

IOWA LOTTERY AUTHORITY



RFP IL 10-01

REQUEST FOR PROPOSALS ON-LINE GAMING SYSTEM AND RELATED PRODUCTS AND SERVICES

August 28, 2009

Table of Contents

	Page
PART 1 – PROPOSAL SUBMISSION INFORMATION.....	1
1.0 Introduction	1
1.1 Lottery Objectives	2
1.2 Overview of RFP.....	3
1.3 RFP Coordinator	3
1.4 Disclosure and Investigation Requirements.....	4
1.5 Restrictions on Communication	4
1.6 Schedule.....	4
1.7 Intent to Bid.....	5
1.8 Written Questions from Vendors.....	6
1.9 Vendor Pre-Proposal Conference	6
1.10 Amendments to the RFP.....	7
1.11 Acceptance of RFP Terms.....	7
1.12 Waiver of Deficiencies and Rejection for Non-Compliance.....	7
1.13 Rejection of Proposals	7
1.14 Proposals Valid for One Year	8
1.15 Proposal Format	8
1.16 Proposal Submission	8
1.16.1 VOLUME I – Technical (Non-Price) Proposal	8
1.16.2 VOLUME II – Price Proposal	9
1.16.3 VOLUME III – Terminal Submission	10
1.17 Proposal Opening	10
1.18 Withdrawal/Modification of Proposal	10
1.19 Late Proposals.....	10
1.20 Demonstrability of Proposed System.....	10
1.21 Readiness for Production and Delivery.....	11
1.22 Proposal Clarification Process	11
1.23 Latitude in Proposal Contents.....	12
1.24 Proposal Disclosure	12
1.25 Disclosure and Ownership of Proposal Contents by the Lottery	12
1.26 Public Records and Requests for Confidentiality	13
1.27 Joint Proposal Responses	14
1.28 Multiple Proposals from One Vendor Not Allowed	14
1.29 Costs Associated with Proposal.....	14
1.30 Mandatory and Desirable.....	14
1.31 RFP and Contract are Non-Exclusive	15
1.32 Proposal Bid Bond	15
1.33 Litigation Bond	15
1.34 Assurance of Bonds.....	16
1.35 Disclosure Documents and Investigations	16
1.36 Disclosure of Litigation and Other Information	18
1.37 Change of Ownership or Financial Condition.....	19
1.38 Specified, Invited and Offered Options	19

1.39	Independent Price Determination	19
1.40	Hiring and other Business Relationships with Lottery Staff.....	20
1.41	Disqualification for Non-Responsibility.....	20
1.42	Applicable Laws and Procedures.....	21
1.43	Appeal of Award	21
1.44	Release of Claims.....	21
1.45	News Release Prohibition.....	21
1.46	Headings.....	22
PART 2	– SPECIAL TERMS AND CONDITIONS	23
2.0	Introduction	23
2.1	Contract Elements	23
2.2	Amendments to the Contract	24
2.3	Severability	24
2.4	Term of Contract.....	24
2.5	Emergency Extension.....	24
2.6	Covenant Against Contingent Fees	25
2.7	Audit and Accounting Requirements.....	25
2.8	Bonds and Insurance Qualifications.....	26
2.9	Insurance	26
2.9.1	<i>Insurance Coverages</i>	27
2.9.2	<i>Certificates of Insurance</i>	27
2.10	Performance Bond.....	28
2.11	Fidelity Bond	28
2.12	Vendor Error Liability	28
2.13	Ownership of Materials	29
2.14	Right of Use	29
2.15	Force Majeure.....	29
2.16	Production-Ready Acceptance Test Following Award	30
2.17	End of Contract Conversion.....	31
2.18	Equipment and Software Corrections and Upgrades.....	31
2.18.1	<i>Corrections and Supported Products</i>	31
2.18.2	<i>Workload Growth</i>	32
2.18.3	<i>Reporting Changes</i>	32
2.18.4	<i>Other Changes</i>	32
2.19	Approval of Hardware and Software Changes and Upgrades	32
2.20	Management and Escrow of Software and Documentation	33
2.21	Compensation During Contract.....	33
2.22	Title to, Use of, and Compensation for, Intellectual Property	33
2.23	Exclusive Use of the Transaction Processing Systems	34
2.24	Attachment of Third Party Systems, Terminals, or Products.....	34
2.25	Ticket Purchase and Prize Payment Restrictions	35
2.26	Liquidated Damages Provisions	35
2.26.1	<i>Notification of Liquidated Damages</i>	36
2.26.2	<i>Conditions for Cancellation of Liquidated Damage Assessments</i>	36
2.26.3	<i>Severability of Individual Liquidated Damages</i>	36
2.26.4	<i>Waivers of Liquidated Damages</i>	36

2.26.5	<i>Payment of Liquidated Damages</i>	36
2.26.6	<i>Applicability of Liquidated Damages and Pro-rated Liquidated Damages</i>	37
2.26.7	<i>Gaming System Installation</i>	37
2.26.8	<i>Terminal and Peripheral Provisioning</i>	38
2.26.9	<i>Gaming Host Systems Down</i>	38
2.26.10	<i>Gaming Host Systems Degraded Performance</i>	39
2.26.11	<i>Timely and Accurate Reports</i>	40
2.26.12	<i>Timely and Accurate Files</i>	40
2.26.13	<i>Terminal and Peripherals Repair</i>	41
2.26.14	<i>Terminal Preventive Maintenance</i>	42
2.26.15	<i>Failure to Modify Existing On-Line Games or to Install Additional Games</i>	42
2.26.16	<i>Failure to Produce an Administrative Software Change</i>	43
2.26.17	<i>Failure to Support Instant Ticket and Pull-tab Games</i>	43
2.26.18	<i>Unauthorized Software/Hardware Modifications</i>	43
2.26.19	<i>Unauthorized Access or Compromise</i>	44
2.26.20	<i>Supply Shortage</i>	44
2.26.21	<i>Failure to Report Incidents</i>	44
2.26.22	<i>Failure to Comply</i>	45
2.26.23	<i>Retailer Network Outages</i>	46
2.26.24	<i>Failure to Comply with Required Standards or to Remedy Audit Recommendations</i>	46
2.26.25	<i>Failure to Provide Software Testing and Quality Software Turnovers</i>	47
2.26.26	<i>System Restoration</i>	47
2.26.27	<i>Transaction Listing Delivery</i>	47
2.26.28	<i>Ticket Validation</i>	48
2.26.29	<i>Network Conversion</i>	48
2.26.30	<i>Insufficient Successful Vendor Resources</i>	48
2.26.31	<i>Invalid Ticket</i>	49
2.26.32	<i>Defective or Non-Conforming Ticket</i>	49
2.26.33	<i>Unavailability/Degradation of the Back Office System</i>	49
2.26.34	<i>Availability of Recorded Calls</i>	50
2.26.35	<i>Failure to Timely Respond to Retailer Hotline Calls</i>	50
2.26.36	<i>Retailer Training</i>	50
2.26.37	<i>Testing and Corrective Actions of the Disaster Recovery Plan</i>	51
2.26.38	<i>Providing Connectivity</i>	51
2.26.39	<i>Backup UPS and Generator Testing</i>	51
2.26.40	<i>Fire and Security System Compliance</i>	52
2.27	<i>Security Program Under the Contract</i>	52
2.27.1	<i>Personnel Security</i>	52
2.27.2	<i>Security Violation Reporting</i>	54
2.27.3	<i>Security Information (Disclosure) Updates</i>	54
2.27.4	<i>Security and Safety Rules</i>	54
2.27.5	<i>Handling of the State's Data</i>	54
2.28	<i>Vendor Ethics and Integrity</i>	57
2.29	<i>Compliance with Association Standards</i>	57
2.30	<i>Taxes on Vendor</i>	58

2.31	Tax Withholding from Retailers	58
2.32	Location of Data	58
2.33	Advanced Equipment	58
PART 3	– SPECIFICATIONS	59
3.0	Introduction	59
3.1	Central Configuration	59
3.1.1	Gaming Host Systems at the Primary Data Center	60
3.1.2	Gaming Host Systems at the Backup Data Center	61
3.1.3	Lottery Acceptance Testing System	62
3.1.4	Internal Control System Configuration	63
3.1.5	Gaming System Quantitative Performance Criteria	63
3.1.6	Systems Management and Monitoring	65
3.1.7	Operating Hours	65
3.1.8	Host Systems Security	65
3.2	Retailer Terminals	66
3.2.1	Retailer On-line Terminal Hardware	66
3.2.2	Multiple Terminals per Retailer	78
3.2.3	Specialty Retailer Terminals	78
3.2.4	Additional Retailer Game Support Items	79
3.2.5	Retailer Terminal Security	79
3.3	Communications Networks	80
3.3.1	Network Design and Implementation	80
3.3.2	Network Design Features	82
3.3.3	Network Administration Services	85
3.3.4	Network Monitoring and Fault Resolution	85
3.3.5	Advanced Communications Technologies	86
3.3.6	Network Conversion	87
3.3.7	DSR Field Automation Device and Communication Service	87
3.4	Software Controls and Data Management	87
3.4.1	Gaming Software Security, Control Features and Functions	87
3.4.2	Application and Database Security	94
3.4.3	On-Line Games Drawing Controls	95
3.4.4	Games Management Application	96
3.4.5	Support of Instant Ticket Transactions at Retailers	98
3.4.6	Support of Pull-tab Ticket Transactions at Retailers	100
3.4.7	Claims and Payments	101
3.4.8	Data Management and Reporting	102
3.4.9	System Interfaces	102
3.4.10	Security Information Practices and Reporting	103
3.4.11	On-line Subscription System	104
3.4.12	Player Registration System	104
3.4.13	Field Access and Related Applications	105
3.4.14	Monitor Games	105
3.4.15	Retailer Shift Reporting Application	106
3.4.16	Gift Card Application	106
3.4.17	Internal Control System	106

3.4.18	<i>Retailer Accounting</i>	107
3.4.19	<i>Instant and Pull-Tab Ticket Accounting</i>	110
3.4.20	<i>Inventory Management</i>	110
3.5	<i>Games and Marketing</i>	112
3.5.1	<i>Corporate Marketing Support</i>	112
3.5.2	<i>Games Menu</i>	112
3.5.3	<i>Promotional Features</i>	113
3.5.4	<i>Instant Game Support</i>	115
3.5.5	<i>Pull-tab Game Support</i>	116
3.5.6	<i>External Coupons</i>	117
3.5.7	<i>System-Generated Coupons</i>	118
3.5.8	<i>Additional Non-Traditional Gaming and Non-Gaming Capabilities</i>	118
3.6	<i>Successful Vendor Facilities and Disaster Recovery Plan</i>	118
3.6.1	<i>Primary Data Center Specifications</i>	119
3.6.2	<i>Backup Data Center</i>	122
3.6.3	<i>Training Facilities for Conversion and Ongoing</i>	123
3.6.4	<i>Testing Room at Lottery Headquarters</i>	123
3.6.5	<i>Service Centers and Depots</i>	123
3.6.6	<i>System Disaster Recovery Plan</i>	123
3.6.7	<i>Successful Vendor Corporate Infrastructure Protection Plan</i>	124
3.7	<i>Staffing, Services, and Operations Security Plan</i>	124
3.7.1	<i>Vendor Personnel</i>	124
3.7.2	<i>Operations Services</i>	125
3.7.3	<i>Terminal Provisioning Services: Moves, Adds, Changes, Removal</i>	126
3.7.4	<i>Support of the Lottery's Partnership with Retailers</i>	127
3.7.5	<i>Retailer Training Programs, Initial and Ongoing</i>	127
3.7.6	<i>Lottery Staff Training</i>	128
3.7.7	<i>Retailer Consumables Supply</i>	129
3.7.8	<i>Retailer Equipment Maintenance Program</i>	129
3.7.9	<i>Other Host, Systems, and Network Equipment Maintenance</i>	131
3.7.10	<i>Technical Support Services</i>	131
3.7.11	<i>System Change Control and Configuration Management</i>	132
3.7.12	<i>Operations Security Plan</i>	133
3.7.13	<i>Electronic Media, Computer Room Paper, Supplies</i>	134
3.7.14	<i>Trouble Tracking, Dispatch, and Reporting System (Hotline Support)</i>	134
3.7.15	<i>Operations According to Association Rules and Standards</i>	135
3.8	<i>Implementation</i>	136
3.8.1	<i>Conversion Strategy</i>	136
3.8.2	<i>Formal Implementation Plan</i>	136
3.8.3	<i>Interim Facilities and Processes</i>	137
3.8.4	<i>Installation and Lottery Acceptance Testing</i>	137
3.8.5	<i>Project Reporting and Monitoring</i>	138
3.8.6	<i>Validation After Conversion</i>	138
3.8.7	<i>Historical Data</i>	139
3.8.8	<i>Removal of Retailer Communications Equipment</i>	139
3.9	<i>Vendor Corporate Capability</i>	139

3.9.1 Corporate Background Review	139
3.9.2 Gaming Systems Experience	140
3.9.3 Pending Workload	141
3.9.4 Contract Performance	141
3.9.5 Manufacturing Capabilities for Terminals	142
3.9.6 Software Development and Support Capabilities	142
3.9.7 Project Management Capabilities	143
3.9.8 Security Management Capabilities	143
3.9.9 Communications Capabilities	143
3.9.10 Research and Development Program	144
3.9.11 Financial Viability	144
PART 4 – Volume II – PRICE PROPOSAL	146
4.0 Introduction	146
4.1 Separately Sealed Price Proposal	146
4.2 Form of the Price Proposal	146
4.3 Duration of the Price Proposal	147
4.4 Pricing and Scoring of Options	147
PART 5 – PROPOSAL EVALUATION	158
5.0 Introduction	158
5.1 Evaluation Committee and Lottery CEO	158
5.2 Evaluation Steps	158
5.3 Information from Other Sources	159
5.4 Technical Proposal Scoring	159
5.4.1 Criteria and Points	160
5.4.2 Award Scale for Evaluation	160
5.4.3 Desirable Items	161
5.4.4 Scoring of Options	162
5.5 Site Visits for Discussions and Demonstrations	162
5.6 Price Evaluation	163
5.7 Technical Scoring and Pricing Combined	163
5.8 Notice of Award and Contract Signing	164
APPENDIX A: GLOSSARY	165
APPENDIX B: DEMONSTRABILITY OF SYSTEM	170
APPENDIX C: LOTTERY STANDARD TERMS AND CONDITIONS	174
APPENDIX D: MANAGEMENT AND ADMINISTRATIVE REPORTS	184
APPENDIX E: RETAILER TERMINAL REPORTS	188
APPENDIX F: FILES TO TRANSFER TO/FROM THE LOTTERY	190
APPENDIX G: LOTTERY BACKGROUND AND GENERAL INFORMATION	191
APPENDIX H: DISCLOSURE FORMS	195
APPENDIX I: TRANSMITTAL LETTER CONTENT	196
APPENDIX J: NON-DISCLOSURE AGREEMENT	197
APPENDIX K: EQUIPMENT REMOVAL LISTING	198

PART 1 – PROPOSAL SUBMISSION INFORMATION

1.0 Introduction

The Iowa Lottery Authority (the "Lottery") is issuing this Request for Proposals ("RFP") to invite interested Vendors to submit Proposals for the implementation of a Lottery Gaming System ("System") including associated gaming products and support services.

System and services under this RFP include, but are not limited to:

- On-line games; Instant ticket validation capabilities; Instant and Pull-Tab Games management system, combined Instant/Pull-Tab/On-line Accounting, and warehousing and distribution application
- Primary and back-up computer systems and facilities
- Network Communications
- Retailer Network & Terminals
- Operations Services
- Internal Control Systems (ICS)
- Repair of, maintenance of, and updates for all equipment and software.

This RFP, and all activities leading toward the anticipated signing of a Contract pursuant to this RFP, are conducted under Lottery policies as enabled by Iowa statutes, which establish the purpose, powers, duties, and procedural framework of the Lottery.

In the RFP the Lottery has defined a series of objectives, requirements, and a proposal evaluation approach that will represent its best interests in conformance with the Lottery's mission.

The Successful Vendor is expected to enter into a written agreement (the "Contract") with the Lottery within twenty (20) business days after notice of award identifying it as the Successful Vendor. The Contract will cover an implementation period plus seven (7) years of production operations including such time as is necessary to complete the Lottery business week then in progress. The Contract may be extended, under its original terms or as may be amended, for a maximum of three (3) additional one-year periods or any combination thereof.

The Iowa Lottery currently has 1950 on-line terminals (SGI Extrema) and 550 dial-up terminals (SGI SciScan 2000) deployed across the state:

- On-line terminals are used to sell and cancel on-line games, check and validate instant and on-line games and verify ownership of pull-tab games. In addition to game sales functions, the terminal will also access and print reports, news messages and be utilized by the DSRs for pack activation and returns.
- Dial-up terminals are used to check and validate instant games and verify ownership of pull-tab games. In addition to game sales functions, the terminal will also access and print reports, news messages and be utilized by the DSRs for pack activation and returns.

The existing base of terminals, together with all related computer hardware and software and their support services, must be replaced as a result of this RFP. All proposed System components must be delivered, installed, implemented, supported through Lottery-approved acceptance testing, and ready to be fully operational by the on-line system project milestone schedule.

The new System must be capable of supporting the current gaming products offered to the public by the Lottery. In addition, the Successful Vendor must be able to incorporate additional games and promotions into the System to support the Lottery's evolving marketing plans.

1.1 Lottery Objectives

The Lottery has the following objectives for issuing this RFP and entering into a contract for the implementation and operation of the System:

- Install an integrated gaming System that will meet the gaming product needs of the Lottery for the term of the Contract.
- Obtain retailer terminals, supporting systems, and services that are operationally sound, incorporate the highest level of integrity and security, and minimize risk for the Lottery.
- Obtain a highly reliable data communications system that supports the gaming System.
- Obtain retailer terminals that will lead to high retailer and player satisfaction for quality and performance.
- Obtain a System that is sufficiently flexible to meet the Lottery's evolving requirements.
- Ensure that all proposed systems and services are ready to be operational by the agreed-upon on-line system project milestone schedule.

- Ensure that System and services corrections, improvements, and expanded gaming features are delivered in a timely manner.
- Maximize net Lottery proceeds for the State of Iowa.

Fulfillment of these objectives is consistent with the Proposal evaluation criteria cited in this RFP.

1.2 Overview of RFP

This RFP will provide the information necessary to submit Proposals. Part One provides background and Proposal preparation information. Part Two defines special terms and conditions that will apply to the Contract. Part Three contains technical and business specifications. Part Four defines how pricing must be submitted. Part Five describes evaluation criteria (how Proposals will be evaluated) and the proceedings leading to execution of a Contract with the Successful Vendor.

Appendix A provides a glossary for terms used in this RFP. Appendix I provides instructions for the transmittal letter contents.

1.3 RFP Coordinator

Except for questions relating to the disclosure requirements, the RFP Coordinator, acting on the Lottery's behalf, is the sole point of contact with regard to this RFP, from the date of release of this RFP until the Lottery's notice of award.

The RFP Coordinator will make a reasonable effort to provide all applicable Vendors with questions and answers, amendments, and other essential information regarding this RFP. However, it is the Vendor's responsibility to ensure receipt of any information or applicable communications from the RFP Coordinator.

All communications (with the exception of the Proposal) concerning this procurement must be addressed in writing and submitted by e-mail to the RFP Coordinator:

RFP Coordinator:	Tammy Cooper
Mail or hand deliver to:	Iowa Lottery, 2323 Grand Ave., Des Moines, IA 50312
Telephone:	515-725-7877
Facsimile Telephone:	515-725-7882
E-mail address:	tcooper@ialottery.com
RE:	Gaming Systems RFP Inquiry
Website for postings:	www.ialottery.com/Vendors/PurchasingOpportunities.html

1.4 Disclosure and Investigation Requirements

This RFP requires a series of disclosures and willingness to comply with background investigational requirements of the Lottery. This is a major procurement solicitation and all relevant Iowa statutes are applicable. Questions regarding the disclosure and investigation requirements are to be directed to Charis Paulson, Assistant Director of the Iowa Division of Criminal Investigation, phone 515-725-6015, e-mail Paulson@dps.state.ia.us.

1.5 Restrictions on Communication

Other than the RFP Coordinator, potential Vendors and their agents, lobbyists or representatives shall make no unsolicited contact, directly or indirectly, with any elected official or office of the State of Iowa, any member of the Lottery Board of Directors, or any employee, agent, or representative of the Lottery regarding this RFP. This provision will remain in place from the time the RFP is issued until the contract is awarded. Vendors shall not represent themselves to any elected officials or office of the State of Iowa, any member of the Lottery Board of Directors, or any employee, agent, or representative of the Lottery, or Iowa Lottery retailers as having the endorsement of the Lottery, nor as the Lottery's next supplier of gaming products and services. For Vendors currently doing business with the Lottery, any communication regarding this RFP is prohibited except as provided for in this RFP. Any Vendor causing or attempting to cause a violation or circumvention of this ethical standard may at a minimum, at the sole discretion of the Lottery, be disqualified from further consideration.

1.6 Schedule

The following dates are set forth for informational and planning purposes. The Lottery reserves the right to change any of these dates.

Event	Date	Time *
RFP issued to Vendors	August 28, 2009	4:00 pm
Intent to Bid Letter Due	September 14, 2009	4:00 pm
Questions from Vendors Accepted -1 st round	September 14, 2009 through September 25, 2009	4:00 pm
Questions and Answers provided to all Vendors – 1 st round	September 28, 2009 through October 9, 2009	4:00 pm
Questions from Vendors Accepted -2 nd round	October 19, 2009 through October 30, 2009	4:00 pm

Questions and Answers provided to all Vendors – 2nd round	November 2, 2009 through November 13, 2009	4:00 pm
Proposals Due	January 5, 2010	3:00 pm
Stand-alone terminal delivered and operating	By January 12, 2010	4:00 pm
Evaluation of Proposals Period	January 6, 2010 through April 2, 2010	
Site Visits/Oral Presentations by Vendors (if requested)	February 8, 2010 through March 12, 2010	
Lottery Presentation to CEO and Board of Directors	April 2010	Board Meeting TBA
DCI Investigation	April 2010 through May 2010	
Board of Directors vote on Notice of Intent to Award	June, 2010	
Notice of Intent to Award issued	June, 2010	
Contract Execution subject to successful negotiations and Lottery Board of Directors Approval	July, 2010	Board Meeting TBA
Begin On-line System Project **	August, 2010	
Start Lottery Acceptance Testing	March 5, 2011	
Full conversion completed***	July 3, 2011	

* All times refer to Central Time.

** On-line System Project milestone dates of documents and deliverables to be identified in a separate Project Management document to be delivered by the Vendor and approved by the Lottery within thirty (30) days of the Contract Execution date.

*** Full conversion will occur on July 3, 2011.

1.7 Intent to Bid

Vendors may e-mail Intent to Bid letter to the Lottery RFP Coordinator as specified in RFP Section 1.3, and by the date and time specified in RFP Section 1.6. Vendors should provide Vendor identification information and an e-mail address for a Vendor

point of contact. A written Intent to Bid does not bind the Vendor to bid. Additionally, if a written Intent to Bid is not sent to the Lottery, a bid may still be submitted pursuant to the schedule in RFP Section 1.6. However, notice of any addendums, modifications, response to questions or other pertinent information, will only be sent to Vendors who have an Intent to Bid notice on file.

1.8 Written Questions from Vendors

By submitting a Proposal, Vendors agree that they understand the requirements of this RFP, and they fully understand their obligations if they were to enter into a Contract with the Lottery. If a Vendor needs clarification, they shall submit these in writing to the RFP Coordinator during the “Questions from Vendors” Periods identified in RFP Section 1.6.

If a Vendor discovers any ambiguity, conflict, discrepancy, exclusionary specifications, omission or other errors in this RFP, and fails to notify the Lottery during the “Questions from Vendors” Periods identified in RFP Section 1.6, the Vendor submits a response to this RFP at its own risk. The Lottery will consider no requests for clarification, change or modifications after these periods. The Vendor will not be entitled to additional compensation, relief, or time by reason of the error or its later correction.

Submission Guidelines: Questions from Vendors must be e-mailed in Microsoft Word format to the RFP Coordinator as set forth in RFP Section 1.3.

E-mails must contain the subject line “Gaming Systems RFP Inquiry”. E-mails must identify the section number (and subsection number) for each specific question. E-mail confirmation of inquiry receipt will be provided by the Lottery. Vendors must observe the time schedule for submitting questions. This schedule will ensure that the Lottery has adequate time to respond and that the responses will be provided to Vendors in time to be incorporated into their Proposals. It is the sole responsibility of the Vendor to verify receipt of questions by the Lottery.

Vendors are cautioned that an RFP question shall be written in generic terms and must not contain cost information. The inclusion of specific cost information in a question may result in the Vendor's disqualification.

A copy of questions, answers, and any changes in the RFP, if applicable, will be posted to the Lottery's website.

www.ialottery.com/Vendors/PurchasingOpportunities Vendors with a notice of Intent to Bid on file will receive an e-mail announcement that new information has been posted to the Lottery's website. Prospective Vendors should monitor the website for any information pertaining to the RFP.

1.9 Vendor Pre-Proposal Conference

No conference will be held.

1.10 Amendments to the RFP

The Lottery reserves the right to amend this RFP prior to the final due date identified herein for Vendor Proposals. If any part of this RFP is amended, the amendments will be posted to the Lottery's website. Vendors with a notice of Intent to Bid on file will receive an e-mail announcement that an amendment to the RFP has been posted to the Lottery's website.

1.11 Acceptance of RFP Terms

A Proposal submitted in response to this RFP will be considered a binding offer. By submitting a Proposal, each Vendor agrees that it fully understands, accepts and will abide by the terms and conditions of this RFP and it will not make claims for or have any rights to cancellation or withdrawal of its Proposal or other relief due to any misunderstanding or lack of information. The signature of the Vendor or an officer of the Vendor legally authorized to execute contractual obligations will indicate acknowledgement of and agreement to this condition. The Lottery reserves the right to accept a Proposal or Proposals in whole or in part.

