provide the retailer an integrated business report incorporating Scratch, Pull-tab, InstaPlay and Lotto summaries as well as any future game types or products the Lottery may offer in the future.
11. Terminal Software. The Successful Vendor will be responsible for all terminal programming necessary to meet the needs of the Iowa Lottery at start-up and on a continuing basis for pull-tab ticket and coupon handling.

### **3.5.6 External Coupons**

#### **RESPONSE NOTE: Full**

The Lottery may employ electronic or paper coupons produced by third party sources for sales promotions. For example, a coupon may permit the bearer to obtain a free ticket from the retailer. The coupons may have bar code reading specifications similar to scratch tickets. The Successful Vendor's application software must permit the use of coupon promotions. As part of this capability, the System must read coupons with an accountable bar code/serial number. At the Lottery's discretion, some coupons may be used in conjunction with promotions enabled on the System. If requested, the System must be capable of generating a validation file that can be sent to a commercial printer for the production of paper coupons or utilized to produce electronic coupons to be distributed at the Lottery's discretion.

### **3.5.7 System-Generated Coupons**

#### **RESPONSE NOTE: Full**

The retailer terminal and System must be capable of generating a coupon used as part of a cross promotion. System-generated coupons may relate to, and be generated by a similar mechanism to that which provides gift cards for customers. The System shall produce summary reports of such transactions. The reports shall define the outstanding liabilities and claimed amounts, as appropriate. At the Lottery's discretion some coupons may be used in conjunction with promotions enabled on the System.

### **3.5.8 InstaPlay Game Support**

#### **RESPONSE NOTE: Full**

The proposed System must be able to offer InstaPlay or similar electronic Lottery ticket games, as required by the Lottery, through the retailer terminals and kiosks. Vendor shall describe its capability to securely provide electronic Lottery ticket games at retail locations that allow for player engagement and game integrity. At a minimum, Vendor shall describe how its proposed solution generates, validates, and ensures proper payment of InstaPlay or similar tickets. Vendor shall also describe the library of electronic ticket games that the Vendor offers.

To the extent that the Successful Vendor for this RFP is not the incumbent Vendor, the Vendor shall describe a conversion strategy to successfully end and start InstaPlay games, including but not limited to games that may include a progressive jackpot feature.

## ***3.6 Successful Vendor Facilities and Disaster Recovery Plan***

#### **RESPONSE NOTE: Full**

The Successful Vendor must provide and operate a Primary Data Center (PDC) within the State of Iowa and a Backup Data Center (BDC) within the contiguous forty-eight (48) United States. Regardless of the location selected for its data centers, the Successful Vendor must provide communications between its primary and backup Data Centers and the Lottery Headquarters facility in Clive, Iowa, and each retailer site. The intent of this requirement is to assure survival of the System in the event of a major outage.

Each of these paths must support all of the gaming traffic needed between the Data Centers and between the Data Centers and the Lottery, and between the Data Centers and the Lottery retailers. The PDC and BDC must be configured in an active/active state.

The Successful Vendor must support a primary data center, a remote backup data center, and additional service facilities as needed. All site specifications must be consistent with standards of any multi-jurisdictional associations in which the Lottery may participate.

In addition to BDC, Vendor must maintain ninety (90) days of backups, offline and offsite, in order to completely restore the Central Gaming System if needed. If BDC is promoted to primary role because of significant degradation of the PDC and the PDC cannot be corrected within two (2) calendar days of the original BDC being promoted, a new BDC will be provided within five (5) calendar days of the original BDC being promoted.

Both the PDC and BDC shall utilize electronic access systems that are installed at entrances to the computer room(s), media storage location(s) and other secure areas. At the request of Lottery, the Successful Vendor must provide event logs, electronic and/or written, so that the access system can be reviewed by the Lottery's Security Division. The access list shall be authorized by the Lottery. Lottery Security will establish retention requirements for access logs.

### **3.6.1 Primary Data Center Specifications**

#### **RESPONSE NOTE: Full**

The Proposal shall contain specifications and a description for the location and the space planned. The Vendor shall propose a primary data center located in the Des Moines Metropolitan Area. The primary data center must be located within twenty (20) miles of the Lottery headquarters (currently located in Clive, Iowa). The primary data center must be ready one hundred eighty (180) days prior to production start-up for Lottery acceptance testing. The Lottery must approve of the specific geographical location, subject to the above limitations.

If the remote backup data center is in a Successful Vendor facility that shares processing support with other business operations of the Successful Vendor, then the Lottery equipment must be physically and logically separated and secure from all other operations, subject to the written approval of the Lottery."

Service Level Agreement. Uptime 99.7%

No portion of the CGS environment shall be hosted on equipment (hardware, software) not under the ownership of the Vendor without prior written authorization from the Lottery.

#### **3.6.1.1 Environment and Security at Primary Data Center**

##### **RESPONSE NOTE: Full**

The Successful Vendor's primary data center must include appropriate safety, security, and environmental controls equipment for a computer facility, as described below. It must

meet security and lockdown specifications promulgated by MUSL (and by any other multi-jurisdiction affiliations the Lottery may join). All construction and furnishings must comply with fire, safety, building, and ADA codes. Any upgrades, servicing, or replacement required to maintain compliance with such codes shall be the Successful Vendor's obligation.

- 1) Emergency exit doors must be provided and must be equipped with alarms.
- 2) Locking devices must be installed on all doors or other entry points. Vendor shall describe Lottery's ability to view access logs and reports without requesting from vendor.
- 3) The Successful Vendor must install and administer a digital CCTV system with enough camera and communications capacity to monitor all gaming systems, games management activities, and sensitive facility areas, as determined by Lottery Security. Certain designated cameras must have tilt, pan, and zoom features. There must be provided a video feed to the Lottery Security Office from cameras viewing critical areas, to be determined by the Lottery. Vendor shall describe capability of their camera system, including: resolution, frames per second, retention period, and Lottery's ability view video footage without requesting from vendor.
- 4) The computer room(s) must be protected by an automatic fire extinguishing system based on FM-200 or another Lottery-approved method. The system shall be installed and maintained as specified by applicable National Fire Protection Association (NFPA) guidelines. When triggered, the automatic fire extinguishing system shall be equipped with alarms that sound locally and at the Lottery's Security Office in Clive.
- 5) Construction shall support fire safety as noted in NFPA guidelines and must meet all applicable state and local fire codes. Computer room(s) with mission critical equipment must be separated from the other areas by non-combustible materials having at least a one-hour fire resistance rating, and in addition:
  - a) Walls must be extended from structural floor to structural floor (or roof) above.
  - b) Fire doors must be provided on all entrances into the computer room with a fire resistance rating at least equal to the wall in which the door is located.
  - c) All penetrations through the computer room floor, wall or ceiling must be tightly sealed with material equivalent to existing floor, wall or ceiling construction to prevent passage of heat, smoke and water.
  - d) Fire and smoke dampers must be provided in ducts that pass through the computer room walls, floor or ceiling.

- 6) The air conditioning system shall have sufficient capacity to maintain a stable environment within original computer equipment manufacturer specifications. An air conditioning failure detection mechanism must be provided. The air conditioning system(s) must be interlocked to shut down upon activation of the fire extinguishing system or the automatic system must compensate for loss of extinguishing agent through operation of the air conditioning systems. The HVAC system must be maintained according to its manufacturer's specifications.
- 7) The Successful Vendor shall provide power-conditioning equipment for the computer room(s) and shall provide an uninterruptible power system with both battery backup and an electrical generator. Should a utility power failure occur, the UPS must provide at least one hundred fifty (150) percent of the capacity needed to sustain full business capacity. During the Contract, the batteries, transfer switch, and generator must be exercised for extended periods on a Lottery-approved schedule, and the UPS and generator must be maintained according to its manufacturer's recommendations.
- 8) Security Audits shall be authorized and conducted at a random unscheduled or scheduled, announced or unannounced interval. Security Audits may be conducted by Lottery security personnel or a selected third party. Lottery Security personnel or designee will be provided with access necessary to complete the audit. Vendor will reimburse up to 2 audits annually if a third party is selected to perform the audit.

### **3.6.1.2 Vendor Supplied Lottery Facilities**

#### **RESPONSE NOTE: Full**

The Vendor shall propose a primary data center that is located locally. The Successful Vendor must supply Lottery office space co-located with the Successful Vendor's Iowa Office in the Des Moines Metropolitan Area subject to the same geographical location as specified in RFP Section 3.6.1.

The Lottery office space will permit certain Lottery office functions to be co-located with the Successful Vendor's Iowa Office. Design and build-out of the Lottery's remote space is the Successful Vendor's obligation, subject to Lottery approval. These services include interior finishing, carpeting, plumbing, lighting, and electrical service.

- 1) Lottery Services. The Successful Vendor shall provide office furnishings, building maintenance, utilities, grounds care, pest control, parking, restroom access, and janitorial services.
- 2) Lottery Space, Layout and Successful Vendor supplied equipment. The Lottery will require the following:
  - Three hundred (300) square feet conference room space with table and chairs,

- Data Access. The Successful Vendor shall provide access through a Local Area Network for any purpose the Lottery requires. This includes four (4) jacks and wiring to the LAN infrastructure.
  - An approximate 15 x 15 foot drawing machine room with dual locks (one electrical, one physical) on the door,
    - At least four (4) electrical outlets
    - Two (2) LAN connections with Internet access
  - ICS Room. The Successful Vendor shall provide a secure, segregated, air-conditioned area in the Successful Vendor's facility to house the Lottery's secondary ICS System, including HA firewalls and printers. The room will accommodate the ICS server and the ICS 'test' server, small table or counter area and a chair. Vendor shall provide camera coverage of the ICS room. Vendor shall describe capability of their camera system, including: resolution, frames per second, retention period, and Lottery's ability to view video footage without requesting from vendor.
  - Securable Lottery office of sufficient size to house the following Successful Vendor supplied equipment:
    - Two (2) desks and chairs
    - Two (2) Five (5) drawer lateral file cabinets
    - Two (2) PCs with LAN and Internet access
    - Networked multi-purpose Printer/Fax/Scanner
    - Two (2) desk phones
- 3) Entry/Exit. The Lottery's area must be separate from the Successful Vendor's, with separate interior access. An external entrance may be shared so long as the Lottery's access cards will work (or there are separate cards issued to selected Lottery staff).
- 4) Parking. There must be sufficient parking for Successful Vendor staff and up to four (4) Lottery vehicles.
- 5) Secure Space. No portion of the Lottery space, other than the conference room, can be shared with that of the Successful Vendor. Access control to the space will be provided and controlled by Lottery Security. The Successful Vendor must provide any space needed for the Lottery to install access control hardware

devices. Successful Vendor staff shall have access to this area only with permission of the Lottery.

### **3.6.2 Backup Data Center**

#### **RESPONSE NOTE: Full**

The Successful Vendor must provide a remote backup data center where gaming transactions are logged and processed. The retailer network, the primary data center, Lottery access for games management and the Lottery's ICS must connect to this facility.

1. The remote backup data center shall be identified in the Proposal and may be proposed either for in-state or out-of-state placement, subject to Lottery approval. It is required that the remote backup data center be separated from the primary data center so as to virtually preclude simultaneous loss due to the same disaster.
2. The remote backup data center must be located greater than fifty (50) miles from the primary site. The remote backup site is required to be in the contiguous forty-eight (48) United States.
3. The remote backup data center must be operated under the safety and security requirements of the primary data center. If the remote backup data center is in a Successful Vendor facility that shares processing support with other business operations of the Successful Vendor, then the Lottery equipment must be physically and logically separated and secure from all other operations, subject to the written approval of the Lottery.
4. The remote backup data center must be attended during all Lottery gaming hours, but not necessarily with staff dedicated to the Iowa Lottery operation, to support a failover in case the primary data center can no longer serve and is unable to manage a failover.

### **3.6.3 Training Facilities for Conversion and Ongoing**

#### **RESPONSE NOTE: Full**

The Successful Vendor must provide training facilities, at Vendor expense, around the State for start-up or for the introduction of new equipment/features as determined by the Lottery. Facilities may be temporary, such as hotel meeting rooms, and must be approved by the Lottery. These shall be rented in conjunction with the Lottery's process of scheduling retailers for training. Retailer training sites shall be within a seventy-five (75) mile radius of retailer locations to limit the driving distance for attending a training class. The Successful Vendor will also provide ongoing retailer training at the retailer's corporate headquarters or store sites. For use after conversion, the Successful Vendor must provide eight (8) or more retailer terminals and other point of sale equipment that can be used for training purposes.

### **3.6.4 Testing Room at Lottery Headquarters**

#### **RESPONSE NOTE: Full**

The Successful Vendor must equip a separate room at Lottery Headquarters to be used by Lottery staff for System testing. The equipment must be installed and operational one hundred eighty (180) days prior to the scheduled conversion of the first terminal. The Successful Vendor must furnish and install three (3) management terminals, six (6) or more test gaming terminals and at least one example of any other point of sale equipment, kiosks, hand-held terminals, etc. in the Lottery's testing room. The terminals must be connected by communications to the testing system. Communications must be routed in an exact manner to actual retailer terminals, namely, those outside the building.

### **3.6.5 Service Centers and Depots**

#### **RESPONSE NOTE: Full**

The Successful Vendor must provide and operate maintenance centers and depots to fully support the terminal maintenance and repair program, and consumables warehousing and distribution (but not Scratch/Pull-tab tickets). The Lottery reserves the right to approve all locations.

Terminal repair facilities are not required to be within the boundaries of Iowa.

### **3.6.6 System Disaster Recovery Plan**

#### **RESPONSE NOTE: Full**

The Successful Vendor must provide and annually update a disaster recovery and contingency plan for the data centers and administrative sites used in the Contract. The plan must be delivered by the start-up date. The Proposal must contain an outline for, or sample of, such a disaster recovery plan.

Such plan shall take into account disasters caused by weather, water, fire, environmental spills and accidents, malicious destruction, acts of terrorism, and contingencies such as strikes, epidemics, etc. The plan must ensure continuity of the System and games. Provision shall also be made for the safe, secure off-site storage of all scheduled backup data and programs.

The Successful Vendor must provide contact information and detailed System recovery procedures and documentation and must coordinate with the Lottery's production of its own disaster plan. Should implementation of any portion of the disaster recovery and contingency plan become necessary, all costs associated with the plan shall be borne by the Successful Vendor.

### **3.6.7 Successful Vendor Corporate Infrastructure Protection Plan**

#### **RESPONSE NOTE: Full**

The Successful Vendor must also produce a Corporate Infrastructure Protection Plan for its own additional facilities and capabilities necessary to support the Lottery. For example, the Successful Vendor's terminal manufacturing and central software development and support facilities are critical for the term of the Contract. This protection plan shall be due at start-up. The Proposal must contain an outline for, or sample of, such a protection plan.

### 3.6.8 Ticket Warehouse and Distribution Services

#### RESPONSE NOTE: Full.

As an **Invited Option**, Vendors are invited to bid to provide warehousing and distribution services for lottery tickets within this state, including but not limited to the storage and shipment of Pull-tab and Scratch tickets. In order to provide a full response to this **Invited Option**, Vendor must describe all aspects of the ticket warehouse that would be provided to support those efforts. Vendor must also describe a plan to offer employment to the Lottery's existing warehouse/truck driving staff. The Lottery staff consists of one (1) warehouse manager and four (4) warehouse employees/truck driving staff.

Currently, the Lottery manages and staffs the Lottery's warehouse space and operation using a central and regional approach. Presently, the Lottery operates its primary warehouse space in the Alcoholic Beverages Division (ABD) warehouse located in Ankeny, Iowa. The Lottery's current lease with ABD provides the Lottery with approximately 12,300 sq. feet of secure space within the warehouse. Configured within the warehouse are seventy two (72) racks that can store eight hundred sixty four (864) Scratch and Pull-tab game pallets and twenty eight (28) racks that can store two hundred fifty two (252) Scratch and Pull-tab game pallets. With that space, the Lottery stores as many as sixty (60) or more active Scratch ticket games and twenty (20) or more active Pull-tab games. In addition to storing Scratch and Pull-tab tickets, the Lottery also uses the central warehouse to store other Lottery related items, including but not limited to, dispensers, play centers, retailer signs, ticket storage carts and other support materials necessary for the Lottery to conduct its business.

As a part of the Lottery's suggested ordering process, which is described in Exhibit L to this RFP, the Lottery's central warehouse employees ship Scratch ticket orders to retail locations through UPS. The Lottery also delivers Pull-tab tickets and other materials via truck to secure storage locations housed in each of the Lottery's offices: Cedar Rapids, Clive, Council Bluffs, Mason City, and Storm Lake. Lottery trucks will also take intermittent trips to Schafer Systems in Adair, Iowa to pick up instant ticket dispensers, as well as transporting ticket stock to the disposal site, either as a direct trip or in conjunction with a regional office route.

Any successful bid on this Invited Option shall demonstrate the Vendor's capability to comply with the following requirements:

1. The warehouse location shall be located within 20 miles of the Lottery Headquarters located in Clive, Iowa, and must allow for the successful Vendor to achieve next day deliveries to all current and potential licensed retail locations within Iowa.
2. The Scratch ticket warehouse and storage space must comply with all ADA codes, state and local building codes, laws, rules and regulations for facilities of this type and maintain appropriate environmental controls. Any upgrades, servicing, or replacement required to maintain compliance with such codes shall be the Vendor's obligation for the term of the Contract.

3. The warehouse must include a designated, separate, secure, and access-limited storage space for Scratch and Pull-tab tickets, an area designated for packing and shipment of instant tickets, and associated office and computer space. Vendor's warehouse must be only accessible to authorized users, and must be outfitted with appropriate access controls, intrusion detection devices, and alarms.

The warehouse will have the required space for forklifts, cardboard compaction, office space and data/communication equipment necessary to run a warehouse and packing operation.

4. Vendor must describe the Vendor's process for handling charges for shipping product from a Vendor supplied warehouse to Lottery retailers.

### **3.7 Staffing, Services, and Operations Security Plan**

**RESPONSE NOTE: None**

The Successful Vendor is required to provide the Lottery with a variety of staff and support services as described below.

#### **3.7.1 Vendor Personnel**

**RESPONSE NOTE: Full**

The Vendor must provide information, as specified below, that documents its organizational structure and the staffing with which Lottery operations will be implemented and run. The Vendor must identify substantial subcontractor staff and consultants by name, where such are anticipated to be part of the implementation and ongoing operational support efforts. The Proposal must make clear which proposed staff are employees and which are subcontractors or consultants. All personnel, regardless of whether they are Successful Vendor staff, subcontractors, or consultants may be subject to Lottery background investigations and shall be subject to removal by the Lottery and at the Lottery's sole discretion.

1. **Implementation and Conversion Staff.** The Vendor shall provide an organization chart showing names of all management, supervisory, and key technical personnel who will be active in the implementation and conversion of the System. There shall be a dedicated technical project manager and software development manager assigned to the implementation project who must be on-site during Lottery quality assurance and conversion testing. Further, the Vendor must indicate what specific Contract function(s) staff will perform and how long it is anticipated they will be engaged. For staff not yet identified, the Proposal shall identify and quantify them by title, and state what qualifications they can be expected to have.
2. **Ongoing Lottery Operations Staff.** The Vendor shall provide brief position descriptions and an organization chart showing names of all management, supervisory, and key technical personnel who are expected to be active in the ongoing operation of the System. For staff not yet identified, the Proposal shall

identify and quantify them by title, and state what qualifications they can be expected to have.

The Vendor must describe its staff capability to support Quality Assurance and marketing promotions with quick implementation and short duration. These promotions will be targeted to individual retailer level with multiple promotions active on a daily basis.

3. Resumes. The Vendor shall provide one-page resumes of all management, supervisory and key technical personnel planned to be involved in the installation, implementation, and operation of the System, and shall provide for each such person:
  - 1) Full name;
  - 2) Most recent five (5)-year employment history;
  - 3) A specific description of experience that person has in connection with Lottery gaming systems;
  - 4) Specific indication of the role the individual will have in this project;
  - 5) Any additional helpful information to indicate the individual's capability to successfully perform the work involved in the Contract.
4. Key Staff Continuity. The Vendor must commit to a good faith effort to retain proposed key staff for the implementation/conversion phase and the ongoing operations phase of the project.
5. Staffing Levels. The Vendor must commit to maintain or exceed proposed staffing levels for the duration of the contract. Reassignment of staff to a different geographic location, even on a temporary basis, requires written Lottery approval.

### **3.7.2 Operations Services**

#### **RESPONSE NOTE: Full**

The Successful Vendor must provide operation and monitoring services for the System, retailer network and QA systems, including the operation of two data centers.

1. Data Center Operations Duties. Duties shall include System start-up and shutdown tasks, monitoring, drawing results entry, report generation, file backups, recovery from System failures and various operational procedures to enable the correct operation of the System. Operations shall produce reports and files documenting the operations activities.

The Successful Vendor's staff shall continuously monitor the systems and network, and must be trained in the System's monitoring tools for this purpose. Any System

faults must be detected, diagnosed and corrected. The Proposal shall indicate what monitoring tools are proposed for operators and communications technicians.

