

State of Arkansas  
ARKANSAS LOTTERY COMMISSION

REQUEST FOR PROPOSAL

RFP Number: SP-09XXXX	Buyer:
Commodity: Online Lottery Game Services And Lottery Gaming System And Services	Proposal Opening Date: July 23, 2009
Date: June 19, 2009	Proposal Opening Time: 2:30 P.M. CDT

PROPOSALS WILL BE ACCEPTED UNTIL THE TIME AND DATE SPECIFIED ABOVE. THE PROPOSAL ENVELOPE MUST BE SEALED AND SHOULD BE PROPERLY MARKED WITH THE PROPOSAL NUMBER, DATE AND HOUR OF PROPOSAL OPENING AND VENDOR'S RETURN ADDRESS. IT IS NOT NECESSARY TO RETURN "NO BIDS" TO THE ARKANSAS LOTTERY COMMISSION.

**Vendors are responsible for delivery of their proposal documents to the Arkansas Lottery Commission prior to the scheduled time for opening of the particular proposal. When appropriate, Vendors should consult with delivery providers to determine whether the proposal documents will be delivered to the Arkansas Lottery Commission office street address prior to the scheduled time for proposal opening. Delivery providers, USPS, UPS, FedEx, and DHL deliver mail to our street address, State Capitol Bldg., Rm. 315, Little Rock, Arkansas 72201, on a schedule determined by each individual provider. These providers will deliver to our offices based solely on our street address.**

MAILING ADDRESSES: State Capitol Bldg., Rm. 315 Little Rock, Arkansas 72201	PROPOSAL OPENING LOCATION: Arkansas Lottery Commission Offices
TELEPHONE NUMBER: (501) 682-1937	

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

Name (type or print): \_\_\_\_\_

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

Address: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Fax Number: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Signature: \_\_\_\_\_

USE INK ONLY; UNSIGNED PROPOSALS WILL NOT BE CONSIDERED

Identification:

\*

\*

Federal Employer ID Number

Social Security Number

FAILURE TO PROVIDE TAXPAYER IDENTIFICATION NUMBER MAY RESULT IN PROPSAL REJECTION

Business Designation (check one):	Individual *	Sole Proprietorship *	Public Service Corp *
	Partnership *	Corporation *	Government/ Nonprofit *

GENERAL DESCRIPTION:	Online Lottery Game Services And Lottery Gaming System And Services
TYPE OF CONTRACT:	Term
BUYER:	
AGENCY P.R. NUMBER	

INVOICE TO:

F.O.B:

#### **MINORITY-OWNED AND FEMALE-OWNED BUSINESS POLICY**

Participation by minority-owned and female-owned businesses is encouraged in this and all other procurements by state agencies. "Member of a minority" is defined at Arkansas Code Annotated § 23-115-103(15) as "a lawful permanent resident of this state who is: (A) African American; (B) Hispanic American; (C) American Indian; (D) Asian American; or (E) Pacific Islander American". "Minority-owned business" is defined at Arkansas Code Annotated § 23-115-103(16) as "a business that is owned by: (A) An individual who is a member of a minority who reports as his or her personal income for Arkansas income tax purposes the income of the business; (B) A partnership in which a majority of the ownership interest is owned by one (1) or more members of a minority who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the income of the partnership; or (C) A corporation organized under the laws of this state in which a majority of the common stock is owned by one (1) or more members of a minority who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the distributed earnings of the corporation". The Arkansas Economic Development Commission conducts a certification process for minority businesses. Vendors unable to include minority-owned business as subcontractors "may explain the circumstances preventing minority inclusion".

#### **EQUAL EMPLOYMENT OPPORTUNITY POLICY:**

In compliance with Section 5 of the Arkansas Lottery Commission Major Procurement Rules, the Arkansas Lottery Commission is required to have a copy of the Vendor's Equal Opportunity Policy prior to issuing a contract award. EO Policies may be submitted in electronic format to the following email address: [camber.thompson@dfa.arkansas.gov](mailto:camber.thompson@dfa.arkansas.gov) or as a hard copy accompanying the solicitation response. The Arkansas Lottery Commission will maintain a file of all Vendor EO policies submitted in response to solicitations issued by this office. The submission is a one time requirement but Vendors are responsible for providing updates or changes to their respective policies and of supplying EO policies upon request to other state agencies that must also comply with this statute.

#### **ACT 157 of 2007 EMPLOYMENT OF ILLEGAL IMMIGRANTS**

Pursuant to Act 157 of 2007 (Ark. Code Ann. § 19-11-105), all Vendors must certify prior to award of the contract that they do not employ or contract with any illegal immigrants in its contract with the State.

Vendors shall certify online at:

[http://www.arkansas.gov/dfa/procurement/pro\\_index.html](http://www.arkansas.gov/dfa/procurement/pro_index.html)

Any subcontractors used by the Vendor at the time of the Vendor's certification shall also certify that they do not employ or contract with any illegal immigrant. Certification by the subcontractors shall be submitted within thirty (30) days after contract execution.

#### **ARKANSAS LOTTERY COMMISSION MAJOR PROCUREMENT RULES**

Vendors are subject to all requirements of the Arkansas Lottery Commission Major Procurement Rules (Attachment A), whether such requirements are specifically set forth in this RFP or not.

#### **ALTERATION OF ORIGINAL RFP DOCUMENTS**

The original written or electronic language of the RFP shall not be changed or altered except by approved written addendum issued by the Arkansas Lottery Commission. This does not eliminate a Vendor from taking exception(s) to these documents, but does clarify that the Vendor cannot change the original document's written or electronic language. If the Vendor wishes to make exception(s) to any of the original language, it must be submitted by the Vendor in separate written or electronic language in a manner that clearly explains the exception(s). If Vendor's/Contractor's submittal is discovered to contain alterations/changes to the original written or electronic documents, the Vendor's response may be declared as "non-responsive" and the response shall not be considered.

#### **REQUIREMENT OF AMENDMENT**

THIS RFP MAY BE MODIFIED ONLY BY AMENDMENTS WRITTEN AND AUTHORIZED BY THE ARKANSAS LOTTERY COMMISSION. Vendors are cautioned to ensure that they have received or obtained and responded to any and all amendments to the RFP prior to submission.

#### **DELIVERY OF RESPONSE DOCUMENTS**

In accordance with the Arkansas Lottery Commission Major Procurement Rules, it is the responsibility of vendors to submit proposals at the place and on or before the date and time set in the RFP solicitation documents. Proposal documents received at the Arkansas Lottery Commission Offices after the date and time designated for proposal opening are considered late proposals and shall not be considered. Proposal documents that are to be returned may be opened to verify which RFP the submission is for.

#### **INTENT TO AWARD**

After complete evaluation of the proposal, the anticipated award will be posted on the Arkansas Lottery Commission's website ([www.lotterycommission.arkansas.gov/](http://www.lotterycommission.arkansas.gov/)) and/or the legal section of a newspaper of statewide circulation. The purpose of the posting is to establish a specific time in which vendors and agencies are aware of the intent to award. The RFP results will be posted for a period of at least five (5) business days prior to the issuance of any award. Vendors and agencies are cautioned that these are preliminary results only, and no official award will be issued prior to the end of the five-day posting period. Accordingly, any reliance on these preliminary results is at the agency's/vendor's own risk.

The Arkansas Lottery Commission reserves the right to waive this policy, The Intent to Award, when it is in the best interest of the State. Vendors are responsible for viewing the Intent to Award section of the Arkansas Lottery Commission's web site at:  
[www.lotterycommission.arkansas.gov/](http://www.lotterycommission.arkansas.gov/).

#### **PAST PERFORMANCE:**

In accordance with provisions of Arkansas Lottery Commission Major Procurement Rules Section (7)(C)(iii)(g) a vendor's past performance with the State may be used in the evaluation of any offer made in response to this solicitation. The past performance should not be greater than three (3) years old and must be supported by written documentation on file in the Arkansas Lottery Commission at the time of the proposal opening. Documentation may be in the form of either a written or electronic report, VPR; memo, file or any other appropriate authenticated notation of performance to the vendor files.

#### **EO-98-04 GOVERNOR'S EXECUTIVE ORDER:**

Completion of Disclosure Forms located at [www.state.ar.us/dfa/procurement/pro\\_eo9804.html](http://www.state.ar.us/dfa/procurement/pro_eo9804.html) is required by Governor's Executive Order EO-98-04 as a condition of obtaining, extending, amending, or renewing a contract, lease, purchase agreement, or grant award with any Arkansas state agency.

## **SECTION I. GENERAL INFORMATION**

### **1.0 INTRODUCTION**

The purpose of this Request For Proposal (RFP) is to invite responses (Proposals) from Vendors in the lottery industry (Vendors) for the implementation and operation of a fully integrated lottery gaming system and a statewide telecommunication network and the provision of online lottery game services and associated lottery management services (collectively, the "System") for the Arkansas Lottery Commission (ALC). It is the ALC's desire to select a single Vendor that is able to provide a comprehensive approach and solution to its gaming operations. The ALC intends to execute one contract as a result of this procurement (the Contract), if any contract is issued at all, encompassing all of the products and services contemplated in this RFP, and Proposals shall be evaluated accordingly. An RFP is being used by the ALC to take maximum advantage of the design, implementation and operation of the ALC instant and online lottery games and operations. All Vendors must fully acquaint themselves with the ALC's needs and requirements and obtain all necessary information to develop an appropriate solution and to submit responsive and effective Proposals. Vendors must also acquaint themselves with the ALC's Major Procurement Rules (Attachment A), and adhere to the requirements of those rules throughout this process.