1.12 Waiver of Deficiencies and Rejection for Non-Compliance

The Vendor should note that material requirements of the RFP are those set forth as: (i) mandatory; (ii) without which an adequate analysis of Proposals is impossible; (iii) affect the competitiveness of Proposals, or (iv) affect the cost to the Lottery.

Proposals that do not meet all material requirements of this RFP or that fail to provide all required information, documents, or supporting materials, or which include language that is conditional or contrary to the terms, conditions, and requirements, of the RFP, may be rejected as non-responsive.

The decision as to whether a deficiency will be waived or will require the rejection of a Proposal will be solely within the discretion of the Lottery. **Failure to comply with or respond to any part of this RFP may result in rejection of the Proposal.** A waiver of non-compliance for a minor deficiency in the Proposal does not relieve the Successful Vendor of a contractual obligation.

1.13 Rejection of Proposals

The Iowa Lottery Authority reserves the right to reject any Proposal, or any portion thereof at any time prior to an award of a contract and, to reject all Proposals and cancel this procurement if it is in the best interest of the Lottery to do so.

1.14 Proposals Valid for One Year

All Proposals submitted will remain valid for one year following the date on which Proposals are due, unless the period is extended by the Lottery. Notification of any such extension will be provided in writing by the Lottery to the affected Vendor or Vendors.

1.15 Proposal Format

The Proposal must be submitted in three (3) separate volumes (as described below) and mailed, sent by courier (e.g. Federal Express or United Parcel Service), or hand delivered. All responses must be in a sealed package(s) and identified on the outside by the Vendor's full name and address and must be specifically addressed to the RFP Coordinator. Responses must be received by the RFP Coordinator or RFP Coordinator's designee no later than the date and time shown in the schedule section, RFP Section 1.6.

Proposals that are unsigned or otherwise non-conforming may be rejected as non-responsive.

1.16 Proposal Submission

1.16.1 VOLUME I – Technical (Non-Price) Proposal

The Technical Proposal shall include descriptive and technical matter only and be appropriately labeled on the exterior of the enclosure. **No cost figures shall be contained in the Technical Proposal.**

The Vendor must respond to every item that requires a response in this RFP in the order presented in the RFP. The Vendor's response must provide the required information requested, an acknowledgement of acceptance where applicable, or an indication of not applicable (N/A).

The original plus seven (7) copies of The Technical Proposal (Volume I) are to be delivered. In addition, the Technical Proposal must be submitted on a CD using a Microsoft Word or PDF file. The electronic version should include all Proposal sections within a single file to facilitate searches for terms across the breadth of the Proposal.

All requested written documents must be submitted on 8 1/2" x 11" paper and size 12 Arial font, exceptions may apply to schematics, attachments, diagrams, etc.

The contents of the Technical (non-price) Proposal volume must follow this outline, employing divider pages with labeled tabs to separate the response sections:

1. Transmittal letter. The transmittal letter shall be structured and contain all of the information specified in RFP Appendix I.
2. Bid Bond and Litigation Bond (see RFP Sections 1.32 and 1.33).
3. Disclosure of litigation, investigations, and other information (see RFP Section 1.36).
4. Statement acknowledging all RFP addenda.
5. Statement of agreement to comply with all terms and conditions contained in Part 2 and Appendix C.
6. Class "L" Business Entity disclosure form required by the Lottery (see RFP Section 1.35 and <http://www.ialottery.com/Vendors/Forms.html>).
7. Letter requesting trade secret protection of confidential information (if needed). See RFP Section 1.26. The redacted pages must be submitted with the cover letter and will be made available for public inspection.
8. Response to all paragraphs of Specifications (Part 3) in identical order to Part 3 subsections. **An original and two copies of the required financial information (Section 3.9.11) should be filed with the Proposal original only, and not with all seven (7) copies.**
9. Vendor-supplied technical documentation as appendices.

1.16.2 VOLUME II – Price Proposal

The Vendor shall be required to provide pricing in accordance with RFP Section 4.

The Price Proposal must be identified as a separate enclosure or Volume II. An individual authorized to legally bind the Vendor must sign the Price Proposal in ink. **The original plus one (1) copy of the Price Proposal must be delivered to the RFP Coordinator or RFP Coordinator's designee. In addition, the Price Proposal must be submitted on a CD separate from the Volume I – Technical Proposal.**

The contents of the Price Proposal must follow the following outline, employing divider pages with tabs to separate these response sections:

1. Cover page stating Vendor's identifying information.
2. Pricing for the Baseline System

3. Pricing for **Specified Options, Invited Options and Offered Options (RFP Section 1.38)**

Price Proposals that are incomplete or non-conforming may be rejected as non-responsive.

1.16.3 VOLUME III – Terminal Submission

Vendors must submit one stand-alone operational retailer terminal for each proposed model for assessment by the Iowa Lottery Authority. (Terminals need not play current Iowa Lottery Authority games.)

Vendors must also submit a retailer manual and/or user guide for the proposed retailer terminal model.

1.17 Proposal Opening

The Lottery will not voluntarily make Proposals subject to public opening or review from the time of receipt by the Lottery until the Notice of Intent to Award is issued. Once Notice of Intent to Award is issued, Proposals will be subject to the provisions of the Iowa Examination of Public Records (Open Records Act) (RFP Section 1.26).

1.18 Withdrawal/Modification of Proposal

A Vendor may withdraw or modify its Proposal by written notice submitted on the Vendor's letterhead, signed by an authorized representative of the Vendor, delivered to the Lottery and received by the Lottery prior to the Proposal Due date and time.

1.19 Late Proposals

Proposals submitted pursuant to this RFP must be received by the Lottery no later than the Proposal Due date and time per the schedule in RFP Section 1.6. Failure of a Vendor to submit its Proposal by the specified date and time will result in rejection. Proposals that are rejected for being late will be returned unopened to the Vendor.

1.20 Demonstrability of Proposed System

The Lottery requires that all equipment and software proposed be capable of a demonstration that indicates the Vendor's ability to meet the requirements specified in this RFP. Failure to propose demonstrable products may result in rejection of Proposal. Refer to RFP Section 5.5, Site Visits for Discussions and Demonstrations and Appendix B: Demonstrability of System, for related information regarding demonstrability of proposed system.

While functions and features demonstrated upon request for the Proposal evaluation effort need not be identical in all respects to specifications of this RFP, common transactions, functions, and operations are expected.

In particular, the Lottery requires that the Vendor's System be capable of a performance simulation demonstrating the sale of 50,000 tickets per minute and 5,000 combined cancel, if allowed, and winning ticket validations per minute, concurrently.

Demonstrations may consist of a simulation at the Vendor's facilities, observing operations at another Lottery, or a presentation at some other appropriate venue, as requested by the Lottery during the evaluation process.

1.21 Readiness for Production and Delivery

The Lottery requires that all equipment and software proposed by the Vendor, at a minimum, be capable of a demonstration that indicates the Vendor's capability to meet the requirements, with the exception that equivalent or improved newer releases or models of the proposed products and their architectures may be acceptable. The Lottery will not consider or accept configuration items that are at the specifications or concept stage only, early in development, or are products announced but not engineered and ready for manufacture and delivery. The Lottery acknowledges that a Vendor's System would require adaptation to the Iowa requirements and that component parts would be created, ordered, and assembled or integrated for delivery.

The Successful Vendor must maintain in current status all federal, state, and local licenses and permits required for the operation of the business conducted by the Successful Vendor as applicable to this RFP.

1.22 Proposal Clarification Process

The Lottery may request clarifications from Vendors for the purpose of resolving ambiguities or questioning information presented in the Proposals. The request(s) will be e-mailed to the Vendor's point of contact. Clarifications may occur throughout the Proposal submission review and/or the Proposal evaluation process. Clarification responses shall be submitted by e-mail to the RFP Coordinator and shall address only the information requested. Responses shall be submitted to the Lottery within the time stipulated in the request.

Clarifications are for the purpose of resolving ambiguities and improving the understanding of the Lottery regarding a Proposal. In no case does the clarification or any other process permit revision or supplementation of the Proposal after submission. Clarifications are an opportunity to explain, but not enhance, the Proposal.

1.23 Latitude in Proposal Contents

Each Vendor is expected to provide the Lottery with information, evidence, and demonstrations that will make possible an award that best serves the stated interests of the Lottery.

Vendors are given wide latitude in the degree of detail they offer or the extent to which they reveal plans, designs, systems, processes, and procedures.

Vendors should prepare their Proposals simply and economically, providing a straightforward and concise description of their capability to satisfy the requirements of this RFP. Proposals that are of excessive length, contain a preponderance of boilerplate text, or redundancy are discouraged. Emphasis in each Proposal should be on completeness and clarity of content.

Failure of a Vendor to provide the appropriate information or materials in response to each stated requirement or request for information may result in lower scores during the evaluation or may ultimately result in Proposal rejection based on non-responsiveness to the requirements of the RFP. Responses to complex RFP requirements that are stated in a form semantically equivalent to "Vendor agrees to comply" may be rejected for non-responsiveness at the discretion of the Lottery.

Vendor must respond to every item that requires a response in this RFP in the order presented in the RFP with the section number specified in the response. Vendor's response must provide the required information requested, an acknowledgement of acceptance where applicable, or indicate not applicable (N/A).

Vendor's Proposal must comply with the requirements outlined in this Section to qualify for scoring.

1.24 Proposal Disclosure

Disclosure by a Vendor or agent of the Vendor of Proposal contents prior to the Lottery's notification of its intent to award a contract may result in rejection of the Proposal.

1.25 Disclosure and Ownership of Proposal Contents by the Lottery

All matters set forth in a Proposal, including technical and price information, may be subject to disclosure after the Lottery's notification of its intent to award a contract. All information in a Proposal and any Contract resulting from this RFP are subject to the provisions of Iowa Examination of Public Records (Open Records) Act regardless of copyright status or Vendor designations on pages of the Proposal.

Any and all materials, except Vendor terminals and peripherals, submitted become the exclusive property of the Lottery. The Vendor waives all rights relating to the Proposal, including without limitation, any and all rights of identification of authorship and any and all rights of approval, restriction or limitation on use unless prohibited by law.

1.26 Public Records and Requests for Confidentiality

The release of information by the Lottery to the public is subject to Iowa Code chapter 22 and 531 Iowa Administrative Code section 1.5. Vendors are encouraged to familiarize themselves with these provisions prior to submitting a Proposal. A copy of the Iowa Code and Iowa Administrative Code can be found on the State of Iowa's web page, www.legis.state.ia.us and located under the topic Iowa Law. All information submitted by a Vendor may be treated as public information by the Lottery unless the Vendor properly requests that information be treated as confidential at the time of submitting the Proposal. By submitting a Proposal, the Vendor grants the Lottery the right to make the required copies of the Proposal.

Any requests for confidential treatment of information must be included in a letter with the Vendor's Proposal and must enumerate the specific grounds in Iowa Code chapter 22 which support treatment of the material as confidential and must indicate why disclosure is not in the best interests of the public. The request must also include the name, address, and telephone number of the person authorized by the Vendor to respond to any inquiries by the Lottery concerning the confidential status of the materials.

Any documents submitted which contain confidential information must be marked on the outside as containing confidential information, and each page upon which confidential information appears must be marked as containing confidential information. The confidential information must be clearly identifiable to the reader wherever it appears. All copies of the Proposal submitted, as well as the original Proposal, must be marked in this manner.

In addition to marking the material as confidential material where it appears, the Vendor must submit two copies of the relevant pages of the Proposal from which the confidential information has been excised. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the document as possible. These pages must be submitted with the cover letter and will be made available for public inspection.

In the event the Lottery receives a request for the release of information that includes material a Vendor has marked as confidential, the Lottery will provide a written notice to the Vendor regarding the request by e-mail as soon as practicable. Unless otherwise directed by a court of competent jurisdiction, the Lottery will release the requested information 7-10 business days after receipt of the request.

Once a contract has been executed, the contract and all supporting documents in the Successful Vendor's Proposal including pricing shall be considered public and subject to disclosure pursuant to Iowa Code chapter 22.

The Vendor's failure to request confidential treatment of material pursuant to this section and the relevant laws and administrative rules will be deemed by the Lottery as a waiver of any right to confidentiality which the Vendor may have had.

1.27 Joint Proposal Responses

Two or more firms may together submit a Proposal. If a joint Proposal is submitted, the Proposal shall define the responsibilities that each firm is proposing to undertake. Of the firms submitting a joint Proposal, one must be designated as the primary Vendor. Any Contract award issued as a result of this submission will be made exclusively to the primary Vendor. The Proposal should designate a single authorized official to serve as the sole point of contact between the Lottery and the joint responding firms.

A joint Proposal, which is defined as two or more Vendors bidding jointly on one solicitation response, shall be deemed one indivisible Proposal.

1.28 Multiple Proposals from One Vendor Not Allowed

A Vendor shall submit a single Proposal only. Within the single Proposal the Vendor may identify options, including solicited and unsolicited products, services, and features that the Vendor believes may be appealing and useful to the Lottery.

1.29 Costs Associated with Proposal

Neither the Lottery nor the State of Iowa shall be liable for any of the costs of preparing or submitting a Proposal, including, but not limited to preparation, copying, postage, and delivery fees and expenses associated with any demonstrations or presentations that may be required by the RFP.

Each Proposal should be prepared simply and economically, providing a straightforward, concise description of the Vendor's capability to meet the requirements of the RFP. Emphasis should be on completeness and clarity of content.

1.30 Mandatory and Desirable

Specifications in the RFP shall be regarded by the Vendor as mandatory, as denoted by terms such as "required," "must," "shall," and "will," and their semantic equivalents, except where a function, feature, or capability is specifically noted as being "desirable" or an "option." In the case of a "desirable" item, the Vendor is not required to offer such as expressly described in the RFP; however, the evaluation of the Vendor's offering

may be more favorable if desirable functions, features, and capabilities are offered. "Options" are explained in RFP Section 1.38.

1.31 RFP and Contract are Non-Exclusive

Nothing in this RFP or the Contract resulting from this RFP shall preclude the Lottery from purchasing or leasing through other vendors, other gaming concepts, products, services, or equipment, for use in another processing system or for use as an integral part of the System described in this RFP.

1.32 Proposal Bid Bond

Each Vendor must submit with the Proposal a Bid Bond, in form and substance and issued by an issuer acceptable to the Iowa Lottery Authority, in the amount of one hundred thousand dollars (\$100,000) to guarantee for one (1) year after submission of the Proposal the availability of the goods and services at the price(s) quoted in the Proposal. The bid bond (a cashier's check is acceptable) shall be payable to the Iowa Lottery Authority. If a cashier's check is used, the check will be deposited to the Lottery fund. Interest on the funds will not be credited to the Vendor.

The bid bond or proceeds from a cashier's check will be returned to any unsuccessful Vendor upon the execution of the Contract. The bid bond of the Successful Vendor will be retained until the Contract is executed and the Lottery is furnished with an acceptable performance bond (see RFP Section 2.10 and 2.11). The check or bond will be forfeited to the Lottery if the Successful Vendor fails to submit in a timely fashion the performance bond or other security, as required, or fails to execute the Contract when required to do so by the Lottery.

1.33 Litigation Bond

Each Vendor must submit with the Proposal a Litigation Bond in the amount of five hundred thousand dollars (\$500,000).

A claim upon the Bond may be made by the Lottery under the following conditions:

1. The Vendor sues the Lottery or any of its directors, officers or employees, other contractors, or retailers with regard to any matter relating to the award of a contract pursuant to this RFP;
2. The Lottery or other Defendant(s) is the prevailing party in such suit.

The purpose of the Bond is to permit the Lottery or other defendants to recover damages, including reasonable attorneys' fees, expenses and court costs resulting from such litigation. The Litigation Bond shall remain in effect for a period of two (2) years from the date of submission of the Proposal. Following signing of a contract with the

Successful Vendor, the Litigation Bond of any Vendor will be released upon acceptance by the Lottery of a Covenant Not to Sue.

1.34 Assurance of Bonds

Bonds shall be issued by a reputable and reliable surety company with a record of successful continuous operation that is licensed to do business in the State of Iowa.

1.35 Disclosure Documents and Investigations

This RFP represents a major procurement and as such, comprehensive disclosure information is required from each Vendor as provided herein. The disclosure documents to be completed by Vendors are referenced in RFP Appendix H.

Any Vendor, as well as any parent or subsidiary corporation of the Vendor (not any other subsidiaries of the parent company), providing goods or services to the Lottery, is required to undergo a DCI background investigation conducted by the Iowa Department of Public Safety, Division of Criminal Investigation (DCI) before a contract is awarded. The investigation may include the submission of disclosure documents, interviews and various records checks in addition to those identified in Appendix H.

Any Vendor that has undergone a DCI background investigation within the past five (5) years or is currently undergoing a DCI background investigation is not required to go through another extensive DCI background investigation in connection with this RFP.

Class "L" documents, to be included with the RFP response, will be received by the Lottery, with the Lottery then providing these documents to the DCI. The DCI will conduct a preliminary review of each Vendor's Class "L" background form submission.

Upon completion of the RFP evaluation process, the Lottery CEO will direct the DCI to conduct an applicable DCI background investigation on the Vendor(s). After the DCI has been directed to complete the DCI background investigation(s), the DCI will contact the Vendor(s) to make arrangements for the completion of the background investigation. Additionally the DCI will inform the Vendor(s) which individuals need to submit a DCI Class "L-1" background form and collect the application fees associated with those individuals. These individuals can expect to be contacted by a DCI agent or agents for the purpose of completing background investigations.

Document submission requirements:

All disclosure documents provided as part of the Proposal should be clearly identified as disclosure documents and should be contained in a separate envelope within the Proposal package. Only one composite copy of the disclosure documents should be submitted.

All Vendors or a parent or subsidiary corporation of the Vendor must submit, as part of its Proposal, a completed DCI Class “L” Business Entity (Class “L”).

The Vendor(s) selected by the Lottery CEO for background investigation must also submit a completed DCI Class “L-1” Vendor Key Personnel (Class “L-1”) for each “control person” of the Vendor. A control person is defined as all persons owning 5 percent (5%) or more of the Vendor, a subsidiary of the Vendor or the parent company of the Vendor and all officers and directors thereof. In addition the Lottery may require a Class “L-1” to be submitted for any person identified as a trustee, partner, sole proprietor, employee or other person in a sensitive position or relationship with the bidder. The Class “L-1” requires the submittal of one completed fingerprint card. To obtain the required number of blank fingerprint cards, the Vendor should contact the RFP coordinator.

Upon request from the Lottery or DCI, Vendors shall be required to provide additional records as requested to supplement the previously provided documentation relating to a background application. This may include records pertaining to an affiliated company.

Cost of Background Investigation: The expense of conducting the background investigation(s) performed by DCI will be borne by the Vendor. The application fee is required prior to the start of the DCI investigation process. All fees are to be submitted in the form of a check or money order payable to the Iowa Division of Criminal Investigation.

Class “L” Business Entity - An application fee is required for each Class “L” submitted. Fees associated with the Class “L” applications are \$10,000 for a domestic applicant Vendor and \$15,000 for a foreign applicant Vendor. Any funds not expended by the DCI in the review of the Vendor’s Class “L” background form will be returned by the DCI to the Vendor.

Any Vendor currently under investigation, or which has been investigated for an RFP or other gaming contract by the DCI within the past five (5) years, is required to submit a Class “L” background application form. However, any such Vendor will not be required to undergo an extensive DCI background investigation in connection with this RFP.

The Lottery or DCI may, at their discretion, request additional information from a Vendor, who has previously undergone a DCI background investigation within the past five (5) years. If the Lottery or DCI requests additional records from such Vendor, the Vendor shall deposit with DCI the estimated cost of collecting and evaluating such information. All requests shall be provided by the DCI or the Lottery in writing. If investigative costs exceed the total amount of fees filed by the business entity, DCI may require additional funds, as it deems appropriate.

Class “L-1” Vendor Key Personnel - The DCI will notify the Vendor(s) which individuals need to have a background investigation completed. Class “L-1” fees will be payable at that time. Fees associated with the Class “L-1” applications are:

- Individual residing in Iowa: \$4,000
- Individual residing within the contiguous United States: \$6,000
- Individual residing outside the contiguous United States: \$7,000

If the investigative costs exceed the total amount of fees filed by the applicant, DCI may require additional funds, as it deems appropriate.

The Lottery reserves the right to accept a Proposal which does not include all required information provided that any omitted information is promptly made available to the Lottery upon request. The Lottery or DCI may require any Vendors submitting a Proposal to provide additional background documentation after reviewing the documents initially submitted with the Proposal.

Any information provided to the Lottery in the disclosure documents as well as the results of the investigation conducted by the DCI will be used by the Lottery and Lottery Board to determine the successful Vendor. The information may be used to disqualify a Vendor who does not meet the Lottery's standards. The DCI will confer with Vendors upon request regarding the completion of the disclosure documents. Vendors who wish to discuss the completion of the disclosure documents should contact Charis Paulson, Iowa Department of Public Safety, Division of Criminal Investigation, telephone: (515) 725-6015, email – paulson@dps.state.ia.us

The Lottery may reject a Proposal based upon the results of these background checks and disclosures. The Vendor is advised that any person who knowingly provides false or intentionally misleading information in connection with any investigation by the Lottery may cause the Proposal to be rejected, or a subsequent contract to be canceled.

1.36 Disclosure of Litigation and Other Information

Since the Lottery has a strong interest in the Successful Vendor's continuing capability to produce secure, high quality products and services, the Lottery requires that Vendors list and summarize pending or threatened litigation, administrative or regulatory proceedings, investigations, or similar matters that could materially affect the Vendor or the Vendor's performance. As part of this disclosure requirement, Vendors must state whether any "control person" has ever been convicted of a felony or gaming related violation. Failure to disclose such matters may result in rejection of the Proposal or in termination of a Contract. Such disclosures shall be submitted with the Proposal.

This is a continuing disclosure requirement; any such matter commencing after submission of a Proposal and, with respect to the Successful Vendor after the execution of a Contract, must be disclosed in a timely manner in a written statement to the Lottery.

As part of the continuing disclosure requirement, disclosure documents must be submitted for any new litigation. Failure to disclose such matters may result in rejection of the Proposal or in termination of a Contract.

1.37 Change of Ownership or Financial Condition

If a Successful Vendor who has submitted a Proposal in response to this RFP experiences a material (substantial) change in its ownership or financial condition prior to award, or during the term of a Contract with the Lottery, the Lottery must be notified in writing at the time the change occurs or is identified. "Material change in ownership" is defined as any merger, acquisition, assignment or change in parties who comprise ownership greater than five (5) percent of the Successful Vendor or the parent company of the Successful Vendor. "Material change in financial condition" is defined as any event which, following Generally Accepted Accounting Principles (GAAP), would require a disclosure in the annual report of a publicly traded United States corporation.

As part of the continuing disclosure requirement, disclosure documents must be submitted for a new "control person". The costs associated with background investigation will be borne by the Successful Vendor. Failure to disclose such matters may result in rejection of the Proposal or in termination of a Contract.

1.38 Specified, Invited and Offered Options

A **Specified Option** as noted in this RFP is identified as being of specific interest to the Lottery and the Lottery anticipates acquiring such from the Successful Vendor; however, the Lottery may choose not to exercise such an option, and makes no commitment to the quantity or timing for acquisition. The Vendor is required to include the Specified Options in the Proposal.

An **Invited Option** as noted in this RFP is identified as being of specific interest to the Lottery; however, the Lottery makes no commitment to any quantity or timing for acquisition. The Vendor is not obligated to include an Invited Option in the Proposal.

Offered Options are not identified in this RFP but may be identified by the Vendor and included in the Proposal. This is an opportunity for Vendors to offer options that the Lottery did not identify as being of specific interest. The Lottery makes no commitment to quantity or timing for acquisition of Offered Options.

Proposal options that the Lottery chooses to exercise under different quantity and/or timing considerations for the Contract will be negotiated with the Successful Vendor.

1.39 Independent Price Determination

By submission of a Proposal, the Vendor certifies that in connection with the Proposal:

1. The prices in the Proposal have been arrived at independently, without consultation, communication, or agreement for the purpose of restricting competition with any other Vendor or with any competitor.
2. Unless otherwise required by law, the prices quoted have not been knowingly disclosed by the Vendor and will not knowingly be disclosed by the Vendor prior to award directly or indirectly to any other Vendor or to any person not representing the Vendor.
3. No attempt has been made or will be made by the Vendor to induce any other person or entity to submit or not submit a Proposal for the purpose of restricting competition.

1.40 Hiring and other Business Relationships with Lottery Staff

During the period from the RFP release until the signing of the Contract, Vendors are prohibited from officially or unofficially soliciting, making any employment offer or proposing any business arrangement whatsoever to any Lottery employee or board member. A Vendor making such an offer or proposition may be disqualified from further consideration, or a Contract signed pursuant to this RFP may be terminated.

Furthermore, for the duration of this RFP process, Vendors, their employees and any representative, designee or agent of the Vendor shall refrain from:

1. Providing meals, entertainment, or other expenses for Iowa Lottery Authority employees, Iowa elected officials or board members.
2. Providing gifts of any value to Iowa Lottery Authority employees, Iowa elected officials or board members. Iowa Code chapter 68B contains laws which restrict gifts which may be given or received by state employees and requires certain individuals to disclose information concerning their activities with state government. Vendors are responsible for determining the applicability of the chapter to their activities and for complying with those requirements. In addition, Iowa Code 722.1 provides that it is a felony offense to bribe a public official.

1.41 Disqualification for Non-Responsibility

Financial and business stability and wherewithal to perform and support the Lottery are required. Vendors who, in the Lottery's judgment after the evaluation of documents required to be submitted in response to this RFP, do not possess the capability to perform the Contract requirements, have a conflict of interest in serving the Iowa Lottery Authority, or fail to demonstrate sufficient financial responsibility, security, integrity, and reliability to assure performance, shall be rejected as non-responsible.

1.42 Applicable Laws and Procedures

This RFP, the Proposals, the resulting Contract, and the processes associated with the procurement, shall be governed by the laws of the State of Iowa. With respect to any and all legal actions or proceedings arising under this RFP or any resulting Contract, a Vendor, by submission of a Proposal, consents to the venue and jurisdiction of all courts of the State of Iowa which is the place of the issuance of this RFP, the place where a contract will be executed, and the principal place where the obligations of the Successful Vendor to the Iowa Lottery Authority are to be performed.