2. Secure Operating Principles. The Successful Vendor must operate the System on the basis of the Principle of Least Privilege, observing need-to-know and segregation of duties, to limit the capability of staff to misuse the System. The Successful Vendor must also highly restrict "superuser" capabilities to access and change System components. Vendor must describe the manner in which the data centers will be staffed, including the number of operators per shift available for Iowa operation issues and procedures.

### **3.7.3 Terminal Provisioning Services: Moves, Adds, Changes, Removal**

#### **RESPONSE NOTE: Full**

The Successful Vendor is responsible for providing terminals, communications and related peripherals at retailer locations. Besides installing a new retailer ("add") it may be necessary to serve an existing retailer from a new physical location ("outside move"), to relocate the retailer's terminal within the premises ("inside move"), or to de-install a terminal. An inside move may involve a change to the inside wiring.

The Lottery shall identify the authorization for a retailer change, and then advise the Successful Vendor in writing that a retailer requires provisioning. This advisory starts the provisioning clock.

A terminal shall be considered to have completed add or move provisioning and be ready when:

1. It has been installed at the designated location
2. Is in good running and working order
3. Is communicating with the gaming host systems
4. Is capable of issuing tickets, conducting validations, and producing reports
5. It performs all other terminal functions as specified in this RFP
6. The retailer has received terminal training from the Successful Vendor

Provisioning activities must be conducted on a timely schedule.

The Lottery has determined that the following provisioning schedule (in calendar days) is the maximum permitted for completion:

Add a new retailer	7 days
Outside move	7 days
Inside move	3 days
Removal	2 days

These particular schedules are the maximum allowable under a Service Level Agreement (SLA) with the Lottery. The Proposal must in this section define the Vendor's commitment to a terminal provisioning schedule and the Successful Vendor will be held to the proposed provisioning schedule; and liquidated damages as set forth in this RFP may apply.

### **3.7.4 Support of the Lottery's Partnership with Retailers**

#### **RESPONSE NOTE: Full**

The Lottery currently employs its own DSR staff. The Vendor must propose mechanisms such as meetings, messaging, and data interfaces to facilitate lottery activities and resolve retailer concerns or problems, such as terminal functions, terminal repair, quality and timely delivery of consumables, with Successful Vendor.

### **3.7.5 Retailer Training Programs, Initial and Ongoing**

#### **RESPONSE NOTE: Full**

The Successful Vendor shall provide training for retailer staff in the operation of retailer terminals for the initial conversion training, post conversion retailer start-ups and for major System changes during the Contract.

1. Retailer Instruction. To support the conversion, the Successful Vendor shall provide initial hands-on group instruction at locations approved by the Lottery and shall provide training on-site at retailer locations when appropriate. The Successful Vendor shall continue to provide retailer training throughout the term of the Contract. Further Successful Vendor-supplied training may be required by the Lottery after start-up and during the Contract period in case of a major System release or games modification. There shall be an emphasis on train-the-trainer exercises. It is anticipated that retailer managers will use the training to train retailer clerks. The Successful Vendor is required to use trained facilitators to conduct the initial training services.
2. Training Program Contents. The retailer-training program must cover the retailer terminals, kiosks and peripherals, and Lotto, InstaPlay, Scratch and Pull-tab products. The program must address not only the technical aspects of operating the terminal and account management, but also approaches for interacting successfully with players. The training must include instruction on using the retailer web site. Contents of the training program must be approved by the Lottery. The Vendor shall describe the proposed training program in terms of materials, facilities, staff qualifications, sessions, and schedule. The program description shall address the Vendor's capability of providing for the specific training needs of top corporate accounts.
3. Training Security. The Vendor must describe the mechanisms for security of ticket stock and training tickets produced during retailer training sessions, and the security of the terminals themselves from tampering or theft. Security must comply with all multi-jurisdictional rules, including but not limited to MUSL.

#### 4. Training Materials and User Documentation.

- 1) Handouts and/or manuals on the correct use of retailer terminals and retailer procedures are required and must be approved by the Lottery. Such documentation shall be easily understood and must contain, at a minimum, information and instructions on changing ticket stock, how to conduct each type of transaction, obtaining and using the reports, hotline procedures, use of play slips, validations, and retailer adjustments. The Vendor must include samples of similar such user (retailer) documentation the Vendor has produced and distributed.
- 2) User Documentation Updates. The Successful Vendor shall update the training materials and any user documentation provided to retailers with each game or procedural change. The format must be approved by the Lottery. Copies shall be supplied to the Lottery and to the retailers by one (1) week prior to the start date of any new game or game change. Training changes shall also appear on the retailer website.
- 3) Terminal-Based Documentation and Training. It is required that the Successful Vendor provides supplementary video or graphical training and documentation directly through the retailer terminal at the point of sale.

#### 3.7.6 Lottery Staff Training

##### **RESPONSE NOTE: Full**

The Successful Vendor must provide training for Lottery staff, at the Lottery offices, or appropriate venues as approved by the Lottery.

1. Customized Training. Training must be customized to meet the unique needs of Lottery employees performing specific primary and support activities. At times during the Contract additional training may be needed as System features evolve and as Lottery employees are hired.
2. Training Methods and Tools. Training must incorporate a mix of instructor-led presentations and discussions, as well as interactive hands-on, computer-based activities and workshops. The Successful Vendor will provide workbooks and documentation to support these activities. The Vendor shall describe what training will be provided to Lottery staff regarding concepts of the Lottery gaming system, use of the games management applications, administrative reports, Successful Vendor-provided services, security features and controls, and any other relevant aspects of the proposed package of systems and services.

#### 3.7.7 Retailer Consumables Supply

##### **RESPONSE NOTE: Full**

1. Consumables. The Successful Vendor shall provide and deliver consumables to the retailers, reminding the retailers during this activity that secure storage of ticket stock is a priority. The consumables to be provided include:
  - 1) Play slips that can be processed by the terminal reader;
  - 2) Secure ticket stock;
  - 3) Any terminal supplies required to print tickets; and
  - 4) Retailer manuals and/or reference cards for terminal operation, updated upon Lottery request. There must also be a version of retailer documentation available to the Lottery for the purpose of publishing on the Lottery website.
2. Consumables Designs. Consumables designs and wording shall be jointly developed by the Successful Vendor and the Lottery, and must be approved by the Lottery prior to production and distribution. The Successful Vendor will be responsible for consumables production, storage, and delivery.
3. Testing and Training Ticket Stock. The Successful Vendor must ensure that in addition to production ticket stock, there is stock of the same paper quality suitable for retailer terminals used at training facilities, and for use by the Lottery in testing, training, and promotions. Testing and training ticket stock must be plain and conspicuously distinct from live ticket stock and must comply with any multi-jurisdictional security rules, including but not limited to MUSL rules.
4. Multiple Suppliers. In order to avoid dependence on one (1) supplier, the Successful Vendor must have more than one (1) source of paper stock and printing service(s), as well as multiple suppliers for any other consumables.

### **3.7.8 Retailer Equipment Maintenance Program**

#### **RESPONSE NOTE: Full**

The Proposal shall describe the maintenance plan for the retailer terminals, kiosks and associated equipment. The term "retailer terminal" shall include all attachments and peripherals, including any network devices at the retailer location provided or serviced by the Successful Vendor. The Successful Vendor is obligated to obtain replacement parts and services that are approved, recommended, or recognized by the original equipment supplier as effective.

1. Retailer Terminal and Kiosk Maintenance. As well as to repair or replace the terminal or kiosk, its peripherals, or wide area network communications interface, the Successful Vendor's technicians will be required during any service call to routinely check the mechanical security, safety, and general operation of any mechanisms or attachments provided or serviced by the Successful Vendor.

2. Terminal and Kiosk Preventive Maintenance Schedule. The Successful Vendor and Lottery shall agree on a preventive maintenance (PM) schedule for the retailer terminals and kiosks. For the Proposal, the Vendor must propose a PM schedule however the schedule cannot exceed a one hundred twenty (120) day cycle. In no case shall there be attempts to render preventive maintenance services during retailers' busiest periods.
3. Terminal and Kiosk Parts Supply. The Successful Vendor shall maintain an adequate supply of parts to sustain the service of terminals and kiosks that it has supplied and is required to maintain. The Proposal must identify the spare levels planned, and the approach to swapping out whole terminals versus parts/module replacement in the field.
4. Terminal and Kiosk Repair and Maintenance Reporting. At service events a log will be updated noting the maintenance activities. The log information shall be entered into a database accessible to the Lottery. The Lottery shall have access to generate reports from the retailer dispatch and repair data that indicate when services have occurred, what services have occurred, and on an exception basis, when services have NOT occurred or have been untimely. Entries to the log shall not be removed by the Successful Vendor.
5. Successful Vendor's Maintenance System. The Successful Vendor must have a system for trouble tracking and maintenance management. That system shall at a minimum fulfill the following criteria:
  - 1) Tracking and reporting of retailer terminal, kiosk, communications line, network, and other problem reports is required whether or not actual problem(s) are found. Data must be kept on all terminals including those in reserve or returned to a depot for maintenance.
  - 2) The Successful Vendor is required to retain maintenance data for the Contract term, with at least twelve (12) months of data online.
6. Staffing and Hours. The Successful Vendor must provide adequate field service staffing for timely repair or liquidated damages may result as set forth in this RFP. Repair technicians must be available for repairs at retailer locations between 7:00 AM and 8:00 PM, Monday through Saturday and between 10:00 AM and 5:00 PM on Sunday.
7. Retailer Hotline Services. The Vendor must provide a staffed toll-free hotline number. Refer to RFP Section 3.7.14 for business hours and specific information related to hotline. The Vendor must maintain hotline records for the life of the Contract and any extensions and for three (3) years after cancellation or expiration of the Contract while providing these records to the Iowa Lottery as requested. The Iowa Lottery reserves the right to require calls to be routed elsewhere.

### **3.7.9 Other Host, Systems, and Network Equipment Maintenance**

#### **RESPONSE NOTE: Full**

The Successful Vendor shall be responsible for maintaining data center components, including but not limited to host systems, LANs, communications equipment for the central sites, and infrastructure and facilities items (such as generator backup, UPS, power and HVAC). Documentation of maintenance events must be maintained by the Successful Vendor for Lottery review. The Successful Vendor is obligated to obtain replacement parts and maintenance services that are approved, recommended, or recognized by the original equipment supplier as effective.

### **3.7.10 Technical Support Services**

#### **RESPONSE NOTE: Full**

Timely and committed fulfillment of Lottery requests for System support and changes is a requirement. The Proposal must identify how systems and software engineering support services for System management, System error correction, support for changes to the Lottery's business rules and requirements, and game changes will be delivered to the Lottery, by responding to the following:

1. **Software Support with Quarterly Releases.** The Successful Vendor must provide software and systems engineering support for System changes. The Successful Vendor must be capable of supplying upgrades on a quarterly or more frequent basis, and the periodic releases must be capable of including additions and changes for several games and promotions as well as administrative improvements to the System. Some of these changes will be multi-jurisdictional and must be completed in consort with other lotteries and the vendors representing them.
2. **Quality Assurance and Acceptance Testing.** The Successful Vendor must provide a local Quality Assurance capability and support for the Lottery's acceptance testing.
3. **Shared Records for Change Management.** In fulfillment of joint responsibilities between the Successful Vendor and the Lottery to make System changes in a timely and correct manner, the Successful Vendor must provide shared access to change requests and change tracking for the Lottery project.

### **3.7.11 System Change Control and Configuration Management**

#### **RESPONSE NOTE: Full**

The Successful Vendor shall operate under a defined change control and configuration management procedure practices. Configuration Management practices, as described below, shall apply to all of the following components: documentation, procedures, specifications, program application source and object code, operating systems, database platforms, other third-party applications, host systems and network hardware major

hardware components, and any other major System components. Strict performance according to principles of configuration management is required:

1. **Approved Changes Only.** The Successful Vendor shall ensure through procedural and System controls that only Lottery-approved changes, on an approved schedule, can be made. Reports and/or displays shall be available to the Lottery to review all related change and configuration management activities.
2. **Change Introduction.** All changes to host systems, network devices or applications must first be completed on the related testing systems. All changes approved and completed for production systems must also be completed on the associated backup systems.
3. **Checksums.** Checksums are required for software at the time it is released for Lottery testing, and must be available at any time for testing applications and for the production systems.
4. **Component Identification.** System components shall be documented with version and release numbers / patch versions, or model and serial numbers.
5. **Traceability of Components.** System components shall be traceable, identifying the history, use, and location of a component.
6. **Change Tracking.** The Successful Vendor must track all changes made to System components, provide reports showing when and by whom a change was made and for what purpose, and must avoid multiple update conflicts. Change logs must reference associated planning documents and approvals.
7. **Configuration Status and Inventory.** The Successful Vendor shall have the capability to produce a configuration status report identifying the current configuration of any System component as well as an inventory report including all System components.
8. **Documentation.** The Successful Vendor must provide and maintain comprehensive System documentation for the Lottery including but not limited to: network diagrams, security standards and processes, multi-jurisdictional security standards compliance documents, change control processes and procedures, data dictionaries, third-party licensing documentation, etc.

### **3.7.12 Operations Security Plan**

#### **RESPONSE NOTE: Full**

The Lottery expects its System and operations to be of the highest security and integrity. This requires both the Lottery and its Successful Vendor to maintain a confidential, high-level comprehensive approach to information security controls. For example, staff must be organized, assigned, and operate under procedures and with System controls that mitigate such threats as insider fraud.

The Successful Vendor must present an Operations Security Plan ready for approval by the Lottery, the submission to be achieved no later than thirty (30) days prior to commencement of operations. Approval of this plan is an entry criterion for acceptance testing.

At a minimum, the security plan in the Proposal (to be revised after award) must include the following sections:

1. Business Impact Analysis
2. Risk, Threat, and Vulnerability Analysis
3. Security Strategy
4. Personnel Security Practices
5. Physical Security
6. Data Security
7. Systems Security
8. Network Security
9. Terminal Security
10. Communications Access Security Applications and Data Security
11. Patch Management
12. Incident Response
13. Protection of Software and Other Copyrighted Materials
14. Plan Evaluation
15. Security Awareness/Training
16. Plan Maintenance
17. Network and Server Maps and Diagrams

The plan must address incident response procedures (e.g., in case of an electronic intrusion); periodic audits to ensure compliance with the security plan; and periodic meetings with Lottery staff to review security controls. The security plan must follow a format approved by the Lottery, must be approved by the Lottery, and must comply with all associated multi-jurisdictional security requirements (e.g. MUSL rules).

Vendor shall describe the Vendor's protocols for prompt notification to authorized Iowa Lottery personnel regarding any security incident, security breach, security violation, data breach, loss, or theft of any equipment, devices, systems, software, or materials used or to be used in the performance of this contract. Vendor shall also describe its capability to protect the Lottery from loss or exposure from any such security incident, breach, violation, data breach, loss or theft, whether through the use of relevant insurance or otherwise.

### **3.7.13 Electronic Media, Computer Room Paper, Supplies**

#### **RESPONSE NOTE: Full**

The Successful Vendor shall supply all electronic storage media, and other media items, printer paper, toner cartridges, pre-printed forms and supplies needed to operate the gaming system, Lottery testing terminals, ICS, and systems at all Successful Vendor sites.

### **3.7.14 Trouble Tracking, Dispatch, and Reporting System (Hotline Support)**

#### **RESPONSE NOTE: Full**

The Vendor must operate a toll free hotline to support the Retailers and handle Retailer trouble calls. Staff trained for Iowa-specific issues must be available on a 24/7 basis. The hotline function is required to be located in the United States. The Hotline phone system shall employ a voice and data recording system. The system will record both the audio and capture the screens on a per call basis. The system must store such information online for a minimum of three hundred sixty five (365) days.

The Proposal must address the staffing and mechanisms employed to ensure Retailer waiting upon calling the hotline is not onerous. Vendors shall also provide a detailed description and functionality of the recording system.

This center will maintain and manage a database and reporting system fulfilling the following criteria:

1. Tracking: Tracking and reporting of Retailer terminal, communication line, network and other Retailer reported problems are required whether or not actual problem(s) are found. Data must be retained on all terminals including those held in reserve or returned to a depot for maintenance. The system must have capability to assign a problem type and resolution code and provide useful reports for review.
2. Maintenance Information: The Vendor is required to maintain maintenance data for the Contract term with at least twelve (12) months of historical data accessible online. Lotto data must be accessible for Iowa Lottery staff via a secure web-enabled browser.
3. Call System Management:

- 1) Staffing. Staff trained and able to communicate regarding Iowa-specific issues must be available on a 24/7 basis. The Vendor shall describe how the Hotline Call Center will be staffed and managed to ensure timely, professional and accurate response to Iowa retailer calls.
- 2) Call System. Telephone call management equipment must be capable of handling all incoming calls on toll-free circuits. (The cost of toll-free circuits must be covered in the base line price.) If all available Hotline operators are busy, a prerecorded message must be played and the calls must be queued for the next available staff member. If a call is queued, the system must provide call status information to the caller at intervals including estimates of hold time. Calls that cannot be completed due to volume must allow for a retailer to leave a message for service or for a question. Under ordinary operational circumstances, ninety percent (90%) of Iowa retailer calls must provide a live operator response within two (2) minutes on a weekly basis, and failure to do so may result in liquidated damages (see RFP Section 2.26.35.)
- 3) Call System Reporting. The Lottery must be able to monitor/review the calls received by the Hotline Call Center. The data to be monitored will include but not be limited to current date/time, calls received today, calls holding, average answer time, number of calls waiting, average and total hold times, and the number of calls abandoned and their average abandon time. The call management system must provide periodic summary reports.
- 4) Call Recording. A recording device must be provided to record all telephone conversations transacted on the Hotline Call Center circuits. Recording of telephone conversations must adhere to all applicable Federal, State, and local laws. The Vendor must provide the recording equipment and maintain recorded conversations for at least three hundred sixty five (365) days. Conversation files must be transferable for Lottery review upon request.

The Successful Vendor must make recorded hotline calls available in an audio format to the Lottery within twenty-four (24) hours of written request.

### **3.7.15 Operations According to Association Rules and Standards**

**RESPONSE NOTE: Full**

The System must be operated in compliance with rules and standards of any multi-jurisdiction association that the Lottery may join. For example the Successful Vendor's operation must be in compliance with both "Rule 2" and "Confidential Security" standards from MUSL. In addition the Successful Vendor must operate the Gaming System in compliance with other standards accepted by the Iowa Lottery, including but not limited to the NASPL standards initiatives and other industry standards for best practices operation.

### **3.8 Implementation**

**RESPONSE NOTE: Full**

The implementation process requires that all of the new software, hardware, and service elements of the new System be delivered, installed, tested, and put into production operation. In addition, a significant amount of pre-existing information and processes must be integrated into the new System. The new System must process tickets from the old system, which are still in the field at the time of implementation of the new System. The System will be expected to process all Lotto/Scratch/Pull-tab/InstaPlay product related transactions. As well, Lotto wagers for future games must be converted from the old system to the new System at cut-over. Validations must be supported on all games, including past un-validated winners. The integration of existing elements into the new System environment must be performed seamlessly.

### **3.8.1 Conversion Strategy**

#### **RESPONSE NOTE: Full**

The Vendor is at liberty to propose a conversion strategy or strategies that would best support the System's implementation. The Vendor shall describe the pros and cons of the approach proposed, and examples of past conversions.

At a minimum, the following Lottery goals must be addressed in the Proposal description:

1. Minimizing conversion limitations (such as coming up late on a start-up day, or without the full complement of retailers).
2. Avoiding start-up System failures and outages.
3. Maintaining good retailer relations and addressing retailer issues during conversion (such as inconvenient training opportunities, getting all retailers trained, demand for counter space when installing a new terminal and concerns associated with dual communication systems).
4. Minimal disruption to selling tickets and paying winners during the conversion.

### **3.8.2 Formal Implementation Plan**

#### **RESPONSE NOTE: Full**

The Proposal must contain a detailed implementation plan and time chart (Gantt, PERT, or similar) identifying the major milestones to be accomplished for the business requirements definition, construction, equipment delivery, software programming, installation, testing, and file conversion. The plan must make clear which items are on the critical path for timely implementation. The Lottery's approval is necessary for the final implementation plan of the Successful Vendor. Responsibilities of the Successful Vendor's implementation team, of the Lottery's implementation team, and of any of the Lottery's other goods or services providers must be identified. Retailer roles and responsibilities during conversion must be addressed. Vendor's response should include examples of successful completion of this type of implementation in other jurisdictions.

### **3.8.3 Interim Facilities and Processes**

#### **RESPONSE NOTE: Full**

If the conversion involves interim configurations, facilities, staffing, or business procedures, the Proposal must explicitly describe them and note their development and use within the schedule. Costs associated with interim facilities are the Successful Vendor's responsibility.

### **3.8.4 Installation and Lottery Acceptance Testing**

#### **RESPONSE NOTE: Full**

The Lottery will conduct a series of acceptance tests, which the Successful Vendor is obliged to support. Lottery acceptance testing will be conducted from the testing facility equipped by the Successful Vendor at Lottery Headquarters.