The Arkansas Lottery Commission is an instrumentality of the State of Arkansas. It plans to employ approximately ninety (90) people statewide and plans to staff and operate three (3) prize payment centers, a headquarters located in Little Rock, Arkansas and two (2) district offices by the start-up of instant ticket sales in October 2009. The ALC is committed to maximizing revenues for specific scholarship education programs in Arkansas by providing entertaining lottery products and quality customer service to retailers and players, while maintaining its integrity and the integrity of its games. The ALC requires that instant ticket sales begin on or before October 29, 2009; thus, all components of the System must be in place, fully operational and tested prior to that date. The ALC requires that online ticket sales begin on or before December 14, 2009; thus, all of the online lottery game products and services must be in place, fully operational and tested prior to that date. The ALC will begin with instant ticket price points at \$1, \$2, \$3, \$5 and \$10 and plans for the Vendor that is selected by the ALC to provide the goods and services contemplated by this RFP (the "Successful Vendor") to develop and implement software and do all things necessary to enable the ALC to offer the following online games during the course of the Contract:

- 3 DIGIT;
- 4 DIGIT;
- 5 DIGIT;
- MEGA MILLIONS and/or POWERBALL;
- REGIONAL LOTTO GAME (or a similar Lotto-style game);
- WORLD LOTTERY GAME; and
- MONITOR GAMES.

The Successful Vendor will be required to develop and implement software for up to three (3) monitor-style games. The ALC's retailer base at start-up is expected to be approximately two thousand five hundred (2,500) and may be expanded up to five thousand (5,000) during the term of the Contract. Thereafter, based on subsequent developments and sales, the retailer base may be expanded.

### **1.1 ISSUING AGENCY**

The Arkansas Lottery Commission issues this RFP for the Arkansas Lottery Commission (ALC). The issuing office is the sole point of contact in the State for the selection process. Vendor questions regarding RFP related matters should be made through the Director of the ALC. Questions regarding technical information or clarification should be addressed to the Director of the ALC.

### **1.2 SCHEDULE OF EVENTS**

Release RFP

June 19, 2009

Written vendor questions due	July 2, 2009
Answers to vendor questions	July 9, 2009
Evaluation of proposals	Approximately 7 days after proposal opening
Intent to Award	Approximately 1 day after evaluation
ASLLOC review	Approximately 7 days
Contract Execution	Approximately 1 days after ASLLOC review

Proposals are due no later than the date and time listed on Page 1 of the RFP.

### 1.3 **CAUTION TO VENDORS**

1. During the time between the proposal opening and contract award, any contact concerning this RFP will be initiated by the issuing office or requesting entity and not the Vendor. Specifically, the person(s) named herein will initiate all contact.
2. **Vendors are requested to respond to each numbered paragraph of the RFP.**
3. Vendors must submit one (1) signed original proposal on or before the date specified on page one of this RFP. The Vendor should submit seven (7) complete copies (marked copy) of the signed RFP response, and two (2) electronic versions (one (1) redacted electronic version and one (1) unredacted electronic version), preferably in MS Word/Excel format, on CD. **Do NOT include any pricing from the Official Proposal Price Sheet on the copies, including the CD. Pricing from the Official Proposal Price Sheet must be separately sealed from the proposal response and clearly marked as pricing information. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal.** Failure to submit the required number of copies with the proposal may be cause for rejection. If the ALC requests additional copies of the proposal, they must be delivered within twenty-four (24) hours of request.
4. For a proposal to be considered, an official authorized to bind the Vendor to a resultant contract must have signed the proposal.
5. All official documents and correspondence shall be included as part of the resultant Contract.
6. The ALC reserves the right to award a contract or reject a proposal for any or all line items of a proposal received as a result of this RFP, if it is in the best interest of the ALC to do so. Proposals will be rejected for one or more reasons not limited to the following:
  - a. Failure of the Vendor to submit his or her proposal(s) on or before the deadline established by the issuing office;
  - b. Failure of the Vendor to respond to a requirement for oral/written clarification, presentation, or demonstration;
  - c. Failure to supply Vendor references;
  - d. Failure to sign an Official RFP Document;
  - e. **Failure to complete the Official Proposal Price Sheet(s) and include them sealed separately from the rest of the proposal;**
  - f. Any wording by the Vendor in their response to this RFP, or in subsequent correspondence, which conflicts with or takes exception to a requirement in the RFP; or
  - g. Failure of any proposed services to meet or exceed the specifications.

### 1.4 **RFP FORMAT**

Any statement in this document that contains the word “**must**” or “**shall**” means that compliance with the intent of the statement is mandatory, and failure by the Vendor to satisfy that intent will cause the proposal to be rejected. It is recommended that Vendors respond to each item or paragraph of the RFP in sequence. Items not needing a specific vendor statement may be responded to by concurrence or acknowledgement; no response will be interpreted as an affirmative response or agreement to the ALC

conditions. Reference to handbooks or other technical materials as part of a response must not constitute the entire response and Vendor must identify the specific page and paragraph being referenced.

### **1.5 SEALED PRICES**

The Official Proposal Price Sheet submitted in response to this RFP must be submitted separately sealed from the proposal response. **Vendors must include all pricing information on the Official Price Proposal Sheet and must clearly mark said page(s) as pricing information. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal.**

### **1.6 TYPE OF CONTRACT**

This will be a term contract for a term of seven (7) years from date of award, with an option for renewal up to three (1) additional times in one (1) year increments or a portion thereof.

The ALC will have the option to renegotiate at time of renewal.

### **1.7 PAYMENT AND INVOICE PROVISIONS**

All invoices shall be delivered to the ALC.

The Invoice, Invoice Remit, and Summary must be delivered via paper at no cost to the ALC.

The ALC 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, agents, officers, or employees. The Successful Vendor shall pay and discharge all such taxes when due.

Payment will be made in accordance with applicable State of Arkansas accounting procedures upon acceptance by the Agency. The ALC may not be invoiced in advance of delivery and acceptance of any services. Payment will be made only after the contractor has successfully satisfied the requesting agency as to the reliability and effectiveness of the services as a whole. Purchase Order Number and/or Contract Number should be referenced on each invoice.

The Contractor shall be required to maintain all pertinent financial and accounting records and evidence pertaining to the Contract in accordance with generally accepted principles of accounting and other procedures specified by the ALC. Access will be granted upon request, to State or Federal Government entities or any of their duly authorized representatives.

Financial and accounting records shall be made available, upon request, to the ALC's designee(s) at any time during the contract period and any extension thereof, and for five (5) years from expiration date and final payment on the Contract or extension thereof.

### **1.8 LIQUIDATED DAMAGES**

The Contract will contain provisions for the following types of liquidated damages:

- Delay in the start of the lottery;
- 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;

- Failure to deliver log files;
- Untimely software additions or modifications;
- Untimely vending machine repair;
- Untimely reports;
- Claimed prize tickets not approved by the ALC;
- Defective or nonconforming tickets;
- Unavailability of the 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 ALC, or at the option of the ALC, the ALC may withhold amounts otherwise due to the Successful Vendor.

### **1.9 PROPRIETARY INFORMATION**

Proprietary information submitted in response to this RFP will be processed in accordance with applicable ALC major procurement procedures. Proposals and documents pertaining to the RFP become the property of the ALC and shall be open to public inspection subsequent to proposal opening. It is the responsibility of the Vendor to identify all proprietary information and to seal such information in a separate envelope marked as confidential and proprietary

**The Vendor must submit one (1) complete copy of the proposal from which any proprietary information has been removed, i.e., a redacted copy.** The redacted copy should reflect the same pagination as the original, show the empty space from which information was redacted, and be submitted on a CD. Except for the redacted information, the CD must be identical to the original hard copy. The Vendor is responsible for ensuring the redacted copy on CD is protected against restoration of redacted data.

### **1.10 CLARIFICATION OF RFP AND QUESTIONS**

If additional information is necessary to enable Vendors to better interpret the information contained in the RFP, written questions will be accepted until the close of business (5:00 PM CDT) on July 2, 2009. Vendor questions submitted in writing will be consolidated and responded to by the ALC. The consolidated written ALC response will be posted on the ALC website on or before the close of business (5:00 PM CDT) on July 9, 2009. Written questions should be sent to the ALC.

### **1.11 BID EVALUATION**

The ALC RFP evaluation committee will evaluate all proposals to ensure all requirements are met. The Contract will be awarded on the basis of the proposal that receives the highest cumulative point total as defined in the evaluation criteria.

### **1.12 ORAL AND/OR WRITTEN PRESENTATIONS/DEMONSTRATIONS**

The Vendor may be required to make oral and/or written presentations to comply with the requirement.

The RFP evaluation committee chairperson will schedule the time and location for each demonstration or presentation. All presentations are subject to be recorded.