1.43 Appeal of Award

Any Vendor whose bid or Proposal has been timely filed and who is aggrieved by the award of the Lottery may appeal the decision by filing a written notice of appeal before the Iowa Lottery Authority Board, 2323 Grand Avenue, Des Moines, Iowa 50312-5307, within five days of the date of the award, exclusive of Saturdays, Sundays, and state legal holidays. To be considered timely, the notice of appeal must actually be received at this address within the five-day time frame specified. The notice of appeal shall state the grounds upon which the Vendor challenges the Lottery's award. Following receipt of a notice of appeal that has been timely filed, the board shall notify the aggrieved Vendor and the Successful Vendor who received the contract award of the procedures to be followed in the appeal. The Board may appoint a designee to proceed with the appeal on its behalf.

1.44 Release of Claims

With the submission of a Proposal, each Vendor agrees that it will not bring any claim or have any cause of action against the Lottery or the State of Iowa based on any misunderstanding concerning the information provided herein or concerning the Lottery's failure, negligent or otherwise, to provide the Vendor with pertinent information as intended by the RFP. Additionally, each Vendor releases each source of information of all claims, whether known or unknown, consulted by the Lottery to obtain information regarding the Vendor's criminal history, credit data, the Vendor, the Vendor's product, services, personnel or subcontractors which the Lottery deems pertinent to this RFP.

1.45 News Release Prohibition

Vendors will not issue any news release or make any statement to the news media pertaining to this RFP, their Proposal, any proposed contract, or the work to be performed, without the prior written approval of the Lottery. Failure to comply with the News Release Prohibition may result in rejection of the Proposal or in termination of a Contract.

1.46 Headings

The headings used in this RFP are for convenience only and shall not affect the interpretation of any of the terms and conditions thereof.

PART 2 – SPECIAL TERMS AND CONDITIONS

2.0 Introduction

This section describes certain special terms and conditions that apply to the Lottery's procurement and which by virtue of incorporation will become part of the Contract executed pursuant to this RFP. Additional contractual terms for this procurement are provided in Appendix C: Iowa Lottery Terms and Conditions. The Successful Vendor will be expected to sign a Contract based on the terms of this section and those in Appendix C.

By submitting a Proposal, the Vendor agrees to the Terms and Conditions contained in this section and in Appendix C.

2.1 Contract Elements

The Contract between the Lottery and the Successful Vendor shall include as integral parts thereof:

- Addendums to the Contract
- The Contract
- The Terms and Conditions for Iowa Lottery contracts
- Clarifications, including questions from Vendors and applicable responses, and addenda to this RFP
- This RFP
- Amendments to the Proposal and any Proposal clarifications
- The Proposal

In the event of a conflict in the provisions of these documents, the order of precedence shall be as listed above from the highest to the lowest.

The failure of a party to insist upon strict adherence to any term of a Contract resulting from this RFP shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the Contract.

2.2 Amendments to the Contract

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

2.3 Severability

If a court of competent jurisdiction determines any portion of a Contract executed pursuant to this RFP to be invalid, that portion shall be severed and the remaining portions of the Contract shall remain in effect.

2.4 Term of Contract

Unless terminated sooner, the Contract resulting from this RFP will be in effect from the Contract effective date, plus an implementation period, and then for seven (7) years of production operations, plus such time as is necessary to finish out the Lottery business week then in progress. The Contract term may run a shorter period, as determined by the Lottery, due to causes such as, but not limited to, Contract termination or loss of statutory authority by the Lottery.

The Lottery reserves the right to renew the Contract at its sole option up to a maximum of three (3) additional one (1) year periods or any combination thereof, (i.e., one year, two years or three years), provided that any such option to renew is exercised in writing by the Lottery at least ninety (90) days prior to the end of the initial period, or any renewal thereof, or at a time mutually agreed upon by both parties. The Lottery may opt to award more than one renewal at a time, and may negotiate the terms of the renewal.

2.5 Emergency Extension

The Lottery reserves the right to reactivate or further extend the initial seven (7) year Contract, or any renewal thereof, at the rates and upon the terms and conditions then in effect, on seven (7) days' notice for one (1) or more thirty (30) day periods if a different Vendor is chosen for a subsequent contract and the subsequent Vendor's system does not meet the requirements of the Lottery.

Exercising these rights shall not be construed as obligating the Lottery to repeat the procurement process for any subsequent contract or conferring any right or expectation for the Successful Vendor to continue operating the System after the expiration of any such emergency extension period.

2.6 Covenant Against Contingent Fees

The Vendor warrants that no person, selling agency or other agency has been employed or retained to solicit or secure an agreement pursuant to this RFP upon an agreement or understanding for a commission, percentage, brokerage or contingent fee. For breach or violation of this warranty, the Lottery shall have the right to terminate any Contract in accordance with the termination clause, and in its sole discretion, to deduct from any Contract or otherwise recover the full amount of any such commission, percentage, brokerage or contingent fee.

2.7 Audit and Accounting Requirements

Under the Contract, the Successful Vendor must meet specific auditing and accounting obligations:

1. The Successful Vendor shall have a complete corporate financial audit conducted annually, at its own expense. The audit must follow generally accepted auditing standards (GAAS), or the appropriate non-U.S. equivalent. A copy of the Successful Vendor's certified financial statements shall be provided to the Lottery within 180 days after the close of the Successful Vendor's fiscal year.
2. The Successful Vendor shall provide the Lottery with Securities and Exchange Commission (SEC) 10-K and 10-Q reports (or the appropriate non-U.S. equivalent) as they are issued, together with any other reports required pursuant to Section 13 of the Securities and Exchange Act of 1934, as amended, through the duration of the contract.
3. A SAS 70 audit of the Successful Vendor's Iowa operations must be conducted annually until no significant deficiencies are reported. At that time, at the Lottery's sole discretion, the SAS 70 audit may be conducted bi-annually. This SAS 70 audit engagement will review and test the effectiveness of the Successful Vendor's internal controls based on the AICPA Statement of Auditing Standards No. 70 with the deliverable being a Type II Service Auditor's Report. The SAS 70 audits shall be paid for by the Successful Vendor. For this review the Lottery and the Auditor of the State of Iowa will select the firm(s) to perform the work. All aspects shall be conducted pursuant to auditing standards as issued by the American Institute of Certified Public Accountants. SAS 70 Audits shall occur for a time period designated by the Lottery and will be reported no later than one hundred-twenty (120) days from the date the audit begins. The first SAS 70 audit shall be conducted during the first six (6) months of fiscal year 2013. Status reports and findings will be provided to the Lottery on an on-going basis during the SAS 70 audit. Control objectives for the SAS 70 audits will be provided to and approved by the Lottery.

4. The Successful Vendor is required to maintain its books, records and all other information pertaining to the Contract in accordance with generally accepted accounting principals (GAAP) (or the appropriate non-U.S. equivalent) and such other procedures specified by the Lottery. These records shall be available to the Lottery, its internal auditors or external auditors (and other designees) at all times during the contract period and for five (5) years from the contract expiration date or final payment on the contract, whichever is later.

2.8 Bonds and Insurance Qualifications

All required bonds and insurance must be issued by companies which are rated A- (Excellent) or higher by A. M. Best Company. All such companies must be approved by the Lottery, have a record of successful continuous operation, and be licensed, admitted, and authorized to do business in the State of Iowa. Required bonds and coverages must be put into effect as of the effective date of the Contract and must remain in effect throughout the term of the Contract, as determined by the Lottery. The Successful Vendor must submit certificates and copies of each required bond and insurance contract, and any renewals thereof, to the Lottery. The insurance policies must provide thirty (30) days advance written notice of cancellation, termination or failure to renew any policy.

2.9 Insurance

The Successful Vendor shall purchase and maintain insurance providing coverage for the claims set forth below which may arise out of or result from the Successful Vendor's operations under the Contract, whether such operations be by the Successful Vendor or by any subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

- Claims under workers' compensation, occupational disease disablement, disability benefits and other similar employee benefits acts.
- Claims for damages because of bodily injury, occupational sickness or disease, or death of any person, including Successful Vendor employees.
- Claims for damages because of injury to or destruction of tangible property, including any resulting loss of use.
- Errors and Omissions Insurance that will indemnify the Lottery and the State of Iowa for any losses incurred due to System downtime, errors or omissions during the time that terminals are expected to be operational, machine error, or any other error or omission caused by the Successful Vendor, its officers, employees, agents, subcontractors or assigns regardless of negligence.

2.9.1 Insurance Coverages

Specific coverage requirements are listed below. Dollar amounts defined below are minimums and the Successful Vendor must purchase and maintain these minimum insurance coverages. Statements of self-insurance to cover these obligations will be considered non-responsive.

1. Property Insurance. Insurance on all buildings, fixtures and equipment provided or used in providing the System and all services must be maintained in the amount of actual replacement cost thereof. This policy must insure personal property including contents, equipment, and mobile items against fire, collision, flood, and all other insurable hazards. Lottery retailers are not responsible for any terminal or equipment insurance.
2. General Liability Insurance. Comprehensive General Liability and Property Damages Insurance with limits of not less than \$5,000,000 for any one person and \$10,000,000 for any one occurrence for personal injury, and \$5,000,000 for any one occurrence for property damages.
3. Professional Liability and Errors and Omissions Insurance. Amount: \$20,000,000.
4. Automobile Bodily Injury and Liability Insurance. Insurance with a combined single limit of not less than \$1,000,000.
5. Workers' Compensation Insurance. To cover all of Successful Vendor's employees during the term of the contract in accordance with Iowa statutes, or other applicable worker's compensation laws.

Professional Liability and Errors and Omissions Insurance must indemnify the Lottery, its directors, officers and employees, and the State for direct or indirect loss due to any error or omission caused by the Successful Vendor and coverage must continue until one (1) year past the term of the Contract.

All other insurances required by this section must be effective upon execution of the Contract and continue in full force and effect throughout the term of the Contract. The Lottery must receive thirty (30) days advance written notice of cancellation, termination, or failure to renew any policy.

2.9.2 Certificates of Insurance

Certificates of insurance must be furnished to the Lottery no later than the date of Contract execution, with the exception of the certificate for Errors and Omissions Insurance, which must be furnished no later than ten (10) business days prior to production start-up. The Lottery will be named as an additional insured on all Certificates of Insurance as allowable.

2.10 Performance Bond

Upon notification of receiving the award, the Successful Vendor will be required to obtain a performance bond or other form of security acceptable to the Lottery in the amount of ten million dollars (\$10,000,000) during the term of the Contract. The performance bond shall bind the Successful Vendor to fully and faithfully perform its obligations under the Contract, and provide payment to the Lottery if the Successful Vendor defaults in the performance of the Contract or has caused or incurred any uncompensated liquidated damages.

The performance bond may be used to satisfy liquidated damages payments due the Lottery that have not been received within thirty (30) calendar days after written notice of liquidated damage occurrence has been given to the Successful Vendor by the Lottery.

Other forms of security may be acceptable but are subject to the Lottery's discretion and approval. Failure to post an additional bond or security within seven (7) days after notice that proposed security is inadequate, shall be grounds for immediate termination of the Contract.

2.11 Fidelity Bond

Prior to Contract execution, the Successful Vendor will be required to obtain a fidelity bond in the amount of five million dollars (\$5,000,000) during the term of the Contract covering any loss or damage to the Lottery due to any fraudulent or dishonest act on the part of the Successful Vendor's officers, employees, agents or subcontractors. Such an event, in the sole discretion of the Lottery, could be grounds for termination of the contract, whether or not the losses or damages arising as a result of the act or event are paid under the fidelity bond or insurance.

If a subcontractor is not covered by the Successful Vendor's policy the Successful Vendor must ensure the subcontractors have their own coverage.

2.12 Vendor Error Liability

The Successful Vendor will be liable for any financial liabilities or obligations arising or resulting from errors and omissions by the Successful Vendor's employees, staff, subcontractors, and the System. Examples include, but are not limited to, errors in entry or posting of winning numbers by System operators, software and hardware errors that create retailer or payout liabilities, and apparent winning tickets issued by the Successful Vendor's System and presented for redemption which are not identified as valid, winning, saleable tickets in the transactions supplied by the Successful Vendor to the Lottery's internal control system (ICS). The Successful Vendor will pay all prize costs for any such ticket, and shall pay any additional cost incurred by the Lottery. In

any case, the Successful Vendor's liability shall not be limited to the maximum amount of the applicable liability policy.

2.13 Ownership of Materials

Ownership of all data, documentary material, and operating reports originated and prepared exclusively for the Lottery pursuant to any Contract resulting from this RFP shall belong to the Lottery.

The Successful Vendor will retain ownership of the retailer terminals, terminal peripherals, gaming computer systems, network systems, system documentation, software, and other materials originally supplied by the Successful Vendor.

2.14 Right of Use

If for any reason other than a breach of the Contract by the Lottery, the Successful Vendor should lose its ability or refuse to provide the services to the Lottery as provided by the Contract, the Lottery shall acquire a usufruct in the hardware, source and object program instructions, and the documentation for those programs as owned by the Successful Vendor, in conjunction with any products or services under the Contract which are necessary to provide the central facility, the backup facility, the communications network, all terminals, related equipment, procedures, and production gaming scripts.

Such usufruct shall be limited to the right of the Lottery to possess and make use of these items solely for the use and benefit of the Lottery in operating, maintaining, altering and improving the programs and systems being used under the Contract. Such usufruct shall be limited in time for the duration of the Contract and in scope to those items being used by the Lottery and on the Lottery's behalf under the Contract. All items, including modifications or alterations thereof, shall be kept in confidence, except to the extent that they are public records under Iowa law, and shall be returned to the Successful Vendor when their usufruct purposes have been fulfilled.

If there has been a determination, in the sole discretion of the Lottery, that continuity of the Successful Vendor's operations are in jeopardy and this provision may be exercised, the Successful Vendor shall provide training to the Lottery in the operation of the System, at the Lottery's request and at the successful Vendor's cost.

2.15 Force Majeure

A *force majeure* occurrence is an event or effect that cannot be reasonably anticipated, prevented or controlled and without the fault or negligence of the non-performing party. As herein used, *force majeure* may include, but is not limited to fire, explosion, Act of God, strike or labor disturbance, rationing, war, terrorism, act of any governmental

authority or agency, civil disturbance, governmental interference, or any other cause which is beyond the control of the party affected, and which, by the exercise of reasonable diligence, said party is unable to prevent or to predict or through advance planning avoid.

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

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

During a period of non-performance due to *force majeure*, payments from the Lottery to the Successful Vendor will be suspended.

The party asserting force majeure must provide the other party with reasonable information substantiating the basis for such assertion.

2.16 Production-Ready Acceptance Test Following Award

The Lottery will conduct a series of acceptance tests to fully assess and determine the passing or failing of the Successful Vendor's installation in accordance with the specifications of this RFP, the Proposal, the Contract, and working papers developed jointly by the Successful Vendor and the Lottery during the implementation project. The Successful Vendor's assistance in arranging these tests is mandatory.

The Lottery will not consider System components ready for Lottery acceptance testing while still under development by the Successful Vendor, or still subject to Quality Assurance verification by the Successful Vendor. The Lottery may establish standards for readiness of the System for acceptance testing, known as "entry criteria."

All defects discovered during acceptance testing must be corrected as soon as reasonably possible by the Successful Vendor, for re-testing. If the software contains such number of defects as to render the system un-testable in a practical sense and the defects are not remedied by the Successful Vendor as soon as reasonably possible the Lottery reserves the right to halt acceptance testing until the defects have been remedied and the System is testable in a practical sense once again. Acceptance testing halts may lead to delays in System delivery and to liquidated damages being owed by the Successful Vendor to the Lottery.

The Lottery, at its sole discretion, will determine whether performance against the acceptance tests is adequate, and whether conversion can proceed to production as scheduled. Passing an acceptance test in no way removes the obligation for the Successful Vendor to meet, and to continue to meet, all documented specifications. Failure of the Successful Vendor to pass these tests may result in the Successful Vendor having to make corrections, delay conversion or installation, pay liquidated damages, or pay up to the full amount of the Performance Bond.

2.17 End of Contract Conversion

It is contemplated that the Lottery, approximately twelve (12) months prior to the expiration of the Contract resulting from this RFP, will award a new contract for replacement of the System. The parties understand and agree that the Lottery may utilize part of the last year of the Contract resulting from this RFP or any renewal or extension thereof for conversion to the replacement gaming system.

The Successful Vendor shall cooperate fully and in good faith in the conversion. Cooperation may include, but not be limited to, sharing of liability files, instant ticket pack inventory files, retailer authority files, and cross-validation of winning tickets. The Lottery may determine in its sole discretion that cooperation by the Successful Vendor shall include providing information to allow ticket bar codes to be read by a third-party system for validation. Failure by the Successful Vendor to cooperate fully and in good faith may result in the assessment of liquidated damages, as defined in RFP Section 2.26.

The Successful Vendor further shall remove all equipment and materials relating solely to the Successful Vendor's gaming system from each retailer location and from Lottery property after final conversion of any location to the new gaming system, within a reasonable period as set by the Lottery. Equipment and materials not so removed by the Successful Vendor shall be considered abandoned and shall be disposed of at the Lottery's discretion at the cost of the Successful Vendor.

2.18 Equipment and Software Corrections and Upgrades

2.18.1 Corrections and Supported Products

The Successful Vendor must report to the Lottery any deficiencies in its hardware or software used in the System and is responsible for ensuring that corrections are incorporated in the configuration in a timely and responsible manner. At the time the Successful Vendor is notified by any supplier that a software release in the configuration is scheduled to have support dropped, it is the Successful Vendor's obligation to acquire and install an appropriate upgrade (with the Lottery's prior approval). The Successful Vendor shall be responsible for obtaining and maintaining maintenance and support agreements for all applicable software.

2.18.2 Workload Growth

The Successful Vendor must provide equipment and software changes necessary to support increased System workload.

1. Increased volumes of on-line transactions and instant/pull-tab product distribution and sales must be included in the Successful Vendor's Base System price.
2. Fulfillment of expanded requirements from multi-jurisdictional organizations in which the Lottery participates or elects to participate in the future must be included in the Base System price.

2.18.3 Reporting Changes

All software and/or stored procedure changes for scheduled administrative reports, ad hoc reports, screen displays, processing options, and other features required for the Lottery to manage the System, meet reporting obligations, and respond to new business needs or rules, are included in the Base System. This section shall pertain to any expanded reporting necessary for management information applications, as well as to the interface reporting necessary for accurate tracking by Lottery staff for service and repair calls.

2.18.4 Other Changes

Changes and enhancements to the equipment and software exceeding RFP-specified and current requirements (and not otherwise accommodated by the pricing method and options in Part 4) such as additional terminal peripherals, game enhancements, game options, promotions, new games, new terminal types, and new Retailer user interface features, will be handled as follows:

1. Software changes and new games are included in the Base System price, even if additional developments are required to create or adapt software for the Lottery's needs.
2. Additional capital equipment and facilities will have their pricing negotiated with the Lottery.
3. Third-party licenses will be provided at cost.

2.19 Approval of Hardware and Software Changes and Upgrades

The Successful Vendor's configuration management system and practices shall preclude unauthorized changes to the System. Any engineering changes or variations from the designs and specifications of the RFP, the Proposal, the Contract, or signed-off working papers must be **approved in writing** by one of the following: Lottery CEO,

COO, CFO, IT Manager or the Network Coordinator prior to installation or implementation.

2.20 Management and Escrow of Software and Documentation

Before conversion of the System, a complete set of the Successful Vendor's software source programs, program object code, operations manuals, service manuals, written procedures, and any such other materials necessary for the Lottery to operate the System shall be delivered to the Lottery or to a Lottery-approved escrow agent. The software source and object programs, and documentation, can be delivered on mutually agreeable media. Installation packages for third party software products licensed by the Successful Vendor must be included. These materials would allow the Lottery to (i) continue operations in the event the Successful Vendor becomes unable to perform or refuses to service the Lottery as provided by Contract, and (ii) confirm that only authorized software and procedures are employed with the System. In this regard, access by the Lottery to the escrow (if escrowed) shall be at the Lottery's discretion for auditing its contents, or for preparation to assume operations of the System.

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

2.21 Compensation During Contract

The Lottery is obligated to compensate the Successful Vendor only as a result of sales conducted through the gaming system, from the time that the retailer network is fully converted to the Successful Vendor's System and in production, for the term of the Contract, or otherwise as a result of the Lottery's acceptance of an option that is priced alternatively to a percentage of sales. Compensation shall be based on a series of periodic payments. Invoices shall be submitted on a periodic schedule, but no more frequently than weekly.

2.22 Title to, Use of, and Compensation for, Intellectual Property

To the extent that the Successful Vendor utilizes or relies upon the Intellectual Property Rights of a third party in fulfilling its obligations under the Contract, the Successful Vendor will provide the Lottery with whatever assurance the Lottery deems necessary that the use of such third party Intellectual Property Rights is permissible. In addition, in the event of failure to perform or breach of contract the Successful Vendor must ensure continued right of use of licensed intellectual property by the Lottery.

The Successful Vendor shall indemnify and hold harmless the State of Iowa, the Lottery, the Lottery's officers and directors, employees, staff, other Lottery Vendors, retailers, and all agents, employees, officers and directors thereof, from and against any and all claims, damages, fees and expenses (including any attorneys' fees and including reasonable value of time for the Attorney General's Office) arising from or related to any claims that any or all of the products or services provided by the Successful Vendor under the contract violate the Intellectual Property Rights of a third party.

While the Lottery and the Successful Vendor agree that Intellectual Property associated with any product or service provided by (or developed solely by) the Successful Vendor during the term of this Contract and used by the Lottery will remain the property of the Successful Vendor, the Successful Vendor will grant a license or authority to the Lottery to make use of any such Intellectual Property on an indefinite basis with respect to Lottery conduct of games and business. There shall be no additional charge for this right of the Lottery.

Intellectual Property fees for third-party products, logos, trademarks, brands, or labels that the Successful Vendor deploys in the System under the Contract shall be addressed under RFP Section 2.18.4. The Successful Vendor may not separately charge the Lottery an Intellectual Property fee for any items owned by the Successful Vendor.

2.23 Exclusive Use of the Transaction Processing Systems

Use of the Successful Vendor's hardware and software configuration that processes the Lottery's gaming transactions for the Lottery must be exclusive to the Lottery. Transactions from other sources shall not be co-mingled with the gaming transactions of the Lottery. The Successful Vendor's System shall not be used to process non-Lottery transactions without prior written approval by the Lottery CEO or COO and without agreed upon compensation to the Lottery.

2.24 Attachment of Third Party Systems, Terminals, or Products

The Lottery reserves the right to attach to the System or otherwise install terminals, terminal peripherals, games, software, products, or systems other than those required by this RFP, including but not limited to systems allowing customers to use electronic mail, mobile phones, and the internet to play Lottery games.

The Successful Vendor shall be required to supply to the Lottery, in a reasonable time period, interface specifications to permit other products to carry out all functions and capabilities desired by the Lottery. The Successful Vendor shall provide support to the

Lottery in conducting future procurements for such products including providing facilities and support to allow other Vendors to attach or install and test products during the evaluation process. The Lottery will monitor progress to ensure full cooperation.

Should the Lottery propose to add terminals, products or systems not supplied by the Successful Vendor for this RFP, but for which the Successful Vendor would gain responsibility, appropriate remuneration of the Successful Vendor shall be negotiated under RFP Section 2.18.4.

2.25 Ticket Purchase and Prize Payment Restrictions

Restrictions apply to the purchase of tickets and payment of prizes regarding individuals related to the Successful Vendor or the Successful Vendor's subcontractors. Pursuant to the Iowa Code section 99G, no ticket or share issued by the authority shall be purchased by and no prize shall be paid to any officer, employee, agent, or subcontractor of any vendor or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any such person if such officer, employee, agent, or subcontractor has access to confidential information which may compromise the integrity of the Lottery. The Successful Vendor shall ensure that this requirement is made known to each affected individual.

To ensure compliance with this requirement, the Successful Vendor and its subcontractors shall provide a list of such individuals within thirty (30) days of the award of the contract. The list shall include name, address, date of birth, and social security number, and shall be updated to maintain current information. This requirement applies throughout the duration of the Contract.

2.26 Liquidated Damages Provisions

With respect to each of the liquidated damages sections set forth in the RFP and the Contract, the Lottery and the Successful Vendor agree that it would be extremely impractical and difficult to determine actual damages which the Lottery will sustain in the event of a breach by the Successful Vendor. The Lottery and the Successful Vendor further agree that the goods and services to be provided under the Contract are not readily available on the open market and any breach by the Successful Vendor will delay and disrupt the Lottery's operations and will result in damages. Therefore, the parties agree that the liquidated damages as specified in all the sections of the RFP and the Contract are reasonable and are not to be construed as a penalty.

In no case shall liquidated damages be measured in terms of potential lost revenue or potential lost net profit to the Lottery, unless and to the extent that a court of competent jurisdiction should determine that a liquidated damages provision is unenforceable as a matter of law.

Assessment of liquidated damages shall be in addition to, and not in lieu of, such other remedies as may be available to the Lottery. Except and to the extent expressly provided herein, the Lottery shall be entitled to recover liquidated damages under each and every section applicable to any given breach, occurrence or incident.

2.26.1 Notification of Liquidated Damages

Upon determination that liquidated damages are to be or may be assessed, the Lottery shall notify the Successful Vendor of the assessment in writing. The availability of any period of cure will depend on the situation and will be in the sole discretion of the Lottery.

2.26.2 Conditions for Cancellation of Liquidated Damage Assessments

As determined appropriate by the Lottery, the following are the conditions under which the Successful Vendor may seek relief from the continued assessment of liquidated damages:

1. Except as waived in writing by the Lottery, no liquidated damages imposed shall be terminated or suspended until the Successful Vendor issues a written notice verifying the correction of the condition(s) for which liquidated damages were imposed, and all corrections have been subjected to system testing, acceptance testing, or other verification required at the discretion of the Lottery.
2. The Successful Vendor shall conduct system testing of any correction, as the Lottery deems necessary. Tests, including the test script, test environment, and test results shall be developed jointly by the Lottery and the Successful Vendor, and must be approved by the Lottery. A notice of correction will not be accepted until such correction has been verified and approved by the Lottery.