1. Schedule for Lottery Acceptance Testing. To support acceptance testing, the Successful Vendor must have the data center facilities, systems and network hardware and software, and at least six (6) test terminals, three (3) management terminals, other point of sale equipment plus any other hardware or software to be deployed into the field; installed, configured, and operational at Iowa Lottery Headquarters, one hundred eighty (180) days prior to the scheduled conversion of the first terminal. The remote backup site must be operational and ready for testing ninety (90) days prior to the scheduled conversion date. The Iowa Lottery Headquarters' testing facility is accessible from 7:00 AM through 4:30 PM Central Time, Monday through Friday, unless other arrangements are approved.
2. Documentation and Support. Training and written procedure manuals specific to the Lottery must be delivered to the Lottery upon availability of the System for Lottery acceptance testing. During the testing period, the Successful Vendor must provide technical staff on-site as a resource to collaborate and support the Lottery's acceptance testing. In addition to Section 3.7.1, item 1, the Lottery shall have the option of requiring programming/developer staff on site during the acceptance-testing period. The Lottery shall have the option of specifying which programmer/developer to have on site, i.e. a developer that has performed work on the Lottery project.
3. Ticket Stock Testing. A sample of the production ticket stock must be provided for ticket testing to ensure that it is manufactured in accordance with all RFP requirements and Proposal specifications. The ticket stock sample is due on or before the start of the one hundred eighty (180) day Lottery acceptance testing period. The Lottery may have the paper tested at Successful Vendor expense.
4. Randomizer Testing. Samples from the Successful Vendor's randomizer software in the retailer terminals and from the automated drawing software application must be submitted for quality testing. The randomizer samples are due on or before the start of the one hundred eighty (180) day Lottery testing period. The Lottery may have the randomizer samples tested at Successful Vendor expense.

5. Release Notes. Each release of the software for testing by the Lottery must be accompanied by release notes. The release notes must evidence good configuration management practices, namely each release must be identified by a version number and the changes must be succinctly defined. This requirement shall extend throughout the Contract.
6. Entry and Exit Criteria. The Lottery will consider the System ready for acceptance testing once all hardware and software items are installed and configured to operate in the Lottery's environment and in accordance with the Lottery's standards. The Lottery will have successfully completed testing when all components of the System have been tested and all significant issues identified during testing are resolved by the Successful Vendor and validated by the Lottery. The Successful Vendor and the Lottery shall develop and agree upon detailed criteria that must be met prior to the System being put into production.

The Vendor shall agree to comply with the Lottery's reasonable statements of entry and exit criteria for Lottery quality assurance testing and identify any issue that may concern the Vendor regarding effective and timely QA testing.

### **3.8.5 Project Reporting and Monitoring**

#### **RESPONSE NOTE: Full**

The Proposal must provide a dedicated on-site technical project manager for the implementation. The Vendor must propose a project team structure, process, and tools that facilitate Lottery oversight of the implementation. Regular reporting, walkthroughs, and project status meetings are required.

The Successful Vendor shall provide suitable access to project records (e.g. PERT charts, progress status reports) to enable Lottery staff to monitor project management tasks, schedules, and issues. This requirement begins with conversion and continues throughout the Contract.

### **3.8.6 Validation After Conversion**

#### **RESPONSE NOTE: Full**

The Successful Vendor must accommodate validation of winning Lotto and InstaPlay tickets that have been sold prior to the conversion by reading the bar code. Accepting manual entry of the "old" winning ticket's serial number may be allowed by the Lottery at the sole discretion of the Lottery. The Successful Vendor must also convert the Scratch ticket validation files, if applicable, to permit validation by bar code read (and manual entry) and Pull-tab ownership verification of Pull-tab units delivered before system conversion. The goal, both during conversion and after, is to minimize confusion and effort for the players and retailers.

### **3.8.7 Historical Data**

#### **RESPONSE NOTE: Full**

The Successful Vendor must convert a minimum of sixty (60) months of pre-existing sales and operating data so that the Lottery and the retailers will see a continuity of data in displays and reports from before, during, and after the start-up day. A conversion process for historical Lottery data will need to be developed by the Successful Vendor in conjunction with the Lottery and current Vendor.

### **3.9 Vendor Corporate Capability**

**RESPONSE NOTE: Full**

The Vendor is required to demonstrate corporate experience, technical capability, integrity, and financial means to support the Contract.

#### **3.9.1 Corporate Background Review**

**RESPONSE NOTE: Full**

The Vendor will complete a class L-Business background check documentation and shall provide all of the following information:

1. Name and address of the business entity making the Proposal.
2. Type of business entity (e.g., corporation, partnership, etc.).
3. Place of incorporation, or other form of organization, if applicable.
4. Name and location of major offices, plants and other facilities that relate to performance under the terms of this RFP.
5. Name, address, and function of substantial subcontractors, associated companies, or consultants that will be involved in any phase of this project.

#### **3.9.2 Gaming Systems Experience**

**RESPONSE NOTE: Full**

The Vendor shall describe, in detail, the current and historical experience of the Vendor with Lottery gaming systems; that is, descriptions and references for all gaming industry engagements of comparable complexity and sensitivity that have been conducted by the Vendor over the past five (5) years.

Each experience statement shall include the following details:

- Name of Lottery or gaming enterprise(s)
- Estimated contract value
- Number and type of terminals delivered to the customer
- The term of the contract including effective dates

- Reason for contract end, if the contract is no longer in effect
- Whether the implementation was a new state installation, or a conversion from another Lottery gaming system. If a conversion, then whether the conversion was from the Vendor's previous system, or from a system supplied by a different company. Include any liquidated damages assessed and liquidated damages paid regarding implementation.
- Types of services directly provided by the Vendor under the contract and whether the Vendor was a prime contractor or subcontractor

The descriptions must include names, titles, addresses and telephone numbers that may be contacted to verify qualifying experience. If the experience is provided by a teaming partner or a subcontractor that will provide a major part of the products and services, the experience information for that entity must be included.

### **3.9.3 Pending Workload**

#### **RESPONSE NOTE: Full**

The Vendor may have other project commitments at the time of the Iowa Lottery implementation and must be able to conduct any such multiple implementations without schedule delays and quality issues for the Iowa Lottery due to resource overload. The Vendor must provide a timeline of Lottery project commitments that may be concurrent with the implementation for Iowa and must provide evidence that such will not interfere with the Iowa Lottery project.

### **3.9.4 Contract Performance**

#### **RESPONSE NOTE: Full**

The Vendor must be a business in good standing with its customers and the business community, evidencing good delivery on the obligations of its contracts. The Vendor shall state whether any of the following have occurred within the prior five (5) years:

- The termination of any contract with a Lottery or any of Vendor's major suppliers for cause.
- The amounts of any assessment of liquidated damages or penalties, including any resolutions or agreements reached by Vendor to avoid the assessment of liquidated damages or penalties, in excess of one hundred thousand dollars (\$100,000).
- Any judgment, decree, or order from any federal, state, or local governmental entity suspending or otherwise limiting Vendor's right to engage in any business, practice or activity.
- Any material pending or threatened litigation, administrative or regulatory proceedings to which the Vendor is a party.

- Any arrest or conviction of a “control person” for a felony charge or gaming related violation. Failure to disclose such matters may result in rejection of the Proposal or in termination of a Contract.

The Vendor shall provide information requested in this section. If the experience is provided by a teaming partner or a subcontractor that will provide a major part of the products and services, then the same performance information as above must be included for that entity.

### **3.9.5 Manufacturing Capabilities for Terminals**

**RESPONSE NOTE: Full**

Capacity to provide the gaming terminals is critical to the project.

1. Manufacturing Plans. The Vendor shall describe its resources, capability, capacity, and plans for producing (through current inventory, manufacturing, purchasing, or modification) the terminals proposed to meet the requirements of the RFP. The availability of additional plants and secondary sources must be addressed.
2. Manufacturing Quality. The Vendor's Proposal must describe its capabilities relating to assuring quality manufacturing practices, and in particular whether the Vendor is certified under the ISO 9000 series or other recognized quality practices standards.

### **3.9.6 Software Development and Support Capabilities**

**RESPONSE NOTE: Full**

Capacity to provide the software and systems support is critical to the success of the Lottery.

1. Software Development Plans. The Vendor shall describe its staff skill levels, headcounts, and locations pertinent to developing and maintaining software for the Iowa Lottery Contract. To facilitate the delivery of software modifications and enhancements, the Vendor shall deliver Software developed by the Vendor in batches at the end of each three (3) month period. The Vendor and the Lottery, on a case-by-case basis, may agree in writing to a delivery period shorter or longer than the three (3) month Software Development Batch Period.

Vendors must recognize that certain requests fall into an “emergency fix” category and will need to supply corrected software as soon as possible.

2. Software Quality. The Vendor must address software engineering quality practices, and in particular whether the Vendor is certified under the ISO 9000 series, SEI CMMI, NASPL Quality Standards or other recognized quality practices standards.

During the term of the contract, the Successful Vendor must work with the Lottery to ensure new hardware and software upgrades are compatible with existing Lottery operating systems and software versions to ensure complete compatibility. The Successful Vendor will assume all costs to ensure compatibility.

### **3.9.7 Project Management Capabilities**

**RESPONSE NOTE: Full**

The Vendor shall describe its corporate organization and tools pertinent to managing a large project for the Lottery Contract, providing pertinent examples.

### **3.9.8 Security Management Capabilities**

**RESPONSE NOTE: Full**

The Vendor must demonstrate a capacity to develop and implement a comprehensive plan for maintaining effective security controls and practices critical to ensuring the integrity of Lottery operations, providing pertinent examples.

The Vendor shall also describe its corporate organization and tools pertinent to managing all aspects of information security pertaining to gaming operations.

The Vendor must additionally address security standards and practices, and in particular whether the Vendor's gaming solutions and practices are compliant with ISO 17799, ISO 27002, COBIT or other recognized information security standards.

### **3.9.9 Communications Capabilities**

**RESPONSE NOTE: Full**

The Vendor must demonstrate the capacity to provide the communications implementation and additional evolutionary changes for the project.

1. Communications Plans. The Vendor will describe its resources, staff skill levels and certifications pertinent to developing and maintaining communications for the contract.
2. Communications Quality. The Vendor must address communications engineering quality practices.

### **3.9.10 Research and Development Program**

**RESPONSE NOTE: Full**

The success of the Lottery depends on the availability of new products, gaming features, and services. The Successful Vendor must be capable of supporting the Lottery in this mission. The Vendor shall describe its resources, capability, capacity and plans for maintaining a research and development effort in such areas as retailer terminal design, communications, retailer network planning, and sales data mining.

The Vendor shall have an annual presentation for the Lottery of their latest offerings of products and services as well as what they have installed in their most recent Lottery location.

### **3.9.11 Financial Viability**

#### **RESPONSE NOTE: Full**

In order to ensure the Vendor's financial capability to perform under the contract, the Lottery requires the following financial information. All submissions must employ US currency or include a US currency conversion formula.

1. **Submission of Financial Statements.** All Vendors and substantial subcontractors must submit audited financial statements, or federal income tax returns if the Vendor or substantial subcontractor does not have audited financial statements prepared for the last two (2) fiscal years. Audited financial statements must be the result of an audit of the entity's records, reviewed in accordance with Generally Accepted Auditing Standards (GAAS) by an independent certified public accounting firm. The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP), and must include balance sheets, income statements, statements of cash flows, statements of retained earnings, notes to the financial statements for both years, and any management letters that have been received for those years. The Proposal must include the most recent 10-K and 10-Q statements, if applicable, as well as any form 8-K, for two (2) years. For non-United States (US) entities the equivalent non-US accounting standards apply.
2. **Subsidiaries.** If a Vendor or substantial subcontractor is a subsidiary of a parent entity and the Vendor or substantial subcontractor does not have its own, separate financial statements, the Vendor or substantial subcontractor may satisfy its financial responsibility submission requirements by submitting the consolidated financial statements of its parent entity if the consolidated financial statements include the activity of the Vendor or substantial subcontractor. If a Vendor or substantial subcontractor submits the consolidated financial statements of its parent, the parent must serve as financial guarantor of the Vendor or substantial subcontractor.
3. **Parent Corporation Resources.** If the Vendor is a subsidiary and will rely on the financial resources of the parent to perform this contract, the parent must certify, in writing in a form acceptable to the Lottery, the availability of its resources to the Vendor. Parent entities that serve as financial guarantors of subsidiary firms shall be held accountable for all terms and conditions of the RFP and the resulting contract and shall execute the Contract as guarantor.
4. **External Borrowing.** The Vendor must provide a letter of commitment in a form acceptable to the Lottery from a creditor acceptable to the Lottery, if outside borrowing will provide any or all of the funding for this project.

All submissions must employ US currency or include a US currency conversion formula.

## **PART 4: New & Emerging Gaming Opportunities**

### **RESPONSE NOTE: Acceptance**

The gaming landscape is rapidly changing, technology is enabling traditional lottery games to be sold in different ways and new gaming options are becoming more prevalent in North America. The Lottery is seeking a gaming system that has the flexibility to offer new products or to interact with other systems to meet the needs of the Lottery and its players.

As Offered Options, the vendors may discuss their capabilities to offer Internet and Mobile Games, In-Lane Sales utilizing Application Programming Interface (API), Sports Wagering and other new initiatives they may be developing.

Offered options will be factored into the vendor's technical scores relating to this RFP. However, the Lottery is not seeking pricing for Offered options at this time. To the extent that the Lottery chooses to exercise an Offered option, the Lottery will work with the Successful Vendor(s) to establish criteria for any new gaming opportunity and will negotiate the pricing that accompanies that new gaming opportunity.

### **4.1 Internet/Mobile Games.**

#### **RESPONSE NOTE: Full**

The Vendor may describe their experience offering internet/mobile gaming. As part of this offering, the Vendor may describe, but is not limited to:

- The Vendor will list the North American lotteries where they are currently operating an Internet/mobile gaming system and describe the number of full time staff that the Vendor supplies to support the system
- The types of games that are sold through the internet/mobile gaming system
- Promotions that are offered as part of an internet/mobile sales program
- Methods that are utilized to support brick and mortar retailers while operating an internet/mobile gaming system
- Methods to ensure that players are of the proper age and geographically located within the state of Iowa
- Mobile wallets and other payment solutions
- Whether the internet or mobile gaming system is a separate system or part of the gaming system proposed for this RFP
- Whether the vendor has deployed their internet or mobile gaming system in a lottery that utilizes a central gaming system from a different vendor
- If a separate system, how the vendor complies with MUSL and other security requirements

- A description of the responsible gaming protocols that have been incorporated into the system

#### **4.2 In-Lane Sales utilizing Application Programming Interfaces (API)**

##### **RESPONSE NOTE: Full**

NASPL has developed and published an API standard. Other API based solutions have also been introduced. As part of this offering, the vendor may describe, but is not limited to:

- North American Lotteries that are allowing retailers to sell in-lane tickets through the vendor's gaming system utilizing APIs
- The vendors capabilities to support in-lane sales and APIs including APIs from multiple third party suppliers
- The games that are being sold in-lane
- The vendor's capability to utilize APIs in a secure system environment, following applicable security controls for printed products and MUSL Rule 2
- Sales reporting capabilities related to in-lane sales
- System/network infrastructure capabilities

#### **4.3 Sports Wagering**

##### **RESPONSE NOTE: Full**

The Vendor may describe their experience offering sports wagering systems. As part of this offering, the Vendor may describe, but is not limited to:

- The Vendor will list the North American lotteries where they are currently operating a Sports Wagering system and describe the number of full time staff that the Vendor supplies to support the system
- The types of wagers that are sold through the sports wagering system
- Wagers that are offered through traditional lottery terminals
- Wagers offered through free standing terminals/vending machines
- Wagers that are offered through an internet/mobile system
- Methods to ensure that players are of the proper age and geographically located within the state of Iowa
- Mobile wallets and other payment solutions
- Whether the sports wagering gaming system is a separate system or part of the central gaming system proposed for this RFP
- Whether the vendor has deployed their sports wagering system in a lottery that utilizes a central gaming system from a different vendor
- If a sports wagering system is a separate system, how the vendor complies with industry security requirements and best practices

- Bookmakers that are utilized to establish and adjust the lines related to the sporting event
- A description of the responsible gaming protocols that have been incorporated into the system

#### ***4.4 Real-Time Accounting for Scratch Tickets.***

**RESPONSE NOTE: Full**

The Vendor may propose technologies, methods and/or hardware that would provide accounting for scratch ticket sales as they occur. Under this invited option the system should be capable of suspending sales of certain Scratch games immediately upon the request of the Lottery. Such a request might routinely be issued when the last top prize of a game has been claimed. Vendor shall explain how its solution permits statuses and status changes that result from functions performed in the System, and how its solution would facilitate individual tickets from the same pack to have different exception statuses.

#### ***4.5 Additional Non-Traditional Gaming and Non-Gaming Capabilities***

**RESPONSE NOTE: Full**

Vendor shall describe the capability of the offered solution to support additional games not currently offered, through hardware or software updates or otherwise. In support of this requirement, Vendor shall provide examples where existing lottery customer games were updated or supported in the manner set forth in this section. Specific non-traditional capabilities and potential for integration of new technologies offered by the Vendor may be described and/or may appear as **Offered Options**. The Vendor may also describe other new initiatives that they feel the Lottery would benefit from knowing about and utilizing in the future.

#### ***4.6 Retailer Benefits and Recognition Programs***

**RESPONSE NOTE: Full**

Vendor shall describe its capability to provide licensed Lottery retailers with incentives, benefits, and recognition for Lottery sales and marketing efforts. Vendor shall describe any North American lotteries where Vendor runs all or part of a retailer benefits and recognition program.

#### ***4.7 Vendor System Customer Resource Planning, Management and Analytical Tools***

**RESPONSE NOTE: Full**

Vendor shall describe its capability to provide the Lottery with data planning, management and analytical tools developed by either the Vendor or a sub-contracted third party.

## **PART 5 – Volume II – PRICE PROPOSAL**

### **5.0 Introduction**

**RESPONSE NOTE: None**

This section describes the manner in which Vendors will submit pricing for the Lottery's consideration.

### **5.1 Separately Sealed Price Proposal**

**RESPONSE NOTE: Acceptance**

The price Proposal must be so identified on a separately sealed enclosure. The price Proposal shall be signed by an individual authorized to legally bind the Vendor. The contents of the price Proposal must follow this outline, employing divider pages with tabs to separate these response sections:

1. Pricing for the Baseline System.
2. Pricing for Options.

### **5.2 Form of the Price Proposal**

**RESPONSE NOTE: Acceptance**

The Vendor must submit pricing in the following format.

1. For the Baseline System:

Pricing as a percentage of weekly sales including free tickets given in the format X.dddd where X represents the whole percentage value and d represents decimal percentage digits. To estimate the contract cost, the Lottery will assume \$370,900,000 of sales based on FY 2018 sales. Compensation will not be paid for cancelled or returned tickets; however, compensation will be paid for coupons and promotional tickets.

Only one percentage may be submitted for the base period, and only one percentage may be submitted for each extension period. The percentage for the base period and the percentages for the extension periods need not be the same. However, multiple price percentages based on sales levels or any other criteria are not allowed.

This includes all costs and fees including, but not limited to, terminals, central site, backup site, maintenance, hotline support, operations fees, communication equipment and communications fees. No other payments will be made to the Successful Vendor except as a result of negotiated options and enhancements.

2. Pricing for Specified Options. (U.S. dollars or as a percentage of sales as specified)

3. Pricing for Invited Options. (U.S. dollars or as a percentage of sales as specified)
4. Pricing for Offered Options. (U.S. dollars or as a percentage of sales as specified)

For comparison and evaluation of options, the Lottery has designated the pricing format and terms. The Lottery may or may not accept the options in whole or in part, and the request for pricing for options in no way obligates the Lottery to acquire the options according to the stated format and terms. If the Lottery should accept the options under different terms, the details will be negotiated with the Successful Vendor. Any item for which there is no additional fee should be shown as No Charge or N/C in the appropriate portion of the Price Proposal.

The bid amounts should exclude applicable state gross receipts tax or applicable local taxes, but the Vendor shall be required to pay the applicable taxes including any increase in the applicable taxes becoming effective after the Contract is entered into.

### ***5.3 Duration of the Price Proposal***

#### **RESPONSE NOTE: Acceptance**

The Price Proposal must be valid for one (1) year or until execution of a Contract (or cancellation of the procurement), whichever occurs first.

### ***5.4 Pricing and Scoring of Options***

#### **RESPONSE NOTE: Acceptance**

The Vendor is encouraged to propose options regarding innovative functions, features, services, and solutions. However, options separately priced shall be clearly noted in the Technical Proposal --although without pricing information-- and their corresponding prices listed in the Price Proposal as separate line items. Otherwise, such options will be considered part of the baseline price.

Additionally, options separately priced and that have been clearly noted as such in the Technical Proposal should be listed on a summary sheet without pricing information in the Technical Proposal.

To make the evaluation comparable, the Evaluation Committee intends to score only:

1. Required options will be included with baseline features and services.
2. Specified Options as selected by the Evaluation Committee at the minimum quantities and terms shown in the Price Quotation Sheet below.
3. Invited and Offered Options included in the base price. These items must be noted in the technical response as a no cost item.

Invited or Offered Options that are separately priced and designated as such in the Technical Proposal and in the Price Proposal will not be separately scored. These may be considered at Contract negotiation time or later.