All expenses associated with the initial demonstration except travel, meals, and lodging for ALC personnel, will be borne by the Vendor.

### **1.13 PERFORMANCE SECURITY**

In order to assure full performance of all obligations imposed on a Vendor by contracting with the ALC, the Vendor will be required to provide a performance security in an amount of at least two percent (2%) of the total proposal price submitted by the Vendor within ten (10) working days from date of receipt of the ALC's written notification by mail of its intent to award a proposal. The form of security required shall be a performance bond such as is usually and customarily written and issued by surety companies licensed and authorized to do business in Arkansas or a cashier's/certified check. An irrevocable letter of credit

from an Arkansas bank is also acceptable. The ALC shall award the Contract upon acceptance of the performance security. The performance security should be made out to the ALC and will be on file at the ALC office.

If a Vendor fails to deliver the required performance security, the proposal shall be rejected and the contract shall be awarded to the provider of the next ranked proposal. In the event of a breach of contract, either through quality problems, late delivery, substitutions, non-performance, or other areas within the control of the Vendor, the ALC will notify the Vendor in writing of the default and may assess reasonable charges against the Vendor's performance security. If, after notification of default, the Vendor fails to remedy the ALC's damages within ten (10) working days, the ALC may initiate procedures for collection against the Vendor's performance security.

In the event of default, and in order to achieve the greatest economy for the State, the ALC may choose the next highest ranked Vendor, re-advertise for proposals, negotiate a purchase, or complete any other action consistent with the major procurement rules. The performance security will be released at the end of the contract period.

#### **1.14 PRIME CONTRACTOR RESPONSIBILITY**

The selected Vendor will be required to assume prime contractor responsibility for the Contract and will be the sole point of contact.

The ALC reserves the right to interview the key personnel assigned by the Successful Vendor to this project and to recommend or require reassignment of personnel deemed unsatisfactory by the ALC.

The ALC reserves the right to approve subcontractors for this project and require primary contractors to replace subcontractors that are found to be unacceptable.

If any part of the work is to be subcontracted the Vendor is subject to the provisions of Arkansas Code Annotated § 23-115-501(c), in that the Vendor must disclose the same information for the subcontractor as for itself. Responses to this RFP must include a list of subcontractors, including: firm name and address, contact person, complete description of work to be subcontracted, and descriptive information concerning subcontractor's organizational activities.

#### **1.15 DELEGATION AND/OR ASSIGNMENT**

The Vendor shall not assign the Contract in whole or in part or any payment arising there from without the prior written consent of the ALC. The Vendor shall not delegate any duties under this contract to a subcontractor unless the ALC has given written consent to the delegation.

#### **1.16 CONDITIONS OF CONTRACT**

The Successful Vendor shall at all times observe and comply with federal and State laws, local laws, ordinances, orders, and regulations existing at the time of or enacted subsequent to the execution of this contract which in any manner affect the completion of the work. The Successful Vendor shall indemnify and save harmless the agency and all its officers, representatives, agents, and employees against any claim or liability arising from or based upon the violation of any such law, ordinance, regulation, order, or decree by an employee, representative, or subcontractor of the Successful Vendor.

Vendors may obtain a copy of the ALC's Policies and Procedures at: <http://lotterycommission.arkansas.gov>.

#### **1.17 CANCELLATION**

In the event the ALC no longer needs the service or commodity specified in the Contract or purchase order due to program changes, changes in laws, rules, or regulations, relocation of offices, or lack of appropriated funding, the ALC may cancel the Contract or purchase order by giving the contractor written notice of such cancellation thirty (30) days prior to the date of cancellation.

#### **1.18 STATEMENT OF LIABILITY**



The ALC will demonstrate reasonable care but shall not be liable in the event of loss, destruction, or theft of contractor-owned technical literature to be delivered or to be used in the installation of deliverables. The Vendor is required to retain total liability for technical literature until the deliverables have been accepted by the "authorized agency official." At no time will the ALC be responsible for or accept liability for any Vendor-owned items.

The Successful Vendor shall indemnify and hold harmless the ALC, its officers, directors, agents, retailers, and employees and the State of Arkansas, from and against any and all suits, damages, expenses, losses, liabilities, claims of any kind, costs or expenses of any nature or kind, costs or expenses of any nature or kind, including, with 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 copyrighted or non-copyrighted materials, trademark, service mark, secure process, invention, process or idea (whether patented or not), trade secret, confidential information, article, or appliance furnished or used in the performance of the Contract.

#### **1.19 OWNERSHIP OF MATERIALS AND RIGHTS OF USE**

Neither the Successful Vendor nor any of its approved subcontractors shall have any proprietary rights or interests in the products, materials, intellectual properties developed, data documentation, approaches, systems, programs, methodologies, or concepts developed, produced or provided in connection with the services provided in connection with the services provided under the Contract. All such items, rights, and/or interests shall belong exclusively to the ALC.

The ALC 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 hardware, equipment, firmware, and mask works which are owned by the ALC and created solely by the Successful Vendor or its approved subcontractors, provided such use by the Vendor is only for the purpose of performing the Contract.

The Successful Vendor grants to the ALC a perpetual, royalty free license to use and sublicense the use of any and all proprietary materials owned by it including, but not limited to, hardware, equipment, firmware, mask works, trademarks and service marks and used in connection with the performance of the Contract, and the Successful Vendor irrevocably grants to the ALC the necessary rights and authority to modify such proprietary materials and to create the derivative works in any manner the ALC deems necessary. It is the intent of the ALC that it have control over such proprietary materials in a manner consistent with ownership thereof. The intent of the ALC is that the ALC is able to continue to use the systems and equipment which is purchased under the RFP in the conduct of the lottery games, if in the discretion of the ALC it is in the best interests of the lottery and the ALC to do so, after the expiration or termination of the Contract. A necessary component of such operations is for the ALC to have access to the source code, operational diagrams, and other proprietary materials so that the ALC, or contractors engaged by the ALC, 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 Contract will require that the Successful Vendor deposit the source code and other proprietary materials with an independent third party to be accessed by the ALC in the event of expiration or termination of the Contract. The Successful Vendor agrees to grant the ALC non-exclusive intellectual property usage rights for games and properties owned by the Vendor at no cost during the term of the Contract period of this Proposal.

If, for any reason the Successful Vendor should become unable to service the Contract resulting from this RFP, the ALC shall acquire a usufruct in all contractual items owned or licensed by the Successful Vendor in conjunction with the Contract which are necessary to provide such services.

#### **1.20 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 ALC and its legal counsel. New trademarks and service marks developed for the ALC will be registered by legal counsel chosen by the ALC in the name of the ALC for its sole use.

### **1.21 AWARD RESPONSIBILITY**

The ALC will be responsible for award and administration of any resulting contract(s).

### **1.22 INDEPENDENT PRICE DETERMINATION**

By submission of this proposal, the Vendor certifies, and in the case of a joint proposal, each party thereto certifies as to its own organization, that in connection with this proposal:

1. The prices in the proposal have been arrived at independently, without collusion and that no prior information concerning these prices has been received from or given to a competitive company; and
2. If there is sufficient evidence of collusion to warrant consideration of this proposal by the Office of the Attorney General, all Vendors shall understand that this paragraph may be used as a basis for litigation.

### **1.23 PUBLICITY**

News release(s), media interviews or other publicity by a Vendor pertaining to this RFP or any portion of the project shall not be made without prior written approval of the ALC. Failure to comply with this requirement is deemed to be a valid reason for disqualification of the Vendor's proposal.

The Successful Vendor agrees not to use the ALC's names, trademarks, service marks, logos, images, or any data arising or resulting from this RFP or the Contract as part of any commercial advertising or proposal without the express prior written consent of the ALC in each instance.

### **1.24 CONFIDENTIALITY**

The Vendor shall be bound to confidentiality of any information that its employees may become aware of during the course of performance of contracted services. Consistent and/or uncorrected breaches of confidentiality may constitute grounds for cancellation of the Contract.

The Successful Vendor shall represent and warrant that its performance under the Contract will not infringe any patent, copyright, trademark, service mark, or other intellectual property rights of any other person or entity and that it will not constitute the unauthorized use or disclosure of any trade secret of any other person or entity.

### **1.25 PROPOSAL TENURE**

All Proposals shall remain valid for one hundred eighty (180) calendar days from the Proposal due date referenced on Page 1 of the RFP.

### **1.26 COST**

All charges must be included on the Official Proposal Price Sheets, must be valid for one hundred eighty (180) days following proposal opening, and shall be included in the costing evaluation. The pricing must include all associated cost for the service being bid. **Pricing from the Official Proposal Price Sheet must be separately sealed from the proposal response and clearly marked as pricing information. Do not include any pricing from the Official Proposal Price Sheet on the copies, including the CD. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal.**

#### **NOTE:**

1. The ALC will not be obligated to pay any costs not identified on the Official Proposal Price Sheet.
2. Any cost not identified by the Vendor but subsequently incurred in order to achieve successful operation will be borne by the Vendor.
3. Official Proposal Price Sheets may be reproduced as needed.
4. Vendors may expand items to identify all proposed services. A separate listing, which must include pricing, may be submitted with summary pricing.