2.26.3 Severability of Individual Liquidated Damages

If any portion of the liquidated damages provisions is determined to be unenforceable, the other provision(s) shall remain in full force and effect.

2.26.4 Waivers of Liquidated Damages

The waiver of any liquidated damages due the Lottery shall constitute a waiver only as to such liquidated damages and not a waiver of any other or future liquidated damages. Failure to assess liquidated damages or to demand payment of liquidated damages within any period of time shall not constitute a waiver of such claim by the Lottery.

2.26.5 Payment of Liquidated Damages

All assessed liquidated damages may be deducted from any monies owed the Successful Vendor by the Lottery and in the event the amount due the Successful

Vendor is not sufficient to satisfy the amount of the liquidated damages, the Successful Vendor shall pay the balance to the Lottery within thirty (30) calendar days of written notification. If the amount due is not paid in full, the balance will be deducted from subsequent payments to the Successful Vendor. At the Lottery's sole option, the Lottery may obtain payment of assessed liquidated damages through one (1) or more claims upon the performance bond.

2.26.6 *Applicability of Liquidated Damages and Pro-rated Liquidated Damages*

The Successful Vendor shall not be required to pay liquidated damages for delays solely due to matters as enumerated in RFP Section 2.15 entitled "Force Majeure," or for time delays specifically due to, or approved by, the Lottery. In all the liquidated damages sections of the RFP and the Contract, the liquidated damages shall be pro-rated for partial periods. For example, if liquidated damages are six hundred dollars (\$600) per minute, and the period is eight (8) seconds, the liquidated damages shall be six hundred dollars (\$600) times $8/60 = \$80$.

2.26.7 *Gaming System Installation*

1. Condition

The Successful Vendor shall complete all installation preparations as required, complete system testing to the Lottery's satisfaction, pass Lottery acceptance testing, comply with all other contractual requirements in effect during the implementation period, and achieve readiness for production operations.

2. Damages

The Lottery may impose liquidated damages for each calendar day of delay as follows.

- 1) Readiness for Start of Lottery Acceptance Testing. Five thousand dollars (\$5,000) per day, beginning one hundred twenty (120) days prior to the Contract-agreed production start-up date.
- 2) Successful Completion of Lottery Acceptance Testing. Ten thousand dollars (\$10,000) per day beginning seven (7) days prior to the Contract-agreed production start-up date, when such delay is caused by unresolved errors, problems and issues encountered in Lottery Acceptance testing.
- 3) Production Operations. Two hundred thousand dollars (\$200,000) per day beginning with the Contract-agreed production start-up date. At start-up, all terminals, network, communications and system requirements must be ready to go live.

- 4) Missing Project Deliverables/Milestones. Five-hundred dollars (\$500) per day for each and every failure to provide a deliverable, meet a requirement, or resolve an acceptance testing problem pursuant to the agreed-upon project schedule until such is provided or performed.

2.26.8 Terminal and Peripheral Provisioning

1. Condition

The Successful Vendor shall install and move (e.g. moves, adds, deletions, removals, relocations and changes) terminals, including their associated Successful Vendor-supplied peripherals in accordance with the provisioning schedules that are agreed to by the Successful Vendor and the Lottery both at startup and during the life of the Contract.

2. Damages

In the event that the Successful Vendor fails to install a new terminal, delete or remove a terminal, move a retailer terminal to new premises, or conduct an inside move for a retailer according to the agreed-upon schedule, the Lottery may impose liquidated damages of three hundred dollars (\$300) per day per terminal, or prorated fraction thereof, until provisioning is complete. For this paragraph the Lottery shall assume that a retailer terminal includes all associated peripherals and communications equipment.

2.26.9 Gaming Host Systems Down

1. Condition

The gaming hosts shall be defined to be "down" if tickets cannot be sold, tickets cannot be canceled (under the allowed conditions), or winning tickets cannot be validated during the operational sales period each day. A grace period of two (2) minutes of down time per day shall be allowed. The total time during which the gaming hosts are down during the day shall be the sum of all time during such daily operational sales period when the systems are "down." For example, two (2) one-minute-long instances in one day constitute two (2) minutes of daily down time. To address chronic problems, in the event that two (2) downtime events of any length have already occurred in a business week, the grace period of two (2) minutes shall not be allowed, and liquidated damages shall begin immediately with any subsequent outage in that week. If the chronic problem is not corrected in a timely manner, the Lottery reserves the right to rescind the grace period indefinitely until such time that the Successful Vendor can demonstrate to the Lottery's satisfaction, resolution of the problem causing the chronic down time.

2. Damages

In the event that the gaming host systems have been down, the Lottery may impose liquidated damages according to the following schedule:

Liquidated damages in an amount of one thousand five hundred dollars (\$1,500) may be assessed for each one (1) minute of system downtime after the two (2) minute grace period, as applicable, or fraction thereof.

2.26.10 Gaming Host Systems Degraded Performance

1. Condition

The gaming host systems ("the System") shall evidence "degraded performance" of no more than fifteen (15) minutes grace period during the operational sales period on any day. The amount of time during which the gaming hosts are degraded during the day shall be the sum of all time during such daily operational sales period when the systems are degraded. To address chronic problems, in the event that two (2) degraded time events of any length have already occurred in a business week, the grace period shall not be allowed, and liquidated damages shall begin immediately with any subsequent degraded time event that week. If the chronic problem is not corrected in a timely manner, the Lottery reserves the right to rescind the grace period indefinitely until such time that the Successful Vendor can demonstrate to the Lottery's satisfaction, resolution of the problem causing the chronic degradation of performance.

The System shall be considered as having degraded performance when:

- 1) Retailer terminal's response time fails to comply with the response time requirements as specified in RFP Section 3.1.5, or the System is incapable of meeting the throughput specifications provided in RFP Section 3.1.5.
- 2) The System can only process transactions from less than 95% of the installed and operational terminals.
- 3) The System can process transactions from all terminals, but not for all gaming products and not for all retailer-related activities (e.g., reports, retailer messaging, terminal disables).
- 4) Transactions are not logged to at least three (3) systems over two (2) locations and to the Lottery's ICS and backup ICS.
- 5) Critical functions of System management and administration cannot be conducted by the management workstations. These include file and data transfers to the Lottery and check writing functions.
- 6) Instant/pull-tab ticket inventory management is compromised, including the capability to receive, order, distribute and return instant/pull-tab tickets, etc. in a manner in accordance with Lottery schedules; or

- 7) During a defined promotion period the System cannot issue tickets or conduct transactions to support an intended promotion or the promotion is running outside the promotion time period.

2. Damages

In the event that the gaming hosts have "degraded performance," the Lottery may impose liquidated damages according to the following schedule:

Liquidated damages in an amount of forty-five dollars (\$45) per minute of degraded time, or fraction thereof, after a fifteen (15) minute grace period, as applicable.

2.26.11 Timely and Accurate Reports

1. Condition

The Successful Vendor shall produce and deliver timely, sufficient, and accurate management and retailer reports within the specified time frames, as categorized and approved in writing by the Lottery. The time schedule shall also determine a grace period for the delivery of late, incomplete, or incorrect reports. Reports will be categorized into groups A and B by the Lottery according to time criticality and importance, and the liquidated damages will reflect that.

2. Damages

For each late, insufficient, or inaccurate report in Group A, once the approved grace period has passed, the Lottery may impose liquidated damages of five thousand dollars (\$5,000) for the first day or pro-rated fraction thereof and twenty-five thousand dollars (\$25,000) for each additional day or pro-rated fraction thereof, per report, until the report is provided, made sufficient or corrected.

For each late, insufficient, or inaccurate report in Group B, once the approved grace period has passed, the Lottery may impose liquidated damages of five hundred dollars (\$500) per day, or pro-rated fraction thereof, per report, until the report is provided, made sufficient or corrected.

2.26.12 Timely and Accurate Files

1. Condition

The Successful Vendor shall produce and deliver timely, sufficient, and accurate files, including the retailer website, within the specified time frames, as categorized and approved in writing by the Lottery. The time schedule shall also determine a grace period for the delivery of late, incomplete, or incorrect files. Files will be categorized into groups A and B by the Lottery according to time criticality and importance, and liquidated damages will reflect that.

2. Damages

For each late, insufficient, or inaccurate file in Group A, once the approved grace period has passed, the Lottery may impose liquidated damages of five thousand dollars (\$5,000) for the first day or pro-rated fraction thereof and twenty-five thousand dollars (\$25,000) for each additional day or pro-rated fraction thereof, per file, until the file is provided, made sufficient or corrected.

For each late, insufficient, or inaccurate file in Group B, once the approved grace period has passed, the Lottery may impose liquidated damages of five hundred dollars (\$500) per day, or pro-rated fraction thereof, per report, until the file is provided, made sufficient or corrected.

2.26.13 Terminal and Peripherals Repair

1. Condition

The Successful Vendor shall ensure that “non-operational” terminals (and their associated peripheral devices) are repaired or replaced and operational within the time schedule below. Repairs are required between 7:00 AM and 8:00 PM, Monday through Saturday and between 10:00 AM and 5:00 PM on Sunday.

A retailer terminal is considered non-operational if:

- Tickets cannot be sold or canceled, or
- Validations cannot be performed, or
- Pull-tab verifications cannot be performed

The terminal is also considered to have a critical failure if the reader and/or scanner cannot process wagers or play slips. Critical failures are those involving non-functioning readers, scanners, retailer display screens and printers.

The repair or replacement time schedule is two (2) hours for non-operational terminals and terminals with critical failures.

For less critical failures that do not render the terminal non-operational as defined above, the Successful Vendor has twenty-four (24) hours to complete a repair from the time of notice by the retailer.

For purposes of this paragraph, “terminal” refers to the retailer terminal and all associated peripherals provided by the Successful Vendor.

2. Damages

If there has been repair or replacement delay beyond the allowable time schedule for non-operational terminals or terminals with critical failures, the Lottery may impose liquidated damages of seventy-five dollars (\$75) per terminal per hour or pro-rated fraction thereof, excluding gaming system non-operating hours.

For terminals with other, less critical failures, the Lottery may impose liquidated damages of one hundred dollars (\$100) per terminal per day or pro-rated fraction thereof, until a repair or replacement has been completed.

For chronic failures applying to individual retailers, in which the retailer terminal has failed and required a dispatch and repair three (3) times in any thirty (30) day period including terminal replacements, the Lottery may impose a charge of five hundred dollars (\$500) per retailer. Chronic failure does not apply if it results from *force majeure* or tampering or abuse by the retailer or its customers. The Lottery may, at its discretion, require the Successful Vendor to produce maintenance related records for one or more specific retailers for a period of up to two (2) years.

2.26.14 Terminal Preventive Maintenance

1. Condition

The Successful Vendor and the Lottery shall agree on a preventive maintenance cycle for retailer terminals. Such attention tendered to retailer terminals helps ensure that failures are minimized and do not become chronic. The Successful Vendor's failure to maintain the preventive maintenance schedule shall be subject to liquidated damages.

2. Damages

If for a retailer terminal there has been a delay in scheduled preventive maintenance beyond the first day of the month following the scheduled service cycle, then the Lottery may impose liquidated damages of one hundred dollars (\$100) per day per retailer terminal until the condition is rectified.

2.26.15 Failure to Modify Existing On-Line Games or to Install Additional Games

1. Condition

The Successful Vendor shall modify existing games or install additional games and their supporting controls within ninety (90) days from delivery of the Lottery's written approval for a set of game specifications, unless an extension is authorized in writing by the Lottery, or a schedule is otherwise established following written request of the Lottery for System enhancements. In addition, the Successful Vendor's modification/installation must complete a Lottery acceptance test and receive the Lottery's written approval, within the time frame specified.

2. Damages

The Lottery may impose liquidated damages of ten thousand dollars (\$10,000) per day that the modified or additional game is not installed. The Successful Vendor is

not obligated to pay liquidated damages if the Lottery opts to release the change at a later time than the agreed-upon schedule.

2.26.16 Failure to Produce an Administrative Software Change

1. Condition

The Successful Vendor shall modify, add and install software to produce reports, screen displays, inquiries, and other administrative applications within sixty (60) days from delivery of written approval by the Lottery of a set of change specifications, unless an extension is authorized in writing by the Lottery, or a schedule is otherwise established following written request of the Lottery for changes. The Successful Vendor's change must complete a Lottery acceptance test and receive the Lottery's written approval, within the time frame specified.

2. Damages

The Lottery may impose liquidated damages of five hundred dollars (\$500) per day that the modified or additional software is not installed.

2.26.17 Failure to Support Instant Ticket and Pull-tab Games

The Successful Vendor must ensure that instant ticket and pull-tab games are supportable, and if not, liquidated damages will result.

1. Condition

The System must handle instant and pull-tab ticket related transactions and if applicable, produce reports for all games ordered by the Lottery from its instant ticket supplier(s).

2. Damages

The Lottery may impose liquidated damages of ten thousand dollars (\$10,000) per day for any instant or pull-tab games for which the Successful Vendor does not provide timely and/or correct instant or pull-tab ticket related transaction handling and reporting.

2.26.18 Unauthorized Software/Hardware Modifications

1. Condition

The Successful Vendor shall not modify any software or hardware without the prior written consent of the Lottery. Configuration Management practices shall be designed to obviate this possible problem.

2. Damages

If the Successful Vendor modifies any software or hardware without the prior written approval of the Lottery, the Lottery may issue a written order that the change or modification be removed and the System restored to its previous operating state at the Successful Vendor's expense. "Modification" does not include replacement of a System component with an essentially similar working component in the event of necessary maintenance.

Further, the Lottery may impose liquidated damages of ten thousand dollars (\$10,000) per violation in addition to any other damages that may occur as a result of such unauthorized modification.

2.26.19 Unauthorized Access or Compromise

1. Condition

The Successful Vendor shall preclude personnel not authorized by the Lottery from accessing, modifying, or otherwise interfering with the Lottery gaming systems, facilities, and any gaming system data or software.

2. Damages

If the Successful Vendor fails to preclude access, modification, or interference by unauthorized personnel, the Lottery may impose liquidated damages of ten thousand dollars (\$10,000) for each person, and for each incident. Each and every act that permits access, modification, or interference by an unauthorized person is an incident.

2.26.20 Supply Shortage

1. Condition

The Successful Vendor shall furnish any and all essential supplies and consumables to the retailer locations for all games (not including instant tickets, pull-tabs or point-of-sale advertising materials).

2. Damages

In the event that retailers become unable to sell or validate tickets due to the Successful Vendor's failure to provide adequate operating supplies, the Lottery may impose liquidated damages of three hundred dollars (\$300) per retailer per day (or on a prorated basis for any portion of a day) until the operating supplies are provided.

2.26.21 Failure to Report Incidents

1. Condition

It will be the responsibility of the Successful Vendor to immediately report all significant incidents related to the operation of the gaming system. The reporting shall be delivered personally or by telephone to the Lottery IT Manager or Designee immediately upon discovery of the incident, followed by a letter addressed to the Lottery IT Manager within twenty-four (24) hours of the incident. Written reports and notifications must be sent by email. At a minimum, each of the following types of events shall be considered “significant” and shall require a written report:

- 1) System takeovers;
- 2) Equipment or major communications failures;
- 3) Significant operator errors;
- 4) Out of balance conditions;
- 5) Emergency software or hardware changes;
- 6) Security violations;
- 7) Other conditions as defined by a memorandum of understanding; or
- 8) Any situation, which may cause the general public to become concerned/alarmed and/or which, may damage the integrity or public image of the Lottery.

2. Damages

In the event that the Successful Vendor fails to report incidents as required by this RFP, the Lottery may impose liquidated damages of five thousand dollars (\$5,000) per incident per day, until the incident is correctly reported.

2.26.22 Failure to Comply

1. Condition

The Successful Vendor is required to comply with all commitments of the RFP, the Proposal, and the Contract, and all clarifications and amendments to these documents. If the Successful Vendor should fail to provide products, services, data, or documents as obligated thereby, the Lottery may invoke liquidated damages where not otherwise specifically addressed by another liquidated damage provision.

2. Damages

In the event that the Successful Vendor fails to provide an obligated product, service, data, document, or any other commitment, the Lottery may impose liquidated damages of five hundred dollars (\$500) per day per incident (at the Lottery’s discretion) until the condition is rectified.

2.26.23 Retailer Network Outages

Communication equipment and network products and services provided by the Successful Vendor shall be subject to liquidated damages for outages and degraded performance.

1. Condition

A network damage condition occurs if a retailer's availability during gaming hours falls below the agreed-upon Service Level Agreement in any month. See RFP Section 3.3.4.7, which defines the minimum SLA as 99.7%.

2. Damages

In the event that a retailer network damage condition exists, the Lottery may impose liquidated damages according to the following schedule:

Liquidated damages in an amount of five hundred dollars (\$500) per occurrence may be assessed for each retailer experiencing the degraded service until the condition is rectified.

2.26.24 Failure to Comply with Required Standards or to Remedy Audit Recommendations

1. Condition

If the Successful Vendor fails to address recommendations made as a result of a system, security and/or control audit (e.g., SAS 70), or to comply with required Lottery, Association (e.g., NASPL or WLA), or multi-jurisdictional (e.g., MUSL) standards, there will be a liquidated damage assessed.

2. Damages

- 1) In the event that audit recommendations addressing any of the Successful Vendor's activities are not corrected within sixty (60) days of notification, unless specifically exempted by the Lottery CEO, the Successful Vendor may be charged liquidated damages of five thousand dollars (\$5,000) at the end of the initial sixty (60) day period and an additional five thousand dollars (\$5,000) for each subsequent thirty (30) day period or any portion thereof, for which the audit recommendation corrections have not been completed.
- 2) In the event the Successful Vendor fails to comply with any required Lottery or multi-jurisdictional association standard, the Lottery may assess liquidated damages of five thousand dollars (\$5,000) for each instance of non-compliance. The Successful Vendor will have thirty (30) days from date of notification to comply. If the Successful Vendor fails to comply within the initial thirty (30) day period, liquidated damages may apply in the amount of an

additional five thousand dollars (\$5,000) for each subsequent seven (7) day period, or any portion thereof, for which compliance has not been achieved.

2.26.25 Failure to Provide Software Testing and Quality Software Turnovers

1. Condition

If the Successful Vendor fails to provide a quality assurance test plan or a report on the quality assurance test, or fails to provide quality-tested software, there will be a liquidated damage assessment.

2. Damages

In the event that untested or poorly tested (as determined by the Lottery) software is turned over for Lottery acceptance testing and production and that software does not meet the specifications standards established by the Lottery, the Successful Vendor may be assessed liquidated damages, per release, of five thousand dollars (\$5,000) for the first violation (return or retraction of the software) and ten thousand dollars (\$10,000) for each subsequent violation.

2.26.26 System Restoration

1. Condition

The Successful Vendor must restore the system for retrieval of up to the previous twelve (12) months of on-line wagering transactions and instant ticket accounting transactions, if applicable, within twelve (12) hours of the Lottery's written request.

2. Damages

In the event that the Successful Vendor does not restore the system within twelve (12) hours, the Successful Vendor may be charged liquidated damages of two hundred and fifty dollars (\$250) for each hour beyond the initial twelve (12) hours.

2.26.27 Transaction Listing Delivery

1. Condition

The Successful Vendor must provide a complete and/or stratified transaction listing of daily activity at any or all retail locations that occurred during the previous twelve (12) months within two (2) hours of the Lottery's written request.

2. Damages

In the event that the Successful Vendor does not provide the transaction listing within two (2) hours, the Successful Vendor may be charged liquidated damages of two hundred and fifty dollars (\$250) for each hour beyond the initial two (2) hours.

2.26.28 Ticket Validation

1. Condition

The Successful Vendor must provide to the Lottery and the retailer network, accurate identification of winning and non-winning tickets and the correct prize level for all winning tickets.

2. Damages

In the event that the Successful Vendor does not provide accurate identification of winning and non-winning tickets and the correct prize level for all winning tickets, and the problem is determined to be as a result of the Successful Vendor's System, the Successful Vendor may be charged liquidated damages of one thousand dollars (\$1,000) for each incorrect identification of a ticket as winning or non-winning, and for each incorrect prize level identification. In addition to this amount, the Successful Vendor will be liable for the amount of any prize that is incorrectly validated.

2.26.29 Network Conversion

1. Condition

During the new contract conversion/phase-in period before the Start-up date, the Successful Vendor must not perform any network-related activity that results in interruption of the normal operation of the Lottery's on-line terminals.

2. Damages

In the event that the Successful Vendor causes any network-related interruption of normal operation of the Lottery's on-line terminals prior to the Start-up date, the Successful Vendor may be charged liquidated damages of two hundred and fifty dollars (\$250) per hour for each terminal which is unable to perform in normal operation mode until the terminal is returned to normal operational status.

2.26.30 Insufficient Successful Vendor Resources

1. Condition

The Successful Vendor and the Lottery will agree to a set of criteria for the staffing of hotline, operational, development, system support, conversion, field service, marketing support, and training services based on performance measures and standards. The Lottery will notify the Successful Vendor of its failure to meet the performance measures and standards. The Successful Vendor will have fourteen (14) calendar days from its receipt of written notice by the Lottery to remedy the failure.

2. Damages

In the event that the Successful Vendor fails to maintain sufficient resources, the Successful Vendor may be charged liquidated damages of two hundred and fifty dollars (\$250) per day, per position, for each day after fourteen (14) days from written notification until the condition is corrected.

2.26.31 Invalid Ticket

1. Condition

The on-line gaming system must neither produce nor validate a ticket that the Lottery does not determine to be a valid winning game ticket according to its game rules and prize claim procedures.

2. Damages

In the event that the Successful Vendor's on-line gaming system processes an invalid ticket, the Successful Vendor may be charged liquidated damages of one thousand dollars (\$1,000) and will be liable for the prize amount of the ticket.

2.26.32 Defective or Non-Conforming Ticket

1. Condition

The on-line gaming system must not produce defective or non-conforming tickets due to any terminal equipment or printer malfunction or failure that causes loss of revenue or the inability to pay appropriate prizes.

2. Damages

In the event that the Successful Vendor's on-line gaming system produces a defective or non-conforming ticket due to any terminal equipment, printer malfunction or communication error, the Successful Vendor may be charged liquidated damages of one thousand dollars (\$1,000) for each incident and will be liable for the prize amount of the ticket.

2.26.33 Unavailability/Degradation of the Back Office System

1. Condition

The Successful Vendor must ensure that no system malfunction results in the Lottery's inability to perform Lottery back office functions.

2. Damages

In the event that the Lottery's back office system becomes unavailable or in a degraded state due to the Successful Vendor's system, the Successful Vendor may be charged liquidated damages of ten thousand dollars (\$10,000) per day until the system is in a normal state.

2.26.34 Availability of Recorded Calls

1. Condition

The Successful Vendor must make recorded hotline calls available in an audio format to the Lottery within twenty-four (24) hours of written request.

2. Damages

In the event that the Successful Vendor fails to provide recorded hotline calls within twenty-four (24) hours of written request, the Successful Vendor may be charged liquidated damages of one hundred dollars (\$100) per day for each day after the initial twenty-four (24) hours until the condition is corrected.

2.26.35 Failure to Timely Respond to Retailer Hotline Calls

1. Condition

Response to the retailer hotline must be in a professional and timely manner. With a systemic problem the call system must play a prerecorded message and queue the calls. Under ordinary operational circumstances, Successful Vendor must provide a live operator response to ninety percent (90%) of Iowa retailer calls within two (2) minutes on a weekly basis, and failure to do so may result in liquidated damages.

2. Damages

In the event that hotline calls are not serviced in a timely manner the Successful Vendor may be charged liquidated damages of five thousand dollars (\$5,000) for any week during which the ninety percent (90%) minimum is unmet.

2.26.36 Retailer Training

1. Condition

The Successful Vendor must provide requested training to retailers within ten (10) working days of the Lottery's written request.

2. Damages

In the event that the Successful Vendor fails to provide requested training to retailers within ten (10) working days, the Successful Vendor may be charged liquidated damages of one hundred dollars (\$100) per day for each affected retailer for every day after the initial ten (10) working days until the condition is corrected.

2.26.37 Testing and Corrective Actions of the Disaster Recovery Plan

1. Condition

The Successful Vendor must test and document the testing of the Disaster Recovery Plan at least annually and report the results of the testing to the Lottery. The Successful Vendor must submit a plan within twenty-one (21) calendar days after the disaster recovery test to resolve any deficiencies discovered as a result of the disaster recovery test along with a timeline for resolving the deficiencies

2. Damages

In the event that the Successful Vendor does not test the Disaster Recovery Plan and document the results of the Disaster Recovery Plan test, the Successful Vendor may be charged liquidated damages of one hundred dollars (\$100) per day until the plan is tested and results of the test are reported to the Lottery. The Successful Vendor may be charged liquidated damages of one hundred dollars (\$100) per day after twenty-one (21) days until a corrective action plan is submitted to the Lottery.

2.26.38 Providing Connectivity

1. Condition

The Successful Vendor must provide connectivity from its system to the ICS systems and any other third party software or hardware within a reasonable timeframe established by the Lottery's request.

2. Damages

In the event that the Successful Vendor is unwilling or unable to provide connectivity from its system to the ICS systems and any other third party software or hardware within a reasonable timeframe, the Successful Vendor may be charged liquidated damages of five thousand dollars (\$5,000) per day per connectivity request, beginning from the implementation date set by the Lottery for that connectivity request. Once initial connectivity has been established the Successful Vendor may be charged liquidated damages of two hundred fifty (\$250) per hour for loss of connection.

2.26.39 Backup UPS and Generator Testing

1. Condition

The Successful Vendor must test the backup power features of their facility failover system on a periodic basis. The test plan and test interval shall be approved by the Lottery.

2. Damages

In the event that the Successful Vendor fails to adequately test their UPS and Generator in accordance with the test plan and test interval, the Successful Vendor may be charged liquidated damages of five thousand dollars (\$5,000) for each missed or late test.