The evaluation process is designed to identify the Proposal that best meets or exceeds the RFP requirements.

# PRICE QUOTATION SHEET

RFP IL 19-01

Iowa Lottery Authority

On-Line Gaming System and Related Products and Services

## Baseline System Pricing (addition and deletion in this section)

Vendors are required to quote the following items as a percentage of sales as defined in RFP Section 4.2.

### Ten (10) Year Base Period

Price Quoted as a Percentage of Sales \_\_\_\_\_ %

### Extension Period – Year One

Price Quoted as a Percentage of Sales \_\_\_\_\_ %

### Extension Period – Year Two

Price Quoted as a Percentage of Sales \_\_\_\_\_ %

### Extension Period – Year Three

Price Quoted as a Percentage of Sales \_\_\_\_\_ %

### Extension Period – Year Four

Price Quoted as a Percentage of Sales \_\_\_\_\_ %

### Extension Period – Year Five

Price Quoted as a Percentage of Sales \_\_\_\_\_ %

Extension period pricing **WILL BE** included in the pricing evaluation. However, the Lottery maintains discretion to evaluate the pricing in a manner that gives appropriate weight to the initial base period of the Contract.

**At the end of the contract term, the Successful Vendor must remove and dispose of all equipment, at the direction of and at no cost to the Lottery.**

## **Lottery-Required Options** (addition and alteration in this section)

Vendors are required to submit specifications and pricing for Specified Options. Conditions of delivery are provided for bidding purposes, although other delivery conditions may apply and would be subject to negotiations. TBD pricing is not allowed.

DESCRIPTION/COMMENTS	UNIT OF MEASURE	EST QTY	PERCENTAGE OF SALES IF ORDERED IN THE FIRST FIVE YEARS OF THE ORIGINAL CONTRACT PERIOD (1 <sup>st</sup> YEAR THROUGH 5 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN YEARS SIX THROUGH TEN OF THE ORIGINAL CONTRACT PERIOD (6 <sup>th</sup> YEAR THROUGH 10 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE FIRST YEAR OF THE FIVE YEAR RENEWAL PERIOD (11 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE SECOND YEAR OF THE FIVE YEAR RENEWAL PERIOD (12 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE THIRD YEAR OF THE FIVE YEAR RENEWAL PERIOD (13 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE FOURTH YEAR OF THE FIVE YEAR RENEWAL PERIOD (14 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE FIFTH YEAR OF THE FIVE YEAR RENEWAL PERIOD (15 <sup>th</sup> YEAR OF THE CONTRACT)
Additional retailer terminals (including communications), (RFP Section 3.2.1). The price includes hardware and software installation and service (maintenance and repair or replacement) price expressed as a percentage of sales.	Lot of 25 units	1							
Additional Player Flat Panel Displays, (RFP Section 3.2.1.3.1). The price includes hardware and software installation and service (maintenance and repair or replacement) price expressed as a percentage of sales	Lot of 25 units	1							

<p>Additional Player Transaction Displays, (RFP Section 3.2.1.3.2). The price includes hardware and software installation and service (maintenance and repair or replacement) price expressed as a percentage of sales</p>	<p>Lot of 25 units</p>	<p>1</p>							
<p>Additional Self-service ticket checkers (RFP Section 3.2.1.3, item 3). The price includes hardware and software installation and service (maintenance and repair or replacement) price expressed as a percentage of sales</p>	<p>Lot of 25 units</p>	<p>1</p>							
<p>Additional Lotto Jackpot Signage (RFP Section 3.2.1.3, item 4). Signs for retailer locations that advertise Lottery jackpot amounts. The price includes hardware and software installation and service (maintenance and repair or replacement) price expressed as a percentage of sales</p>	<p>Lot of 25 units</p>	<p>1</p>							

**Lottery-Specified Options** (addition and alteration in this section)

Vendors are required to submit specifications and pricing for Specified Options. Conditions of delivery are provided for bidding purposes, although other delivery conditions may apply and would be subject to negotiations. TBD pricing is not allowed.

DESCRIPTION/COMMENTS	UNIT OF MEASURE	EST QTY	PERCENTAGE OF SALES IF ORDERED IN THE FIRST FIVE YEARS OF THE ORIGINAL CONTRACT PERIOD  (1 <sup>st</sup> YEAR THROUGH 5 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE YEARS SIX THROUGH TEN OF THE ORIGINAL CONTRACT PERIOD  (6 <sup>th</sup> YEAR THROUGH 10 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE FIRST YEAR OF THE FIVE YEAR RENEWAL PERIOD  (11 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE SECOND YEAR OF THE FIVE YEAR RENEWAL PERIOD  (12 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE THIRD YEAR OF THE FIVE YEAR RENEWAL PERIOD  (13 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE FOURTH YEAR OF THE FIVE YEAR RENEWAL PERIOD  (14 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE FIFTH YEAR OF THE FIVE YEAR RENEWAL PERIOD  (15 <sup>th</sup> YEAR OF THE CONTRACT)
Rapid Draw Game Monitors (RFP Section 3.2.1.3, item 6). Twenty-six (26)-inch or greater color flat panel video display with mounting brackets to display rapid draw game drawings. All installations, maintenance, and support included based on three hundred (300) retailer installations at start-up. Price expressed as a percentage of sales.	Lot of 300 units	1							

<p>Additional Rapid Draw Game Monitors (RFP Section 3.2.1.3, item 6). Twenty-six (26)-inch or greater color flat panel video display with mounting brackets, to display rapid draw game drawings. The price includes hardware and software installation and service (maintenance and repair or replacement). Price expressed as a percentage of sales.</p>	<p>Lot of 25 units</p>	<p>1</p>							
<p>Gift Card Application (RFP Section 3.4.16.1). Provides the Lottery with an application enabling the Lottery to sell gift cards to players via retail locations for the sole purpose of purchasing Lottery products. The price includes software, installation and service quoted as a percentage of net gift card sales:</p>	<p>N/A</p>	<p>1</p>							

<p>Prepaid Account (RFP Section 3.4.16.2). Provides the Lottery with an application to support a program where a player can establish an account through a gift card. The price includes software, installation and service quoted as a percentage of net gift card sales:</p>	<p>N/A</p>	<p>1</p>							
<p>Additional specified kiosks (including communications), (RFP Section 3.2.3, item 4). The price includes hardware and software installation and service (maintenance and repair or replacement) as a percentage of sales.</p>	<p>Lot of 10 units</p>	<p>1</p>							

<p>Additional kiosk type 1 (including communications), (RFP Section 3.2.3, item 4). The price includes hardware and software installation and service (maintenance and repair or replacement) as a percentage of sales. Provide a response to this section for each kiosk type proposed.</p>	<p>Lot of 25 units</p>	<p>1</p>							
<p>Additional kiosk type 2 (including communications), (RFP Section 3.2.3, item 4). The price includes hardware and software installation and service (maintenance and repair or replacement) as a percentage of sales. Provide a response to this section for each kiosk type proposed.</p>	<p>Lot of 25 units</p>	<p>1</p>							

<p>Additional kiosk type 3 (including communications), (RFP Section 3.2.3, item 4). The price includes hardware and software installation and service (maintenance and repair or replacement) as a percentage of sales. Provide a response to this section for each kiosk type proposed.</p>	<p>Lot of 25 units</p>	<p>1</p>							
<p>Monitor Game System. Pricing for Monitor Gaming System (RFP Section 3.4.14) as a percentage of monitor game sales.</p>	<p>N/A</p>	<p>1</p>							
<p>Mobile Device Application (RFP Section 3.4.15). The price includes development, maintenance, testing and rollout to production app stores of the software and infrastructure to support a mobile device application for iPhone and Android mobile devices as a percentage of sales.</p>	<p>N/A</p>	<p>1</p>							

## **Lottery-Invited Options**

Vendors are not required to submit specifications and pricing for Invited Options. To the extent such detail is provided, it will be considered in context in light of Vendor's overall capability and responsiveness to the RFP. Conditions of delivery are provided for bidding purposes, although other delivery conditions may apply and would be subject to negotiations.

DESCRIPTION/COMMENTS	UNIT OF MEASURE	EST QTY	PERCENTAGE OF SALES IF ORDERED IN THE FIRST FIVE YEARS OF THE ORIGINAL CONTRACT PERIOD  (1 <sup>st</sup> YEAR THROUGH 5 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE YEARS SIX THROUGH TEN OF THE ORIGINAL CONTRACT PERIOD  (6 <sup>th</sup> YEAR THROUGH 10 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE FIRST YEAR OF THE FIVE YEAR RENEWAL PERIOD  (11 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE SECOND YEAR OF THE FIVE YEAR RENEWAL PERIOD  (12 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE THIRD YEAR OF THE FIVE YEAR RENEWAL PERIOD  (13 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE FOURTH YEAR OF THE FIVE YEAR RENEWAL PERIOD  (14 <sup>th</sup> YEAR OF THE CONTRACT)	PERCENTAGE OF SALES IF ORDERED IN THE FIFTH YEAR OF THE FIVE YEAR RENEWAL PERIOD  (15 <sup>th</sup> YEAR OF THE CONTRACT)
<p>In-store Wireless Peripherals Support (RFP Section 3.2.1.3, item 5). The price includes hardware and software installation and service (maintenance and repair or replacement). Price expressed as a percentage of sales.</p>	Lot of 25 units	1							
<p>Rapid Draw Game Monitors (RFP Section 3.2.1.3, item 6). Thirty-two inch (32)-inch flat panel video display with mounting brackets. All installations, maintenance, and support included based on 300 retailer installations at start-up. Price expressed as a percentage of sales.</p>	Lot of 300 units	1							

<p>Rapid Draw Game Monitors (RFP Section 3.2.1.3, item 6). Forty inch (40)-inch flat panel video display with mounting brackets. All installations, maintenance, and support included based on 300 retailer installations at start-up. Price expressed as a percentage of sales.</p>	<p>Lot of 300 units</p>	<p>1</p>							
<p>Rapid Draw Game Monitors (RFP Section 3.2.1.3, item 6). Other size (please specify size) flat panel video display with mounting brackets. All installations, maintenance, and support included based on 300 retailer installations at start-up. Price expressed as a percentage of sales.</p>	<p>Lot of 300 units</p>	<p>1</p>							
<p>Rapid Draw Game Monitors (RFP Section 3.2.1.3, item 6). Thirty-two (32)-inch of flat panel video display with mounting brackets. Price expressed as a percentage of sales.</p>	<p>Lot of 25 units</p>	<p>1</p>							

<p>Rapid Draw Game Monitors (RFP Section 3.2.1.3, item 6). Fourty (40)-inch of flat panel video display with mounting brackets. Price expressed as a percentage of sales.</p>	<p>Lot of 25 units</p>	<p>1</p>							
<p>Rapid Draw Game Monitors (RFP Section 3.2.1.3, item 6). Other size (please specify size) flat panel video display with mounting brackets. Price expressed as a percentage of sales.</p>	<p>Lot of 25 units</p>	<p>1</p>							
<p>Hand-Held Wireless Terminals (RFP Section 3.2.3, item 2). Mobile terminals to be carried by an operator at special events including hardware and software installation and service, price expressed as a percentage of sales.</p>	<p>Lot of 5 units</p>	<p>1</p>							
<p>Subscription System (RFP Section 3.4.11). A system for enrolling Iowa Lottery Authority players for future drawings is invited. Any quote must include costs for system delivery, operation, and maintenance. Price</p>	<p>N/A</p>	<p>1</p>							

expressed as a percentage of sales.									
Player Registration (RFP Section 3.4.12). A system for enrolling Iowa Lottery Authority players is invited. Any quote must include costs for delivery, operation, and maintenance. Price expressed as a percentage of sales.	N/A	1							
Ticket Warehouse and Distribution Services (RFP 3.6.8). Price expressed as a percentage of sales.	N/A	1							

## **Offered Options**

The Vendor shall attach sheets for any Vendor-offered optional items. Clearly identify the items offered and the terms under which they are offered. Vendors are not required to submit any Offered Options. TBD pricing is permitted but such will not be interpreted for evaluation purposes as N/C.

## **PART 6 – PROPOSAL EVALUATION**

### **6.0 Introduction**

**RESPONSE NOTE: Acceptance**

This section describes the evaluation process that will be used to determine which Proposal provides the greatest overall benefits to the Lottery. The capability of the Lottery to evaluate a Proposal is dependent upon the completeness and proper submission of the Proposal. The failure of a Vendor to provide information requested by this RFP, to submit according to the required format, or to respond appropriately to a clarification request or demonstration request, may result in rejection of the Proposal or reduction in scoring during the evaluation.

### **6.1 Evaluation Committee, Lottery CEO and Board of Directors**

**RESPONSE NOTE: Acceptance**

The Lottery intends to conduct a comprehensive, fair, and impartial evaluation of Proposals received in response to this RFP. In making this determination, the Lottery will be represented by an Evaluation Committee. The Evaluation Committee will evaluate each responsive Proposal that is properly submitted by a responsible Vendor and develop consensus findings.

The Evaluation Committee will provide its findings to the Lottery CEO and the Lottery Board of Directors. The Lottery and Board will issue a Notice of Intent to Award subject to successful completion of a DCI investigation.

### **6.2 Evaluation Steps**

**RESPONSE NOTE: Acceptance**

The evaluation and award process will be comprised of all of the following:

1. Pass/Fail evaluation of minimum qualifying requirements of the Vendor as provided for in RFP Section 1.12, Waiver of Deficiencies and Rejection for Non-Compliance.
2. Review of Proposals to assess compliance with Proposal submission requirements, including responsiveness to terms, conditions and requirements;
3. Evaluation of proposed functions, features, services, and references, using requirements and criteria defined in this RFP;
4. Proposal clarifications, site visits and demonstrations as determined necessary by the Evaluation Committee;
5. Scoring of Technical Proposals;

6. Assessment and Scoring of Price Proposals after the completion of the Technical scoring;
7. Compilation of technical scores and price scores into a summary score sheet;
8. Evaluation Committee presentation to the Lottery CEO and the Lottery Board of Directors;
9. The Iowa Lottery Board directs the Lottery to issue a Notice of Intent to Award subject to a successful completion of a DCI investigation;
10. The Lottery CEO instructs the DCI to complete background investigation;
11. DCI presents its findings to the CEO and Lottery Board of Directors;
12. Contingent upon successful completion of the background check, negotiation and signing of the Contract.

### **6.3 Information from Other Sources**

#### **RESPONSE NOTE: Acceptance**

The Lottery reserves the right to obtain, from sources other than the Vendor, information concerning a Vendor, the Vendor's offerings, capabilities, and past performance, that the Lottery deems pertinent to this RFP and to consider such information in evaluating the Proposal.

References may be checked regarding the Vendor's past experience. The Evaluation Committee may select current or previous clients for each Vendor from the information provided in response to RFP Section 3.9.2 to contact for a reference. The Lottery may contact as many references as necessary, as many times as necessary, to support its understanding of the Vendor's gaming system performance and experience.

### **6.4 Technical Proposal Scoring**

#### **RESPONSE NOTE: Acceptance**

Each of the technical (non-price) factors in Part 3 and Part 4 will be scored by the Evaluation Committee based on its best professional judgment, considering all Proposal text, clarifications, reference checks, and any site visits, interviews, demonstrations, and qualified sources of information. A weighted scoring system will be used.

The weighted scoring system will provide numerical scores that represent the Committee's assessments of the relative technical merits of the Proposals. The scores will be used to develop a preference ranking based on non-price factors.

The scoring approach will involve grading ten technical and management criteria, multiplying the grades by the points available for each, and then summing up.

### 6.4.1 Criteria and Points

#### RESPONSE NOTE: Acceptance

The points for each of the evaluation criteria are:

#### EVALUATION CRITERIA

PART 3.1 Central Configuration	40
PART 3.2 Terminals	100
PART 3.3 Communications Network	100
PART 3.4 Software Controls and Data Management	100
PART 3.5 Games and Marketing	60
PART 3.6 Facilities and Disaster Recovery Plan	25
PART 3.7 Staffing, Services and Operations Security Plan	100
PART 3.8 Implementation	65
PART 3.9 Corporate Capability	30
PART 4 New & Emerging Gaming Opportunities	80
<b>Technical Points Total</b>	<b>700</b>
<b>Price Points Total</b>	<b>300</b>
<b>TOTAL POINTS</b>	<b>1000</b>

Although the Proposal response to the individual criteria will be scored using a various number of points, the Vendor is cautioned that every criterion reflects requirements that must be met regardless of the criterion's points; and that a poor response to a lower point criterion still can have a significant impact on the Vendor's final technical score as compared with other Vendors' scores.

### 6.4.2 Award Scale for Evaluation

#### RESPONSE NOTE: Acceptance

The Vendor's consolidated score for the technical proposal shall be based on the Evaluation Committee's consensus judgment relating to the Vendor's ability to meet or exceed expectations set forth in the RFP.

### 6.4.3 Optional Items

#### RESPONSE NOTE: Acceptance

Numerous technical requirements in the RFP are accompanied with the description of an item that is indicated as **optional**. The Vendor is not obligated to respond to these items, but the Evaluation Committee will review Proposals with reference to them. A strong response for these items may favorably impact the scoring.

#### **6.4.4 Scoring of Options**

**RESPONSE NOTE: Acceptance**

The Vendor is encouraged to propose Specified and Invited functions, features, services, and solutions. Required options will be included in the baseline Proposal. Vendors are encouraged to identify which Specified, Invited or Offered options will be included at no additional charge in the quoted baseline price. Therefore, options included at no additional cost should be noted as such in the Technical Proposal.

#### **6.5 Site Visits for Discussions and Demonstrations**

**RESPONSE NOTE: Acceptance**

To the extent deemed necessary by the Lottery, the Committee reserves the right to conduct site visits for Vendor discussions and demonstrations. Any such site visits shall be arranged by the RFP Coordinator.

#### **6.6 Price Evaluation**

**RESPONSE NOTE: Acceptance**

For each Proposal, the Lottery price evaluation will be based on the proposed price, as described in Part 5 of this RFP. The Lottery reserves the right to weight the base contract price differently than the offered price for any available extension.

The Evaluation Committee will then award up to three hundred (300) points for price, based on a ratio of the Proposal being evaluated versus the lowest-cost acceptable Proposal. The formula for any particular Proposal being evaluated is:

$$\text{PRICE POINTS} = 300 \times (\text{LOWEST COST} / \text{PROPOSAL COST})$$

Under this formula, the lowest cost acceptable Proposal receives all three hundred (300) available price points. A Proposal twice as expensive as the lowest cost acceptable Proposal earns half as many, or one hundred fifty (150) price points.

#### **6.7 Technical Scoring and Pricing Combined**

**RESPONSE NOTE: Acceptance**

The Lottery will combine the points for technical and price to determine the total score for each eligible Proposal, the highest of which will be the apparent overall preferred Proposal.

**TOTAL POINTS = TECHNICAL POINTS + PRICING POINTS** The available seven hundred (700) technical points and three hundred (300) price points provide a maximum of one thousand (1,000) points.

Upon completion of the evaluation and scoring, the Evaluation Committee, using total scores, shall rank the Proposals regarding the apparent preference to provide the requested System and services to the Lottery.

## **6.8 Notice of Award and Contract Signing**

### **RESPONSE NOTE: Acceptance**

The final ranking and the findings of the Evaluation Committee will then be presented to the Lottery CEO and Board, for consideration.

The Lottery Board, after evaluation of the process and its results, will direct the CEO to issue a notice of award and begin contract negotiations.

Contract negotiations shall not address transformational changes to terms and conditions, offered services, products, or pricing for performance of the Contract, but may address options, option delivery schedules, and other variations for the benefit of the Lottery.

Should the Lottery be unable to reach agreement with the apparent Successful Vendor, the Lottery shall award and then undertake negotiations with the second most preferred Vendor, and so on. This process shall continue at the sole option of the Lottery until an agreement is reached or no Proposals remain for negotiation.

## APPENDIX A: GLOSSARY

**Baseline:** The System including all features and capabilities for an offered price, without additional pricing for options.

**Bond:** A bond, cashier's check, or alternative security in form and substance and issued by a company acceptable to the Lottery.

**Business Day:** A working day occurring Monday through Friday except legal holidays observed by the Lottery.

**Business Week:** The period beginning on Sunday and running through the end of the day the following Saturday. This is also known as the "accounting week."

**Capability:** A feature or capacity of the System as offered for delivery within the System baseline, not to include items that are theoretical or available following a future separate development or purchase effort.

**Central Time:** Central Standard or Central Daylight time, as applicable.

**Consumables:** Play slips, ticket stock, printer paper, toner, and/or any other operational supplies required by retailers to operate their terminals. The term "Consumables" does not include point of sale materials, promotional items or scratch tickets.

**Contract:** The written agreement resulting from the successful Proposal and subsequent negotiations, which shall incorporate, among other things, this RFP and the Successful Vendor's Proposal, and all modifications hereto and thereto, and in addition shall contain such other terms and conditions as may be required by the Lottery.

**Control Person:** A control person is defined as all persons owning 5 percent (5%) or more of the Vendor or a parent company or subsidiary corporation of the Vendor and all officers and directors of the Vendor in any parent or subsidiary company of the Vendor.