### **1.27 WARRANTIES**

1. The Successful Vendor shall warrant that it currently is, and will at all times remain, lawfully organized and constituted under all federal, state and local law, 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 of its domicile and the State of Arkansas.
2. The Successful Vendor shall warrant and agree that all systems analyses, system design, and programming pursuant to this RFP 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 ALC or the Successful Vendor.
3. The Successful Vendor shall warrant and agree that it will keep all equipment 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 such equipment to be used in violation of any provision of the Contract, this RFP and any amendments thereto, any statute or regulation of the ALC and shall not encumber such equipment or otherwise dedicate the use of such equipment in a way as to compromise the ability of the Successful Vendor to perform the services provided in the Contract.

#### **1.28 ONGOING PERFORMANCE REQUIREMENTS**

The ALC may terminate the Contract by the Successful Vendor or its subcontractors under the terms of the Contract if, within ten (10) days after the ALC gives the Successful Vendor written notice specifying a default, the Contractor has not, in the ALC's sole judgment, either cured the default or given adequate assurance that assures the default will not adversely affect the timely implementation of the lottery or its continued operation.

Moreover, the ALC may cancel and terminate the contract on less than ten (10) days written notice in cases of fraud, failure to disclose information required under this RFP, submission of work product in contravention of the terms of the Contract, refusal to permit inspections authorized by the Contract, failure to establish and maintain a physical plant, ticket and distribution security program that is acceptable to the ALC, and failure to adhere to all security requirements established from time to time by the ALC.

#### **1.29 VENDOR REFERENCES**

The Successful Vendor must have experience in providing the goods or services specified in this Solicitation and must furnish proof of that experience to the satisfaction of the ALC. Therefore, all Vendors shall provide the ALC with a minimum of three (3) references for which the Vendor supplied goods or services similar to those being sought by this Solicitation. For each reference listed, the following information must be provided:

- A. Client Name;
- B. Contact Name;
- C. Address;
- D. Telephone & Fax Numbers & e-mail address;
- E. Years of Association with Client;
- F. Description of Goods or Services Provided;
- G. Dates Goods or Services Provided; and
- H. Approximate Value of Goods or Services Provided.

#### **1.30 NEGOTIATIONS**

As provided in this RFP and under the ALC's Major Procurement Rules, discussions may be conducted with responsible Vendor who submit proposals determined to be reasonably susceptible of being selected for award for the purpose of obtaining clarification of proposal response and negotiation for best and final offers.



## **SECTION 2. OVERVIEW**

### **2.0 ALC OVERVIEW**

Legislation creating the Arkansas Lottery, also referred to as the Arkansas Scholarship Lottery (ASL), and the Arkansas Lottery Commission (ALC), was signed into law on March 26, 2009 (the Arkansas Scholarship Lottery Act, Ark. Code Ann. § 23-115-101 et seq. and § 6-85-201 et seq.). In accordance with that legislation the Arkansas Lottery Commission, for the benefit of the people of Arkansas, issues this Request For Proposals with the clear intent to operate a lottery that provides continuing entertainment to the public, maximizes the revenue generated for the support of higher education scholarships, preserves the integrity and dignity of the process and accounts to the public and the General Assembly through reports and audits.

The Arkansas Lottery Commission is an independent agency of the State of Arkansas. It plans to employ approximately ninety (90) people statewide and plans to staff and operate three (3) prize payment centers, a headquarters located in the Little Rock and two (2) district offices by the start-up of instant ticket sales on or before October 29, 2009. The ALC is committed to maximizing revenues for the Arkansas Academic Challenge Scholarship Program (AACSP) and other non-lottery education programs in furtherance of the findings and declarations set forth in the Act creating the Arkansas Scholarship Lottery.

The ALC requires that instant ticket sales begin on or before October 29, 2009; thus, all components of an instant ticket operation must be in place, fully operational and tested prior to that time. The ALC will begin with instant ticket price points at \$1, \$2, \$3, \$5 and \$10.

The ALC's retailer base at start-up is expected to be approximately two thousand five hundred (2,500) and its retailer base may be expanded to up to five thousand (5,000) during the term of the Contract. Thereafter, based on subsequent developments and sales, the retailer base may be expanded. Additionally, the ALC plans to staff and operate three (3) prize payment centers in addition to the Little Rock headquarters, throughout the State of Arkansas.

### **2.1 ALC OBJECTIVES**

The integrity of the Arkansas Scholarship Lottery is essential. The ALC must maintain control over all functions and be assured that they are performed to provide the greatest long-term benefit to the State of Arkansas, the greatest integrity for the ALC, and the best service and products for the public, all in a manner consistent with the dignity of the State of Arkansas.

All responses to this RFP shall reflect the following overall goals and objectives of the ALC:

- To ensure prize payouts are at least fifty percent (50%) of the amount of money from the actual sale of lottery tickets;
- To annually increase revenue and associated net lottery proceeds;
- To market high quality products that provide entertainment and customer satisfaction;
- To ensure that the ALC receives services from Vendors who are financially sound and experienced, and who maintain favorable reputations within the lottery industry for contract performance;
- To ensure that the Successful Vendor is capable of providing the services called for in this RFP, and that the Successful Vendor will be capable of continuing to provide those services during the term of this Contract;

- To ensure that the Instant Product Management System is fully operational and installed on or prior to October 29, 2009 supporting all instant ticket game functions in all retail locations of retailers by the ALC two (2) weeks prior to start-up;
- To ensure that all aspects of online ticket operations are fully operational and installed in retail locations and that online tickets are available for sale to the public on or before December 14, 2009;
- To ensure meaningful minority and female representation and a commitment to nondiscrimination, in accordance with the Arkansas Scholarship Lottery Act;
- 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 the most competitive price; and
- To start up and operate the ASL as one of the most successful lotteries in the world, while maintaining its security and integrity.

## **2.2 SUCCESSFUL VENDOR/ALC 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 ALC, which relationship must be founded in mutual trust and respect. The Successful Vendor must adopt the same attitudes and concerns towards integrity, security and quality of the Arkansas lottery's games, financial performance, and minority participation and commitment to nondiscrimination as are held by the ALC.

# **SECTION 3. ONLINE LOTTERY GAME SERVICES AND LOTTERY GAMING SYSTEM AND SERVICES**

## **3.0 TECHNICAL SPECIFICATIONS**

The objective of this RFP is to encourage Vendors to provide a solution for the challenges facing the ALC associated with the start-up and operation of the ASL. Vendors should be innovative in developing their Proposals. However, the ALC also believes that Vendors should be provided with guidelines as to the functionality desired by the ALC. For this reason, the ALC has provided the specifications, requirements and functional features in this Section 3 of this RFP. The portions of Proposals that address the functional requirements of this RFP will provide the ALC 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 and efficient operation of the proposed services should be included in a Vendor's Proposal. 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 ASL are to be included in the base Proposal price, even though those items may not be specifically requested under this RFP.

The ALC is interested in procuring solid, proven, cost-effective technology for both the retailer network and the data center sites. The Successful Vendor has the option to propose state-of-the-art technology if it is deemed more appropriate and cost-effective than that specified in Section 3 of this RFP. However, any technology not specified in this RFP proposed by the Successful Vendor must be either in use by another Lottery jurisdiction or come from a family of field-proven products.

### **3.0.1 GAMING SYSTEM**

#### **3.0.1.1 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, claim centers located throughout the state, the central prize claim operations, and back office applications necessary to manage the ALC 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. The primary data center site may be located at the ALC's headquarters or elsewhere in Pulaski County, Arkansas, or a contiguous county as approved by the ALC. The Vendor may be required to lease the space for the data center from the ALC at its cost. The location of the hot backup site has not been determined; that location shall be proposed by the Vendor and must be approved by the ALC. The Successful Vendor will be responsible for all of the gaming system related costs of developing, starting, maintaining, upgrading, and operating the data center and claim centers. The ALC 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 percent (100%) of the transaction data. A disaster recovery site, outside of Arkansas, must also be available and functional as required. The Successful Vendor must provide, and the System configuration must support, an anticipated load of two thousand five hundred (2,500) full service online retailer terminals at start-up, with growth capacity to support up to five thousand (5,000) full service online retailer terminals, up to three thousand two hundred (3,200) color monitors, up to three thousand two hundred (3,200) player activated ticket checkers (whereby players can scan a ticket to determine if it is a winner), and one hundred (100) Ticket Vending Machines (TVM), which is defined as a player self-service machine that can:

- Sell both online tickets and instant tickets;
- Report real-time sales of both online tickets and instant tickets, low and empty bins, a full cash box, jammed tickets, diagnostic and error messages, and low paper stock, to the central system;
- Check and validate online tickets and "2D" bar coded instant tickets;
- Provide for either the cashing of online tickets and instant tickets via a voucher provided to a player, which can be negotiated at the retail terminal or reused on the TVM for a continued lottery play;
- Utilize appropriate signage approved by the ALC; and
- Provide for age control play as specified in Arkansas Code Annotated § 23-115-402 (e)(1) and (2).

The terminal response time 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 instant switching to a backup processor 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 ALC upon request.