2.26.40 Fire and Security System Compliance

1. Condition

The Successful Vendor must test the fire and security system components to ensure compliance with Lottery requirements on a periodic basis. The test plan and test interval shall be approved by the Lottery

2. Damages

In the event that the Successful Vendor fails to adequately test their Fire and Security Systems in accordance with the test plan and test interval, the Successful Vendor may be charged liquidated damages of five thousand dollars (\$5,000) for each missed or late test.

2.27 Security Program Under the Contract

Prior to operations under the Contract, the Successful Vendor shall establish a security program for the entire System, subject to the written approval of the Lottery. This program must be updated, reviewed, and approved annually by the Lottery. As part of this the Successful Vendor must maintain an approved Operations Security Plan.

2.27.1 Personnel Security

The Lottery may initiate investigations into the backgrounds of any officers, principals, investors, owners, subcontractors, employees, or any other associates of the Successful Vendor it deems appropriate. Such background investigations may include fingerprint identification.

Key personnel who will be performing services under the Contract and as determined by the Lottery shall be required to undergo a background investigation by the Lottery within thirty (30) days of execution of a Contract. Each employee will be required to complete a Class "O" Background Investigation Form as found on the Iowa Lottery website.

All Iowa based employees will be required to sign an Iowa Lottery Confidentiality Agreement.

The Successful Vendor consents to cooperate with such investigations, and to instruct its employees to cooperate. The Lottery reserves the right to require the removal of any

and all employees of such Successful Vendor from any responsibility in the performance of services as provided for under this RFP, based upon the results of background checks, or if the Lottery finds that any such employee is not performing in the best interest of the Lottery. The Lottery may terminate the Contract based upon adverse results of these background checks if the Lottery determines that its integrity, security, or goodwill may be in jeopardy.

The ability to conduct such investigations is a continuing right of the Lottery throughout the Contract.

The Lottery may extend this requirement to include any officers and employees of the Successful Vendor and any subcontractors involved in any way in the implementation, installation and operation of the System. The Lottery may also extend this requirement to include investors and owners (with a five percent (5%) or greater interest).

Upon award of the Contract, the Successful Vendor shall submit and allow, at a minimum, the following security elements:

1. A list of the names, addresses, dates of birth, and Social Security numbers of all employees and subcontractors assigned to and associated with this Contract.
2. Authorizations signed by the employees and subcontractors to allow law enforcement agencies to release relevant background information. This may be extended to include officers, investors, owners, and associates.
3. Assurance to the Lottery that, as changes are processed throughout the Contract and any extension thereof for the aforementioned types of personnel, any changes in this requested data and authorization shall be reported to the Lottery within one (1) calendar month.
4. Notification in writing to the Lottery within ten (10) business days if a person, group of persons, partnership, corporation, associate group of investors, limited liability company or other legal entity acquires directly or indirectly the beneficial ownership in the amount of five percent (5%) or more of the ownership interest in, or any class of equity securities of, the Successful Vendor or the parent company of the Successful Vendor. Background investigation and licensing may be required for these new owners and if the investigations are unsatisfactory, the Lottery may, at its option, terminate the Contract, after providing thirty (30) days written notice to the Successful Vendor.
5. Unfettered and unannounced access, inspection and evaluation privileges for all phases of performance and for all facilities and premises used by the Successful Vendor in fulfillment of this Contract and any extension thereof.
6. Immediate notification in writing to the Lottery's Vice President of Security and the IT Manager or Designees of all terminations and resignations of employees and staff assigned to and associated with this Contract.

7. Confirmation from all employees and/or subcontractors assigned to and associated with this Contract that they agree not to play the Lottery during the term of this Contract and any extension thereof.

2.27.2 Security Violation Reporting

The Successful Vendor shall immediately report in writing to the Lottery's Vice President of Security, any security procedural violation, system compromise, violation of law (e.g., theft), or disappearance of any tickets, on-line ticket stock, validation files, or other equipment, software or material used or to be used in the performance of this Contract.

2.27.3 Security Information (Disclosure) Updates

The Successful Vendor shall report any change in, addition to, or deletion from, the security information disclosed to the Lottery. The report shall be in the form of a letter addressed to the Lottery and shall be delivered to the Lottery's Vice President of Security within thirty (30) days of the effective date of the change, addition, or deletion. In particular the Successful Vendor must report the involvement of any of the Successful Vendor's employees, owners, or agents in any known criminal arrest (exclusive of minor traffic violations) or investigation.

2.27.4 Security and Safety Rules

When accessing Lottery networks and systems, the Successful Vendor must comply with all applicable policies and regulations regarding data security and integrity. And when on any property owned or controlled by the Lottery, the Successful Vendor must comply with all security and safety rules applicable to people on those premises.

2.27.5 Handling of the State's Data

The Successful Vendor must use due diligence to ensure computer and communications systems and services involved in storing, using, or transmitting State data are secure and to protect that data from unauthorized disclosure, modification, or destruction. To accomplish this, the Successful Vendor must:

1. Apply appropriate risk management techniques to balance the need for security measures against the sensitivity of the data.
2. Ensure that its internal security policies, plans, and procedures address the basic security elements of confidentiality, integrity, and availability.
3. Maintain plans and policies that include methods to protect against security and integrity threats and vulnerabilities, as well as detect and respond to those threats and vulnerabilities.
4. Maintain appropriate individual identification and authentication process for information systems and services associated with Lottery data.

5. Maintain appropriate individual access control and authorization policies, plans, and procedures to protect system assets and other information resources associated with Lottery data.
6. Implement and manage security audit logging on information systems, including computers and network devices.

The Successful Vendor must maintain a robust boundary security capacity that incorporates generally recognized system-hardening techniques. This includes determining which ports and services are required to support access to systems that hold Lottery data, limiting access to only these points, and disable all others. To do this, the Successful Vendor must use assets and techniques such as properly configured firewalls, a demilitarized zone for handling public traffic, host-to-host management, Internet protocol specification for source and destination, strong authentication, encryption, packet filtering, activity logging, and implementation of system security fixes and patches as they become available. The Successful Vendor must use two-factor authentication to limit access to systems that contain particularly sensitive Lottery data, such as personally identifiable data.

Unless the Lottery instructs the Successful Vendor otherwise in writing, the Successful Vendor must assume all Lottery data is both confidential and critical for Lottery operations, and the Successful Vendor's security policies, plans, and procedure for the handling, storage, backup, access, and, if appropriate, destruction of that data must be commensurate to this level of sensitivity. As part of the Successful Vendor's protection and control of access to and use of data, the Successful Vendor must employ appropriate intrusion and attack prevention and detection capabilities. Those capabilities must track unauthorized access and attempts to access the Lottery's data, as well as attacks on the Successful Vendor's infrastructure associated with the State's data. Further, the Successful Vendor must monitor and appropriately address information from its system tools used to prevent and detect unauthorized access to and attacks on the infrastructure associated with the State's data.

The Successful Vendor must use appropriate measures to ensure that Lottery data is secure before transferring control of any systems or media on which Lottery data is stored. The method of securing the data must be appropriate to the situation and may include erasure, destruction, or encryption of the data before transfer of control. The transfer of any such system or media must be reasonably necessary for the performance of the Successful Vendor's obligations under this Contract.

The Successful Vendor must have a business continuity plan in place that the Successful Vendor tests and updates at least annually. The plan must address procedures for response to emergencies and other business interruptions. Part of the plan must address backing up and storing data at a location sufficiently remote from the facilities at which the Successful Vendor maintains the Lottery's data in case of loss of that data at the primary site. The plan also must address the rapid restoration, relocation, or replacement of resources associated with the Lottery's data in the case of a disaster or other business interruption. The Successful Vendor's business continuity

plan must address short- and long-term restoration, relocation, or replacement of resources that will ensure the smooth continuation of operations related to the Lottery's data. Such resources may include, among others, communications, supplies, transportation, space, power and environmental controls, documentation, people, data, software, and hardware. The Successful Vendor also must provide for reviewing, testing, and adjusting the plan on an annual basis.

The Successful Vendor may not allow the Lottery's data to be loaded onto portable computing devices or portable storage components or media unless necessary to perform its obligations under this Contract properly. Even then, the Successful Vendor may permit such only if adequate security measures are in place to ensure the integrity and security of the data. Those measures must include a policy on physical security for such devices to minimize the risks of theft and unauthorized access that includes a prohibition against viewing sensitive or confidential data in public or common areas. At a minimum, portable-computing devices must have anti-virus software, personal firewalls, and system password protection. In addition, the Lottery's data must be encrypted when stored on any portable computing or storage device or media or when transmitted from them across any data network. The Successful Vendor also must maintain an accurate inventory of all such devices and the individuals to whom they are assigned.

Any encryption requirement identified in this provision means encryption that complies with National Institute of Standards Federal Information Processing Standard 140-2 as demonstrated by a valid FIPS certificate number.

The Successful Vendor must have reporting requirements for lost or stolen portable computing devices authorized for use with Lottery data and must report any loss or theft of such to the Lottery in writing as quickly as reasonably possible. The Successful Vendor also must maintain an incident response capability for all security breaches involving Lottery data whether involving mobile devices or media or not. The Successful Vendor must detail this capability in a written policy that defines procedures for how the Successful Vendor will detect, evaluate, and respond to adverse events that may indicate a breach or attempt to attack or access State data or the infrastructure associated with State data.

In case of an actual security breach that may have compromised Lottery data, the Successful Vendor must notify the Lottery immediately after the Successful Vendor becomes aware of the breach, followed by written notification as soon as practical. The Successful Vendor must fully cooperate with the Lottery to mitigate the consequences of such a breach. This includes any use or disclosure of the Lottery data that is inconsistent with the terms of this Contract and of which the Successful Vendor becomes aware, including but not limited to, any discovery of a use or disclosure that is not consistent with this Contract by an employee, agent, or sub-contractor of the Successful Vendor.

The Successful Vendor must give the Lottery full access to the details of the breach and assist the Lottery in making any notifications to potentially affected people and

organizations that the Lottery deems are necessary or appropriate. The Successful Vendor must document all such incidents, including its response to them, and make that documentation available to the Lottery on request.

2.28 Vendor Ethics and Integrity

The Successful Vendor is obligated to meet high standards for ethics and integrity under this Contract. The Successful Vendor and employees:

1. Shall accept no pay, remuneration, or gratuity of any value for performance on or information derived from this project from any party other than the Lottery as described in this Contract, or from any party under contract to the Lottery or seeking to contract with the Lottery with respect to this project.
2. Shall comply with Iowa Code chapter 68B, which contains laws which restrict gifts which may be given or received by state employees and requires certain individuals to disclose information concerning their activities with state government. Vendors are responsible for determining the applicability of the chapter to their activities and for complying with those requirements. In addition, Iowa Code 722.1 provides that it is a felony offense to bribe a public official.
3. Shall not disclose any business sensitive or confidential information gained by virtue of this Contract to any party without the explicit written consent of the Lottery.
4. Shall take no action in the performance of this Contract to create an unfair, unethical, or illegal competitive advantage for itself or others.
5. Shall not have any financial or personal interests relating to this project (other than the Contract itself) without the explicit written consent of the Lottery.

For violation of the above provisions, the Lottery may terminate the Contract, receive restitution from, debar, or take any other appropriate actions against the Successful Vendor.

2.29 Compliance with Association Standards

All services, products, systems, and procedures to be employed by the Successful Vendor must comply with the game security and operational standards current at the time of Contract performance as issued by any multi-jurisdictional association of which the Lottery is a member or in the event the Lottery becomes a member. The Lottery is currently a member of NASPL, WLA and MUSL.

2.30 Taxes on Vendor

The Successful Vendor shall pay all taxes, fees and assessments upon the System, however designated, levied or based. The Lottery is exempt from Federal, State and Local sales and use taxes on the services provided pursuant to this Contract. Such taxes must not be included in the Proposal prices.

2.31 Tax Withholding from Retailers

The Successful Vendor's system shall support the Lottery's compliance with applicable tax guidelines (e.g., Internal Revenue Service 26 CFR Part 31[REG-158747-06] RIN 1545-BG45 Withholding Under Internal Revenue Code Section 3402(t)) for income tax withholding from Lottery retailers.

2.32 Location of Data

Unless the Lottery agrees otherwise in writing, the Successful Vendor and its subcontractors must do the work and keep all Lottery data at the location(s) disclosed in the Successful Vendor's Proposal. Additionally, if the RFP contains any restrictions on where the work may be done or where any Lottery data may be kept, the Lottery may reject any Proposal that proposes to do any work or make Lottery data available outside of those geographic restrictions.

2.33 Advanced Equipment

If during the term of the contract, advanced equipment becomes available, the Successful Vendor will offer the equipment to the Lottery at a favorable rate.

PART 3 – SPECIFICATIONS

3.0 Introduction

This section describes the systems and services specifications for the Lottery Gaming System (System). Prior to the detailed responses to each paragraph of Part 3, the Vendor must provide the following summary level responses:

1. Overview. Present an overview of the System's design and field experience.
2. Flexibility of the System. The System must be flexible, able to grow, and adaptable to the business needs and rules of the Lottery. Flexibility and adaptability are critical as the gaming environment can be expected to evolve over the course of the Contract.

Response Note: Only an overview is required here. These capabilities should be supported by responses to other RFP items to follow.

3. Certified Equipment. The proposed equipment must have been inspected for safety and approved by a reputable testing laboratory, and all proposed equipment must be in compliance with FCC regulations suitable for devices of the types proposed. Alternatively, if the devices proposed are new models, and not yet inspected and/or certified, the Successful Vendor must commit to providing a document showing certification as of the Contract signing.
4. New and Unused Equipment. All proposed transaction processing computers, front-end processors, networking equipment, retailer terminals and associated peripherals, diagnostic equipment, etc. must be new and unused. Equipment proposed must be compliant with current electronic technology manufacturing standards and be of current manufacture by the Vendor or its suppliers. All hardware models and software versions installed at start-up must represent the proposed version or then-current equivalent or better version, at the same price and at the Lottery's discretion. The Vendor should identify any existing equipment or major component that is part of their enterprise level network topology, e.g. satellite, relay centers, etc. that will be a component of the proposed System.

3.1 Central Configuration

The Lottery requires a configuration capable of handling the immediate and long-range needs of the Lottery, as defined in the following sections.

Response Note: Configuration block diagrams, down to the component level of the proposed System, must be submitted with the Proposal.

Each hardware and software item must be identified by manufacturer, product name, and model number, as applicable. For software, version numbers must be provided. Any deviations from the suppliers' standard hardware and software products must be disclosed and an explanation provided. (Installation of any such deviations would require prior written approval of the Lottery.)

Response Note: The Vendor must describe how they will ensure that the System will be upgraded or enhanced throughout the term of the contract in order to ensure that the System and its components do not become antiquated or outdated.

Response Note: The Vendor must describe how they will perform a technology review at least every twenty-four (24) months during the term of the contract in order to ensure to the Lottery that the System is not antiquated or outdated.

3.1.1 Gaming Host Systems at the Primary Data Center

1. Transaction Processing/Database/Games Administration Hosts. All game, database, and games administration functions for mission-critical on-line, instant and pull-tab gaming support must be supported by a protectively redundant configuration. At the primary data center, each processing complex must consist of at least two (2) physically separate systems, networked or coupled for high availability processing and storage redundancy. A component failure in one primary data center system must not cause a failure in the other system(s).
2. Failover. The remaining system(s) (primary or secondary) shall immediately assume the load in case of a failure in one of the systems, without loss or corruption of any data and transactions received prior to the time of the failure.
3. Operations Procedures. Procedures for computer operations staff, especially regarding failure situations, must be straightforward. It is required that in addition to operator-prompted failover that the System be able to recover from failures without operator intervention ("auto-failover").

Response Note: The Proposal must discuss a typical failure scenario and describe the procedures that operators would use for corrections.

4. Secure Connections. There must be no capacity to connect into any gaming system from a remote non-retailer terminal without Lottery approval. Any such capability, such as for remote monitoring, or diagnosis of equipment or software, must employ stringent security mechanisms. Connections to other remote systems and terminals must be protected by firewalls, encryption, and/or other means. Any routers must route traffic only to addresses defined in their routing

tables as valid. The acceptability of any such security approach will be subject to Lottery approval.

5. Time Synchronizing. All gaming hosts at the primary data center must have a time-synchronizing mechanism to ensure consistent time recording and reporting for events and transactions. Synchronization with an external time source agreed to and approved by the Lottery is required.
6. Host Location. The primary host systems and their facility shall be supplied by the Successful Vendor must be located within the contiguous forty-eight (48) United States at the Successful Vendor's discretion, subject to Lottery approval.
7. Disaster Recovery. In the event of irreparable damages at the primary data center, or of an unplanned, extended abandonment of the primary data center, the Successful Vendor shall provide at no additional cost those host systems, facilities, and other components necessary to resume Lottery sales under an operational scenario using two data centers. Such host systems, facilities, and other components shall be furnished, installed, and operational within thirty (30) days after the disaster. Until a permanent primary data center can be re-established, substitute facilities must meet Lottery-approved environmental and security measures. During the thirty (30) days, the Successful Vendor shall be required to be processing transactions from their backup systems. This provision is for the re-establishment of a permanent primary location in the event of a disaster recovery scenario.

3.1.2 Gaming Host Systems at the Backup Data Center

1. Backup Gaming Host Systems. The Successful Vendor shall provide two (2) or more remote backup systems that will take over for the primary data center systems if necessary. Data transferred to and recorded at the remote backup systems will always contain the most recent transactions, allowing a takeover. A wide-area-network (WAN) connection (covered in RFP Section 3.3) will provide routing of gaming transactions from the Lottery's gaming network independent of the Lottery and the Successful Vendor's primary data center. Games administration functions must be available at the backup data center, as well as being available remotely by communications from the primary data center. The Successful Vendor shall demonstrate on a scheduled basis that the backup data center is fully functional by operating in production from that site upon request of the Lottery.
2. Gaming System Backup Sizing. The remote backup systems must mirror the primary data center host systems.
3. Remote Backup Location. The remote backup systems and their facility shall be supplied by the Successful Vendor must be located within the contiguous forty-eight (48) United States at the Successful Vendor's discretion, subject to Lottery approval.

4. Secure Connections. These systems have the same specification as the primary systems, given in RFP Section 3.1.1.4 and their response may reference that, if identical.
5. Time Synchronizing. All gaming hosts at the backup data center must have a time-synchronizing mechanism to ensure consistent time recording and reporting for events and transactions. Synchronization with an external time source agreed to and approved by the Lottery is required.
6. Disaster Recovery. This section has the same specification as RFP Section 3.1.1.7 and the response may reference that response, if identical.

3.1.3 Lottery Acceptance Testing System

A testing system for the Lottery must be provided, and as well as any of the above production systems must be available for testing by the Lottery, with full support from the Vendor. (The Lottery will work with the Successful Vendor to identify and assess any possible risks or impacts on production operations.)

1. Lottery Testing System. The Successful Vendor must provide a separate system for testing by the Lottery. The testing system must be located at the primary data center and must support testing from Lottery Headquarters. The testing system must be identical in architecture and capacity to a production system provided for all transaction processing, front-end processing, and games management applications. In the event of multiple failures of active production systems, the testing system must be able to be updated and activated for production in case of further hardware or software failure.
2. Lottery Testing Retailer Terminals. At a minimum, six (6) retailer terminals must be permanently installed at a Lottery designated facility for testing by the Lottery along with other point-of-sale equipment proposed. (At times the Lottery may require the installation of more retailer terminals for specialized tests. All these terminals shall be supplied within the baseline cost to the Lottery.) These terminals must support testing of all features and options available on the production System; thus these terminals must be configured in all logical configurations (e.g., retailer, privileged retailer) with all peripherals that represent configurations at retailer locations. The Successful Vendor must provide and support connectivity for at least three (3) management terminals and a printer for testing. The management terminals (personal computers) must be supplied by the Successful Vendor as part of the test system.
3. Testing System Communications. The testing terminals must be supplied with any and all communications mechanisms employed by the Successful Vendor's retailer terminals in the field. The testing system must be able to connect to the Lottery's test ICS.

4. Secure Connections. These systems have the same specifications as the primary systems, given in RFP Section 3.1.1.4 and the response may reference that, if identical.
5. Successful Vendor's Development and Test System. The Successful Vendor must not conduct software development or its own quality assurance activities on any of the production systems, nor on the Lottery testing system identified above, but rather must employ separate system(s), located conveniently for the Successful Vendor.

3.1.4 Internal Control System Configuration

All component and services for the ICS Systems shall be provided by the Successful Vendor through an independent ICS subcontractor. The Iowa Lottery reserves the right to specify which of the subcontractors conducts the work, or to require that the Successful Vendor identify other subcontractor alternatives for providing the work.

The Successful Vendor and the selected subcontractor shall provide operating instructions to the Iowa Lottery for operating the ICS. Following delivery, the selected third party contractor shall provide maintenance and enhancement for the ICS application software.

The three (3) ICS systems (primary, backup, and development/test) will be located at the in-state offices of the Successful Vendor (backup ICS) and at the Lottery (primary and development/test ICS). The Successful Vendor must supply data communications to connect to all three (3) ICS systems. The primary and backup ICS systems must receive a near real-time feed of Lottery gaming transactions for on-line, instant and pull-tab transactions.

It is the Iowa Lottery's intention to develop its own proprietary internal control system in addition to utilizing the one supplied by the third party vendor. In order to develop the proprietary system in a timely manner the transaction log formats and transaction log samples will be required at a minimum of sixty (60) days prior to the first day of sales.

3.1.5 Gaming System Quantitative Performance Criteria

1. The System must initially support a network of at least two thousand six hundred (2,600) on-line retailer terminals.
2. The capability to expand the System to accommodate up to five thousand (5,000) active retailer terminals must be available, should such an expansion opportunity be desired by the Lottery.
3. The System as delivered must be capable of handling up to fifty thousand (50,000) sales transactions per minute on a continuous basis.

4. The System as delivered must be capable of processing up to five thousand (5,000) combined cash (validation) and cancel transactions per minute, while selling at the rate above.
5. Each single play (single panel) on-line ticket shall be produced in no more than four (4) seconds from completion of data entry ("Send" is pressed or play slip is inserted) to availability of the ticket for the retailer or player.
6. Capability to sell a minimum of one hundred (100) single play quick pick tickets without requiring operator re-entry.
7. Variable length, multi-play (up to ten [10] panel) on-line tickets shall be produced in no more than six (6) seconds after completion of data entry ("Send" is pressed or play slip is inserted) to availability of the ticket for the retailer or player.
8. All other transactions (e.g. instant/pull-tab pack transactions, winning ticket validations, cancels, and brief on-line and instant/pull-tab ticket reports, etc.) shall be produced in no more than five (5) seconds after completion of data entry ("Send" is pressed) to availability of the ticket or report to the retailer.
9. Primary data center system recovery in auto-failover mode from a one-system failure must be accomplished in no more than two (2) minutes while still maintaining current transactions.
10. Backup data center system recovery from a primary data center failure in auto-failover mode must be accomplished in no more than two (2) minutes while still maintaining current transactions.
11. The System must have the as-delivered capacity in all hardware and software aspects to accommodate three hundred (300) concurrent instant games and one hundred (100) concurrent pull-tab games being in any status (e.g. loaded, distributed, sold, validated, closed out), an on-line sales day of at least fifty million dollars (\$50,000,000) and an on-line jackpot over one billion dollars (\$1,000,000,000).
12. The System must be able to successfully process the Lottery's current suite of on-line games as well as raffle style games and other new on-line games.
13. The System must have the capacity in all hardware and software aspects to allow winning tickets to be retained and validated up to one (1) year after the drawing.
14. The System must be able to process a Lottery play slip. It is **desirable** that the play slips include an area for the player's signature and that the signature be imaged on the player's ticket.

The response time specifications of this section shall be considered met if greater than ninety-five percent (95%) of the transactions of particular types comply with the specifications.

3.1.6 Systems Management and Monitoring

Systems management and monitoring capabilities must be available at both the primary and backup data centers. Systems management tools must create visual and/or audible alarms to provide warning of problems with host operating system or system hardware components. The capability must be included to identify whether a failure has occurred in any of the host systems at the primary or backup data center. An application for automated alarm notification to the Vendor's computer operator is **desirable**.

Response Note: The Vendor must describe the systems monitoring applications, features, and services available to the Lottery.

3.1.7 Operating Hours

The capability to accommodate near twenty-four (24) hour-a-day operations is required by the Lottery (specified as a minimum of twenty-three (23) hours of sales and validations, including instant/pull-tab ticket processing). The End of Day will occur at midnight Central Time.

3.1.8 Host Systems Security

Host systems security represents a critical component of the Successful Provider's role in ensuring the integrity of the System. The following security requirements apply to all systems in the Successful Vendor's primary and backup data center configuration including the production, backup and testing systems as well as any administrative host systems supporting games management or other applications operated by the Successful Vendor.

1. **Systems Access.** All systems and users requiring access to a host system (for any purpose) must be approved by the Lottery. Host systems must also support controls and procedures that allow the Lottery to audit all system access.
2. **Authentication, Authorization and Access Controls.** The Proposal must clearly identify controls related to user authentication, authorization and access controls for operating systems.
3. **Principle of Least Privilege.** All operating systems must be configured to support only those services required to provide the intended System functions. System users must be granted access only to the operating system functions and file systems needed to perform their job functions.
4. **Compliance with Security Requirements.** Gaming host systems must be compliant with all systems security and fault tolerance requirements accepted as

operating principles by the Lottery, or promulgated by any multi-jurisdictional (e.g., MUSL) game organization or Association (e.g., NASPL or WLA) of which the Lottery is or may become a member.

5. Protection against Unauthorized Access or Service Disruption. The Successful Vendor will ensure that host systems are not vulnerable to unauthorized access. The Proposal must specify the methods by which host systems will be protected against access, viruses, spy-ware, denial of service, and other attacks.
6. Other Systems Security Controls. The Proposal must provide additional information on other systems security components and controls that will be implemented including host intrusion protection, operating system hardening, login and password controls, system security log management, etc. The acceptability of all system security controls will be subject to Lottery approval.