**Conversion:** The phase of the implementation project during which the existing System used by the Lottery for games sales and management is replaced. During the conversion, data and files from the existing System must be transferred, for continuity, to the new System.

**Corporate Account:** Lottery retailer accounts that have multiple distinct retail locations assigned to that account on the System that sell tickets.

**Courier Delivery:** The delivery of Lottery tickets to a licensed Lottery retailer by a third party delivery service.

**CSV File:** A file with records whose data fields are delimited by commas (Comma-Separated Values), and each record is a separate line.

**Day:** A calendar day unless otherwise stated as a business day.

**Deliverable:** A defined product or feature required by the RFP and/or proposed by the Successful Vendor.

**District Sales Representative (DSR):** Lottery sales representative, an individual that performs sales related activity through direct interaction and retailer-site visits.

**EFT:** Electronic Funds Transfer through a bank employing the Automated Clearing House (ACH) network.

**End of Day:** End of Day is midnight Central Time.

**Facilities:** Data centers, warehouses, repair depots, and any other such locations required to provide and support the retail network.

**File:** A related collection of records containing a consistent set of data fields that describe an entity. A file can be processed by software representing an authorized user to add, modify, or delete records, or to generate a report or display of useful information. A file can be operated on as an object itself, for example to move it from one location to another, or to delete it.

**First Read Rate:** A measure of reader performance, especially bar code reader performance. The measure indicates what proportion of times the reader returns a successful read of a legitimate code on the first try. The "first read" event is defined as the initial effort to read a code as processed by an experienced user.

**Fiscal Year:** The twelve (12) month period ending June 30 and named for the calendar year in which it ends. For example, fiscal year 2020 begins July 1, 2020 and ends June 30, 2021.

**Scratch Games:** Games sold on pre-printed tickets containing play and validation data under a security coating or such other coating as may be approved by the Lottery. Examples are available at [ialottery.com](http://ialottery.com).

**iGaming:** Sales of Lottery tickets or products through personal consumer electronic devices, including but not limited to mobile phones, smart phones, home computers and tablets, and other similar devices or technologies.

**InstaPlay Games:** Games sold through a computer network on lotto paper containing play and validation data. The tickets are generated on demand of the customer. Examples are available at [ialottery.com](http://ialottery.com).

**Intellectual Property Rights:** Any rights with respect to inventions, discoveries, or improvements, including patents, patent applications and certificates of invention; trade secrets, know-how, or similar rights; the protection of works of authorship or expression, including copyrights and future copyrights; and trademarks, service marks, logos, and trade dress; and similar rights under any laws or international conventions throughout the

world, including the right to apply for registrations, certificates, or renewals with respect thereto, and the rights to prosecute, enforce and obtain damages.

**Lottery:** The Iowa Lottery Authority, also referred to in the RFP as the "Lottery."

**Lottery CEO:** The chief executive of the Lottery, or an employee authorized to act on behalf of the chief executive of the Lottery. Also referred to as the "CEO."

**Lottery LAN:** A local area network (LAN) serving the offices of the Lottery.

**Lottery QA.** The process by which the Lottery separately tests any hardware or software changes to the gaming system. Lottery QA employs a testing environment consisting of test terminals, communications, gaming host systems, and management workstations that run the games management applications. Lottery QA represents the acceptance testing of the Successful Vendor's products and is distinct from the Successful Vendor's own quality assurance efforts.

**Lotto Games:** Games sold through a computer network at retailer locations. The tickets are generated on demand of the customer. Examples are available at ialottery.com.

**Lotto Terminal:** The lotto terminals are used to sell and cancel lotto games, check and validate scratch, InstaPlay and lotto games and verify ownership of pull-tab games. In addition to game sales functions, the terminal will also access and print reports, news messages and be utilized by the DSRs for pack activation and returns.

**Option(s):** A system feature or capability for which the Lottery makes no schedule or quantity commitments, but which may, at the Lottery's sole discretion, be included in or added to the System. **Required Options** are required to be proposed and included in the base price. **Specified Options** are required to be proposed, although the Lottery may opt not to take them. **Invited Options** are identified by the Lottery as of interest, but may be proposed at the discretion of the Vendor. **Offered Options** may be proposed at the discretion of the Vendor. Options may have additional cost quoted or may be included in the baseline price.

**Scratch Pack:** A pack of scratch game tickets, with individual tickets uniquely numbered by virtue of game/pack/ticket identifiers. Packs contain varying numbers of tickets, depending on the game. Each pack contains \$300 of tickets.

**InstaPlay Pack:** A pack of 1000 InstaPlay game tickets, with individual tickets uniquely numbered by virtue of game/pack/ticket identifiers.

**Person:** An individual, a partnership, a joint venture, a registered limited liability partnership, an association, a corporation, a limited liability company, a trust, an unincorporated organization or any other entity, business or enterprise, authorized to do business in the State of Iowa.

**Play:** A single set of numbers for a Lottery drawing. A ticket may contain multiple plays, depending on the game.

**Principle of Least Privilege:** A design concept describing a system environment in which all services and personnel given access are granted only the privileges necessary to perform their functions.

**Proposal:** All materials submitted by a Vendor in response to this RFP, together with all addenda, clarifications, and demonstrations.

**Pull-tab Games:** Games sold on break open tickets containing play data under a perforated tab as may be approved by the Lottery. Examples are available at ialottery.com.

**Report:** Information produced by the System that is viewed via display, printed, and/or saved to a file depending on the needs of the Lottery.

**Responsible Vendor:** A Vendor judged by the Lottery to have the capability in all respects to perform fully the Contract requirements and to have the integrity, security, reliability, and financial condition that will ensure good faith performance.

**Responsive Proposal:** Timely and conforming in all material aspects to stipulations of the RFP.

**Retailer:** An entity licensed by the Lottery to sell tickets.

**Retailer Master File:** The file containing the official list and data defining retailers.

**RFP Coordinator:** The sole point of contact for Iowa's lotto RFP.

**RNG:** Random Number Generator, a software application that uses a math algorithm to produce a pseudo-random numerical output.

**RNG Seed:** A random value used to begin the processing of an RNG.

**Sales:** Revenue from lotto, scratch, InstaPlay and pull-tab games, not including cancelled or returned tickets; however, sales do include free tickets.

**Sales Day:** The period of time the Lottery's gaming systems support transactions from terminals at retailer locations, subject to future modifications.

**SLA:** Service level agreement.

**State:** The State of Iowa and its departments, authorities, boards and commissions, officers and employees.

**Subcontractor:** For purposes of this RFP, where creating obligations or bearing restrictions, the term "subcontractor" refers to an entity retained by the Vendor to provide a contribution to the completion of the project.

**Substantial Subcontractor:** A subcontractor performing major and critical activities specific and customized for the Contract, including hardware development, production or

support, software development, production, or support, ticket stock printing and retailer servicing. This does not include purchase of consumer-tariffed communication services, suppliers of "off the shelf" (available to the general public) hardware, or suppliers of "off the shelf" software when those firms perform only these roles under the Contract. This does not include routine service providers such as landscapers or janitorial firms. The Lottery retains the right to make the final determination whether a subcontractor is a substantial subcontractor.

**Successful Vendor:** The Vendor with whom the Lottery then executes the Contract pursuant to this RFP.

**System:** A set of hardware, software, facilities, and procedural elements that provides useful services and which produces useful outputs. In this RFP there are numerous references to "systems," inclusive of references to systems that are subsystems of other referenced systems. The immediate context and adjectives or labels define which system is being discussed. When used without other qualification, "System" refers to the comprehensive gaming system (scratch/pull-tab/InstaPlay tickets related components and/or lotto system) proposed by the Vendor.

**Trunk Stock:** Packs of Scratch and Pull-tab tickets that are assigned to a DSR's inventory and carried in their vans for distribution to retailers.

**Validation:** Process by which winning tickets are checked against computer files, to ensure that the ticket presented is valid, and that it has not been redeemed previously. Validations apply to lotto, InstaPlay and scratch tickets.

**Validation Code:** A security feature of scratch tickets printed under the security coating. Also known as a VIRN (Void If Removed Number).

**Vendor:** An entity that submits a Proposal in response to this RFP.

## **APPENDIX B: DEMONSTRABILITY OF SYSTEM**

The proposed System must be available for demonstrations and inspections during Proposal evaluation. The demonstrations and inspections will occur at a production Lottery location, at the Vendor's research and development facilities, or at some other appropriate venue, as requested by the Lottery during the evaluation process. The term "System" in this case includes capabilities of the retailer network and other network features and deliverables.

Demonstrability may include several tests from each of the following categories, as requested by the Lottery:

1. Inspection Tests;
2. Functional Tests, with observation of Usability;
3. Performance Tests; and
4. Failure and Recovery Tests.

Various tests from the selection to follow could be considered.

### **Inspection Tests**

Inspection tests provide evidence that the Vendor has the facilities, resources, systems, and capabilities expressed in the Proposal.

#### **1. Proposed Equipment**

Has the proposed System been shown and demonstrated? Inspect for the particular models of equipment proposed. Are parts of the proposed configuration not part of the demonstration? Has the proposed retailer communications mechanism been demonstrated?

#### **2. Fielded Products**

Determine whether the systems and products demonstrated are prototypes or whether they have been manufactured in quantity or are ready for manufacture. For the demonstrated terminals, are they mockups, hand-built unique items, part of a preliminary manufacturing run?

#### **3. Materials and Construction Quality**

Inspect the retailer terminals for durability, manufacturing integrity, and appearance.

#### **4. Manufacturing and Development Facilities**

Does the manufacturing facility appear to be capable of producing the quantities of devices needed?

## **5. Process Quality**

Does the Vendor have a quality-oriented manufacturing system? Are there quality hardware and software engineering practices in place, such as SEI CMMI and/or ISO 9001?

## **6. Other Tests Specific to Vendor**

### **Functional Tests**

Functional tests provide evidence that the proposed System can perform common Lottery tasks, and that the System is in a position to be adapted to the Lottery's requirements. Possible functional tests follow.

#### **1. Retailer Functions**

Can simulated operations be run to demonstrate the major gaming operations as seen by the retailer? (Logging on/off, selling, validating, canceling, taking retailer reports, and receiving messages). Is the user interface straightforward?

#### **2. System Operator Functions**

Can simulated operations be run to demonstrate the major gaming operations as seen by the data center operations staff? (Bringing the System up and down, entering winning numbers, sending retailer messages and monitoring operations,).

#### **3. Scratch/Pull-tab Ticket Management Functions**

Can the System demonstrate:

- Accepting tickets into inventory,
- Transferring tickets to:
  - Regional warehouses,
  - DSRs
- Consigning tickets to retailers
- Returning tickets from:
  - Retailers
  - DSRs
- Transferring tickets back to
  - Regional Warehouses
  - State warehouses.

#### **4. Lottery Games Administration Functions**

Can simulated operations be run to demonstrate the major gaming operations as seen by the Lottery? (Drawings, monitoring sales levels, creating new retailers, enabling/disabling retailers and receiving administrative reports).

## **5. Maintenance and Inventory**

Can simulated operations be run to demonstrate functions such as Hotline and trouble reporting? Inventory control of consumables and terminals?

## **6. Other Tests Specific to Vendor**

### **Performance Tests**

Performance tests provide evidence that the Vendor's System is capable of supporting the business volume and response times required by the Lottery for excellent player service. Possible performance tests follow.

#### **1. Response Time, Single and Multiple Plays**

Can it be shown that single play tickets and multiple play tickets are delivered within specifications? Measure both discrete transactions and average transactions per unit time through repeats (bulk buy). Typically these tests require that the host system be loaded by a simulator.

#### **2. Heavy Volume Throughput: Ticket Sales**

If possible, conduct several simulation runs with heavy simulated volume. Runs shall include duplex operation to confirm hot backup feeds. Conduct manual transactions simultaneously to demonstrate full functioning. Employ a software monitor utility to assess CPU, disk, and memory consumption during the simulation.

#### **3. Other Tests Specific to Vendor**

### **Failover and Recovery**

Failover and recovery tests provide evidence that the Vendor's terminals and System can maintain operations, data integrity, and security during periods of equipment and software failure. The entire proposed configuration will not be in place at Proposal time, so a complete path test for failover cannot normally be conducted. Possible failover and recovery tests follow.

#### **1. Terminal Paper Low and Out**

Check paper sensor, check buffering of last transactions when paper low. Remove the paper or use an almost empty roll. Determine how easy it is to replace the paper.

#### **2. System Fault Tolerance**

If possible, bring down the primary system (for example by Ethernet disconnect, or equivalent). Failover shall occur with only a brief outage (the RFP specification is two minutes). Return primary to service and time re-synchronization.

### **3. Terminal Loss of Connection**

Disconnect a test retailer terminal from the communications mechanism linking it to the central system, and then restore the connection. Determine if the return to service compromises any transactions or reporting. Determine if the disconnection is detectable by the central system of network monitoring application.

### **4. Other Tests Specific to Vendor**

## **APPENDIX C: LOTTERY STANDARD TERMS AND CONDITIONS**

**1. Assignment and Delegation.** The Vendor shall not assign, transfer, convey, or otherwise dispose of this Agreement, its duties under this Agreement, or any rights, title, or interest in this Agreement to any other person, corporation, or other entity without the prior written approval of the Lottery and the Lottery Board as required. For purposes of this section a transfer or conveyance includes the sale or gift of a five percent equity interest in the Vendor.

In the event that any person, or group of persons, hereafter acquires directly or indirectly the beneficial ownership (as defined by Securities and Exchange Commission Regulation 17 C.F.R. §240.13d-3) of five (5) percent or more of the ownership interest in, or any class of equity securities of, the Vendor, the Lottery must be notified in writing of such event. Background investigation may be required for these new owners. Such background investigations may include fingerprint identification by the Iowa Division of Criminal Investigation, the Federal Bureau of Investigation or the appropriate non-U.S. equivalent. By signing this Agreement, the Vendor consents to cooperate with such investigations, and to instruct its employees to cooperate. The expense of any investigation will be borne by the Vendor. The Lottery may terminate this contract based upon adverse results of these background checks. The ability to conduct such investigations is a continuing right of the Lottery throughout the contract term.

**2. Records Retention and Access.** The Vendor shall maintain books, records, and documents which sufficiently and properly document and calculate all charges billed to the Lottery throughout the term of this Agreement for a period of at least three (3) years following the date of final payment, cancellation, expiration or completion of any required audit, whichever is later.

The Vendor shall retain and maintain all ticket validation, financial, and accounting records, and evidence pertaining to this Agreement and to each game offered under the Agreement in accordance with generally accepted accounting principles and sound business practice and any other procedures reasonably established by the Lottery.

The Vendor shall permit the Auditor of the state of Iowa or any authorized representative of the State or any authorized representative of the United States government, to access and examine, audit, excerpt and transcribe any directly pertinent validation records, financial records, accounting records, books, documents, papers, electronic or optically stored and created records or other records of the Vendor relating to or created as a result of the performance of this Agreement. These records shall be made available to the Lottery, its designees, the Auditor, or an authorized representative of the State or any authorized representative of the United States government at reasonable times and at no cost to the Lottery during the term of this Agreement and for a period of (3) years following the termination, cancellation or expiration of this Agreement.

**3. Confidential Information.** All Confidential Information provided shall be clearly marked as Confidential Information by the party providing the information at the time of disclosure to the other party. The Vendor shall limit such identification to information it reasonably believes is entitled to confidential treatment pursuant to the public records provisions of Iowa law. Each party shall hold the Confidential Information of the other in strictest confidence and, except as previously authorized in writing by the other party, (i) shall use the Confidential Information only in furtherance of this Agreement, (ii) shall not copy Confidential Information and (iii) shall not disclose the Confidential Information to any person or entity except those employees of the party to whom the information has been disclosed who have a need to know the Confidential Information for purposes contemplated by this Agreement. The parties' obligations under this provision do not apply to information which: is publicly available or in the public domain when provided; is or becomes publicly available or public domain information through no fault of the recipient of the information subsequent to the time it was provided; is rightfully communicated to the recipient of the information by another party; is independently developed by the recipient; or is disclosed pursuant to law or the order of a court or government authority. The parties' obligations under this provision shall survive the conclusion of this Agreement and shall be perpetual.

No private or confidential data collected, maintained, or used in the course of performance of the Agreement shall be disseminated except as authorized by statute, either during the period of the Agreement or thereafter. Any data supplied to VENDOR by the Lottery shall be considered the property of the Lottery.

VENDOR shall use its best efforts to ensure that the details of the games planned by the Lottery are not disclosed to persons or organizations other than the personnel, agents, and subcontractors of VENDOR whose assistance is necessary for the production of tickets and related materials. In the event that VENDOR receives a request for information or records concerning the Lottery or its advertising plans, VENDOR shall immediately forward the request to the Lottery. VENDOR will not release the information subject to the request without the Lottery's permission or pursuant to a court order or as may be required by law.

In the event VENDOR receives a request from a third party (other than a subcontractor working on Vendor's Lottery account) for information supplied to VENDOR by the Lottery, VENDOR shall immediately notify the Lottery of the request by telephone and fax. VENDOR will not release the information subject to the request without the Lottery's permission or pursuant to a court order or as may be required by law.

Notwithstanding anything to the contrary herein, in the event a public records request is made to the Lottery pursuant to Iowa Code chapter 22 regarding Confidential Information of the VENDOR, the Lottery shall notify VENDOR as soon as possible of the request. The Lottery shall respond to the request for information unless VENDOR has obtained an injunction preventing release of the requested information.

#### **4. Default and Termination.**

*Termination for Cause.* The Lottery may terminate this Agreement upon written notice for the breach by the Vendor of a material term, if such breach is not cured, provided that a cure is feasible within ten (10) days following receipt of written notice of breach from the Lottery. Breach events include but are not limited to the following:

Vendor fails to perform as required by this Agreement; or

Vendor fails to make substantial and timely progress toward performance or fails to meet any of the material specifications and requirements of this Agreement, including without limitation the representations and warranties provided in this Agreement; or

*Notice of Cure.* If a cure is feasible and an opportunity to cure is provided, the notice shall specify the exact date by which the condition must be cured. Following expiration of the opportunity to cure and notice from the Lottery, the Lottery may seek any legal or equitable remedy authorized by this Agreement or by law.

*Immediate Termination.* The Lottery may terminate this Agreement, effective immediately without advance notice and without penalty or legal liability for any of the following reasons:

- If the Vendor furnished any statement, representation, warranty or certification in connection with this Agreement, which is materially false, deceptive, incorrect or incomplete; If the Vendor fails to perform, to the Lottery's satisfaction, any material requirement of this Agreement or is in violation of any material provision of this Agreement, including, without limitation, the express warranties made by the Vendor; or
- If the Lottery determines that satisfactory performance of this Agreement is substantially endangered or that a default is likely to occur; or
- If the Vendor becomes subject to any bankruptcy or insolvency proceeding under federal or state law to the extent allowed by applicable state or federal law including bankruptcy laws; or
- If the Vendor terminates or suspends its business; or
- If the Lottery reasonably believes that the Vendor has become insolvent or unable to pay its obligations as they accrue consistent with applicable federal or state law; or
- If an officer, director or employee in contact with the Lottery's account is or has been convicted of a felony, any gambling related offense whether a misdemeanor or felony, or of any state or federal Racketeer Influenced or Corrupt Organization Act (RICO) by a court of competent jurisdiction; or
- If a lawsuit is filed against Vendor claiming that the Vendor's processes or materials violate any valid patent, trademark, copyright, other intellectual property right or contract, and the Lottery reasonably believes that the lawsuit may impair the Vendor's performance of this Agreement; or
- If during the course of this Agreement, the Vendor sells Iowa Lottery tickets to others; or
- If during the course of this Agreement any action by the Vendor interferes with the Lottery's relationship with its licensed retailers, or promotes products or distribution systems that compete with authorized Lottery products or distribution systems; or

- If cancellation occurs for any of the causes set forth above, the Lottery shall have no further obligation to the Vendor other than payment for services rendered and materials provided prior to cancellation. Payment will be made only upon submission of invoices and proper proof of the Vendor's claim. This provision in no way limits the remedies available to the Lottery in the event of a termination under this provision.

**5. Waiver.** Any breach or default by Vendor shall not be waived or released other than by a writing signed by the Lottery. Failure by Lottery at any time to require performance by the Vendor or to claim a breach of any provision of the Agreement shall not be construed as affecting any subsequent breach or the right to require performance with respect thereto or to claim a breach with respect thereto. Only the following persons may execute a waiver of a term of this Agreement on behalf of the Lottery: the Lottery CEO, the Executive Vice President and Vice President of Finance.

**6. Termination for Lack of Authority or Funding.**

Notwithstanding anything in this Agreement to the contrary, and subject to the limitations, conditions, and procedures set forth below, the Lottery shall have the right to terminate this Agreement without penalty and without any advance notice as a result of any of the following:

- The legislature or governor fails in the sole opinion of the Lottery to appropriate funds sufficient to allow the Lottery to either meet its obligations under this Agreement or to operate as required and to fulfill its obligations under this Agreement; or
- If funds are de-appropriated, not allocated or if the funds needed by the Lottery in the Lottery's sole discretion are insufficient for any other reason; or
- If the Lottery's authorization to conduct its business is withdrawn or
- There is a material alteration in the programs the Lottery administers; or
- If Lottery's duties are substantially modified.