#### **3.0.1.2 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. For purposes of this RFP, "Working Papers" means the documents, including without limitation specifications for each instant ticket game, supplied by the Vendor and will include:

- Ticket stock;
- Ticket size;
- Retailer winner codes;
- Colors;
- Pack size;
- Benday patterns or other security measures;
- Prize fund;
- Instant ticket game instructions;
- Ink and coatings;
- Characteristics; and
- Instant ticket game data fonts and sizes.

The System must allow for the validation and payment of prizes in accordance with the 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 ALC, 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 ALC;
  - 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 tickets – instant ticket inquiry may be restricted to privileged terminals, as determined by the ALC.

### **3.0.1.3 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 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.

### **3.0.1.4 DISASTER RECOVERY PLAN**

Availability of the gaming System is of utmost importance to the ALC. It is critical that Vendors be able to quickly recover 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 ALC in plan administration. The plan must include the recommended frequency for testing and the method by which the results will be communicated to the ALC.

### **3.0.1.5 ADDITION AND MODIFICATION OF GAMES**



The Successful Vendor will add, modify, and provide traditional online lottery games to the ALC for testing within one hundred twenty (120) days of mutual agreement on specifications, or as otherwise mutually agreed in writing.

### **3.0.2 TERMINALS, PERIPHERALS, AND SUPPORT**

#### **3.0.2.1 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 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. 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;
- Bar code and UPC scanning capabilities; and
- Refer to Appendix B for paper specifications.

Each full range terminal must accept manual wagers and play slip transactions. Play slip readers should allow for optical scanning capability. The mid-range terminals may be quick pick only. Both terminals must validate online and instant tickets. 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 terminals proposed may be varied to include high volume and mid-range terminals. All terminals must be capable of performing all instant ticket functions. The Vendor must provide the bar code and UPC scan/read rates for their proposed terminal scanning/reader devices, and the bar code symbolizes the device supports. The ALC 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 settlement, pack returns (full and partial), and inventory reports.

#### **3.0.2.2 LOTTERY MANAGEMENT TERMINALS**

The Vendor must provide an appropriate level of management terminals or management terminal-level access to ALC 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 ALC personnel use and three (3) at each of the three (3) statewide prize payment offices to be staffed by the ALC. The ALC 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 accounting, including adjustments; and
- Instant game management, including game start/end, pack status changes, inventory accounting, and ticket validation activities.

### **3.0.2.3 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 ALC. The Vendor shall specifically describe its plan for providing this support including staff resources and physical location.

### **3.0.3 GAMING SYSTEM COMMUNICATIONS NETWORK**

The telecommunications 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 telecommunications network must support data communications between all computer sites (primary, back up and ALC headquarters), online and instant game retailer locations, the ALC headquarters and district offices, and the instant ticket packaging warehouse. Excluded will be the Retailer's normal business line and telephone equipment. The Successful Vendor must take the appropriate security measures to prevent unauthorized access to the network. The ALC reserves the right to assume the network at any time during the Contract period. The Vendor should describe the recommended telecommunications network that best meets the overall objectives of this RFP. Vendors must provide a network design. The ALC expects Vendors to be creative in network design in order to allow for maximum flexibility, growth, through put, and cost effectiveness. Vendors must explain the network and its cost benefits to the ALC in clear detail. The proposed telecommunications 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 circuit 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 telecommunications network that will handle the immediate needs of the system and accommodate the anticipated growth in the retailer network. The network must be designed 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.

### **3.0.4 ONLINE SYSTEM SOFTWARE 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 ALC. The ALC 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.

### **3.0.5 LOTTERY BACKOFFICE MANAGEMENT SYSTEMS**

The ALC will require the online Vendors to provide the following lottery back office management systems, to encompass both online and instant game activities.

### **3.0.5.1 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.

### **3.0.5.2 RETAILER MASTER FILE**

The Successful Vendor will be required to include a retailer master file as a part of its System, consistent with ALC's anticipated retailer types. Describe the functionality and maintenance of this file.

### **3.0.5.3 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 ALC's staff at its headquarters (for prizes of all values, including grand prize annuity payments) and at three (3) prize payment center offices (for prizes valued up to \$199,999.99). For prizes paid over \$600, ALC prize checks will include IRS Form W-2G. Check printers and maintenance will be provided by the Successful Vendor. By statute, the ALC must withhold debts over \$100 owed to any "claimant agency," as defined by Arkansas Code Annotated § 23-115-1002(c) and in accordance with Arkansas Code Annotated § 23-115-1004. The ALC 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; and
- 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 ALC 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.

### **3.0.5.4 RETAILER ACCOUNTING AND 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.
- ALC staff ability to inquire on a 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.
- ALC staff ability to enter debit and credit adjustments to a retailer's account;

- ALC 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 the fifty-two (52) prior billing weeks;
- Creation of a retailer statement file in an XML format or other customized format as the ALC may require from time to time. The ALC is very interested in electronic transmission of retailer billing statement information; and
- The System is required to produce a weekly Electronic Funds Transfer (EFT) file creation for processing of funds to/from retailer bank accounts by the ALC. The System should have the ability to produce an EFT transaction file for all or specific retailer(s) on a less-than-full week basis. The System must allow for verification and auditing functions to be performed by the ALC 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.

#### **3.0.5.5 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 ALC intervention.

#### **3.0.5.6 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.

#### **3.0.5.7 MANAGEMENT REPORTS**

The ALC 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 tools and capabilities to provide efficient and effective management reporting capabilities. The proposal should address hardware and reporting functionality.

#### **3.0.6 INTERNAL CONTROL SYSTEMS (ICS)**

The Successful Vendor must install and maintain an ICS system to verify and confirm all transactions processed and all prizes paid. The Successful Vendor must provide the hardware to house the ICS application as well as all necessary software. The Successful Vendor will be required to provide to the ALC a file, no less frequently than daily, of all transactions processed on the System for verification procedures. The Successful Vendor will also be required to provide files immediately to the ALC or its ICS vendor after all online draw closes occur. A Vendor should propose its solution to ensure the file transfer is timely, complete, secure, and that it provides for ease of balancing of activity between the gaming and ICS systems. The ALC is very interested in electronic file transfer capabilities for this function. The ICS Vendor must report to the ALC.

### **3.1 OPERATIONAL SERVICES**

The Successful Vendor will have certain operating responsibilities, while the ALC 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:

#### **3.1.1 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 ALC. Describe your training program, including, but not limited to, the start-up period. At a minimum address the following:

- Length of training;
- Topics to be discussed;
- Method of delivery;
- Procedure for tracking attendance;
- Who will deliver the training (Successful Vendor or outside source); and
- Provide a sample Retailer manual (indicate what other materials might be provided).

### **3.1.2 ALC STAFF TRAINING**

The Successful Vendor will be responsible for training the ALC sales and administrative staffs in the use of all retailer terminals and back office applications. 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 ALC staff.

### **3.1.3 MARKETING SUPPORT**

The ALC 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 ALC's approval. At the request of the ALC, the Successful Vendor will be involved in the development, maintenance and growth of the Retailer network 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. Describe your expertise in this area and your proposed approach to this function. In order to assist the ALC 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 for both terminal and monitor games).

### **3.1.4 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 in the space leased from the ALC at the ALC's headquarters location or at the Successful Vendor's main data center located in the State of Arkansas. 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 response 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 ALC upon request.
- The system must allow for recording and monitoring capabilities by the Vendor and/or ALC staff.
- Hotline equipment must have a display of line and drop status allowing the hotline operator to see if a line is operational, if a drop is polling, 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 ALC will maintain a separate hotline for Retailer accounting problem resolution. The Successful Vendor will be responsible for the telecommunications costs for both lines and must indicate how the two systems will interface. The ALC will consider a single toll-free circuit that will allow retailers to choose their call destination.
- The ALC has the right to audit hotline call tapes and statistic reports on retailer issues.

### **3.1.5 EQUIPMENT MAINTENANCE AND SUPPLIES**

The Successful Vendor must establish procedures for the maintenance and repair of the central system hardware, network, printers, and 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 two thousand five hundred (2,500) full service online retailer terminals at start-up, with growth capacity to support up to five thousand (5,000) full service online retailer terminals, up to three thousand two hundred (3,200) color monitors, up to three thousand two hundred (3,200) player activated ticket checkers (whereby players can scan a ticket to determine if it is a winner), and one hundred (100) Ticket Vending Machines (TVM)

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 four (4) hours in nonmetropolitan areas within the state, as determined by the ALC. The Successful Vendor will also be responsible for providing all supplies to the ALC and all active retailers included 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 ALC's marketing representatives and the training required.

### **3.1.6 CORPORATE ACCOUNTS**

A Vendor's Proposal should address how it will cooperate with the ALC's corporate accounts 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.

### **3.1.7 RETAILER RECRUITMENT**

Discuss the role of the Successful Vendors in Retailer recruitment and the designation of Retailers for online sales. While the ALC 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 minority-owned and female-owned Retailers, research, recruitment, development and maintenance of Retailers for niche games.

### **3.1.8 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 B 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.

### **3.1.9 PLAY STATIONS**

The Successful Vendor will be responsible for the purchase, delivery, and installation of a play station unit at each approved online Retailer location.

- 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 play station must comply with the Americans with Disabilities Act (ADA).
- The ALC reserves the right to approve the design of the play station, including the colors.