3.2 Retailer Terminals

The Successful Vendor is required to supply the Lottery with terminals as specified in this section. The initial terminal counts are set forth below and the Successful Vendor must be able to deliver, install, and support additional terminals as ordered by the Lottery under the terms defined in the Contract.

3.2.1 Retailer On-line Terminal Hardware

At conversion the System will support and supply two thousand six hundred (2,600) full function on-line terminals for retailers. Within the baseline price, the Successful Vendor must also supply additional terminals for training, testing, and spares. As a **Specified Option**, the Vendor shall propose additional terminals in batches of twenty-five (25). The price includes hardware, software installation, communication hardware and associated service fees, and service (maintenance and repair or replacement).

3.2.1.1 On-line Terminal Identification

No manufacturer or Vendor logo or identification shall be attached. The terminal and any terminal peripherals as designated by the Lottery must bear a serial number or bar code for maintenance and logistics. The Lottery reserves the right to place a Lottery logo or other informational signage on the terminal.

3.2.1.2 Retailer On-line Terminal Features and Functions

Requirements include, but are not limited, to the following retailer operated terminal features and functions.

- 1) Size. A compact size is required that will ensure retailer acceptance. If the terminal is modular, then it is important that the connecting data and power cables not be unwieldy or obtrusive.

Response Note: The Vendor shall list the dimensions and weight of the proposed terminal(s) and its peripherals, and shall identify the external data and power cables required. In addition, the Vendor shall provide a diagram of a standard installation.

- 2) Retailer Touch screen. There must be included a retailer touch screen that will automatically display the entire transaction being processed, and will accommodate graphics as well as text.
 - a) The screen must be capable of displaying retailer messages, reports, and transactions, including lists of past transactions, using such readability features as fonts, colors, and screen layouts to provide displays easily read by the user. A screen saver allowing a message to crawl across the screen updateable from the Central System is **desirable**.
 - b) There shall be sufficient screen functions to provide for the current Lottery games, and for reasonable expansion into new games and gaming options. The colors, locations, graphics, and text labels will be approved by the Lottery.
 - c) The screen must be readable from a variety of user distances and viewing angles, and under various lighting conditions.
- 3) ID Card Reader. The terminal shall be capable of reading staff identification cards using a bar code or equivalent identifier. A password entry will also be required. The ID cards may be used, for example, by District Sales Representatives (DSRs), Lottery staff, or maintenance technicians. The ID card shall cause certain capabilities to be made available to the individual via a menu of options, and shall record on the Lottery Gaming System any transactions which may be performed. Privileges for these identification cards shall be set through a games management application.

As an **Invited Option**, the Vendor may describe their capability of providing a reader to perform age verification through reading an Iowa drivers license which has both magnetic strip and 2-D bar code.

- 4) Ticket/Report Printer and Stock. A thermal printer or an essentially equivalent alternative must be proposed. Printers must provide high-resolution images suitable for rendering logos, messages, and symbols, as well as play data, must be fast, quiet, and reliable.

Tickets must be highly readable and long-lived under ordinary consumer use in the Iowa environment (e.g., ticket folding, hot weather, rain). At all times the ticket and report printer and its stock must be in compliance with multi-jurisdictional security standards that apply to the Lottery (e.g., MUSL rules).

- a) The printer must be capable of producing tickets and reports using a variety of fonts as approved by the Lottery. Graphics, such as the Lottery's Corporate or game logo, or a promotional coupon, must be producible.
- b) The printer must be capable of issuing tickets having uniform size or variable length as determined by the Lottery. The minimum ticket length will be five (5) inches. Tear off tickets are not acceptable. Each ticket regardless of length must contain a pre-printed stock number on the back.
- c) The printer must provide stacking for printed tickets that will accommodate up to one hundred (100) tickets printing serially in a multiple ticket request (bulk buy or repeat).
- d) Ticket stock for the printer must be able to be pre-printed front and back with text, images, and colors, using designs provided by, or approved by, the Lottery.
- e) Thermal ticket stock must withstand at least one hundred-seventy degrees (170°) Fahrenheit ambient temperature for greater than four (4) hours and must be top-coated.
- f) The Successful Vendor must provide methods to investigate and verify damaged and altered tickets, and these shall include security features of the ticket stock.

Response Note: Security features of the Vendor's ticket stock and methods to investigate and verify damaged and altered tickets must be addressed.

Response Note: Vendors must include one (1) roll of sample ticket stock with the Proposal.

Response Note: Vendors must include examples of printed tickets and terminal reports with sample graphics, different fonts, and colors (if capable).

- 5) Software Loading. Gaming software (the logic to perform gaming functions must be software driven) must be available via down-line loading and must also be available through a local load by a service technician. Any device on the terminal that will be used to perform the local load functionality by an authorized service technician must not be usable except when the terminal is in maintenance mode based upon approved access by an authorized service technician.

Response Note: The Vendor shall describe their methods for ensuring that the terminal is secured against unauthorized software or devices.

- a) Gaming software may be either solicited by the terminal (when such resident software needs replacement) or driven by the central system (when gaming software enhancements [e.g., new Lottery games] or corrections, are required).

- b) Downloading must not preclude near-24 hour operation of the terminal on the network. Software must be downloadable in a modular fashion; only the modules requiring a change shall need to be downloaded. Background downloading with storage of more than one software version is required, with scheduling or prompting from central to activate the new version or return to the prior version.

Response Note: The Vendor shall identify how the download process optimizes the use of the available wide area network bandwidth without interfering with the normal functions and speed of the terminal.

- 6) Secure Sign-On. The terminal must prohibit unauthorized use through a coded sign-on procedure. The System must permit changing of the code without a service call to the terminal. A password, for security purposes, is not to be displayed, printed or visible in any manner whatsoever at the terminal.

The password facility must permit multiple levels of secure access, including Lottery representative, Successful Vendor representative, store manager/owner, and clerks. This capability could be used to restrict privileged transaction types to authorized users; for example, store managers (but not clerks) may be able to display retailer financial reports and monitor transactions by individual clerks.

- 7) User Interface Design. The design must minimize keystrokes and minimize navigation through levels of nested screens to ensure utility and productivity for the user. Each game shall be set up with default play parameters and a subsequent wager shall use the same parameter setting unless the wager is altered by the retailer.

Response Note: Examples must be provided in the Proposal to depict selling a ticket. The final user interface design shall be developed jointly with the Lottery with final approval by the Lottery.

- 8) Play Slip and Document Scanner/Reader. There must be a reader able to read player-completed play slips and other gaming relevant documents.
 - a) The reader must be capable of scanning play slips and other documents of that size.
 - b) The reader must provide flexibility in terms of its capability to read various colors and graphics on the play slips, and the latitude it allows for markings by players. Special markers shall not be needed for the play slips.
 - c) The reader must provide flexibility in the manner documents can be read.
 - d) The reader must be capable of rapid processing of play slips.

Response Note: Vendors shall describe the speed and manner in which the reader is capable of processing play slips.

- e) The reader must be capable of reading and processing existing game play slips.
 - f) The reader shall be jam-resistant and have a simple mechanism for immediately clearing any jam or non-readable document.
 - g) The reader must accommodate forms whose purpose is to collect information from retailers, players, or field service or maintenance personnel. The Successful Vendor may be called upon to collect such data and furnish a data file to the Lottery for analysis.
- 9) Random Play Generator. The terminal must have a mechanism for generating one (1) or more random play numbers (quick pick numbers) for any game as requested by the retailer or via play slip. The random number generator mechanism must be certified by a designated third-party testing agency approved by the Lottery.

Response Note: The Proposal shall describe the algorithms, seeding process, and any other mechanisms employed in the System to ensure that the random number generator produces random outcomes.

- 10) Ticket Serial Numbers. Tickets produced by the terminals must bear a unique serial number in Arabic numerals and in a code that is readable by the terminal. The serial number must allow tickets to be unambiguously identified for the term of the Contract.
- 11) On-Line Ticket Reader. The terminal must include a reader that will allow reading of on-line tickets, for validating or canceling a ticket under Lottery-specified terms. Winners must be able to be validated by manual entry also. Canceling for certain games is currently allowed through the reader or manual entry.
- a) First read rate is a key factor in the success of the terminal. A first read rate exceeding ninety-five percent (95%) is mandatory.
 - b) The ticket reader must default to ticket validation mode when a ticket is inserted.
- 12) Instant Ticket Reader. The terminal must read bar codes, primarily for instant ticket processing.
- a) The terminal must be capable of validating winning instant tickets, both through keyless validation (using bar code printed under latex) and manual entry.

The terminal must support other administrative functions which employ machine-readable codes such as the interleaved two (2) of five (5) bar code, PDF-417, two-dimensional matrix bar codes, UPC, and other standards.

- b) The Lottery considers the bar code reader's first read rate for validating a winning instant ticket as a key retailer satisfaction item. A high first read rate is mandatory—in excess of ninety-five percent (95%). The bar code reader may not be a pen wand. Other bar code reading technologies, such as Charge Coupled Device, CMOS, and laser, may be proposed.
- c) The terminal must be capable of reading and processing serialized, bar coded coupons. Characteristics of the coupon bar code shall be similar to that for instant tickets.
- d) The retailer terminal must have a bar code reader that is movable/removable and thus must have a cable or other means to reach at least eight (8) feet from the terminal, giving it the capability to read different size and shape items (such as Point Of Sale [POS] items, bar coded instant ticket packs, on-line ticket stock boxes), and in addition, instant tickets in racks.

13) Pull-Tab Ticket Reader. The Iowa Lottery sells pull-tab tickets that have a bar code on the front of the ticket that is used for pack distribution and retailer ownership verification.

Reference Note: Currently, pull-tabs can only be redeemed at the place where the ticket is purchased. Before redeeming the pull-tab, retailers scan the bar code to ensure that the ticket was purchased at their business. After the ticket is scanned, the terminal returns a message confirming whether the retailer should or should not pay the ticket.

At conversion, the Iowa Lottery will continue to use the pull-tab's bar code as we do today.

Due to the advancement of bar-code technology on pull-tabs, the Lottery is exploring the possibility of converting to a system where the bar code will be used for validation of prizes and cross redemption of tickets. Additionally, a ticket checker may use the bar code on pull-tabs. This process is similar to the process used to validate instant tickets. Vendors should be aware that the Lottery is considering this change and the capability to accommodate the change must be included in the base price of the system.

The terminal must read bar codes, primarily for pull-tab ticket processing (e.g., pack distribution and ownership verification).

- a) The terminal must support administrative functions which employ machine-readable codes such as the interleaved two (2) of five (5) bar code, PDF-417, two-dimensional matrix bar codes, UPC, and other standards.
- b) The Lottery considers the bar code reader's first read rate for confirming ownership of pull-tab tickets as a key retailer satisfaction item. A high first read rate is mandatory—in excess of ninety-five percent (95%). The bar code

reader may not be a pen wand. Other bar code reading technologies, such as Charge Coupled Device, CMOS, and laser, may be proposed.

- c) The terminal must be capable of reading and processing serialized, bar coded coupons. Characteristics of the coupon bar code shall be similar to that for instant tickets.
- d) The retailer terminal must have a bar code reader that is movable/removable and thus must have a cable or other means to reach at least eight (8) feet from the terminal, giving it the capability to read different size and shape items (such as POS items, bar coded pull-tab ticket packs, on-line ticket stock boxes).

- 14) Training Mode. The terminal must be capable of operating in a training mode. Ticket facsimiles generated in training mode transactions shall be marked "VOID - DEMO - NOT FOR SALE" or equivalent in the body of the ticket.

The terminal shall allow for multiple training modes (e.g., Retailer, Lottery DSR, Field Technician).

Training mode at retailer locations must be capable of being monitored from the central system and create a transaction for the central system advising that the terminal has entered/exited training mode. All retailer-site training transactions shall be logged to the central system and labeled as training transactions. Training mode must be capable of simulating all transactions allowed without updating production files other than the log file. The training mode shall always be available and updated prior to a new game start.

Tickets produced in training mode will use "XXX" in place of numbers representing play data.

- 15) Self Diagnostics. The terminal must be equipped with self-diagnostics and indicators that enable the retailer and service technicians to monitor the operating status of the terminal. It is **desirable** that terminal diagnostics and internal status conditions can be initiated and observed remotely by technicians or hotline operators. (e.g., retailer diagnostic information, field technician diagnostic information, remote data analysis).

Response Note: Vendors must submit a listing of all such indicators and operator messages available.

- 16) Transaction Integrity with Consumables Fault.

- a) The terminal must provide a method of preserving the integrity of the transaction when a printer fault, misprint, jam, or end-of-ticket-stock condition occurs.

Response Note: The Vendor shall describe how this condition is handled.

- b) The terminal must return to service when the fault is cleared without notable delay or disruption for the retailer.

17) Universal Serial Bus (USB) and Peripheral Slots/Ports. The Lottery anticipates the possibility of using various peripheral attachments for the retailer terminals. Flexibility to enhance the terminals in such a manner is an important characteristic. In addition to interfaces for terminal features and peripherals identified in this RFP as required upon delivery, there must be a minimum of four (4) additional, initially unoccupied slots/ports which are standard interfaces for other peripherals. These ports shall be physically or logically secured when they are not in authorized use.

18) Environmental Fitness. The terminal shall be suitable for the conditions of Iowa retailer locations: 110V 15 amp electrical circuit; small counter top spaces; difficult environmental conditions such as heat, cold, moisture, dust, grease, spilled liquids, and operator abuse.

19) Power Cord. The Lottery is requesting that each terminal be equipped with a power cord at least ten feet (10') in length, with a three-prong grounded plug.

Response Note: Vendors must describe what length of cord (approved by a reputable testing laboratory) can be supplied with the terminal.

20) Memory and Storage.

- a) The Lottery requires the capability to add games and to insert promotions, which may consume terminal memory. It is required that the terminal as-delivered provide at least a fifty percent (50%) margin of available game and promotion memory for future games and promotions as that anticipated to be consumed at conversion time by the current Iowa games.
- b) The terminal must have sufficient memory to support at least three hundred (300) concurrent instant games and one hundred (100) concurrent pull-tab games using up to three (3) different bar code algorithms without an upgrade of terminal resources.
- c) The terminal's memory, both dynamic and static, (e.g., RAM, flash drive and hard drive), must be expandable and/or upgradeable.

Response Note: The Vendor shall describe this capability.

- d) Should AC power to the terminal be interrupted, the gaming software (stored in the terminal's memory) must not be destroyed, modified or lost for a minimum period of ten (10) days from the occurrence of such failure.

- 21)Casework Color. The casework of the terminal and any peripherals must be provided in a color selected by the Lottery among options available, using a manufacturer's standard color chart. The Lottery requires a durable and uniform color.

Response Note: The Vendor must identify whether the color is a coating applied to the surface, or molded throughout the casework.

- 22)Sound Generator. The terminal must be capable of producing tones and high fidelity audio when certain transactions or functions are performed, or specified events occur. The use of sounds must not unduly delay the transaction processing time. The Lottery will approve which functions shall trigger this feature as well as the sounds used by the terminal. It is required that the terminal be capable of supporting auxiliary speakers as a peripheral. The sound volume shall be controlled from the central system or be adjusted by an authorized terminal technician with the terminal in maintenance mode.
- 23)Broadcast Messages. Messages from the central system must be received and displayed to the retailer and/or DSRs. If the terminal is not powered on or communicating with the central system at the time of broadcast, the central system will ensure that the terminal receives the message immediately upon sign on. The capability for the Lottery to send broadcast messages without the need for the Successful Vendor assistance is required.
- 24)Large Dollar Transaction Verification For Purchases and Validations. The terminal screen must display a message for each "large dollar" transaction that provides an option to the retailer to stop or take other appropriate action before completing the transaction. The Lottery will define the default amount of a "large dollar" transaction and must approve the terminal messages. The Vendor must propose a feature whereby a specific retailer can identify a default amount different from that selected by the Lottery.
- 25)Previous Transaction Listing. The terminal must be able to display and print the last fifty (50) transactions accepted by the System, upon request of the retailer, in order to compare printed tickets with registered tickets. In display mode all the past transactions need not appear on the same screen at once.
- 26)Cancellations. The terminal must support ticket cancellations for those games that permit it. Cancellations must be governed by a set of parameter-driven rules as established by the Lottery.
- 27)On-line Credit Request (OCR). The terminal must support retailer-initiated requests for a Control Number for credit originating from on-line tickets that were issued by mistake, mutilated or misprinted. (The Lottery will define types of requests eligible for OCR.) OCR applies only to those purchases that cannot be cancelled.

- 28) Validation Limits. The terminal must not cash wins in excess of that permitted by Iowa regulations (currently \$600.00) and set as a parameter by the Lottery. For larger wins the terminal must return a response as defined by the Lottery, permitting the win to be claimed.
- 29) Terminal Case Design for Safety. The terminal's design must partition electronic and electrical components from access by the retailer when conducting retailer tasks to operate or maintain the terminal (e.g., changing the paper or cleaning the reader window). Sharp and protruding edges must be minimized.
- 30) Last Transaction Display. The terminal must provide a mechanism for display of the last transaction of each type, including last wager, last cancel, last winner validation, last report, etc., as selected by the retailer.
- 31) Alternative Media Reader. As an **Invited Option**, the Lottery will consider an alternative reader capable of handling smart cards, magnetic stripes, or alternative media. This may be employed as a:
- Pre-paid gift card reader, the cost and obligation of obtaining or producing pre-paid cards would be negotiable.
 - VIP card reader or reader/writer that permits the use of prepaid VIP/player club cards. VIP cards may permit certain player premiums, for example, make a purchase and get a free play.
- 32) Cash Drawer Interface. The retailer terminal must support an RS-232 (or comparable alternative) interface to a conventional commercial cash drawer.
- 33) Terminal Addressing. Each terminal must be addressed using IP-based addressing.
- 34) The terminal and related components must be able to produce wagers for multiple on-line games from a single function.
- 35) The terminal may, if applicable to RFP Section 3.2.1.3.7, have the capability to allow authorized Lottery personnel the capability to securely transmit data from their DSR Pack Delivery Device (RFP Section 3.2.1.3.7) to the Central System for the purpose of secure, high-speed communication with the Successful Vendor System. If the Successful Vendor solution involves a physical connection, the connection must be located on the retailer side of the terminal.
- 36) Retailer Terminal Reports. All reports must include the words Information Only-Not For Sale (or a similar Lottery approved message) at the top or bottom of the report.
- 37) The terminal must be capable of tracking instant ticket sales transactions entered by the clerk. This can be accomplished by scanning the UPC or manually entering the sales transaction.

38) The terminal must be capable of performing cash drawer accounting. This would include, but not limited to, the following functions; opening cash balance, record transactions, add cash to drawer, and subtract cash from drawer and current cash balance.

39) Terminal must have the capability to print a player claim form. The claim form will print automatically whenever a high tier ticket is validated.

3.2.1.3 Retailer On-line Terminal Attachments

1) Player Flat Panel Display. The Lottery envisions the flat panel display having the following characteristics: minimum seventeen inch (17") diagonal, flexibility of placement within the retail establishment, characters/graphics visible from ten (10) feet or greater, and sound available through auxiliary speakers or through the terminal.

As a **Specified Option**, the Vendor shall propose a player display that could be deployed at retailer locations. Units must have the capability of being "programmed" using a games management application.

Due to the wide diversity of available space in retailer locations, the player flat panel display unit must be capable of resting on the counter beside the terminal, or being mounted on or suspended nearby the terminal. The exact location of the player display unit will be decided by the Lottery in conjunction with the retailer on an individual retailer basis to optimize visibility.

The purpose of this display is to communicate:

- Customer transaction information (e.g., current sales transaction, customer balance)
- Ticket validation information (e.g., notify the player that he or she has a winning ticket)
- Jackpot information
- Marketing, promotional or informational messages
- New game announcements/instructions
- Amber Alerts
- Lottery winner information

Response Note: The Vendor shall describe their capability of partitioning the display to show multiple messages at the same time (e.g., customer transaction, jackpot and marketing messages).

The terminal should be capable of storing sound, static image files, and at least ten (10) videos and animations of up to thirty (30) seconds each. The terminal should be capable of displaying static image files and/or animations based upon predefined terminal events approved by the Lottery. The stored information should be downloaded in the background over the retailer terminal network, as well as being loadable at the retailer location.

- 2) Player Transaction Display. As a **Specified Option**, the Proposal shall include a player transaction display for each retailer location not deploying a Player Flat Panel Display. The player transaction display is a discreet, individual-oriented display for the player conducting the current transaction. This display may communicate the amount of the current transaction, or notify the player that he or she has a winning ticket. In the event that the ticket is a winning ticket, an appropriate message may be displayed. When not displaying a transaction, the player display may provide an advertising or informational message. The Lottery must approve the display design and message presentation to ensure functionality and player privacy.

Response Note: The Vendor must describe its capability for permanently affixing the Player Transaction Display to the terminal.

- 3) Self-Service Validator. As a **Specified Option**, the Proposal shall include an on-line terminal peripheral for each retailer location that allows players to check their own on-line, instant tickets and possibly pull-tabs for winners. These devices would be located far enough away from the retailer terminal to minimize activity or traffic at the retailer counter.
- 4) Cash Drawers. As a **Specified Option** the Proposal shall offer cash drawers that connect to the retailer terminals. The cash drawers must be lockable and be triggered to open by the retailer terminal.
- 5) Store Signage. As an **Invited Option**, the Proposal may offer Powerball ® and/or other game advertising signage for presentation inside the front window of the store. The signage must be visible and legible for daytime and nighttime viewing from at least one hundred (100) feet outside the store, bearing a fixed logo and/or Jackpot advertising message designed in conjunction with the Lottery. This sign must be remotely updated with jackpot amount. Neon or other internal lighting technologies may be used.
- 6) Wireless Peripherals. As an **Invited Option**, the Proposal may offer a terminal mechanism for supporting peripherals around the store on a wireless basis. Radio signals must be designed so as not to interrupt or interfere with any electronic devices operated otherwise in the store or carried by store customers or employees. Wireless terminal peripherals must support a transmission security method approved by the Lottery.

Response Note: The Vendor shall describe all security features related to the wireless peripherals in order to prevent unauthorized access.

- 7) DSR Pack Delivery Device. As a **Specified Option**, the Proposal shall contain a solution for the DSR delivery and return of instant/pull-tab tickets where the DSR can scan the bar codes of the tickets remotely and then transmit the data (RFP Section 3.2.1.2.35) to the central system through the terminal or through some other approved communication device. The Iowa Lottery utilizes a trunk stock delivery method where DSRs sell directly to the retailer. In this process the DSR enters the store, develops an order, retrieves the tickets from their trunk stock, scans the bar codes into the system and prints a delivery receipt. A similar procedure would apply to the full and partial pack returns of instant/pull-tab tickets.
- 8) Rapid Draw Game Monitors. As a **Specified Option**, the Proposal shall include monitors to display rapid draw game drawings. The System will support a twenty-six (26)-inch or greater color flat panel video display with mounting brackets. The Successful Vendor will be required to supply and install monitors and mounting brackets as required. The location and number of monitors per retailer location will be determined by the Lottery.

The Successful Vendor will be responsible for the maintenance of all monitors under the same guidelines as stipulated for retailer terminal maintenance.

As an **Invited Option** the Proposal may offer various other sizes (e.g. thirty-two [32]-inch, forty [40]-inch) flat panel video display with mounting brackets, wiring and interface to the terminal.

3.2.2 Multiple Terminals per Retailer

The System must permit, and the Successful Vendor must support, more than one terminal temporarily or permanently installed at a retailer's location. The System must be able to account for individual and multiple terminals as part of a single retailer account. Reports must roll up to a single terminal number. At times of large jackpots, or for promotions, the Lottery may require temporary installation of additional terminals at retailer locations. It is expected that the Successful Vendor will install additional terminals during times of large jackpots as quickly as possible.

3.2.3 Specialty Retailer Terminals

The Lottery is aware that certain needs might be better served by alternatives to the conventional retailer terminals.

1. Privileged Validation Retailer Terminals. The Successful Vendor shall provide ten (10) privileged terminals for the Lottery, capable of cashing high-tier winning tickets. For these terminals, cashing will be restricted by the Lottery to ranges different from ordinary retailer authorization. (For example in current practice,

privileged terminals at Lottery Headquarters cash all prizes, without limit, while terminals at Lottery Regional Offices can only cash up to \$250,000.) This function must be capable of being performed by full function terminals. These terminals will be considered in addition to the two thousand six hundred (2,600) retailer terminal baseline allocation.

2. Hand-Held Wireless Terminals. As an **Invited Option**, the Lottery may consider retailer terminals that are mobile and capable of being carried by an operator at special events.
3. Alternative Retailer Play Devices/Mechanisms. As an **Invited Option**, the Lottery may consider terminals, peripherals, or integrated software that facilitates or permits in-lane play, play-at-the cash register, or other opportunities for sales of tickets, with a simplified set of features compared to the conventional retailer terminal.
4. Wireless Terminals for Temporary Locations. As an **Invited Option**, the Lottery may consider wireless terminals that are used at temporary locations.

3.2.4 Additional Retailer Game Support Items

The Lottery may consider certain other items such as Lottery System/Retailer POS system integrated applications, etc., that enhance customer awareness and facilitate sales. **Offered Options** may be submitted.

3.2.5 Retailer Terminal Security

Retailer terminals must exhibit a high degree of security as a device in a location with public access. The local operating system and applications must be “hardened” so that they cannot be co-opted for other usage besides Lottery operations.

Response Note: The Vendor must describe the following and all other applicable security features for all proposed retailer terminal types.

1. Embedded Operating System Security. For retailer terminals utilizing embedded operating systems, the Proposal must provide information regarding the security of this component including but not limited to operating system hardening processes, when and how patches are applied to address critical security vulnerabilities and identification of other software or controls utilized to protect the device.
2. Secure Transmissions. All data communications from the retailer terminal devices to the central gaming host systems must be encrypted. Protected information includes but is not limited to plays, validations, security codes, reports, and downloaded software. Commercially available encryption mechanisms are required and must be approved by the Lottery and any multi-jurisdictional associations of which the Lottery may be a member.