**7. Remedies of Vendor.** In the event of termination of this Agreement the Vendor shall be paid for services completed prior to termination upon submission of invoices and proper proof of claim, for services and materials provided to the Lottery prior to cancellation and for reasonable industrial costs of work-in-progress.

**8. No Release of Obligation.** The expiration or termination of this Agreement for any cause shall not release Vendor from:

- Any obligations and duties remaining under any order accepted by the Vendor prior to such expiration or termination; or
- Any liability which at the time of expiration or termination has already accrued to the other party, or, which thereafter may accrue in respect to any event prior to expiration or termination; or
- Any liability from any obligation that survives expiration or termination.

**9. Choice of Law and Forum.** The laws of the State of Iowa shall govern and determine all matters arising out of or in connection with this Agreement without regard to the choice of law provisions of Iowa law.

In the event any proceeding of a quasi-judicial or judicial nature is commenced in connection with this Agreement, the proceeding shall be brought in Des Moines, Iowa, in Polk County District Court for the State of Iowa, or the United States District Court for the Southern District of Iowa, Central Division, wherever jurisdiction is proper.

This provision shall not be construed as waiving any immunity to suit or liability, in state or federal court, which may be available to the Lottery or the State of Iowa.

**10. Compliance with the Law and Regulations.** The Vendor shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations and orders when performing within the scope of this Agreement, including without limitation, all laws applicable to the prevention of discrimination in employment, the administrative rules of the Iowa Department of Management or the Iowa Civil Rights Commission which pertain to equal employment opportunity and affirmative action, laws relating to prevailing wages, occupational safety and health standards, prevention of discrimination in employment, payment of taxes, gift laws, lobbying laws, laws dealing with the manufacture and transportation of gambling related materials and laws relating to the use of targeted small businesses as subcontractors or suppliers.

The Vendor declares that it has complied with all federal, state and local laws regarding business permits and licenses that may be required to carry out the work to be performed under this Agreement.

The Vendor shall give notice to any labor union with which it has a bargaining or other agreement of its commitment under this section of the Agreement. The Vendor shall make the provisions of this section a part of its contracts with any subcontractors providing goods or services related to the fulfillment of this Agreement.

The Vendor shall comply with all of the reporting and compliance standards of the Department of Management regarding equal employment. These requirements may require the Vendor to submit its affirmative action plan. The plan must comport with the Department of Management rules at 541 IAC chapter 4.

The Lottery may consider the failure of the Vendor to comply with any law or regulation as a material breach of this Agreement. In addition, the Vendor may be declared ineligible for future State contracts or be subjected to other sanctions for failure to comply with this section.

**11. Indemnification.** The Vendor agrees to defend, indemnify and hold the State of Iowa and the Lottery, its employees, agents, board members, appointed officials and elected officials, harmless from any and all liabilities, damages, loss, claims, suits or

actions, settlements, judgments, costs and expenses, including reasonable value of time for the Attorney General's Office, and the costs and expenses and attorney fees of other counsel required to defend the Lottery, related to or arising from:

- Any violation or breach of this Agreement by the Vendor, its employees, or agents; or
- Any negligent acts or omissions of Vendor, its officers, employees, agents, board members, contractors, subcontractors, or trademark counsel employed by Vendor in the performance of this Agreement; or
- Any failure by the Vendor to comply with all local, state and federal laws and regulations; or
- Any failure by the Vendor to make all reports, payments and withholdings required by Federal and State law with respect to social security, employee income and other taxes, fees or costs required by the Vendor to conduct business in the State of Iowa; or
- Any event in which a third-party asserts that the Lottery's use of a product, design, and use of ticket product provided by Vendor to the Lottery is a violation of such party's rights; provided, however, that Vendor need provide no such indemnification for claims which relate solely to information, data, designs, processes, inventions, techniques, devices and other such intellectual property furnished to Vendor by the Lottery.

The Vendor's duty to indemnify as set forth in this section shall survive the expiration or termination of this Agreement and shall apply to all acts taken in the performance of this Agreement regardless of the date any potential claim is made or discovered by the Lottery.

**12. Independent Contractor.** The status of the Vendor shall be that of an independent contractor. The Vendor, its employees, agents and subcontractor performing under this Agreement are not employees or agents of the Lottery.

The Lottery shall not provide the Vendor with office space, support staff, equipment, tools, or supervision beyond the terms of this Agreement.

Neither the Vendor nor its employees, agents and subcontractors are eligible for any State employee benefits, including but not limited to, retirement benefits, insurance coverage or the like.

Neither the Vendor nor its employees shall be considered employees of the Lottery or the State of Iowa for federal or state tax purposes. The Lottery shall not withhold taxes on behalf of the Vendor (unless required by law). The Vendor shall be responsible for payment of all taxes in connection with any income earned from this Agreement.

**13. Payment to Vendor.** The Lottery shall pay all approved invoices in arrears and in conformance with Iowa Code Section 8A.514. The Lottery may vary the terms of this provision by paying the bill for services in less than 60 days as provided in Iowa Code

Section 8A.514. However, an election to pay in less than 60 days shall not act as an implied waiver of Iowa Code Section 8A.514.

Pursuant to Iowa Code Section 99G.38, the funds of the state of Iowa, as opposed to the funds of the Lottery, are not available to meet the obligations of the Lottery that may arise from this Agreement.

**14. Notices.** Any and all notices, designations, consents, offers, acceptances or any other communication provided for herein shall be given in writing by registered or certified mail, return receipt requested, by receipted hand delivery, by Federal Express, courier or other similar and reliable carrier which shall be addressed to each party as set forth as follows:

If to the <b>Iowa Lottery:</b>	Iowa Lottery Authority Attn.: Lottery COO 13001 University Ave. Clive, IA 50325-8225
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If to the <b>Vendor:</b>	Vendor Name Attn.: Vendor address
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Each such notice shall be deemed to have been provided:

- At the time it is actually received; or
- Within one day in the case of overnight hand delivery, courier or services such as Federal Express with guaranteed next day of delivery; or
- Within five days after deposited the U.S. Mail in the case of registered U.S. Mail.

Copies of such notice to each party shall be provided separately.

From time to time, the parties may change the name and address of a party designated to receive notice. Such change of the designated person shall be in writing to the other party and as provided herein.

**15. Related Services.** The Lottery will reserve the right to contract with other vendors for related services during the contract term.

**16. Infringement of Trademarks, Patents, Copyrights and Other Proprietary Rights.** The Vendor represents and warrants that all the concepts and materials produced, or provided to the Lottery pursuant to the terms of this Agreement shall be wholly original with the Vendor or that the Vendor has secured all applicable interests, rights, licenses, permits, or other intellectual property rights in such concepts and materials.

The Vendor represents and warrants that the concepts and materials and the Lottery's use of the materials and the exercise by the Lottery of the rights granted by this Agreement shall not infringe upon any other work, other than material provided by the Lottery to the Vendor to be used as a basis for such materials, or violate the rights of publicity or privacy of, or constitute a libel or slander against, any person, firm or corporation and that the materials will not infringe upon the copyright, trademark, trade name, literary, dramatic, statutory, common law or any other rights of any person, firm or corporation or other entity.

The Vendor represents and warrants that, in the performance of this Agreement, the Vendor's work product and the information, data, designs, processes, inventions, techniques, devices, and other such intellectual property furnished, used, or relied upon by the Vendor will not infringe any copyright, patent, trademark, trade dress or other intellectual property right of the Vendor or others.

The Vendor also represents and warrants that the design and method of manufacture of materials provided pursuant to this Agreement shall not infringe on any patent.

**17. Personnel to Perform the Services.** The Vendor shall identify for the Lottery all employees of the Vendor and any subcontractors that provide goods or services necessary to the Lottery contract. The Lottery reserves the right to disapprove of any subcontractor used by the Vendor or any employee of the Vendor or any subcontractor directly involved in the Lottery contract. If the Lottery disapproves of any such person or subcontractor, the Vendor shall ensure that they are not involved in the Lottery contract. The Vendor shall require its employees and the employees of any subcontractors involved in the Lottery contract to submit to background investigations by the Lottery, if requested, and to complete all background disclosure forms as may be required by the Lottery.

**18. Prime Vendor Responsibilities.** The Vendor shall assume all responsibility for the performance of all required services, whether or not subcontractors are involved. The Lottery shall consider the Vendor to be the sole point of contact with regard to all matters related to this Agreement and is not required to initiate or maintain contact with any subcontractor.

**19. Taxes.** The Vendor and its subcontractors, may be subject to certain taxes, including but not limited to sales tax, motor vehicle fuel tax, personal or corporate income tax or other taxes or assessments, and to licensing fees or other miscellaneous fees or charges which may be imposed by federal, state, or local law or ordinance. The Vendor and its subcontractors shall be solely responsible for paying any taxes incurred in the performance of this Agreement. The Vendor shall promptly pay all such taxes, fees or charges when due. The Lottery is a tax-exempt entity and no payment will be made for any taxes levied on the Vendor for any purpose.

**20. Vendor Representations and Warranties.** All representations and warranties made by the Vendor in all provisions of this Agreement and the Proposal by the Vendor,

whether or not this Agreement specifically denominates the Vendor's promise as a warranty or whether the warranty is created only by the Vendor's affirmation or promise, or is created by a description of the materials and services to be provided, or by provision of samples to the Lottery, shall not be construed as limiting or negating any warranty provided by law, including without limitation, warranties which arise through course of dealing or usage of trade. The warranties expressed in this Agreement are intended to modify the warranties implied by law only to the extent that they expand the warranties applicable to the goods and services provided by the Vendor.

The Vendor represents and warrants that the related materials, goods and services to be provided to the Lottery pursuant to this Agreement shall be suitable for their intended purposes. The Vendor acknowledges that the Lottery is relying on the Vendor's skill and judgment to furnish services fit in all respects for this purpose which will be designed to maximize sales of the Lottery.

The Vendor represents and warrants that goods and services shall be merchantable.

The Vendor represents and warrants that title to the materials conveyed to the Lottery shall be good and that transfer of title is rightful and that the materials shall be delivered free of any security interest or other lien or encumbrance.

The Vendor represents and warrants that it has the right to enter into and to fully perform this Agreement upon the terms and conditions specified and that it has not granted and will not grant any right or interest to any person or entity which might derogate, encumber, or interfere with the rights granted to the Lottery.

The Vendor represents and warrants that equipment provided will be new and unused and free of defects in material, design and workmanship.

The Vendor represents and warrants that all services provided shall be performed in a prompt, competent and workmanlike manner by properly trained individuals in accordance with the highest standards of the Vendor's profession.

The Vendor expressly represents and warrants that all aspects of the goods and services provided by it during the performance of the Agreement will conform to the highest standards in the industry.

The Vendor also represents and warrants that the design, manufacture and sale or use by the Lottery of materials provided by the Vendor pursuant to this Agreement will not infringe on any intellectual property rights of any other person or entity.

The Vendor represents and warrants that the production, design, and use by the Lottery of goods and services provided by the Vendor will not infringe on any patent, trademark, copyright, trademark, service mark, trade secret or other right held by any third party; provided, however, that the Vendor need provide no such warranty for information, data,

designs, processes, inventions, techniques, devices, and other such intellectual property furnished to Vendor by the Lottery.

The Vendor represents and warrants that the equipment and services provided shall meet each and every requirement and specification of this Agreement exactly as specified in this Agreement.

The Vendor represents and warrants that it has not made any misrepresentations to the Lottery related to this Agreement or the products and services to be provided pursuant to this Agreement. "Misrepresentations" include material omissions.

## **APPENDIX D: MANAGEMENT AND ADMINISTRATIVE REPORTS**

Management reports must be available upon demand at management workstations or via an agreed upon transport method and be able to support the business activities listed below. Actual report formats, filters, sort and group options are to be resolved with the Lottery with final approval by the Lottery.

This list of reports is not intended to represent an all-inclusive list of the reports required by the Lottery; it is intended as a sample only. The reports listed below have a general report name followed by the expected data fields to be available on the report. Some reports may or may not be applicable depending upon the Vendor's submittal of a Proposal with **Invited Options**.

1. **Lotto Game Draw-Related Reports** – Game, draw number, draw date/time, gross/net sales for the draw, cancels, coupons/promos, free tickets, prize pool, winning numbers, play type and tier, prize liability (number and amount of winning plays).
2. **Top Played Numbers** – Most popular numbers being played on the current day and all advance pools, the total prize liability of all play combinations on each number.
3. **Retailer Transaction History/Look-up** – Detailed listing of all retailer terminal transactions.
4. **Lotto Game Sales Dashboard** – Number of lotto tickets sold per specified unit of time, updated in near-real time.
5. **Terminal Availability** – List of retailer terminals not operable during specified time period and displayed by date and the length of time they were not operable.
6. **Retailer Sales vs Cancels** – Retailer ID, retailer name, net sales (number of tickets and amount), cancels (number of tickets and amount), percentage of cancels vs sales, amount difference between sales and cancels.
7. **Lotto Game Status** – Game, current draw number, scheduled close date/time, actual close date/time, draw date/time, calculated prizes date/time, draw declared official date/time, draw break date/time, next draw number, next close date/time.
8. **Retailer Weekly Invoice/EFT** – Retailer ID, retailer name, owner, retailer status, EFT status, forwarded balance, total debits, total credits, EFT amount, transfer type, account type, routing number, account number, trace number.

9. **Scratch and Pull-tab Game Sales/Settles; Activations; Returns (various combinations)** – Game number, game name, retailer number, retailer name, date, pack number or number of packs, number of tickets, ticket value, commission amount, user ID, order number, order source.
10. **Scratch and Pull-tab Game Inventory** – Game name, game number, inventory status, available inventory (number of packs, number of tickets, inventory value), unavailable inventory (number of packs, number of tickets, inventory value).
11. **Scratch Game Liability Report** – Game number, game name, prize tier, prize value, initial liability (count and amount), cashed to date (count and amount), remaining liability (count and amount).
12. **Filled/Cancelled orders** – Order number, order status, date shipped, date received, filled by.
13. **Scratch and Pull-tab Game Packs in Transit** – Game number, game name, pack number, pack value, warehouse transit date, order number.
14. **Retailer Pack Inventory** – Retailer ID, retailer name, game number, game name, pack number, pack status, number of tickets, ticket price, ticket value, activation date, days since activation, number of cashes, number of guaranteed low-tier prizes, percentage of cashes, maximum ticket number.
15. **Retailer Activity** – Retailer ID, retailer name, activity type and description (including sales/settles, cancels, returns, commissions, adjustments, etc.), transaction count, transaction amount.
16. **Retailer List** – Retailer ID, retailer name, contact, phone number, physical address, mailing address, owner information, terminal information, status, status date, licensing information, sales rep/route information, region, sales and commission settings.
17. **Retailer Ranking** – Retailer ID, retailer name, net sales by game type, average sales by game type, number of sales days, retailer rank.
18. **Retailer Commissions & 1099 Reporting** – Retailer ID, retailer name, owner, tax ID, business type, address, net sales by game type, commission by game type, adjustments, incentives, total 1099 amount.
19. **Retailer Period Sales Comparison** – Retailer ID, retailer name, total sales for period 1, total sales for period 2.
20. **Retailers with Zero Sales** – Retailer, DSR, status, city, phone, point of contact.
21. **Corporate Reporting** – The chain headquarters receive special reports that detail the activity for each store and summarize the activity for all stores.

22. **InstaPlay Sales** – Game number, game name, gross sales (count/amount), coupons/promotions, net sales.
23. **Lotto Game Sales Activity** – Game, draw number, draw date, sales date, bet type, number of bets, amount of bets, cancels, coupons/promos, free tickets, gross/net sales amount.
24. **Lotto Game Future Sales** – Game, draw number, draw date, previously sold number of bets, previously sold amount of bets, number of bets sold during period, amount of bets sold during period, total number of bets, total amount of bets.
25. **Lotto Game Liability Activity** – Game, draw number, draw date/time, play type and tier, initial liability (number and amount of prizes won), prizes cashed prior to date (number and amount), prizes cashed during period (number and amount), previously purged expired prizes (number and amount), expired prizes purged during period (number and amount), remaining unclaimed liability (number and amount of prizes).
26. **Scratch and Pull-Tab Game Definition** – Game number, game name, game cycle dates, ticket price, pack information, prize structure.
27. **Scratch and Pull-tab Pack/Ticket History** – Game number, game name, date, pack/ticket number, pack/ticket status, pack/ticket location, user ID, manifest number.
28. **Scratch and Pull-tab Pack/Ticket Research** – Game number, game name, pack and ticket information, cashing history.
29. **InstaPlay Game Definition** – Game number, game name, game cycle dates, ticket price, pack information, prize structure.
30. **InstaPlay Pack/Ticket Research** – Game number, game name, pack and ticket information including selling location, cashing history.
31. **InstaPlay Liability Activity** – Game number, game name, beginning liability (count/amount); sold liability during period (count/amount), cashed during period (count/amount), expired during period (count/amount), ending liability (count/amount).
32. **Retailer Adjustments** – Retailer ID, retailer name, adjustment type and description, date entered, effective date, user ID, memo, amount.
33. **Retailer Bonds** – Retailer ID, retailer name, type of bond, amount of bond, expiration date.
34. **Retailer EFT Account** – Retailer ID, retailer name, effective date, bank name, routing number, account number, account type, pre-note date, EFT status.

In addition to the named reports, the Lottery anticipates that various other types of security, operational, technical, sales, and marketing reports will be needed, with the data to be displayed and format to be determined by the Lottery.

## APPENDIX E: RETAILER TERMINAL REPORTS

Below is a generic list of the reports currently available from the retailer terminals. Actual report formats are to be resolved with the Lottery with final approval by the Lottery. Specific wording in the following reports simply represents the meaning that is to be conveyed.

This list of reports is not intended to represent an all-inclusive list of the reports required by Lottery. It is intended as a sample only.

1. **Daily activity** – Combined Lotto, InstaPlay and Scratch tickets daily sales, cancels, cashes, adjustments, coupons and commissions by game for requested retailer.
2. **Weekly activity** – Combined Lotto, InstaPlay and Scratch tickets weekly sales, cancels, cashes, adjustments, coupons and commissions by game for requested retailer.
3. **Winning Numbers** – Winning numbers for last completed draw of all Lotto games for a specified date. Default is most current draw and all games.
4. **Current Jack Pot Report** – Displays Jackpot amounts for Powerball, Mega Millions and Lotto America games.
5. **Weekly adjustments** – Lotto, InstaPlay and Scratch adjustments to the retailer for the week requested.
6. **Top Prize Remaining** – Scratch and InstaPlay games that currently have top prizes remaining and the number of prizes remaining in each game.
7. **Weekly Cashes Detail** – A listing of all weekly cashes.
8. **Scratch Games On Sale** – A listing for all active Scratch and Pull-Tab games currently for sale on the system.
9. **Retrieve Manifest** – A copy of the shipping manifest.
10. **Activated Packs** – Details of activated packs in the retailer's inventory.
11. **News Messages** – Informational broadcast messages to be sent to all retailers or to a specific retailer.
12. **Inventory Summary** – Summary of ticket inventory by game.
13. **Inventory Detail** – Detailed ticket inventory by game.
14. **Weekly Cashes Detail** – A listing of all weekly cashes.

15. **Weekly Pack Settle Detail** – Packs settled by game, number, date and amount.
16. **Adjustment History** – Adjustments made to the retailer for the week requested.
17. **Weekly Settlement** – Combined Lotto, InstaPlay, Scratch and Pull-tab total activity for requested week. Prints automatically at retail locations at the start of every week.

## APPENDIX F: FILES TO TRANSFER TO/FROM THE LOTTERY

Below is a generic list of files that are currently or are proposed to be transferred between the Lottery and the Successful Vendor. Actual file formats are to be resolved with the Lottery with final approval by the Lottery.

This list of files is not intended to represent an all-inclusive list of the files to be transferred required by Lottery. It is intended as a sample only.