#### **3.1.10 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.

#### **3.1.11 NEON OR EQUIVALENT SIGNS**

The Successful Vendor will be responsible for the purchase, delivery, and installation of a neon sign or equivalent at each approved online retailer location. A sketch or photograph of the unit proposed for use must be provided. The ALC reserves the right to approve the design and colors of the sign.

### **3.2 SECURITY PLAN**

The ALC will require the Successful Vendor to maintain a security program that protects the integrity of the transactions 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 ALC will require the Vendor to have a Statement of Auditing Standards (SAS) No. 70 Third Party Controls Review performed by an independent CPA firm at the Vendor's expense. 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, 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 ALC 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; and
  - 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 requested by the ALC;
- 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 the 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.

### **3.3 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 and ordering functions will be handled by ALC employees. The Proposal should describe, at a minimum, how the software accomplishes the ticket order entry processing for:

- Retailer initiated orders;
- Inventory distribution management;
- Reissues of returned packs;
- Emergency orders;
- Capability to restrict a retailer from ordering;
- Tracking and confirmation of pack deliveries;
- Real-time monitoring of warehouse inventory;
- Initial allocations for new games;
- Other reporting capabilities;
- Sales and account information available to telemarketers; 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 a secondary instant ticket vendor for up to seven (7) 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, basis as determined by the ALC.
- 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 ALC.
- Allow the creation of ad-hoc reports online, and to print certain reports as may be desired by the user.
- Restrict system access to only authorize ALC staff and others as approved by the ALC.

A Vendor must describe in its response the following:

- How the system will allow the ALC 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 interruption 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.

### **3.4 OTHER REQUIREMENTS**



Vendors 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 the RFP. The Successful Vendor is not released from the responsibility of providing all needed items to make the System successful.

## **SECTION 4. COST**

### **4.0 INTRODUCTION**

The ALC will offer a compensation package that is based on a percentage of sales. A Proposal must meet both the immediate and long-term needs of the ALC. 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 ALC will achieve its desired goals regarding start-up of the lottery and an integrated lottery System including online lottery game operations, net revenue maximization, and operating efficiency.

### **4.1 PRICING FORMULA**

The method of compensation that will be utilized is a percentage of total net sales achieved by the ALC 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 products and services covered by this RFP, as well as other services deemed necessary by the Vendor, to be provided by the Successful Vendor during the seven (7) year term of the Contract. All prices quoted are applicable for seven (7) years from October 29, 2009 or such earlier start-up date as may be achieved. Each Vendor shall assume in its pricing the use of its top-of-the-line terminal; if you would like the ALC to consider some other option, please so indicate.

### **4.2 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; and
- Total sales will be reduced by the number of promotional tickets issued by the ALC in any given week.

### **4.3 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.

### **4.4 PROGRAM ENHANCEMENTS**

The Successful Vendor may be requested by the ALC 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 ALC 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 ALC's back-office management system to the ALC for testing within ninety (90) days of mutually agreed upon specifications or as otherwise agreed in writing. The ALC anticipates participating in promotional events throughout the State of Arkansas. Describe your solution to provide portable terminals for these events. In addition, the Successful Vendor will provide programmable thermal branding for all image readers. 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 ALC will rightfully assume that the cost is included in the percentage of sales quotation in the Proposal.

#### **4.5 SUBMIT COST PORTION OF PROPOSAL SEPARATELY**

All copies of the cost portion of the Proposal required under this Part 4 must be submitted in sealed and labeled envelopes separate from the information required by Part 3 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 ALC.

Further, the Successful Vendor will be required to provide the ALC with supplemental cost information to purchase any additional TVM's above the base one hundred (100) quantity specified as part of this Proposal.

### **SECTION 5. ADDITIONAL VENDOR REQUIREMENTS**

#### **5.0 VENDOR PROFILE**

Vendor must submit the following:

1. Business Name;
2. Business Address;
3. Alternate Business Address;
4. Primary Contact Name, Title, Telephone, Fax and E-mail address;
5. How many years this company has been in this type of business;
6. Proof that the Vendor is qualified to do business in the State of Arkansas; and
7. A disclosure of the Vendor's name and address and, as applicable, the names and addresses of the following: If the Vendor is a corporation, the officers, directors, and each stockholder of more than a ten percent (10%) interest in the corporation. However, in the case of owners of equity securities of a publicly traded corporation, only the names and addresses of those known to the corporation to own beneficially five percent (5%) or more of the securities need be disclosed; 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; and if the Vendor is a partnership or joint venture, all of the general partners, limited partners, or joint venturers;
8. A disclosure of all the states and jurisdictions in which the Vendor does business and the nature of the business for each state or jurisdiction;
9. A disclosure of all the states and jurisdictions in which the Vendor has contracts to supply gaming goods or services, including without limitation lottery goods and services, and the nature of the goods or services involved for each state or jurisdiction;
10. A disclosure of all the states and jurisdictions in which the Vendor has applied for, has sought renewal of, has received, has been denied, has pending, or has had revoked a lottery or gaming license of any kind or had fines or penalties assessed to the vendor's license, contract, or operation and the disposition of each instance in each state or jurisdiction. If any lottery or gaming license or contract has been revoked or has not been renewed or any lottery or gaming license or application has been either denied or is pending and has remained pending for more than six (6) months, all of the facts and circumstances underlying the failure to receive a license shall be disclosed;
11. A disclosure of the details of any finding or plea, conviction, or adjudication of guilt in a state or federal court of the vendor for any felony or any other criminal offense other than a traffic violation committed by the persons identified under Arkansas Code Annotated § 23-115-501

- (b)(1). The ALC may request that any or all of the persons identified under § 23-115-501 (b)(1) undergo a state and federal criminal background check. If requested, a state and federal criminal background check shall be conducted in the manner under § 23-115-601(e);
12. A disclosure of the details of any bankruptcy, insolvency, reorganization, or corporate or individual purchase or takeover of another corporation, including without limitation bonded indebtedness, and any pending litigation of the Vendor;
  13. A disclosure of the Vendor's most recent financial report, including any reports on internal control over financial reporting, and the most recent audit report of the Vendor's operation as a service organization; and
  14. Additional disclosures and information that the ALC may determine to be appropriate for the procurement involved.

### **5.1 INSURANCE**

The Successful Vendor shall be required to maintain the following types and amounts of insurance during the term of the Contract:

- General liability insurance in the amount of at least \$5,000,000.00;
- Property insurance in the amount of at least \$5,000,000.00;
- Errors and omissions insurance, including over-redemption insurance, in the amount of at least \$5,000,000.00;
- Automobile liability insurance in the amount of at least \$2,000,000.00;
- Crime insurance in the amount of at least \$5,000,000.00; and
- Such other types and amounts of insurance as the ALC shall from time to time reasonably require.

The Successful Vendor shall provide the ALC with certificates of insurance before the contract award and evidence of any renewed bonds or insurance policies within five (5) days prior to the expiration of the existing bonds or insurance policies during the term of the Contract.

### **5.2 CONVERSION**

It is contemplated that the ALC, prior to the expiration of the term of the Contract resulting from this RFP, will award a new contract for replacement of the games. The parties understand and agree that the ALC may utilize the last specified number of days of the Contract term, as agreed upon by the parties to the Contract, for conversion (transfer) of equipment, supplies, materials, ticket inventory, and functions. The Successful Vendor must cooperate fully with this process.

### **5.3 BACKGROUND INVESTIGATION**

The ALC may conduct background investigations, as required by law. The Successful Vendor shall be required to conduct background investigations with the approval of the ALC on all subcontractors.

### **5.4 DISCLOSURE OF LITIGATION**

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 ventures, strategic partners, prime contractor team members, and subcontractors. This disclosure requirement is a continuing obligation, and any litigation commenced after a Vendor has submitted a Proposal under this RFP must be disclosed to the ALC in writing within five (5) days after it is filed.

### **5.5 IMPLEMENTATION ROLLOUT**

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 ALC with a concise but functional summary of (the "Executive Summary") discussion of each phase of the Vendor's plan in the order of progression. While the ALC 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 ALC 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.

#### **5.6 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. Vendor must identify six (6) experienced start-up professionals who will be made available to the ALC for general start-up assistance from the time of contract award through the first two (2) months after start-up of instant and online operations.

#### **5.7 COMPUTATION OF LIQUIDATED DAMAGES**

A Vendor must propose a program of liquidated damages to cover the damages listed in Section 1.8 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 approval of the ALC.

#### **5.8 EXPERIENCE**

A Vendor, and its joint ventures, strategic partners, and prime contractor team members must demonstrate overall experience in the functions described in this RFP, including System start-up and online lottery game services start-up experience, as well as that of their subcontractors. In addition, the joint ventures, strategic partners, prime contractor, 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 Vendor 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 ALC (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 ALC reserves the right to verify all information provided via direct contact with a Vendor's, joint venture's, strategic partners', prime contractor team member's and subcontractor's prior project or client personnel, and a Vendor and its joint ventures, strategic partners, prime contractor team members and subcontractors agree to provide any release necessary for the ALC to check on any previous projects. Misstatements of experience, scope of prior projects, or results thereof may result in the disqualification of the Proposal.

#### **5.9 BACKGROUND AND FINANCIAL VIABILITY**

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.