3. Compliance with Security Requirements. Terminal communications must be compliant with all security requirements related to encryption and hardware authentication accepted as operating principles by the Lottery or promulgated by Lottery Association (e.g., NASPL or WLA), or multi-jurisdictional (e.g., MUSL) organization of which the Lottery may be a member.
4. Protection against Unauthorized Access or Service Disruption. The Successful Vendor will ensure that terminal operating systems are not vulnerable to unauthorized access. The Proposal must specify the methods by which these systems will be protected.
5. Other Terminal Security Controls. The Proposal must provide additional information on any other terminal security components and controls that will be implemented including host-based intrusion protection, terminal log management, etc. The acceptability of all terminal security controls will be subject to Lottery approval.

3.3 Communications Networks

The Successful Vendor must propose a design for a communications network to serve the Iowa Lottery Authority. Under the Contract, the Successful Vendor is responsible for seeing that the design is implemented and operated in compliance with RFP specifications, including the responsibility for network management.

3.3.1 Network Design and Implementation

The Successful Vendor is provided wide latitude as to the topology and technologies proposed for the network.

Response Note: If multiple technologies are employed in the design the Vendor's Proposal must make clear the distribution of different technologies across the retailer population. All Vendor-provided configuration items (that is, those not within a carrier "cloud") must be identified by manufacturer and model number.

Network Overview. The Vendor must provide the following information as part of their Proposal:

1. What percentage of the network do you envision on each technology?
 - 1) In the event DSL is utilized:
 - a) Is it public or private?
 - 2) In the event VSAT is utilized:
 - a) What size dish is proposed?
 - b) Will it be covered?
 - c) What installation options are available (e.g., roof mount, pole mount)

- d) What number of satellites and Earth stations are proposed?
- 3) In the event radio is utilized:
 - a) How do you assure that the terminal is not moved from the approved location?
- 4) In the event cellular is utilized:
 - a) How do you assure that the terminal is not moved from the approved location?
- 5) In the event other communication types are utilized:
 - a) Specify details
- 2. The Vendor must state the circuit speed for the proposed terminal. The Vendor must state if the speed will be different for the various communication solutions that may be deployed. (e.g., VSAT, DSL, cellular, radio, etc.) The types of networks on which the proposed terminals previously have been deployed must be indicated.

The design must cover at a minimum the following network nodes, however, additional connections relevant to the network's topology and purpose may be employed as befits the design and Lottery business requirements:

- 1. Retailer Network. Primarily the design must provide end-to-end connectivity for retailer terminals to the data centers. Since transactions must be processed at both data centers, there must be links between retailers and both the primary and backup data centers and the network design must facilitate immediate switching between sites.
- 2. Inter-Site Connections. Since transactions must be logged at both data centers on a real-time basis to keep the sites synchronized, the Vendor must provide inter-site links for game control and data flow.
- 3. Games Management Network. The design must also accommodate other connections for games administration by the Successful Vendor and by the Lottery. This includes connections from the primary and backup data centers to the Lottery Headquarters for management terminals and to the primary and secondary ICS. The proposed design will include the provision and programming of all security appliances necessary to protect the Lottery network from unauthorized access.
- 4. Lottery Back Office System Connectivity. The Lottery operates a back office system, which requires one or more interfaces to the Successful Vendor's System (e.g., adhoc server, check writing).
- 5. Administrative Connectivity. The Lottery currently has a claim center at its Des Moines headquarters/regional office and its four (4) outlying regional offices. The

Lottery also has a remote warehouse facility. The Successful Vendor will be responsible for connectivity of the Games Management Network to the Lottery offices and warehouse through a connection to both data centers and all systems for winner cashing, games monitoring and management functions.

6. Data Center Local Area Networks. Within the data centers there will be multiple LAN connections dependent upon the Successful Vendor's configuration.
7. Retailer In-Store Installation. Should the Successful Vendor employ a communications carrier whose demarcation at the retailer premises is not near the retailer's prescribed location for the Lottery terminal, it is the Successful Vendor's responsibility to provide the inside wiring or other communications mechanism to reach the terminal. This connection must be maintained if the retailer adjusts the in-store design.

Response Note: The vendor must describe the standards for wiring the in-store terminal and peripherals.

8. Retailer Website. The Successful Vendor must provide network access to a retailer website (refer to RFP Section 3.4.9.4)

3.3.2 Network Design Features

Communications facilities must be designed with performance, monitoring, redundancy, diversity, and security features to reduce the possibility that a disruption could impact the network and the Gaming System.

1. Fault Tolerance. The Proposal must contain an analysis of the proposed configuration with regard to single points of failure and major points of failure that could afflict a significant proportion of the network. (For example, these could include single telephone company central offices, trunk circuits, satellites, or satellite ground stations.) The Network is required to exhibit redundancy and diversity that virtually eliminates single systemic failures removing service from more than forty percent (40%) of the total network.
2. Fault notification. The host processor, front-end processor, retailer terminal, and/or diagnostic equipment must be able to notify the network monitor or System monitor of significant transmission failures or outages as soon as possible after occurrence.
3. Secure External Transmissions. All data communications external to secured facilities must be encrypted. All data must be encrypted from point of transmission to point of receipt, including any data transmitted directly from the gaming central systems to the remote backup system, to Lottery regional offices and other remote locations. Protected information includes but is not limited to plays, validations, security codes, reports, and downloaded software. Commercially available encryption mechanisms are acceptable if approved by

any multi-jurisdictional associations of which the Lottery may be a member, and if approved by the Lottery.

4. Incomplete Transaction Protocol. On incomplete or unresolved transactions between the host systems and the retailer terminals, there must be mechanisms for reconciliation. These may include retries, logging for reporting, and error messages to the retailer, System operators, and Lottery.
5. Non-Responding or Failing Terminals. If the central system finds a terminal that is not responding within a set number of re-tries or within a reasonable time window, the terminal shall be logged as not responding. The System shall make allowance for servicing of all other terminals on the network between re-tries of the terminal not responding. Failing terminals shall not preclude communication with other terminals. Non-responding/failing terminals shall be apparent to a network monitoring application. The Vendor should describe how the network monitoring application will notify the Vendor and the Lottery of alarm, error, and/or other Lottery defined events.
6. Communications Outages: In the event of a communications disruption between central and any terminal, the System shall continue to attempt to service the terminal until the problem is resolved or the System is shut down for end-of-day processing.
7. Commercially Available Communications Protocols. To enhance the “open systems” aspect of the System to introducing changes and improvements, it is required that communications protocols below the applications layer be widely used, commercially available protocols, not Vendor-proprietary.
8. Connection to Systems and Networks Not Dedicated/Private. Any connection made between the System that processes games transactions, and any other systems or networks that are not private and/or dedicated to Iowa gaming transaction processing (such as the Lottery administrative system and the Successful Vendor's administrative support system and development/QA system), must be effected through devices that detect and block or filter out unnecessary and unauthorized traffic and must be approved by the Lottery prior to implementation. Traffic must be supported only from authorized nodes. Software transfers must be secured.

Response Note: The Vendor must describe how the System will ensure that any such connections do not create vulnerability to unauthorized access, malware, denial of service attacks, and similar security threats.

9. Network Device Access. All systems and users requiring access (for any purpose) to the network devices utilized in supporting gaming operations must be approved by the Lottery. Network devices must support controls and procedures that allow the Lottery to audit related network device access.

10. Principle of Least Privilege. All networks related to gaming operations must be designed with this principle in mind. Network access controls must be utilized to allow only the required network services needed by specific hosts or networks to be routed.

11. Mitigation of Design Limitations. The design must mitigate the limitations of the proposed communications technologies.

Response Note: For each retailer network technology the Vendor must identify its known limitations and how they will be addressed. Examples of design limitations include but are not limited to: unavailability of service in certain areas; radio interference; adverse weather; variability in latency or bandwidth; failure of retailer clusters; carrier SLA that involves long response/repair times; long provisioning times.

12. Bandwidth. The network bandwidth must be adequate to support game play at high transaction rates plus rapid software and data downloads.

Response Note: For each technology proposed the Vendor must note the nominal bandwidth to and from the retailer, and the aggregate bandwidth through network paths shared by multiple retailers. If bandwidth is shared with other Vendor clients then the Proposal must describe whether any portion of the bandwidth is reserved or guaranteed for the Iowa Lottery and identify the bandwidth/subscriber ratio defining the average allocation of bandwidth to a terminal.

Response Note: If flash video or streaming video is proposed the Vendor must describe the bandwidth limitations and steps taken to ensure that system operations/terminal functionality are not degraded.

13. Approval for Installation. If the Vendor's design calls for installations that must be approved by or negotiated with third parties, such as landlords, municipalities or other jurisdictions, property owners, or governmental agencies, the Vendor is responsible for implementation, and must cite the expected process, including how and by whom (**not** the Iowa Lottery) it will be carried out.

14. Single Point of Failure Analysis. Annually, as part of the Network Reporting Requirements, the Successful Vendor will create and provide a "Single Point of Failure Analysis" report on the various segments of the Communications Network that would cause an entire network or sub-network outage. Analysis of each of these segments will be reported back to the Iowa Lottery with recommendations on any modification that may be necessary as well as a timeline to implement the recommendations.

Response Note: The Proposal must provide additional information on the network security components and controls that will be implemented for the System LANs and the proposed WAN connections including firewall and Intrusion Detection System protection, network access controls, network

device hardening, login and password controls, network device log management, etc. The acceptability of all network security controls will be subject to Lottery approval.

3.3.3 Network Administration Services

The Successful Vendor will be responsible for network management. Network administrative services must include:

1. Provisioning. Under the contract the Lottery will identify new retailer locations along with any moves or removals. After the order is placed, further monitoring and install/de-install actions shall be performed or supervised by the Successful Vendor.
2. Configuration Management. Configuration changes and asset records must be managed. This includes an inventory of Lottery network resources and their operating parameters. Change management control procedures and online storage of network component configuration files are required.
3. Carrier Interface. The Successful Vendor must interface with the communications carriers, the retailers, and the Lottery to schedule installs, correct problems and improve service delivery. The Successful Vendor will be responsible for working communications problems to resolution through the common carriers/external suppliers.

Response Note: The Proposal must describe this process, including escalation procedures.

3.3.4 Network Monitoring and Fault Resolution

The Successful Vendor must diligently and constantly monitor the network, detect current operating characteristics, and detect faults and take action to remediate them.

1. Network Monitoring System. Communications test and monitor capability must be available at both the primary and remote data center sites. Network monitoring tools must be able to interface and analyze protocols, view transaction data for analysis, and create visual and/or audible alarms to provide warning of problems. The capability must be included to determine whether failure has occurred in the equipment at the central or remote sites, within the wide area communications network, or at the retailer terminal level. Other network connections may be relevant depending on the Successful Vendor's proposed design. The Successful Vendor should describe in detail the network monitoring tools and features that will be available to the Lottery for the day-to-day oversight and monitoring of the Successful Vendor's communications network and system. An application for automated alarm notification is **desirable**.

2. Network Event Recording. Communications test and monitor equipment must have recording and recall/reporting capability. The standards for the types of events recorded and the period of retention will be developed jointly with the Lottery.
3. Network Monitoring Protocols. It is required that network monitoring tools, and the networked devices provided by the Successful Vendor, employ a standard protocol to facilitate monitoring all along the communications path, and to extend this capability to new network devices readily should they be introduced.
4. Communications Expertise. Communications technicians trained in the use of test and monitor equipment must be present at the active (retailer terminal-serving) system site whenever the Lottery Gaming System is operational and whenever the Iowa Lottery Authority requests such support for test purposes.
5. Hotline Monitoring of Retailer Network. Hotline equipment must have a display of terminal status allowing the hotline operator to see if a terminal is down, if a retailer is signed on or not, and other relevant diagnostic information.
6. Lottery-Initiated Network Monitoring. The Iowa Lottery itself must be able to monitor the network using a management workstation software application, or with specialized workstation(s) as supplied by the Successful Vendor. As well as having status information available to the Lottery, the Lottery must receive reports or displays from the Successful Vendor that would indicate attempts at unauthorized access to or manipulation of the System's components or settings.
7. Service Level Agreement. The Successful Vendor must propose a Service Level Agreement for retailer network service. Network availability from the retailer's perspective, as measured on a monthly basis, must be a minimum of 99.7% of system operation hours. The Service Level Agreement may commit to a higher level of monthly availability, and that is **desirable** in this RFP. If the Proposal commits to a higher level of network availability, the Successful Vendor will be held to that standard for the corresponding liquidated damages. See RFP Section 2.26 for liquidated damages as a result of Communications network outages.

3.3.5 Advanced Communications Technologies

As an **Invited Option**, the Vendor may identify advanced communications options that may further improve the reliability and/or performance of the network, beyond the baseline design. This option could be relative to retailer last mile connections, backbone communications, primary-to-backup site communications, and/or gaming network to Lottery communications. The Vendor is encouraged to propose a range of technologies that may advance the Lottery network infrastructure while continuing to provide reliable, cost effective service to Lottery retailers.

Response Note: The Vendor's discussion of any proposed advanced technology must address key factors such as security, availability of the service, reliability, maintainability, open systems, standardization, and performance.

3.3.6 Network Conversion

The Successful Vendor is expected to provide a dedicated network conversion team for the purpose of coordinating and implementing the migration of Lottery retailers from the existing network to the new. This team will handle all aspects of the migration, including all interactions between the Lottery retailers, property owners and utility company/service providers.

The Successful Vendor will be required to provide and install all communication equipment and other accessories (e.g. antennas, satellite dishes, sleds, no-hole poles, brackets and supports, etc) necessary to connect the communication equipment at each retail location to the central system.

3.3.7 DSR Field Automation Device and Communication Service

As a **Specified Option**, the Proposal shall contain a solution for the DSR to access in-house or third party sales force automation tools (RFP Section 3.4.13) that may be housed on the server described in: (RFP Section 3.4.9.2). The solution must contain both a hardware and wireless communication capability. The interface must have the same security specification as the secure connections given in RFP Section 3.1.1.4. The Successful Vendor will be responsible for the hardware and software support of the proposed device. Additionally, the Successful Vendor will arrange for a communication system for the devices and bear all costs associated with the wireless connection.

Response Note: The Vendor must describe a replacement cycle for the DSR Field Automation Devices.

3.4 Software Controls and Data Management

3.4.1 Gaming Software Security, Control Features and Functions

In addition to selling and cashing tickets, the System must provide particular features and functions to meet requirements for secure and efficient operation.

1. Logging. All game processing activities are to be recorded immediately on electronic media on multiple hosts. Such game processing activities at a minimum include sales, cancels, cashes, validation attempts and other play-related transactions, any other retailer terminal commands, error conditions, operating system entries, job console entries, and any changes using the games management applications.

Requirements include, but are not limited to:

- 1) The gaming system back-up, recovery and redundancy features can be supported, using log files for re-processing, if necessary.
 - 2) The gaming system – including outages and recovery events – can be audited and checked for appropriate usage and freedom from error. There must be a strict relationship between tickets printed, tickets registered in the log files, and ticket transactions forwarded to the ICS.
 - 3) Authorized Lottery personnel shall be able to research transactions and operations when required. The transaction log will include detailed records of sales, validations, canceled on-line tickets, rejected validation inquiries, terminal outages, login information, type of play (e.g., quick pick or play slip), system events (e.g., takeovers by the backup system), etc. Reports on transaction log entries must allow standard queries and sorts. It is **desirable** that research into transactions up to one (1) year old not require the loading of archived physical media.
 - 4) The transaction logging process includes periodic checkpoints including significant totals (counts and amounts) for all games.
 - 5) The Lottery requires a near real-time feed of the transactions to the Internal Control System. The near-real time feed shall include periodic checkpoints to ensure that the ICS file is complete at that time. In addition, the Successful Vendor must be able to provide audit files to the Lottery within five (5) minutes following the close of sales for any game, and prior to the drawing for that game. A final audit file for the day must be available to the Lottery immediately after close of the Lottery Gaming System each day.
 - 6) The Successful Vendor will provide the Lottery with any software necessary to interpret or decrypt any proprietary or unique ICS (audit) record formats, resulting in ASCII and/or EBCDIC text and in a format/structure that is approved by the Lottery.
2. Unique Transaction Number. The serial number assignment method used by the Successful Vendor must account for the fact that transactions resulting from unclaimed winners, from subscription sales, and possible other causes may reside for extended periods in the System. It is required that the ticket serial numbers be unique over the term of the Contract.
 3. Transactions Protected. The System must ensure that transactions cannot be tampered with, including but not limited to the log files and validation files. The Proposal shall evidence the Vendor's methods and procedures that prevent tampering with the System. The Lottery reserves the right to review any and/or all System narratives, source program listings and operational procedures to ensure data and System integrity.

4. **Tickets Not Duplicated.** Tickets must not be able to be duplicated on terminal equipment. Ticket reprints and repeat bets are permissible as defined by the Lottery.
5. **Liability Levels.** The Lottery shall be alerted immediately when sales of a number in a fixed payout game reach a warning level, and then reach a specified liability level. The System, through a games management application, must provide a payoff figure and a payoff liability, whenever requested by the Lottery. The System shall automatically suspend sales of any number when the liability limit is reached, although the Lottery shall have the ability to override the suspension.
6. **Operator Console Records.** All operator commands executed by the System and any System warnings or problem messages shall be placed on a non-volatile medium (for example, on a write-once medium). This log must be provided on magnetic media or as an electronically transmitted file to the Lottery, which the Lottery may at its option process and review for auditing purposes.
7. **Retailer Spoofing.** The System must ensure integrity wherein no action, either operational or by tampering, can permit duplicate or unauthorized terminal addresses to be established. In all cases, authorized terminal identification must be ensured.
8. **One-Time Cashing.** A winning ticket must not be able to be cashed more than once.
9. **Software Checksums.** Checksums are required for executable programs on the gaming host systems, front-end processors, network equipment, administrative systems, and retailer terminals for auditing purposes. This requirement applies also to the development and quality assurance systems. Checksum information will be provided to the Lottery upon request. The Successful Vendor must maintain control of software distribution such that systems and terminals are not able, inadvertently, to run inappropriate versions of the software.
10. **Transaction Storage Redundancy.** Every transaction of the terminals must be received in at least three (3) systems before authorization to print a ticket, including the gaming transaction system handling the transaction, a local backup transaction system capable of recovering for a failure of the system processing the transaction, and a remote backup transaction processing system. In the event of a system failure, every transaction must be recorded on at least two (2) systems.
11. **Game Monitoring.** Real-time monitoring of gaming transaction traffic and system utilization must be provided for use by both the Vendor and the Lottery. The Successful Vendor must maintain these tools to correspond with the latest gaming system changes and with industry-available improvements. The Lottery shall receive immediate notification of abnormal System operations and their

causes, such as validation problems, communication difficulties, computer downtime, etc.

12. Transaction Simulation. A transaction simulator program is required to generate all types of transactions (terminal and System) in optional percentages for use in testing software quality and performance. The program must accommodate simulated instant ticket validations against a validation file as part of the transaction mix. The program must allow manually entered transactions, including instant ticket transactions, to mix with the program-generated transactions.
13. Secure On-Site and Off-Site Storage. The Vendor must provide for secure on-site and off-site storage of critical files, software, and back-up data, subject to approval of the Lottery. Stored materials retention shall follow a schedule negotiated with the Lottery. Media stored in archives must be checked and/or exercised periodically to ensure their physical integrity. At the Lottery's direction, the Successful Vendor may be directed to restore a backup file to a test system to ensure viability.
14. Valid Backups of Files. The Successful Vendor must use operational practices through report balancing and reconciliation to ensure that current data files and archived backup copies are valid. This is particularly important for validation files and future plays files where recovery by reprocessing large volumes of aged transactions may be impractical.
15. Configuration Management. The Successful Vendor shall operate under a defined procedure for changes to documentation, procedures, specifications, program source and object code, and other major System components. Strict performance according to principles of configuration management is required:
 - 1) System components shall have version or release numbers, or model and serial numbers.
 - 2) Components shall be traceable, identifying the history, use, and location of a component.
 - 3) The System must provide reports showing when and by whom a change was made and must avoid multiple update conflicts.
 - 4) The System shall have the capability to produce a configuration status report or listing.
 - 5) The Successful Vendor shall ensure through procedural and System controls that only approved changes, on an approved schedule, can be made.
 - 6) The retailer terminal software version number should be identifiable by some means on the retailer terminal (displayed at sign-on or retrievable). The on-line gaming system should have a means of determining that all terminals are

running the correct terminal software version. Any terminals found that do not have the correct terminal software should either receive an automatic download of the correct software (preferably) or be identified so that a field representative can investigate and correct immediately.

Reports and/or displays shall be available to the Lottery to review configuration management activities.

16. Software Quality Assurances and Acceptance Testing. The Successful Vendor shall perform quality assurance practices for software enhancements and corrections. This QA program shall be complemented by the Lottery's acceptance testing program using the testing terminals and systems described earlier in this RFP.

- 1) The testing environment must be capable of providing production-type reports including management reports and terminal reports, and the capability to research and report transaction history.
- 2) All software changes must be accompanied by release notes that characterize the planned changes and the software changes shall be incorporated into a completely defined release package. The release notes shall include, but not be limited to, version numbers, files affected, change request identifiers, and change descriptions.

17. Dynamic Pools. For all matrix-type games, the Successful Vendor must maintain dynamic pools for the current draw, and dollar summaries for all plays for all future draws on sale. The Successful Vendor must also maintain dynamic pools for the current draw and future draws for the numbers-type games. The total dollars played by game by play type must be maintained for all future draws. The current day's pools must include all current day's sales as well as advance day sales for that draw.

18. Ticket Stock Tracking. Ticket stock is delivered to retailers in cartons having a bill of lading. Each roll inside is to have a unique bar code allowing the ticket stock to be received at the retailer terminal. Ticket stock tracking shall permit returns, re-issues, and destruction of stock, as appropriate, by authorized users. Ticket stock activity reports will be required to track erroneous ticket stock activity. The ticket stock tracking information shall be delivered from the ticket stock printer directly to Lottery Security, using a method of secure electronic delivery as prescribed by the Lottery. The Successful Vendor's technician, by virtue of delivering ticket stock as a consumable, will be permitted to know the carton numbers, but not the contained roll numbers. The Successful Vendor must provide any hardware and software necessary to store, maintain, inquire of, or interpret this information. There must be a backup for this capability at the remote backup data center.

19. Dual Security System. The retailer terminal must generate a unique number, aside from the System-logged transaction serial number, that can be used to link winning tickets to selling terminals. This "dual security" approach must be acceptable to all multi-jurisdictional associations of which the Lottery is a part or becomes a part. This application must be under the physical and operational control of Lottery Security. The Successful Vendor must provide any hardware and software necessary for the Lottery to decrypt dual security numbers. The methodology must avoid retailers having to save sign-on slips or other materials, and must preclude Successful Vendor staff from decrypting the dual security number. The use of public key encryption techniques is required.
20. Anomalous Condition Reporting. The System must be capable of displaying and reporting anomalous conditions that may indicate operational problems or attempts at fraud. This capability must include, but is not limited to, the capability to report a terminal with anomalous and excessive transactions (such as sales, cancels, and log-in attempts), attempted cashes of stolen tickets, unusual console log entries, unusual transaction journal entries, and systemic events such as no sales for a game scheduled to be operational. The Successful Vendor must provide a printer installed at the Lottery to provide a record of these events or provide the information via secure email.
21. Incomplete Transaction Protocol. On incomplete or unresolved transactions between the host systems and the retailer terminals, there must be mechanisms for reconciliation. These may include retries, logging for reporting, and error messages to the retailer, System operators, and Lottery.
22. Non-Responding or Failing Terminals. If the central system finds a terminal that is not responding within a set number of re-tries or within a reasonable time window, the terminal shall be logged as not responding. The System shall make allowance for servicing of all other terminals on the network between re-tries of the terminal not responding. Failing terminals shall not preclude communication with other terminals. Non-responding/failing terminals shall be apparent to a network monitoring application.
23. Communications Outages. In the event of a communications disruption between the central system and any terminal, the System shall continue to attempt to service the terminal until the problem is resolved or the System is shut down for end-of-day processing.
24. Instant/Pull-tab Ticket Information Protection. Instant/pull-tab ticket information and validation data must be protected from unauthorized access during the period beginning with ticket manufacturing, through the period where tickets are being distributed, sold and validated, and ending when the game is no longer on the System. The Lottery determines when the game is no longer on the System, which is typically three (3) years after the validation period ends.

25. Validations. The System must be capable of validating winning tickets by means of a reader and by manual entry.

- 1) The System must validate winning tickets presented within the validation period as determined by the Lottery. Currently the schedule is three hundred sixty-five (365) days after the drawing for Powerball and Hot Lotto, ninety (90) days after the drawing for Pick 3, Pick 4, Iowa's \$100,000 Daily Cash Game and ninety (90) days after the Official Game Ending Announcement for Instant and Pull-tab games.
- 2) In addition to the customer display, the terminal shall print a receipt that confirms the result of any validation attempt of an on-line ticket or instant ticket. The prize amount for all tickets presented for cashing or checking must appear on the customer display and the terminal must print two (2) receipts for winning tickets and one (1) for non-winning tickets. The receipts will contain verbiage approved by the Lottery. The validation ticket transaction as logged on the System must be referenced to the original sell transaction. The exact specifications will be established during implementation.
- 3) The Lottery expects retailers to pay winning tickets valued equal to or less than six hundred dollars (\$600). An on-line ticket may incorporate multiple plays under a single serial number, and win multiple prizes. Multiple winners on the same ticket still observe the six hundred dollar (\$600) rule. This threshold should be parameter-driven and capable of being changed easily without the need for extensive full regression testing of the entire system.
- 4) When cashing a multiple draw ticket prior to the last draw on the ticket, an exchange ticket for the balance of the plays must be printed. The exchange ticket must have a distinct serial number from the original ticket but the System must be capable of relating the two.
- 5) For on-line games, the System must allow paid winning tickets to be retained on-line one (1) year after the winning draw date, claimed but non-validated winning tickets for one (1) year plus sixty (60) days after winning draw date, and non-validated winning tickets for one (1) year plus sixty (60) days after the drawing. The exact specifications will be established during implementation (e.g. messages regarding validation status to be displayed).
- 6) The System must provide the capability for the retailer to decline to cash validations from \$100 up to and including \$600. The Lottery privileged terminals must be capable of declining to cash any prize of \$600 or less.