1. MUSL MARS Interface. The system must be able to produce files that are required for the MUSL Automated Reporting System (MARS). Data files in an XML format are transmitted to the MARS system for any multi-state game with a lock down feature, daily sales, drawing sales and winner-by-tier. Any solution offered by the Vendor must satisfy MUSL hash file requirements.
2. Lotto Terminal Retailer Accounting/Billing related reports. Files containing information related to a retailer's accounting/billing such as weekly and daily billing information.
3. Daily lotto sales information. The system must provide access to all Lottery related data by means of relational database tables. These tables will be used to generate needed Lottery reports and systems. These tables must include (but not be limited to) financial, sales, retailer and game data. The Lottery currently has access to such data either remotely or locally.
4. Vendor gaming system files/reports. Currently accessed directly from the vendor are Electronic Funds Transfer (EFT) data, winning numbers data and unclaimed prizes data. These are accessed either by direct server connection or web shares. Additionally any testing data files need to also be made available thru one of these methods.
5. Near real-time retailer down information. This file may contain such information as which retailers were down or degraded and for how long as well as certain system log information for analysis. Vendors are expected to keep these historical records for at least a period of 90 days.
6. Web site XML for ialottery.com. The following XML files will need to be generated the Vendor and placed on the ialottery.com SFTP site on the dates/times indicated for each file:
  - 6.a. - **prizes.xml** – Generated and SFTP to ialottery.com daily at 5:45 AM CDT. File contains the number of 'winners', by prize 'tier', 'GameType', 'DrawNumber', 'GameNameLong', 'GameNameShort', for the drawings occurring the previous day (including mid-day/evening where applicable) of each Lotto game (i.e. Powerball, Mega Millions, Lucky for Life, Lotto America, Pick 3, and Pick 4). For Pick 3 play types: 'STR', 'BOX (6-way)', 'BOX (3-way)', 'STR/BOX (6-way exact)', 'STR/BOX (6-way any)', 'STR/BOX (3-way exact)', 'STR/BOX (3-way any)', 'Front Pair', 'Back



```

<?xml version="1.0" encoding="ISO-8859-1"?>
<root>
  <row City="WEST DES MOINES" Address="1725 JORDAN CREEK PARKWAY" Name="HY-VEE #1889" ExpireDate="09/08/2019"
    WonDate="06/10/2019" Amount="1,200.00" DayEve="eve" GameName="PICK3" Category="LOTTO"/>
  <row City="OTTUMWA" Address="1049 W 2ND ST" Name="WEST 2ND BP" ExpireDate="09/17/2019" WonDate="06/19/2019"
    Amount="625.00" DayEve="eve" GameName="PICK4" Category="LOTTO"/>
  <row City="EMMETSBURG" Address="2401 MAIN ST" Name="DYNO'S #29" ExpireDate="09/19/2019" WonDate="06/21/2019"
    Amount="625.00" DayEve="eve" GameName="PICK4" Category="LOTTO"/>
  <row City="WATERLOO" Address="4335 TEXAS ST" Name="THE SNACK SHACK" ExpireDate="09/27/2019" WonDate="06/29/2019"
    Amount="3,000.00" DayEve="eve" GameName="PICK4" Category="LOTTO"/>
  <row City="SIOUX CITY" Address="1821 HAMILTON BLVD" Name="KUM & GO #229" ExpireDate="09/28/2019" WonDate="06/30/2019"
    Amount="6,000.00" DayEve="day" GameName="PICK4" Category="LOTTO"/>
  <row City="EPWORTH" Address="101 WEST MAIN STREET" Name="SILKERS GENERAL MERCHANDISE" ExpireDate="09/28/2019"
    WonDate="06/30/2019" Amount="1,250.00" DayEve="day" GameName="PICK4" Category="LOTTO"/>
  <row City="CLINTON" Address="119 19TH AVENUE N" Name="EXPRESSLANE #73" ExpireDate="09/28/2019" WonDate="06/30/2019"
    Amount="6,000.00" DayEve="eve" GameName="PICK4" Category="LOTTO"/>
  <row City="IOWA CITY" Address="260 STEVENS DR" Name="HY-VEE GAS #1281" ExpireDate="09/29/2019" WonDate="07/01/2019"
    Amount="6,000.00" DayEve="day" GameName="PICK4" Category="LOTTO"/>
  <row City="WAUKEE" Address="20 W HICKMAN ROAD" Name="CASEYS #2538" ExpireDate="10/02/2019" WonDate="10/02/2018"
    Amount="1,500.00" DayEve="" GameName="MEGA MILLIONS" Category="LOTTO"/>
  <row City="LAURENS" Address="410 WEST MAIN STREET" Name="LAURENS FOOD PRIDE" ExpireDate="12/14/2019"
    WonDate="12/14/2018" Amount="800.00" DayEve="" GameName="MEGA MILLIONS" Category="LOTTO"/>
  <row City="CEDAR RAPIDS" Address="9001 6TH ST SW" Name="CASEYS #2792" ExpireDate="01/01/2020" WonDate="01/01/2019"
    Amount="800.00" DayEve="" GameName="MEGA MILLIONS" Category="LOTTO"/>
  <row City="CLINTON" Address="1512 LINCOLNWAY" Name="PORTER'S CONVENIENT 66" ExpireDate="02/22/2020"
    WonDate="02/22/2019" Amount="800.00" DayEve="" GameName="MEGA MILLIONS" Category="LOTTO"/>
  <row City="WALCOTT" Address="3500 N PLAINVIEW RD" Name="PILOT TRAVEL CENTERS #043" ExpireDate="02/22/2020"
    WonDate="02/22/2019" Amount="10,000.00" DayEve="" GameName="MEGA MILLIONS" Category="LOTTO"/>
  <row City="ALTOONA" Address="120 ADVENTURELAND DRIVE NE" Name="KWIK STAR #932" ExpireDate="03/18/2020"
    WonDate="03/19/2019" Amount="1,500.00" DayEve="" GameName="MEGA MILLIONS" Category="LOTTO"/>
  <row City="DAYTON" Address="307 3RD ST NW" Name="CASEYS #2515" ExpireDate="03/28/2020" WonDate="03/29/2019"
    Amount="1,500.00" DayEve="" GameName="MEGA MILLIONS" Category="LOTTO"/>
  <row City="ESTHERVILLE" Address="1615 CENTRAL AVENUE" Name="CASEYS #3034" ExpireDate="04/08/2020"
    WonDate="04/09/2019" Amount="1,000.00" DayEve="" GameName="MEGA MILLIONS" Category="LOTTO"/>
  <row City="WATERLOO" Address="2221 LOGAN AVE" Name="HY-VEE GAS #1863 #2" ExpireDate="04/22/2020"
    WonDate="04/23/2019" Amount="2,000.00" DayEve="" GameName="MEGA MILLIONS" Category="LOTTO"/>
  <row City="RUNNELLS" Address="6301 SE 116TH ST" Name="CASEYS #2683" ExpireDate="07/18/2019" WonDate="07/18/2018"
    Amount="1,000.00" DayEve="" GameName="LOTTO AMERICA" Category="LOTTO"/>
  <row City="DES MOINES" Address="4343 MERLE HAY ROAD" Name="PRICE CHOPPER #1315" ExpireDate="12/26/2019"
    WonDate="12/26/2018" Amount="1,000.00" DayEve="" GameName="LOTTO AMERICA" Category="LOTTO"/>
  <row City="CEDAR RAPIDS" Address="1843 JOHNSON AVE NW" Name="HY-VEE #1054" ExpireDate="04/16/2020"
    WonDate="04/17/2019" Amount="1,000.00" DayEve="" GameName="LOTTO AMERICA" Category="LOTTO"/>
  <row City="WATERLOO" Address="4335 TEXAS ST" Name="THE SNACK SHACK" ExpireDate="05/03/2020" WonDate="05/04/2019"
    Amount="1,000.00" DayEve="" GameName="LOTTO AMERICA" Category="LOTTO"/>
  <row City="HARPER'S FERRY" Address="403 W CHESTNUT ST" Name="BARRY'S MINI MART" ExpireDate="05/17/2020"
    WonDate="05/18/2019" Amount="1,000.00" DayEve="" GameName="LOTTO AMERICA" Category="LOTTO"/>
  <row City="OTTUMWA" Address="1301 N COURT ST" Name="NORTH COURT BP" ExpireDate="09/19/2019" WonDate="06/21/2019"
    Amount="2,000.00" DayEve="" GameName="JACKPOT PARTY PROGRESSIVE" Category="INSTAPLAY"/>
  <row City="FOSTORIA" Address="12 HWY 71 AVE NW" Name="CENEX" ExpireDate="07/04/2019" WonDate="04/05/2019"
    Amount="1,000.00" DayEve="" GameName="CASH SPECTACULAR INSTAPLAY" Category="INSTAPLAY"/>
  <row City="OTTUMWA" Address="346 RICHMOND AVE" Name="CASEYS #1678" ExpireDate="09/26/2019" WonDate="06/28/2019"
    Amount="1,000.00" DayEve="" GameName="JUMBO BUCKS PROGRESSIVE" Category="INSTAPLAY"/>
  <row City="CEDAR FALLS" Address="7500 NORDIC DR" Name="KWIK STAR #490" ExpireDate="08/06/2019" WonDate="05/08/2019"
    Amount="1,000.00" DayEve="" GameName="CASH SPECTACULAR INSTAPLAY" Category="INSTAPLAY"/>
</root>

```

6.c. – winnum.xml - Generated and SFTP to ialottery.com daily every 15 minutes daily from 12:15 PM until 3:00 PM CDT and 10:00 PM until 12:00 AM CDT. Contains the winning numbers for all Lotto drawings for the past five days. Any drawing's winning numbers for Powerball, Mega Millions, Lotto America, Lucky for Life, Pick 3 and Pick 4 will be in the file. Fields are: 'DrawDate', 'DrawNumber', where applicable 'MidEve', 'GameNameLong', 'GameNameShort', 'gameNumber' and depending on the game: 'n1', 'n2', 'n3', 'n4', 'n5', 'x1', 'x1Test', 'x2' and 'x2Text'. Example winnum.xml:

```

<?xml version="1.0" encoding="ISO-8859-1"?>
<root>
  <row n3="6" n2="2" n1="8" DrawDate="07/02/2019" DrawNumber="13068" MidEve="DAY"
    GameNameLong="PICK3" GameNameShort="PICK3" gameNumber="3"/>
  <row n3="0" n2="0" n1="2" DrawDate="07/01/2019" DrawNumber="13067" MidEve="EVE"
    GameNameLong="PICK3" GameNameShort="PICK3" gameNumber="3"/>
  <row n3="0" n2="2" n1="9" DrawDate="07/01/2019" DrawNumber="13066" MidEve="DAY"
    GameNameLong="PICK3" GameNameShort="PICK3" gameNumber="3"/>
  <row n3="6" n2="5" n1="8" DrawDate="06/30/2019" DrawNumber="13065" MidEve="EVE"
    GameNameLong="PICK3" GameNameShort="PICK3" gameNumber="3"/>
  <row n3="8" n2="5" n1="9" DrawDate="06/30/2019" DrawNumber="13064" MidEve="DAY"
    GameNameLong="PICK3" GameNameShort="PICK3" gameNumber="3"/>
  <row n3="7" n2="0" n1="1" DrawDate="06/29/2019" DrawNumber="13063" MidEve="EVE"
    GameNameLong="PICK3" GameNameShort="PICK3" gameNumber="3"/>
  <row n3="4" n2="7" n1="9" DrawDate="06/29/2019" DrawNumber="13062" MidEve="DAY"
    GameNameLong="PICK3" GameNameShort="PICK3" gameNumber="3"/>
  <row n3="7" n2="1" n1="1" DrawDate="06/28/2019" DrawNumber="13061" MidEve="EVE"
    GameNameLong="PICK3" GameNameShort="PICK3" gameNumber="3"/>
  <row n3="6" n2="7" n1="8" DrawDate="06/28/2019" DrawNumber="13060" MidEve="DAY"
    GameNameLong="PICK3" GameNameShort="PICK3" gameNumber="3"/>
  <row n3="5" n2="4" n1="3" DrawDate="07/02/2019" DrawNumber="11172" MidEve="DAY"
    GameNameLong="PICK4" GameNameShort="PICK4" gameNumber="4" n4="7"/>
  <row n3="1" n2="8" n1="2" DrawDate="07/01/2019" DrawNumber="11171" MidEve="EVE"
    GameNameLong="PICK4" GameNameShort="PICK4" gameNumber="4" n4="3"/>
  <row n3="8" n2="3" n1="1" DrawDate="07/01/2019" DrawNumber="11170" MidEve="DAY"
    GameNameLong="PICK4" GameNameShort="PICK4" gameNumber="4" n4="2"/>
  <row n3="5" n2="2" n1="7" DrawDate="06/30/2019" DrawNumber="11169" MidEve="EVE"
    GameNameLong="PICK4" GameNameShort="PICK4" gameNumber="4" n4="1"/>
  <row n3="1" n2="2" n1="4" DrawDate="06/30/2019" DrawNumber="11168" MidEve="DAY"
    GameNameLong="PICK4" GameNameShort="PICK4" gameNumber="4" n4="1"/>
  <row n3="8" n2="0" n1="5" DrawDate="06/29/2019" DrawNumber="11167" MidEve="EVE"
    GameNameLong="PICK4" GameNameShort="PICK4" gameNumber="4" n4="1"/>
  <row n3="1" n2="3" n1="1" DrawDate="06/29/2019" DrawNumber="11166" MidEve="DAY"
    GameNameLong="PICK4" GameNameShort="PICK4" gameNumber="4" n4="3"/>
  <row n3="5" n2="4" n1="8" DrawDate="06/28/2019" DrawNumber="11165" MidEve="EVE"
    GameNameLong="PICK4" GameNameShort="PICK4" gameNumber="4" n4="1"/>
  <row n3="8" n2="9" n1="9" DrawDate="06/28/2019" DrawNumber="11164" MidEve="DAY"
    GameNameLong="PICK4" GameNameShort="PICK4" gameNumber="4" n4="1"/>
  <row n3="24" n2="17" n1="13" DrawDate="06/29/2019" DrawNumber="3703"
    GameNameLong="Powerball" GameNameShort="PBALL" gameNumber="5" n4="59" x2="2"
    x2Text="Power Play" x1="8" x1Text="Powerball" n5="62"/>
  <row n3="49" n2="35" n1="2" DrawDate="06/28/2019" DrawNumber="982" GameNameLong="Mega
    Millions" GameNameShort="MEGA" gameNumber="9" n4="53" x2="2" x2Text="MegaPlier" x1="1"
    x1Text="MegaBall" n5="63"/>
  <row n3="22" n2="17" n1="11" DrawDate="07/01/2019" DrawNumber="359" GameNameLong="Lucky
    for Life" GameNameShort="L4LIFE" gameNumber="13" n4="27" x1="16" x1Text="Lucky Ball"
    n5="32"/>
  <row n3="40" n2="30" n1="4" DrawDate="06/29/2019" DrawNumber="170" GameNameLong="Lotto
    America" GameNameShort="LOTAM" gameNumber="14" n4="42" x2="4" x2Text="All Star Bonus"
    x1="10" x1Text="Star Ball" n5="48"/>
</root>

```

6.d. – remainingprizes.xml – Generated and SFTP to ialottery.com daily at 6:30 am CDT. Contains all of the prize levels with remaining prizes for Scratch games and InstaPlay games. Lottery will build the Pull-tab remaining prizes separate from this xml file. Fields include: ‘GameNumber’,

'GameNameLong', 'Prize', 'Claimed', 'Unclaimed', and 'Category'. **Example remainingprizes.xml:**

```
<?xml version="1.0" encoding="ISO-8859-1"?>
<root>
  <row Unclaimed="4" Claimed="4" Prize="10,000.00" Cost="10" GameNameLong="$"
    GameNumber="402" Category="SCRATCH"/>
  <row Unclaimed="60" Claimed="37" Prize="2,000.00" Cost="10" GameNameLong="$"
    GameNumber="402" Category="SCRATCH"/>
  <row Unclaimed="169" Claimed="86" Prize="1,000.00" Cost="10" GameNameLong="$"
    GameNumber="402" Category="SCRATCH"/>
  <row Unclaimed="306" Claimed="196" Prize="500.00" Cost="10" GameNameLong="$"
    GameNumber="402" Category="SCRATCH"/>
  <row Unclaimed="780" Claimed="486" Prize="200.00" Cost="10" GameNameLong="$"
    GameNumber="402" Category="SCRATCH"/>
  <row Unclaimed="2,028" Claimed="1,321" Prize="100.00" Cost="10" GameNameLong="$"
    GameNumber="402" Category="SCRATCH"/>
  <row Unclaimed="29" Claimed="67" Prize="2,000.00" Cost="2" GameNameLong="CHERRY TWIST
    PROGRESSIVE" GameNumber="141" Category="INSTAPLAY"/>
  <row Unclaimed="85" Claimed="203" Prize="200.00" Cost="2" GameNameLong="CHERRY TWIST
    PROGRESSIVE" GameNumber="141" Category="INSTAPLAY"/>
  <row Unclaimed="710" Claimed="1,690" Prize="100.00" Cost="2" GameNameLong="CHERRY TWIST
    PROGRESSIVE" GameNumber="141" Category="INSTAPLAY"/>
</root>
```

**6.e - InstaPlay Progressive Jackpots & Last Won –** The Vendor and Lottery will work together to establish an API that will allow the ialottery.com web site to pull InstaPlay progressive game information for current jackpot (as of a certain date/time) and last won information that includes date and city won.

**6.f - Billboard XML Files –** The Vendor shall generate XML files and SFTP to m.ialottery.com/xml after each drawing of Powerball (Powerball.xml), Mega Millions (MegaMillions.xml), and Lotto America (LottoAmerica.xml). **Example Powerball.xml:**

```
<?xml version="1.0" encoding="ISO-8859-1"?>
- <ROOT>
  <row cashoption="$25,900,000" jackpot="$40,000,000"
    numbers="13-23-32-35-68 PB:21 PP:3"
    gamename="Powerball" drawdate="07/13/2019"/>
</ROOT>
```

**6.g – Lottery Check Writer API -** The Lottery has its own check writing application that interacts with the System in order to pay tickets at Lottery Regional Offices and Headquarters. The Successful Vendor shall provide

a SOAP web service API to support the claims payment process by developing web services matching the two examples below:

### Scratch Ticket Example SOAP Request and Response

Instant Ticket Web Service URL: <http://ia-gmsweb1/wcheckwriter/wcheckwriter.asmx?op=GetInstantPrize>

Request:

```
<?xml version="1.0" encoding="utf-8"?>
<soap12:Envelope xmlns:xsi="http://www.w3.org/2001/XMLSchema-instance"
xmlns:xsd="http://www.w3.org/2001/XMLSchema" xmlns:soap12="http://www.w3.org/2003/05/soap-
envelope">
  <soap12:Body>
    <GetInstantPrize xmlns="http://tempuri.org/">
      <game>GAMENUMBER</game>
      <pack>PACKNUMBER</pack>
      <ticket>TICKETNUMBER</ticket>
      <vinn>VIRNWITHOUTBOXDIGITS</vinn>
      <boxdigits>BOXDIGITS</boxdigits>
    </GetInstantPrize>
  </soap12:Body>
</soap12:Envelope>
```

Reponse:

```
<?xml version="1.0" encoding="utf-8"?>
<soap12:Envelope xmlns:xsi="http://www.w3.org/2001/XMLSchema-instance"
xmlns:xsd="http://www.w3.org/2001/XMLSchema"
xmlns:soap12="http://www.w3.org/2003/05/soap-envelope">
  <soap12:Body>
    <GetInstantPrizeResponse xmlns="http://tempuri.org/">
      <GetInstantPrizeResult>
        <string>STATUS CODE</string>
        <string>STATUS TEXT</string>
        <string>GAMENUMBER</string>
        <string>PACKNUMBER</string>
        <string>TICKETNUMBER</string>
        <string>TICKET PRICE IN PENNIES</string>
        <string>PRIZE VALUE IN PENNIES</string>
        <string>JACKPOT FLAG</string>
        <string>NONCASH DESCRIPTION</string>
        <string>CASHING DATE</string>
        <string>CASHING RETAILER ID</string>
        <string>SELLING RETAILER ID</string>
      </GetInstantPrizeResult>
    </GetInstantPrizeResponse>
  </soap12:Body>
</soap12:Envelope>
```

## Lotto Ticket Example SOAP Request and Response

Lotto Ticket Web Service URL: <http://ia-gmsweb1/wcheckwriter/wcheckwriter.asmx?op=GetOnlinePrize>

Request:

```
<?xml version="1.0" encoding="utf-8"?>
<soap12:Envelope xmlns:xsi="http://www.w3.org/2001/XMLSchema-instance"
xmlns:xsd="http://www.w3.org/2001/XMLSchema" xmlns:soap12="http://www.w3.org/2003/05/soap-
envelope">
  <soap12:Body>
    <GetOnlinePrize xmlns="http://tempuri.org/">
      <accountPeriod>APX DATE</accountPeriod>
      <serial>TICKET SERIAL NUMBER</serial>
    </GetOnlinePrize>
  </soap12:Body>
</soap12:Envelope>
```

Response:

```
<?xml version="1.0" encoding="utf-8"?>
<soap12:Envelope xmlns:xsi="http://www.w3.org/2001/XMLSchema-instance"
xmlns:xsd="http://www.w3.org/2001/XMLSchema"
xmlns:soap12="http://www.w3.org/2003/05/soap-envelope">
  <soap12:Body>
    <GetOnlinePrizeResponse xmlns="http://tempuri.org/">
      <GetOnlinePrizeResult>
        <string>STATUS CODE</string>
        <string>STATUS TEXT</string>
        <string>GAME NUMBER</string>
        <string>GAME NAME</string>
        <string>WAGER AMOUNT</string>
        <string>PRIZE VALUE IN PENNIES</string>
        <string>JACKPOT FLAG</string>
        <string>NONCASH DESCRIPTION</string>
        <string>CASHING DATE</string>
        <string>CASHING RETAILER ID</string>
        <string>SELLING DATE</string>
        <string>SELLING RETAILER ID</string>
        <string>DRAW DATE</string>
      </GetOnlinePrizeResult>
    </GetOnlinePrizeResponse>
  </soap12:Body>
```

## **APPENDIX G: LOTTERY BACKGROUND AND GENERAL INFORMATION**

### **History**

The people of Iowa voted by greater than a 2-to-1 margin in November 1972 to repeal language in the state's Constitution that placed a prohibition on a Lottery.