### **SECTION 6. EVALUATION CRITERIA FOR SELECTION**

The Vendor should address each item listed in this RFP to be guaranteed a complete evaluation. After initial qualification of proposals, selection of the Successful Vendor will be determined in Committee by evaluation of several factors.

In order to ensure the maximization of revenue for higher education scholarships and grants during start-up, the ALC has developed evaluation criteria that will be used by the ALC evaluation committee which is incorporated in Section 6.0 of this RFP. Other agencies and consultants of the ALC may also examine documents.

The ALC requires that instant ticket sales begin on or before October 29, 2009 and online ticket sales begin on or before December 14, 2009. Since time is of the essence, in addition to other stated evaluation criteria, the ALC will evaluate the Vendor response of a date before October 29, 2009 ("Early Start-Up Date Instant Tickets") and an online ticket start-up date before December 14, 2009 ("Early Start-Up Date Online Tickets") that the Vendor believes the ALC could begin the sale of instant tickets and online tickets. The Vendor should place such a proposed date in the "Early Start-Up Date Instant Tickets" column and the "Early Start-Up Date Online Tickets" column of Section 6.0 and should address this item in their Proposal response. In doing so, the Vendor should provide an explanation of how it will reasonably and responsibly achieve the early start-up date proposed by the Vendor.

Submission of a proposal implies Vendor acceptance of the evaluation technique and Vendor recognition that subjective judgments must be made by the ALC evaluation committee during the assignment of rating points.

The ALC reserves, and a Vendor by submitting a Proposal grants to the ALC, the right to obtain any information from any lawful source regarding the past business history, practices, and abilities of Vendor, its officers, directors, employees, owners, team members, partners, and/or subcontractors.

## 6.0 EVALUATION POINTS

Criteria	Points
Experience, including start-up experience	5
Background and Integrity	2.5
Early Start-Up Date Instant Tickets _____, 2009	5
Early Start-Up Date Online Tickets _____, 2009	5
Online lottery gaming operations plan	5
Security plan and security track record	2.5
Proposed technical solution	15
Financial viability and ability to perform the Contract as required and proposed	2.5
Minority Owned and Female Owned Business Participation	2.5
Lottery gaming System, including telemarketing, ticket ordering software and systems, ticket inventory control, management services and internal control system	5
<b>Subtotal</b>	50
Cost	50
<b>Total Points</b>	100

## ATTACHMENT B

### PAPER SPECIFICATIONS

**Type:** Thermal, no ground wood allowed. No smudges, water marks, 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 Length:** 4.66" fixed length



**State of Arkansas  
ARKANSAS LOTTERY COMMISSION**

**Little Rock, Arkansas**

**ADDENDUM**

TO: Vendors  
FROM: Arkansas Lottery Commission  
DATE: 06/30/09  
SUBJECT: SP-09XXXX Online Lottery Game Services and Lottery Gaming System and Services

The following change(s) to the above referenced Request for Proposal have been made as designated below:

- ☒ Change of specification(s)
- ☒ Additional specification(s)
- ☐ Change of bid opening time and date
- ☐ Other

**CHANGE OF SPECIFICATIONS**

- **PAGE 1, RFP NUMBER:** Delete "SP-09XXXX" and substitute "ALC-090002"
- **THROUGHOUT THE RFP:** The mailing address and phone number for the Arkansas Lottery Commission offices and for delivery of proposal documents and written questions is changed to:

**Arkansas Lottery Commission  
500 President Clinton Ave., #215  
Little Rock, Arkansas 72201**

**(501) 683-2000**

- **PAGE 2, EQUAL OPPORTUNITY POLICY:** Delete this paragraph and substitute the following: "In compliance with Section 5 of the Arkansas Lottery Commission Major Procurement Rules, the Office of State Procurement of the Department of Finance and Administration is required to have a copy of the Vendor's Equal Opportunity Policy prior to issuing a contract award. EO Policies may be submitted in electronic format to the following e-mail address: [camber.thompson@dfa.arkansas.gov](mailto:camber.thompson@dfa.arkansas.gov) or as a hard copy accompanying the solicitation response. The Office of State Procurement and the Arkansas Lottery Commission will maintain a file of all Vendor EO policies submitted in response to solicitations issued by this office. The submission is a one time requirement but Vendors are responsible for providing updates or changes to their respective policies and of supplying EO policies upon request to other state agencies that must also comply with this requirement."
- **PAGE 8, SECTION 1.17:** This section should read as follows: "In accordance with Arkansas Code Annotated § 23-115-503(b), the ALC may cancel the Contract after notice and a right to a hearing if:



- The Vendor commits a violation of this Arkansas Code Annotated § 23-115-501 et seq. or a rule of the Commission;
  - The Vendor commits any fraud, deceit, or misrepresentation;
  - The Vendor files for or is placed in bankruptcy or receivership; or
  - In its sole discretion, the ALC finds a material change in any matter considered by the ALC in executing the Contract with the Vendor."
- **PAGE 15, SECTION 3.0.1.1:** Delete "up to three thousand two hundred (3,200) color monitors" and substitute "up to four hundred (400) color monitors"
- **PAGE 22, SECTION 3.1.5:** Delete "up to three thousand two hundred (3,200) color monitors" and substitute "up to four hundred (400) color monitors"

### **ADDITIONAL SPECIFICATIONS**

- **PAGE 2, MINORITY-OWNED AND FEMALE-OWNED BUSINESS POLICY:** Insert the following as a new second paragraph:

"Female-owned business' is defined at Arkansas Code Annotated § 23-115-103(5) as 'a business: (A) Whose management and daily business operations are under the control of one (1) or more females; and (B) Either: (i) Individually owned by a female who reports as her personal income for Arkansas income tax purposes the income of the business; (ii) Which is a partnership in which a majority of the ownership interest is owned by one (1) or more females who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the income of the partnership; or (iii) Which is a corporation organized under the laws of this state in which a majority of the common stock is owned by one (1) or more females who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the distributed earnings of the corporation'."

- **PAGE 2:** Insert the following new paragraph after the paragraph entitled "Equal Opportunity Policy" and before the paragraph entitled "Act 157 of 2007 Employment of Illegal Immigrants":

#### **"TECHNOLOGY ACCESS FOR THE BLIND**

Please reference Section 508 of the federal Rehabilitation Act, 29 U.S.C. 794d and Arkansas Code Annotate § 25-26-201 et seq. The Vendor expressly acknowledges that State funds may not be expended in connection with the purchase of information technology unless that system meets certain statutory requirements, in accordance with the State of Arkansas technology policy standards, relating to accessibility by persons with visual impairments.

Accordingly, the Vendor represents and warrants to the Arkansas Lottery Commission that the technology provided to the Arkansas Lottery Commission for purchase is capable either by virtue of features included within the technology or because it is readily adaptable by use with other technology of:

- Providing equivalent access for effective use by both visual and non-visual means;
- Presenting information, including prompts used for interactive communications, in formats intended for non-visual use; and
- After being made accessible, it can be integrated into networks for obtaining, retrieving, and disseminating information used by individuals who are not blind or visually impaired.

For purposes of this paragraph, the phrase "equivalent access" means a substantially similar ability to communicate with or make use of the technology, either directly by features incorporated within technology or by other reasonable means such as assistive devices or services which would constitute reasonable accommodations under the Americans with Disabilities Act or similar state or federal laws. Examples of methods by which equivalent access may be provided include, but are not limited to, keyboard alternatives to mouse commands and other means of navigating graphical displays, and customizable display appearance."

- **PAGE 5, SECTION 1.3, PARAGRAPH 4.:** Paragraph 4. should read as follows: "For a proposal to be considered, an official authorized to bind the Vendor to a resultant contract must have signed the proposal and the Official Proposal Price Sheet."
- **PAGE 5, SECTION 1.3:** Insert an additional paragraph 7. to read as follows:

"The Official Price Proposal Sheet is posted and may be downloaded at [www.lotterycommission.arkansas.gov/](http://www.lotterycommission.arkansas.gov/) .

**Bid opening date and time will remain the same.**

The specifications by virtue of this addendum become a permanent addition to the above-referenced Request for Proposal. FAILURE TO RETURN THIS SIGNED ADDENDUM MAY RESULT IN REJECTION OF YOUR BID. BIDS WILL BE ACCEPTED UNTIL THE TIME AND DATE SPECIFIED. THE BID ENVELOPE MUST BE SEALED AND SHOULD BE PROPERLY MARKED WITH THE BID NUMBER, DATE, AND HOUR OF BID OPENING AND BIDDER'S RETURN ADDRESS. IT IS NOT NECESSARY TO RETURN "NO BIDS" TO THE ARKANSAS LOTTERY COMMISSION.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

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

**State of Arkansas  
ARKANSAS LOTTERY COMMISSION**

**Little Rock, Arkansas**

**SECOND ADDENDUM**

TO: Vendors  
FROM: Arkansas Lottery Commission  
DATE: 06/30/09  
SUBJECT: ALC-090002 Online Lottery Game Services and Lottery Gaming System and Services

The following change(s) to the above referenced Request for Proposal have been made as designated below:

- ☒ Change of specification(s)  
☒ Additional specification(s)  
☐ Change of bid opening time and date  
☐ Other

**CHANGE OF SPECIFICATIONS**

- **PAGE 3, PAST PERFORMANCE:** Delete "In accordance with provisions of Arkansas Lottery Commission Major Procurement Rules Section (7)(C)(iii)(g)" and substitute "In accordance with provisions of Arkansas Lottery Commission Major Procurement Rules Section (7)(C)(x)(g)".
- **PAGE 4, SECTION 1.0, PARAGRAPH 3:** Delete "two thousand five hundred (2,500) and may be expanded up to five thousand (5,000)" and substitute "two thousand five hundred (2,500) and may be expanded up to three thousand two-hundred (3,200)".
- **PAGE 6, SECTION 1.6:** Delete "up to three (1) additional times" and substitute "up to three (3) additional times".
- **PAGE 7, SECTION 1.13, PARAGRAPH 1:** Delete "performance security in an amount of at least two percent (2%) of the total proposal price submitted by the Vendor" and substitute "performance security in an amount of Five million dollars (\$5,000,000.00)".
- **PAGE 8, SECTION 1.14, PARAGRAPH 4:** Delete "descriptive information concerning subcontractor's organizational activities" and substitute "descriptive information concerning subcontractor's business organization".
- **PAGE 9, SECTION 1.18, PARAGRAPH 2:** Delete "article, or appliance furnished or used in the performance of the Contract." and substitute "article, or appliance furnished by vendor or used in the performance of the Contract."
- **PAGE 9, SECTION 1.19, PARAGRAPH 3:** Delete "The Successful Vendor grants to the ALC a perpetual, royalty free license" and substitute "The Successful Vendor grants to the ALC an annual, royalty free license".

- **PAGE 9, SECTION 1.19, PARAGRAPH 4:** Delete "The Successful Vendor agrees to grant the ALC non-exclusive intellectual property usage rights for games and properties owned by the Vendor at no cost during the term of the Contract period of this Proposal." and substitute "The Successful Vendor agrees to grant the ALC non-exclusive intellectual property usage rights for online games and properties owned by the Vendor at no cost during the term of the Contract period of this Proposal."
- **PAGE 10, SECTION 1.24, PARAGRAPH 1:** Delete "The Vendor shall be bound to confidentiality of any information" and substitute "The Vendor shall be bound to confidentiality of any confidential information".
- **PAGE 11, SECTION 1.28, PARAGRAPH 1:** Delete: "in the ALC's sole judgment" and substitute "in the ALC's reasonable judgment".
- **PAGE 13, SECTION 2.0, PARAGRAPH 4:** Delete "two thousand five hundred (2,500) and its retailer base may be expanded to up to five thousand (5,000)" and substitute "two thousand five hundred (2,500) and its retailer base may be expanded to up to three thousand two-hundred (3,200)".
- **PAGE 15, SECTION 3.0.1.1, PARAGRAPH 1:** Delete "with growth capacity to support up to five thousand (5,000) full service online retailer terminals" and substitute "with growth capacity to support up to three thousand two-hundred (3,200) online retailer terminals".
- **PAGE 22, SECTION 3.1.5, PARAGRAPH 1:** Delete "with growth capacity to support up to five thousand (5,000) full service online retailer terminals" and substitute "with growth capacity to support up to three thousand two-hundred (3,200) full service online retailer terminals".
- **PAGE 22, SECTION 3.1.5, PARAGRAPH 2:** Delete "The Successful Vendor will also be responsible for providing all supplies to the ALC" and substitute "The Successful Vendor will also be responsible for providing all online gambling supplies to the ALC".
- **ATTACHMENT B:** Delete "Ticket Length: 4.66" fixed length".
- **ALC-090002 ONLINE LOTTERY GAME SERVICES AND LOTTERY GAMING SYSTEM AND SERVICES REQUEST FOR PROPOSAL DATED JUNE 19, 2009 AND ADDENDUM TO ALC-090002 ONLINE LOTTERY GAME SERVICES AND LOTTERY GAMING SYSTEM AND SERVICES REQUEST FOR PROPOSAL DATED JUNE 30, 2009:** Delete all references to "Official Price Proposal Sheet" and substitute "Official Online Lottery Game Services and Lottery Gaming System and Services Proposal Price Sheet".

#### **ADDITIONAL SPECIFICATIONS**

- **PAGE 21 & 22, SECTION 3.1.4.:** Insert the following sentence at the end of this section:  

"The ALC will consider allowing Vendors to provide Hotline Services at a consolidated call center outside the State of Arkansas. As requested above: Vendors should describe their approach to this alternative function."
- **PAGE 22, SECTION 3.1.8:** Delete the sentence "Tickets will be a fixed length of

4.66 inches.” and substitute “The ALC will accept proposals which propose tickets having a uniform size or variable length as determined by the Lottery. Each ticket, regardless of length, must contain a preprinted stock number on the back.”

- **PAGE 23, SECTION 3.2:** At the end of Section 3.2, add the following two (2) sentences:

“Two (2) SAS-70 audits are required during the seven year term of the contract. The first SAS-70 AUDIT should be completed on or before the second year anniversary of the contract award date.”

- **SECTION 6. EVALUATION CRITERIA FOR SELECTION:** Add the following after paragraph five (5):

**EVALUATION CRITERIA:** Lowest Overall Cost Proposal(s) and Earliest Start Date Proposal(s):

The Lowest Overall Cost Proposal will receive the maximum allocated points (Fifty – 50 points). All other proposals will receive a percentage (%) of the points available based on the following formula: The base cost relationship to the lowest overall costs proposal submitted will be allocated according to the following formula:  $\text{Lowest Overall Costs Proposed} / \text{Other Overall Proposed Costs Response(s)} \times \text{Fifty (50) Evaluation Criteria Points} = \text{Points Awarded}$ .

The Earliest Start Date Proposal asks the Vendor to place such a proposed start date on which they will offer a fully functional system in the appropriate column and comply with all other aspects of the Request for Proposal. The formula will be as follows:  $\text{Other Proposed Instant Game Start Date Response(s)} / \text{Earliest Proposed Instant Games Start Date Response(s)} \times 5 \text{ Evaluation Criteria Points} = \text{Points Awarded}$ .

A start date of 10/29/09 or beyond will receive zero (0) evaluation criteria points for the Instant Ticket Lottery Game Services Contract.

A start date of 12/14/09 or beyond will receive zero (0) evaluation criteria points for the Online Lottery Game Services And Lottery Gaming System And Services Contract.

**Bid opening date and time will remain the same.**

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Company: \_\_\_\_\_

Signature: \_\_\_\_\_

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



**State of Arkansas  
ARKANSAS LOTTERY COMMISSION**

**Little Rock, Arkansas**

**THIRD ADDENDUM**

TO: Vendors  
FROM: Arkansas Lottery Commission  
DATE: 07/15/09  
SUBJECT: "ALC-090002 Online Lottery Game Services and Lottery Gaming System and Services"

The following change(s) to the above referenced Request for Proposal have been made as designated below:

- ☒ Change of specification(s)  
☐ Additional specification(s)  
☐ Change of bid opening time and date  
☐ Other

**CHANGE OF SPECIFICATIONS**

- **PAGE 4, SECTION 1.0, PARAGRAPH 2:** Delete the following sentence "It plans to employ approximately ninety (90) people statewide and plans to staff and operate three (3) prize payment centers, a headquarters located in Little Rock, Arkansas and two (2) district offices by the start-up of instant ticket sales in October 2009." and substitute the following sentence" The Arkansas Lottery Commission is an independent agency of the State of Arkansas. It plans to employ approximately ninety (90) people statewide and plans to staff and operate four (4) prize payment centers, including a headquarters located in the Little Rock and three (3) district offices outside of Little Rock by the start-up of instant ticket sales on or before October 29, 2009."
- **PAGE 13, SECTION 2.0, PARAGRAPH 2:** Delete the following sentence "It plans to employ approximately ninety (90) people statewide and plans to staff and operate three (3) prize payment centers, a headquarters located in the Little Rock and two (2) district offices by the start-up of instant ticket sales on or before October 29, 2009." and substitute the following sentence" The Arkansas Lottery Commission is an independent agency of the State of Arkansas. It plans to employ approximately ninety (90) people statewide and plans to staff and operate four (4) prize payment centers, including a headquarters located in the Little Rock and three (3) district offices outside of Little Rock by the start-up of instant ticket sales on or before October 29, 2009."

**Bid opening date and time will remain the same.**

The specifications by virtue of this addendum become a permanent addition to the above-referenced Request for Proposal. FAILURE TO RETURN THIS SIGNED ADDENDUM MAY RESULT IN REJECTION OF YOUR BID. BIDS WILL BE ACCEPTED UNTIL THE TIME AND DATE SPECIFIED. THE BID ENVELOPE MUST BE SEALED AND SHOULD BE PROPERLY MARKED WITH THE BID NUMBER, DATE, AND HOUR OF BID OPENING AND BIDDER'S RETURN ADDRESS. IT IS NOT NECESSARY TO RETURN "NO BIDS" TO THE ARKANSAS LOTTERY COMMISSION.

Company: \_\_\_\_\_

Signature: \_\_\_\_\_

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