Legislation creating the Iowa Lottery was not signed into law, however, until April 1985. Lottery sales began in Iowa on Aug. 22, 1985, with a kickoff celebration at the Iowa State Fair.

The first game sold by the Iowa Lottery was a \$1 scratch product called "Scratch, Match and Win" and players bought more than 6.4 million tickets during the first week of play.

In the years since, the Iowa Lottery has raised nearly \$1.9 billion for state programs while its players have won more than \$2.4 billion in prizes.

Lottery profits have helped the state in a variety of ways through the years. Lottery proceeds currently benefit the Iowa Veterans Trust Fund, the Public Safety Officer Survivor Benefit fund, and the state General Fund. Lottery proceeds also were used to secure financing for the Vision Iowa program. Vision Iowa was created in 2000 to provide funding for tourism attractions and school repairs in the state. Bonds for the program were issued with direct funding provided by state revenues from racetracks and casinos, and Lottery revenues used as a backup over the 20-year payback period of the bonds.

### **General Information**

The Iowa Lottery Authority is corporate-model Lottery that focuses on entrepreneurialism in its operations. Iowa law declares that "Lottery games shall be operated and managed in a manner that provides continuing entertainment to the public, maximizes revenues and ensures that the Lottery is operated with integrity and dignity and free from political influence."

The CEO of the self-funded state authority is appointed by the governor and confirmed by the Iowa Senate. The CEO serves a four-year term. The CEO and the Lottery Board of Directors oversee Lottery operations and approve or alter the Lottery's budget. Five members of the Lottery Board are appointed by the governor, confirmed by the Senate and serve staggered four-year terms. The state treasurer serves on the Board as an ex-officio member.

There are approximately 115 full-time Lottery employees working at the Lottery's headquarters in Clive and its regional offices in Council Bluffs, Storm Lake, Mason City and Cedar Rapids. Lottery sales representatives deliver tickets on sales routes to about 2,400 retail locations across the state.

## **Product Categories**

The Lottery sells tickets in four game categories: Lotto, InstaPlay, Scratch and Pull-tabs. Preliminary figures for fiscal year 2019 show that Iowa Lottery sales totaled \$390.8 million. Scratch tickets accounted for \$250.6 million dollars of Lottery sales; lotto games generated \$117.5 million in sales; pull-tabs made up approximately \$10.9 million in sales; and InstaPlay accounted for approximately \$11.9 million in sales.

### **Lotto Games**

The Iowa Lottery currently has six (6) lotto games. They are:

1. Powerball – a multi-state game, Drawings are at approximately 9:59 p.m. on Wednesdays and Saturdays.
2. Mega Millions – a multi-state game. Drawings are at approximately 9:59 p.m. on Tuesdays and Fridays.
3. Lotto America – a multi-state game. Drawings are held on Wednesday and Saturday nights just before the Powerball drawings.
4. Lucky for Life - a multi-state game Drawings occur at approximately 9:38 p.m. on Mondays and Thursdays.
5. Pick 3 – an Iowa-only daily-draw, three-digit, pari-mutuel style game. Drawings occur at approximately 12:20 p.m. and 10:00 p.m. daily.
6. Pick 4 – an Iowa-only daily-draw, four-digit, pari-mutuel style game. Drawings occur at approximately 12:20 p.m. and, Monday through Saturday and 10:00 p.m. daily.

### **Scratch Games**

The Iowa Lottery releases about 40 scratch games a year at three-week intervals. Current price points within the scratch-ticket category are \$1, \$2, \$3, \$5, \$10, \$20 and \$30.

### **Pull-Tab Games**

The Iowa Lottery releases about 10 pull-tab games a year at four-week intervals. Current price points within the pull-tab category are 25 cents, 50 cents, \$1, \$2 and \$5.

### **InstaPlay Games**

The Iowa Lottery has eight InstaPlay games at the \$1, \$2, \$5 and \$10 price points with each level having a progressive and non-progressive game. The Lottery intends to add a \$20 price point by the end of calendar year 2019.

### **Back-Office Systems**

The Iowa Lottery's Back Office System is presently located at Lottery headquarters in Clive, Iowa. The system consists of Microsoft Windows servers, to host ASP, PHP,

Microsoft SQL, Visual Basic .NET. This system is used for sales reporting and analysis, and other in-house applications.

The Lottery LAN/WAN operates using TCP/IP. Most Lottery desktop PCs are currently running Windows 10. The vendor must be aware of systems limitations when developing software and hardware to ensure all Lottery hardware/software components can operate in the gaming environment, if applicable.

### **Jurisdictional Game Groups**

The Iowa Lottery is a charter member of the Multi-State Lottery Association (MUSL). The Lottery sells the Powerball, Mega Millions and Lotto America, Lucky for Life games and has offered other MUSL games in the past.

### **Major Vendors**

The Iowa Lottery has contracts with two advertising agencies. Bucket Media in Ankeny, Iowa, conducts media-buying and post-buy analysis services for television and radio advertising. The Strategic America in West Des Moines, Iowa, provides creative and production services for Lottery advertising. Both agencies also can provide public relations services to the Lottery.

Scientific Games International (SGI) based in Alpharetta, Ga., is the Lottery's current lotto system provider. The Lottery leases self-service kiosks from SGI.

SGI, IGT and Pollard are the Lottery's scratch ticket printing vendors. American Games Inc. based in Council Bluffs, Iowa, is the Lottery's current pull-tab printing vendor.

The Lottery purchased the pull-tab vending machines that it currently has in the field from American Games Inc. in 2016.

## Audited Past Sales Figures

	Fiscal Year 2018	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015	Fiscal Year 2014
<b>OPERATING REVENUES</b>					
Instant-scratch ticket sales	244,260,964	237,617,703	233,681,884	211,986,968	188,754,111
Instaplay sales	9,733,769	5,820,274	-	-	-
Pick 3 sales	7,705,163	7,318,686	7,376,766	7,046,335	6,948,165
Powerball sales	58,471,047	54,292,902	74,851,133	52,231,108	61,153,876
Mega Millions sales	21,293,740	14,957,109	16,401,018	17,980,367	21,835,102
Hot Lotto sales	3,761,425	8,210,714	8,827,600	11,111,717	10,434,227
Raffle sales	-	-	-	-	242,960
Pick 4 sales	4,341,103	3,946,273	3,554,719	3,231,397	3,224,892
All or Nothing sales	-	3,186,443	3,989,479	4,542,846	3,196,195
\$100,000 Cash Game sales	-	-	-	-	2,530,984
Monopoly Millionaires' Club	-	-	-	591,605	-
Lucky for Life sales	5,600,490	5,599,966	3,154,994	-	-
Lotto America sales	4,872,494	-	-	-	-
Pull-tab sales	10,916,692	11,292,740	15,073,332	16,045,073	15,734,917

**Table 1. Iowa Lottery Sales by Product – Last Five Fiscal Years.**

## **APPENDIX H: DISCLOSURE FORMS**

**All disclosure forms can be found on the Iowa Lottery Authority website.**

**<https://ialottery.com/Pages/Vendors/VendorsMain.aspx>**

**DCI class "L" Business Entity**

**DCI class "L-1" Bidder Key Personnel**

**DCI class "O" Lottery Background**

## **APPENDIX I: TRANSMITTAL LETTER CONTENT**

The VENDOR shall submit a cover transmittal letter providing the information requested below. The cover letter shall be submitted on the VENDOR'S business letterhead and shall contain all the information as listed in this section. A person(s) legally authorized to contractually bind the business entity must sign the cover transmittal letter.

- 1) State the name, address, telephone number and e-mail address (if available) of the Vendor's representative to contact regarding all **contractual** matters concerning this Proposal.
- 2) State the name, address, telephone number and e-mail address (if available) of the Vendor's representative to contact regarding all **technical** matters concerning this Proposal.
- 3) State the name, address, telephone number and e-mail address (if available) of the Vendor's representative to contact regarding **scheduling** and other arrangements, if necessary.
- 4) Identify the firm that audits the Vendor's financial information.
- 5) State the Vendor's Federal Employer Identification Number.

## APPENDIX J: NON-DISCLOSURE AGREEMENT

In consideration of the Iowa Lottery Authority (Iowa Lottery) retaining the services of \_\_\_\_\_ (Successful Vendor), and because of the sensitivity of certain information that may come under the care and control of Successful Vendor, both parties agree that all data and information relating to the business of the Iowa Lottery which is, or has been, disclosed to, or obtained by, Successful Vendor in connection with its engagement or employment by the Iowa Lottery (Confidential Information) shall remain confidential subject to release only with the prior written permission of the Iowa Lottery, and more specifically agree as follows:

1. The Confidential Information may be used by the Successful Vendor only to assist the Successful Vendor in connection with its engagement or employment with the Iowa Lottery.
2. The Successful Vendor will not, at any time, use the Confidential Information in any fashion, form, or manner except in its approved capacity with the Iowa Lottery.
3. The Successful Vendor agrees to maintain the confidentiality of the Confidential Information.
4. The Confidential Information may not be copied or reproduced without the Iowa Lottery's prior written consent.
5. All Confidential Information made available to Successful Vendor, including copies thereof, shall be returned to the Iowa Lottery upon the first to occur of (a) completion of the project, (b) termination of Successful Vendor's engagement or employment, or (c) request by the Iowa Lottery.
6. The foregoing shall not prohibit or limit Successful Vendor's use of the Confidential Information (including, but not limited to, ideas, concepts, know-how, techniques and methodologies) (a) previously known to it (b) independently developed by it, (c) acquired by it from a third party or (d) which is or becomes part of the public domain through no breach by the Successful Vendor.
7. The foregoing shall not prohibit or limit the Successful Vendor's disclosure of Confidential Information after notification to the Iowa Lottery if required by an appropriate judicial order.
8. This agreement shall become effective as of the date Confidential Information is first made available to the Successful Vendor and shall survive any agreement for services or employment and shall be a continuing obligation of Successful Vendor.
9. Successful Vendor will require that this agreement be signed by all its employees and agents who are assigned to perform any services at or for the Iowa Lottery or who are privy to Confidential Information concerning the Iowa Lottery.
10. This agreement shall not be construed as an employment contract.

**Successful Vendor:**

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

**Iowa Lottery:**

By \_\_\_\_\_

Title \_\_\_\_\_

Date \_\_\_\_\_

## APPENDIX K: DATA TO BE AVAILABLE IN DATA WAREHOUSE

Below is a generic description of the data that must be made available upon implementation of the data warehouse solution. Actual specifications of the tables and datasets are to be resolved with the Lottery with final approval by the Lottery.

The Vendor shall describe its ability to integrate a minimum of five years historical data from the current databases used by the Lottery and/or the previous Lottery gaming system into the new data warehouse.

Subject Area	Required Attributes
Lottery terminal activity	Activity date, retailer number, retailer name, activity type, activity description, amount. Grouped and summed by activity date, retailer number, activity type.
All retailer activity by date	Activity date, terminal type (lottery only or all), activity type, activity description, amount. Grouped and summed by activity date, terminal type.
All retailer activity by date and retailer	Activity date, retailer number, activity type, activity description, activity level (financial or non-financial), transaction count, amount. Grouped and summed by activity date, retailer number, activity type.
Kiosk sales	Activity date, retailer number, game type, ticket count, amount. Grouped and summed by activity date, retailer number, game type.
Promotions	Activity date, game name, promotion number, transaction count, amount. Grouped and summed by activity date, promotion number.
Active retailer information	Status date, retailer key, retailer number, retailer name, owner number, owner name, retailer street address, retailer city, retailer state, retailer zip, retailer county, chain number, chain name, business type, region, sales representative number, sales representative name, stop day of the week number, stop day of the week name, stop number, industry code, activity start date, license date, count of online terminals, count of kiosk terminals, scratch ticket settle terms, scratch ticket days to settle, scratch ticket cashed percent to settle, scratch ticket commission type. Grouped and summed by date, retailer number.

Scratch game liability	Activity date, game number, initial number of prizes, initial prize liability amount, number of prizes cashed previously, amount of prizes cashed previously, number of prizes cashed today, amount of prizes cashed today, total number of prizes cashed, total amount of prizes cashed. Grouped and summed by activity date, game number.
Scratch game prize structure	Status date, game number, prize level, liability amount, prize type (metered/not metered). Grouped and summed by status date, game number.
Scratch and pull-tab game definition	Status date, game type (instant/pull-tab), game number, order start date, order end date, activation start date, activation end date, validation start date, validation end date, settles end date, returns end date, auto order end date, initial order start date, initial number of packs, number of tickets per pack, number of packs per pool, retail ticket price, ticket inventory cost. Grouped and summed by status date, game number.
Scratch and pull-tab game settles by game	Activity date, game type (scratch/pull-tab), game number, gross settled value, gross commissions, return value, return commissions, net settled value. Grouped and summed by activity date, game number.
Scratch game settles by retailer	Activity date, retailer number, game number, pack number, number of tickets settled, amount settled, settled commission amount, number of tickets returned, amount returned, return commission amount. Grouped and summed by activity date, retailer number, game number, pack number.
Pull-tab game settles by retailer	Activity date, retailer number, game number, pack number, number of tickets settled, amount settled, settled commission amount, number of tickets returned, amount returned, return commission amount. Grouped and summed by activity date, retailer number, game number, pack number.
Scratch and pull-tab game inventory by game	Status date, game number, game name, number of available tickets, value of available tickets, number of unavailable tickets, value of unavailable tickets. Grouped and summed by status date, game number.

InstaPlay game definition	Status date, game number, game name, activation start date, activation end date, validation start date, validation end date, number of packs, retail ticket price, top prize value, jackpot increment value. Grouped and summed by status date, game number.
InstaPlay game sales	Activity date, game number, number of tickets sold, gross sales amount, commission amount, coupon/promotion amount. Grouped and summed by activity date, game number.
InstaPlay game liability	Activity date, game number, number of winning tickets sold, amount of winning tickets sold, number of winning tickets cashed, amount of winning tickets cashed, number of winning tickets expired, amount of winning tickets expired. Grouped and summed by activity date, game number.
Lotto game activity by draw	Activity (draw) date, draw number, game number, game name, number of bets sold for the draw, amount of bets sold for the draw, number of cancels for the draw, amount of cancels for the draw, amount of coupons/promotions for the draw, net sales amount for the draw, number of prizes won in the draw, amount of prizes won in the draw (liability). Grouped and summed by activity date, draw number, game number.
Lotto game daily sales and cashes	Activity date, game number, game name, number of bets sold today, amount of bets sold today, number of today's cancels, amount of today's cancels, amount of today's coupons/promos, amount of today's net draw sales, number of today's cashes, amount of today's cashes. Grouped and summed by activity date, game number.
Lotto game liability activity	Activity date, game number, game name, draw date, draw number, number of prizes cashed today, amount of prizes cashed today, number of prizes expired today, amount of prizes expired today. Grouped and summed by activity date, draw number, game number.

## **APPENDIX L: IOWA LOTTERY SUGGESTED ORDER PROCESS**

The Iowa Lottery utilizes a primary and secondary instant ticket delivery process. The primary process (courier delivery) utilizes a courier company to deliver tickets to the retailer. Currently that courier is United Parcel Service (UPS). The secondary process is trunk delivery that enables a Lottery District Sales Representative (DSR) to delivery tickets to retailers.

The courier delivery process works this way:

1. The Lottery delivers orders to retailers each week.
  - a. Approximately 20% of the retailers receive an order each day during a non-holiday work week.
2. Each day, at approximately 4:00 AM, the system will generate a suggested order for that day's retailers.
  - a. The system will send that order out to the retailer and the order will be available for the retailer to review. When the retailer reviews the order they can:
    - i. Approve original order. This approval completes the ordering process and sends the order to the warehouse operation to be packaged.
    - ii. Change the order. The retailer can add or subtract from the suggested order. The retailer can only make order changes until noon that day.
      1. If the order is changed, the Lottery has to approve the change. This can be approved by a DSR on the retailer terminal or by a Lottery employee at the Lottery regional office.
      2. Once the change is approved, the order is sent to the warehouse to be packaged.
      3. Retailers are not allowed to delete an order.
      4. DSRs cannot delete an order at the retailer terminal, but Lottery staff can delete an order through the gaming system software.
  - b. At a predetermined time of the day, generally 3:00 PM, the system will auto-approve any order that has not been previously approved by a retailer or Lottery representative.
    - i. This process sends the orders to the warehouse to be packaged.
  - c. All orders are packaged by 4:00 PM and picked up by UPS.
    - i. UPS sorts the orders and all packages are delivered to retailers the next business day.
3. The Lottery releases new games at the beginning of every month.
  - a. The Lottery has established an initial allocation quantity for each price point.
  - b. The warehouse packages the initial orders and holds them so that all of the orders are picked up and delivered by UPS on the same day.
    - i. The warehouse begins packaging initial allocations 7 -10 business days before they go out.
    - ii. This is a separately packaged order and is not combined with the regular weekly orders.

4. Each retailer has a profile on their terminal that lists the games that are available for order.
  - a. This profile has a flexibility to show how many facings per game that the retailer has.
  - b. DSRs or office staff perform a function that enables new games to be ordered on the system.
  - c. DSRs, not retailers, have the ability to adjust the retailer's profile.
    - i. DSRs are responsible for maintaining the correct facing counts in the retailer profile.
    - ii. Lottery has ability to turn on and off suggested order function, retailer does not have this ability.
    - iii. Lottery can adjust the safety stock number which identifies how many tickets are predicted by the system, retailer does not have this ability.
5. The system will accommodate special orders.
  - a. DSRs can place special orders on the retailer terminal. Once the order is placed, it is sent to the warehouse to be packaged.
  - b. Lottery office staff can place a special order through the gaming system. Once the order is placed, it is sent to the warehouse to be packaged.
6. Warehouse packaging process.
  - a. When an order is received from a retailer or the Lottery, it goes into a que to be filled.
  - b. The warehouse worker accesses the order at a workstation.
    - i. The order is displayed.
    - ii. We use a pick and pack method where the pack is picked by the warehouse worker, scanned & placed into a tub.
    - iii. After all of the packs are picked and scanned, the order is closed.
      1. When the order is closed, a manifest is produced for the entire order. It is placed in the tub with the tickets along with a shipping label produced by UPS.
      2. Tickets, manifest and label proceed to a warehouse worker who will check the order, package it for shipment and place it in a container for UPS to pick up.
  - c. The warehouse employees can cancel an order on the system if this is necessary.

## WEST VIRGINIA LOTTERY

### AGREEMENT

#### Vendor

- IGT

#### Term

- June 2018
- 7 Years/3-1 Year Renewal Options

#### Fees Paid

- Traditional Game Net Sales: **4.2822%**
- Annual Estimated Payment: **\$8,221,824**

#### Lottery Leases Equipment from IGT

- Annual Equipment Cost **\$2,854,800\***

**\*Lease Rates** – IGT cannot raise annual lease rates without Lottery approval.

#### Other Services

IGT provides warehouse/inventory controls and Sales Force

March 2019

Attachment C: Cost Sheet

**A. Base Cost: System Use, Operations and Services Fee:**

Note

*Annual Fee stated as a percentage of actual draw and instant games net sales, less return "Base Cost".*

The Annual fee, provided as a percentage of actual draw and instant games net sales, must be converted to a dollar amount for evaluation. The fee percentage is to be multiplied by the assumed amount of \$192 million (representing an estimate of total traditional lottery annual sales, based on FY 2014).

% Fee		4.2822%
	x	\$192,000,000
		=
<b>A-1. Annual Base Cost</b>		<b>\$ 8,221,824.00</b>

**B. Retailer Terminal Units/Devices**

An assumed number [based on the specifications found in Section 4.4, Subsections 4.4.1 and 4.4.2] of each unit is shown below, the Lottery may lease different quantities over the life of the contract, the intent of this section is to convert the lease cost to a comparable standard cost for evaluation by each bidder.

Item	Device Type	Annual Lease Cost Per Unit	Assumed Units	Total Device Cost
1	Standard Retailer Terminal Units (Note 1)	\$625	1,700	\$ 1,062,500.00
2	Customer Display Units	\$ 125.00	1,300	\$ 162,500.00
3	Keno Monitor Units	\$ 135.00	425	\$ 57,375.00
4	Ticket Self-Checker Units	\$ 125.00	800	\$ 100,000.00
5	Wireless Mobile Terminal Units	\$ 425.00	5	\$ 2,125.00
6	Self-Service Terminal Units (SSTs)	\$ 3,500.00	400	\$ 1,400,000.00
7	Low Volume Self-Service Terminal Units (SSTs)	\$ 3,997.50	-	\$ -
8	Digital Jackpot Displays	\$ 95.00	500	\$ 47,500.00
9	Cash Drawers	\$ 19.00	1,200	\$ 22,800.00
<b>B-1. Total Device Costs (sum of 1-8)</b>				<b>\$ 2,854,800.00</b>

The annual lease costs will not be increased over the term of the contract without Lottery approval.

Note 1 Including, but not limited to printer, card reader, chip enabled card reader and graphical user interface.

Total Cost

A-1. Annual Base Cost	\$ 8,221,824.00
B-1. Device Costs	\$ 2,854,800.00
<b>Bid Total</b>	<b>\$ 11,076,624.00</b>