26. The Lottery currently has its own check writing application that interacts with the System in order to pay tickets at Lottery Regional Offices and Headquarters. The Lottery would continue to process payments using its back office system and would perform all of the tasks pertaining to the payment of Claims at Lottery Regional Offices and Headquarters. Under this scenario, the Successful Vendor

would need only to support the claims payment process by developing a “Pay With Authorization” immediate pass-through transaction type for prizes paid on Lottery Regional Offices or Headquarters terminals, or by proposing an alternative method by which the Lottery would be able to pay prizes by check. The “Pay With Authorization” transaction denotes that a ticket has been paid on the System, passing the ticket serial number and prize amount for the ticket presented. The result is that the Lottery back office system writes a record to its validation file and is then capable of paying the prize by check through its check writing application.

3.4.2 Application and Database Security

Application security controls are another critical component of the Successful Provider’s role in ensuring the integrity of the System. The following security requirements apply:

1. Authentication, Authorization and Access Controls. The Proposal must clearly identify controls related to user authentication, authorization and access controls for applications (including database applications).
2. Audit Trail. All application login attempts, whether successful or not, must be logged. Log entries must reference identifiers such as the time, date, IP address, and login success status. **All modifications to the System must be logged and protected by verification steps.** The application must provide display and reporting tools for the Lottery to verify the events recorded in the audit trail.
3. Principle of Least Privilege. All applications and databases must be designed to support only the processes and user access required to provide the intended application functions. Application and database users must be granted access only to the application and database functions and data elements needed to perform their job functions.
4. Compliance with Security Requirements. All applications must be compliant with any application security requirements promulgated by any multi-jurisdictional (e.g., MUSL) game organizations of which the Lottery may be a member.
5. Protection against Application Compromise or Service Disruption. The Proposal must provide information on the mechanisms by the Vendor to validate developed code to ensure applications are not vulnerable to denial of service attacks or similar security threats.
6. Other Application Security Controls. The Proposal must provide additional information on other application and database security controls that will be implemented including login and password controls (if applications are not directory-integrated), application and database security log management, database hardening procedures, etc. The acceptability of all related security controls will be subject to Lottery approval.

3.4.3 On-Line Games Drawing Controls

1. Automatic Close. At a specified time before the drawing, the System shall automatically close a game without operator intervention. The Vendor should identify whether their System has the capability to manually override the automatic closure of a game.
2. Transactions at Close. The System must maintain control of transactions underway at close time so that all transactions before the game close transaction apply to the forthcoming drawing and all transactions after the game close transaction apply to the subsequent drawing.
3. Drawing Information. At game cut-off for any game the system must display within the games management application the following information for the game:
 - Time of day
 - Net game pool (sales minus cancels)
 - Hash total of plays (including cancels)
 - Pool Status
 - Draw Identifier
4. Manual Winning Number Entry. Dual manual entry of drawn winning numbers, prize and jackpot amounts must be supported. All attempts, successful or not, must be logged.
5. Suspend Sales After Last Drawing. The System must provide the option to suspend sales of a game for the remainder of the sales day, after the last drawing of the day. This feature could, for example, support a game matrix change to take place after one day's last drawing.
6. Closing, Drawing, and Cashing Time Window. The Lottery considers it mandatory to minimize the time window between close of the games, drawings, and the capability to pay winning tickets. The System shall comply with the time window specifications of the current and future Lottery on-line games for closing games, conducting game drawings, entry of winning numbers, and readiness to pay winning tickets. All game types must be addressed. The Vendor should describe the functionality available to change the Closing, Drawing, and Cashing time windows.
7. Roll to Next Day after a Problematic Drawing. The System shall allow the Lottery to resume ticket sales and operations for retailers and customers for future sales without necessarily finalizing and declaring official a problematic drawing.

3.4.4 Games Management Application

The Lottery requires staff access to the Successful Vendor's games management applications for performing functions such as configuring game settings, managing retailer terminals, performing retailer accounting functions, sending messages to retailer terminals and tickets and accessing management, sales, and retailer reports.

3.4.4.1 Games Management Application Access

Access to the games management application will be from various locations including workstations on the internal LANs at the Lottery Headquarters and remote Lottery offices subject to prior written approval by the Lottery. In addition, certain functions may be performed by staff with remote access subject to prior written approval by the Lottery.

Lottery workstations will be configured as needed with any required software for accessing the games management application provided by the Successful Vendor subject to prior approval by the Lottery. The Lottery prefers **(desirable)** that the games management application be web browser-based, not requiring the installation of any additional client software.

The number of users requiring access to the games management application will be determined by the Lottery. Currently, approximately sixty (60) users are registered for access to Lottery systems, with varying authorizations. The Lottery estimates that at any one time there are fewer than thirty-five (35) concurrent users on the Lottery Systems.

3.4.4.2 Games Management Application Features and Capabilities

The System shall provide a range of features and capabilities that taken together accomplish all tasks to manage and control the on-line, instant and pull-tab games (as applicable). The features and capabilities include, but are not limited to, the following list and will be available to both Successful Vendor and Lottery authorized personnel.

- 1) Management Reports. The games management application must be capable of producing at a minimum on-line and off-line management reports similar to those found in Appendix D. (These samples are for informational purposes only and are not to be construed as strict content and format specifications. The Lottery will determine final specifications with the Successful Vendor.)
- 2) Retailer Terminal Management. Authorized games management application users must have the capability to enable and/or disable any retailer terminal, partially or fully. The Vendor shall describe all of the parameters/features that the games management application has to allow the enable and/or disable of any retailer terminal, partially or fully. Actions taken toward retailer management must be effective immediately and must create an audit trail of the changes made, the date of the change, and the user who made the change to a retailer terminal record.

Response Note: The Vendor shall describe this capability.

- 3) Retailer Disablement Codes. The games management application must support a coding scheme for differentiating various retailer "disabling" reasons. For example, if a retailer is disabled for a collection-related problem, for EFT sweeps, and for a disciplinary problem, this multiple-cause disabling must be recorded in the retailer record and clearly displayed upon inquiry. The coding scheme must be able to accommodate up to twenty (20) total disablement conditions with up to five (5) concurrently. The application must be capable of reporting a retailer's history of disablement conditions.
- 4) Dual Entry. The application must provide the capability to enter critical data such as on-line game winning number entry through two (2) different application user sessions whose results are verified to be the same before allowing the process to continue. All attempts, whether successful or not, must be logged.
- 5) Game Control. The games management application must support the capability (for an authorized user) to shut off and resume sales and validations on each game independently.
- 6) Message Groups. The games management application must support the capability (for an authorized user and subject to prior Lottery approval) to send on-line messages to retailers or DSRs, a specific retailer or DSR, or to any group of retailers or DSRs such as, but not limited to, all retailers or DSRs, retailers or DSRs in a sales region or retailers in the same county, zip code, business type, corporate account, terminal type/functionality (including attached peripherals), or sales level in one single transmission. In addition to game messages, the Lottery also utilizes this functionality to send messages such as "Amber Alerts" to all retailer terminals.

Response Note: The Proposal shall describe how the application allows retailer groups to be designated for message distribution. Additionally, the Proposal shall describe how the application will keep retailer and DSR messages separated from view by the other.

- 7) Message Size. Retailer and DSR informational messages up to one thousand twenty-four (1,024) characters shall be supported.
- 8) Immediate and Deferrable Messages. The games management application must support the capability (for an authorized user) to define any retailer message as immediate or deferrable. Immediate messages must be displayed by the retailer terminal right away. For a deferrable message, the retailer terminal is notified to take a specified message within a certain time, but the message can be taken by the retailer when it is more suitable to player traffic.
- 9) Player Display Messages. The games management application must support the capability (for an authorized user) to create and send video, graphics and

messages to the player display units associated with the retailer terminals and to the groups identified in RFP Section 3.4.4.2.6.

- 10) Ticket Messaging. The games management application must support the capability (for an authorized user) to create and send messages to be printed in “banner” spaces on the tickets. These messages would be triggered by situation, for example by the game, bet type, or price point. One application will be a unique, by game, marketing message to display on tickets so that a ticket (e.g., Powerball, etc) could display a unique message. The Lottery may also utilize this functionality to send messages such as “Amber Alerts” for printing on tickets.
- 11) Game Monitoring. Authorized games management application users must have the capability to observe real-time statistics on the operation of the System by game, retailer, or group of retailers. (For example, up-to-date statistics on sales by game, by calendar day or draw.)
- 12) Sales and Transaction Research and Reporting. The Lottery requires the capability for authorized games management application users to request, process, and print portions of the gaming System's sales history and transaction history. At least thirty-five (35) days of transaction detail must be on-line.
- 13) Retailer Reports. The System must be capable of automatically printing retailer statements on a Lottery regional office printer. The games management application must be able to generate reports in the same formatting as the retailer terminal reports to allow Lottery staff to review results with retailers.

3.4.5 Support of Instant Ticket Transactions at Retailers

The System will be required to support instant games through the retailer terminal and shall include but not be limited to the features and transactions noted below.

1. Bar Codes. Many instant ticket transactions depend on bar coded numbers for unique identification of tickets. The System must accommodate reading at least three (3) different bar code algorithms. **If the Successful Vendor has input into the instant ticket identifier and/or bar code encoding scheme, the identifier design and the algorithm must be secure against compromising the integrity of the game.** The System must accommodate the Lottery's current bar code practices and new standards, including ticket-level accounting.
2. Security Grid. Operations on packs and tickets will depend on a rules-based security grid that defines acceptable status changes. The grid's rules shall be developed jointly with the Lottery.
3. DSR Transactions. The System must support retailer inventory management transactions and messages for DSRs. For each retailer where a DSR conducts pack management transactions the system must produce reports of all activity.

4. Pack Delivery and Returns. Transactions for packs delivered directly to retailers from the DSR inventory must be registered on the System and produce a pack activation report. Full packs may be returned by the retailer via the DSR and are allocable for use elsewhere, or for return to inventory in the warehouse. Partial pack returns may be returned by the retailer via the DSR and returned to the regional warehouse. Full and partial pack returns will produce a return ticket receipt, content subject to Lottery approval.
5. Pack Activation. The System must have the capability to activate packs for sale, validation and settlement at the time of delivery from the DSR to the retailer and produce pack activation report of the transaction.
6. Instant Ticket Validation. Instant game validation transactions at the retailer terminal will inquire against a validation database maintained by the Successful Vendor system. The System will respond with a pay/no-pay/claim, etc. transaction sent back to the retailer. This transaction will verify whether the ticket is a winner and specify the amount to be paid. The System must provide the retailer and customer a receipt for each winning ticket. The System must print two (2) receipts for winning tickets and one (1) for non-winning tickets. The System must provide the capability to display different messages and perform different functions depending upon the prize amount or status of the ticket. During this process the System must confirm that the ticket is from a pack in "payable" status. Tickets sold by one retailer must be able to be validated by any other retailer ("cross-validation"). Accountability must apply to ranges of tickets within a pack if necessary, in the case of stolen packs or partially settled packs.
7. Keyless Validation. The Vendor must describe a process for "keyless" validation, requiring no more than bar code reading, for any and all specified prize levels. Any proposed solution should address security issues relative to keyless validation. The Successful Vendor's system must be capable of reading the Scientific Games International Inc. Fail-Safe® instant ticket validation technology.

Response Note: The Vendor shall describe this capability.

8. Settlement. The terminal must support settlement of packs that have been distributed to, and sold by, the retailers. Packs must be able to be manually settled, and the System must also support automatic settlement based on Lottery-established parameters such as the time since the pack was activated or the percentage of low-tier validations. The System must support multiple settlement techniques at the same time. Different settlement criteria can be used for specified retailers.
9. Pack Activation Card. Transactions at the pack level, such as activation must be supported both by (i) having a pack activation card, and (ii) the capability to operate without a pack activation card, affecting activity through reading the bar code of a ticket from (and identifying) the pack.

10. Retailer Status and Reporting. The retailer must be able to obtain, through the terminal, an appropriate collection of reports summarizing instant ticket status and transaction activity. These include, but are not limited to, (the retailer's own) inventory information by pack status, summary of validations, instant sales and adjustments, game and pack number, and news messages. Retailer reports must indicate that they are "for information only" and "not for sale" to avoid confusion with tickets. **The gaming system must provide to both the retailer and to the Lottery, combined business reports incorporating instant, pull-tab and on-line product results.** Refer to Appendix E for descriptions of retailer terminal reports.
11. Real-Time Accounting for Instant Tickets. As an **Invited Option**, the Vendor may propose technologies and/or methods that would provide accounting for instant ticket sales as they occur. Under this invited option, it is **Desirable**, that the system, be capable of suspending sales of certain instant games immediately upon the request of the Lottery. Such a request might routinely be issued when the last top prize of a game has been claimed.

Response Note: Packs and tickets will reflect statuses and status changes that are a result of functions performed through the System. A ticket would reflect the same distribution status as the pack that it came from. However, individual tickets from the same pack could have a different exception status (for example, stolen or returned versus no exception).

3.4.6 Support of Pull-tab Ticket Transactions at Retailers

The system will be required to support pull-tab games through all retailer terminals supplied by the successful vendor.

Support from the Successful Vendor shall include but will not be limited to the transactions noted below, which generally fall into the classes of: Consignment, Activation, Returns, Settlement, Retailer Pack Verification, Inventory, Reports, and Terminal Setup/Controls.

1. Bar Codes. Pull-tab ticket transactions depend on bar coded numbers for unique identification of packs. The Vendor should discuss its capability for its terminal to read both interleaved two (2) of five (5) and PDF-417 barcodes (or other formats).
2. Security Grid. Operations on packs and tickets will depend on a rules-based security grid that defines acceptable status changes. The grid's rules shall be developed jointly with the Lottery.
3. DSR Transactions. The System must support retailer inventory management transactions and messages for DSRs. For each retailer where a DSR conducts pack management transactions the System must produce reports of all activity.

4. Pack Activation. The System must have the capability to allow a DSR to activate packs of tickets to a retailer for sale and produce a pack activation report of the transaction.
5. Pack Returns. Retailers may return full and partial packs via the DSR with a ticket/pack return report. Full pack returns will be reassigned to the Lottery sales representative to be used elsewhere, or for return to inventory in the regional warehouse. Partial pack returns will be reassigned to the Lottery sales representative and will be returned to the regional warehouse.
6. Retailer Pack Verification. Pack verification at retailer terminals will respond with “sold here” or “pack not sold here” message sent back to the retailer. This transaction will verify whether the pack is consigned to retailer.
7. Settlement. The terminal must support settlement of the packs that have been distributed to, and sold by, the retailers. Today, packs are settled at the time they are consigned to the retailer.
8. Retailer Reports. The retailer must be able to obtain, through the terminal, an appropriate collection of reports summarizing pull-tab transaction activity. These include, but are not limited to, (the retailer's own) pack status information, current and previous two (2) weeks pack activation reports, daily activity reports, weekly settlement reports and news messages. The gaming system must provide the retailer an integrated business report incorporating instant, pull-tab and on-line summaries.

3.4.7 Claims and Payments

The System must provide a robust mechanism for payments to winners.

1. Validations. The System must be capable of validating winning tickets by means of a reader and by manual entry.
 - 1) The System must validate winning tickets presented within a validation period as determined by the Lottery. Currently the schedule is three hundred sixty-five (365) days after the drawing for Powerball and Hot Lotto, ninety (90) days after the drawing for Pick 3, Pick 4, Iowa's \$100,000 Daily Cash Game and ninety (90) days after the Official Game Ending Announcement for Instant and Pull-tab games.
 - 2) Winning ticket amounts must appear on a customer display and the terminal must print both a retailer and a customer receipt that confirms the result of a winning on-line ticket or instant ticket. All tickets presented for cashing or checking must appear on the customer display and the terminal must print two (2) receipts for winning tickets and one (1) for non-winning tickets. The receipts will contain verbiage approved by the Lottery. The validation ticket transaction as logged on the System must be referenced to the original sell

transaction. The exact specifications will be established during implementation.

- 3) The Lottery expects retailers to pay winning tickets up to a winning amount set by the Lottery. An on-line ticket may incorporate one (1) or more plays under a single unique serial number; multiple winners on the same ticket still observe the winning amount parameter.
- 4) When cashing a multiple draw (advance play) ticket prior to the last draw on the ticket, an exchange ticket for the balance of the plays must be printed. The exchange ticket must have a distinct serial number from the original ticket but the System must be capable of relating the two. The terminal display must show “exchange ticket being printed” or some type of similar method to inform the player that they are to receive an exchange ticket.
- 5) Control of Validations. The System must be able to turn off cashing at the terminal for a specific game and specific draw.

3.4.8 Data Management and Reporting

1. Database Access. The Lottery requires access to Iowa gaming information collected by the Successful Vendor, including retailer data, sales records, terminal maintenance data, and daily transactions, for scheduled and ad hoc reporting. Queries and reports must be supported within the games management application.
2. Sales Reporting Tool Set. The Successful Vendor must provide software tools for accessing, reporting on, and downloading gaming information. The Lottery's access to data on the active gaming systems must be read-only. For reporting and inquiries, the Lottery may employ a separate copy of the data on a separate host from that of the active gaming systems, since the Lottery does not intend any negative impact on production operations or gaming response time while obtaining useful reports on retailers and sales.
3. History. The System database must contain all retailer data and financial activity online for the term of the Contract.
4. Report Export. Reports generated by the System must be exportable to Excel and other common data formats. The Lottery requires (unless otherwise specified) that all reports be date-driven, capable of being sorted and filtered.

3.4.9 System Interfaces

The System must interface with several applications in the Lottery's environment, including but not limited to those identified below. The structure, content, frequency interval, transport mechanism, and configuration of the interfaces will be defined by the Lottery and the Successful Vendor with final approval by the Lottery.

1. Integrated Instant, Pull-tab and On-Line Information. The System must integrate seamlessly between on-line, pull-tab and instant game information when providing data for Lottery accounting and management applications. No data conversion and merge efforts shall be required for the files and reports that the Lottery receives unless otherwise agreed to and approved by the Lottery.
2. Lottery requires a near real-time and read-only replicated server, separate from the ICS, located at Lottery Headquarters. The Lottery requires various forms of data provisioning to feed Lottery administrative and gaming support systems. For some applications, a data file must be supplied of a specified format and frequency. Appendix F details files that may be transferred to/from the Lottery.
3. NASPL and NACS/PCATS XML Project. The Lottery may participate in the National Association of Convenience Stores (NACS) Extended Markup Language (XML) pilot project with NASPL lotteries, as well as other similar projects involving the Petroleum Convenience Alliance for Technology Standards (PCATS). The Successful Vendor shall be required to support this and any such industry standard projects.
4. Retailer Reporting Website. All retailers, and especially corporate retailers, must have access to reports that display sales and other accounting data from a Successful Vendor-supplied website. Retailers must only be able to see their own account, and for authorized corporate individuals, any or all sites within the corporate account. The retailer website must also support announcements and other information useful for retailers. Extended Markup Language (XML) must be supported from startup. Customized reports for corporate accounts must be available.

3.4.10 Security Information Practices and Reporting

The Successful Vendor's operational practices must include reporting and compliance including, but not limited to, the following to support Lottery Security operation.

1. Retailer "fishing" reports (multiple attempts to cash instant tickets with same game, pack, transaction number).
2. Attempts to cash missing or stolen instant or pull-tab tickets.
3. Invalid pack consignments.
4. Excessive cancels or on-line credit requests.
5. Previously validated tickets.
6. Investigative Information. The Successful Vendor and the System must provide the Lottery's Security staff various reports and displays to support investigations, as needed.

7. Mis-delivered, stolen, or borrowed ticket stock.
8. Anomaly reports such as wrong instant ticket pin entry, not a winner and significant changes in instant ticket activations.
9. Transaction Log report.
10. The System shall send and/or print all security related reports (as designated by the Lottery) directly to the designated Lottery Security Personnel.

Response Note: The exact specifications will be established during implementation.

3.4.11 On-line Subscription System

As an **Invited Option**, the Vendor may propose a Subscription System.

Below is a brief list of specifications that an optional Subscription System would have to meet, although these may not be the final schedules and features used for production.

1. Entries. New subscriptions and updates would be processed by completion of a form by a range of methods, to be determined.
2. Subscription Length. Subscriptions may be less than, but can extend up to twelve (12) months.
3. Merging Subscription Plays. Subscriber plays would be merged with the ordinary game pools for determination of winners and payouts.
4. Winner Payments. Winners would be paid automatically through the subscription management system. Within limits determined by the Lottery, low-tier winners may extend the length of the subscription, while higher winners may be paid by EFT or check.
5. Renewal Notices. The system would generate renewal notices automatically for subscriptions that are nearing the lapse date; to begin with the next drawing after the original subscription expires.
6. Subscription Account Management. The Lottery, through the games management application, would provide for all mailings and player services to subscribers.

3.4.12 Player Registration System

As an **Invited Option**, the Lottery may set up a player loyalty program that involves registering players for various informational, promotional, and data gathering purposes. Players may register and interact with the registration system through a range of options.

The following are specifications that an optional Player Registration System would need to meet.

1. Player Database. Player information would be stored in a database that permits ad hoc inquiry and reporting activities in addition to routine, scheduled reporting.
2. Player Account Management. The Lottery, through the games management application would provide for all mailings and services to registered players.
3. Internet Games for Entertainment. The Vendor should describe its ability to provide games for entertainment purposes or player loyalty programs on the Lottery website.

3.4.13 Field Access and Related Applications

The Successful Vendor must provide field staff access to software tools for retailer route, sales, inventory and performance information. For reporting and inquiries the Lottery requires a separate copy of the data on a separate server from that of the active gaming system, since the Lottery does not intend any negative impact on production operations or gaming response time while obtaining useful reports on retailers and sales.

Typical capabilities associated with this software would include, but are not limited to:

1. Route Call / Retailer Contact Management: Identify stops and dates for route management, support a calendaring function related to sales calls, allow recording of detailed notes related to sales calls and other retailer contacts.
2. Sales Performance: Track sales performance and associated sales activity for all products. Performance with respect to sales goals for each retailer on the route. Sales trend reporting, cross-retailer comparisons.
3. Sales Forecasting. Capability to track past instant deliveries and validations and pull-tab deliveries by retailer and provide the DSR with a suggested order on request.

3.4.14 Monitor Games

The Successful Vendor's System must support Rapid Draw Monitor Games. The System must allow for the following features: varying presentation formats for the same game at different retail locations, different monitor games at different retailer locations, alternating monitor games at a single location possibly on a single or multiple monitor(s). To address responsible gaming, the System must allow for setting sales limits on monitor games at retailers. The Successful Vendor must provide and regularly update (via terminal download) monitor game presentation formats except when it is provided by the Lottery. The Successful Vendor must adapt drawing content on an agreed upon schedule.

3.4.15 Retailer Shift Reporting Application

As a **Specified Option**, the Vendor must propose providing the Lottery with a retailer shift reporting application. The application would be used by the retailer as an aid for the clerks to balance Lottery product sales at the end of each shift as well as acting as an aid for other retailer billing/inventory management/loss prevention processes. Additionally, the retailer shift reporting application would assist the Lottery with inventory management and loss prevention.

Response Note: The Vendor must describe how the application would support begin-of-shift, end-of-shift, and reporting functions as well as any other functions that would assist the retailer and the Lottery.

3.4.16 Gift Card Application

3.4.16.1 As a **Specified Option**, the Vendor must propose providing the Lottery with an application enabling the Lottery to sell gift cards to players via retail locations for the sole purpose of purchasing Lottery products. A gift card application would allow a player to purchase a gift card at any Lottery location, have the retailer activate the card via an electronic transaction, and use the gift card to purchase Lottery products using the on-line Vendor's terminal at the store, a device integrated with the Vendor's system or an application that enables a player to purchase plays on the internet. Initially, the gift cards will be one-time programmed with fixed dollar amounts. The cost and obligation of obtaining or producing gift card stock would be negotiable.

3.4.16.2 As a **Specified Option**, in addition to the requirements listed above, the Vendor must propose an application to support a program where a player can establish an account through a gift card. The card will allow monies to be prepaid for play using the on-line Vendor's terminal at the store, a device integrated with the Vendor's system or an application that enables a player to purchase plays on the internet and for winnings associated with such plays to be applied to the account.

Response Note: The Vendor must describe in their responses the reporting capabilities and account management it will provide with the gift card applications.

3.4.17 Internal Control System

The Successful Vendor must supply the Iowa Lottery with three (3) ICS Systems through a qualified third party. Costs for all hardware and software elements of the ICS, including maintenance, and continuing support from the ICS subcontractor, must be included in the Base System price. The ICS will check the System independently by re-processing transactions, allowing auditing of the daily transactions, winner

selection/verification, prize payout calculations, sales summaries, and various inquiry and reconciliation activities.

Systems management tools must create visual and/or audible alarms to provide warning of problems with logging transactions to the ICS.

3.4.17.1 Suppliers

The ICS application must be supplied by an independent, third-party software subcontractor subject to Iowa Lottery approval. **The Proposal must identify two (2) subcontractors from which the Lottery can select.** The Iowa Lottery reserves the right to obtain documentation verifying the ICS subcontractor's independence from the Vendor and/or any of its affiliates. Credentials of the ICS subcontractor must indicate it is experienced and qualified in providing this type of software.

3.4.17.2 ICS Operations by the Iowa Lottery

The Successful Vendor and the selected subcontractor will provide operating instructions and training to the Iowa Lottery. The Iowa Lottery will conduct all daily operations in support of the ICS.

3.4.18 Retailer Accounting

The Lottery currently utilizes various applications for managing data related to Lottery retailers. The Lottery will administer licensing and other retailer account management functions using an application provided by the Successful Vendor.

3.4.18.1 Retailer Account Setup

Required functionality associated with the Retailer management application includes, but is not limited to:

- 1) Retailer Data. The System will support a comprehensive retailer database, central to all other games management functions. Database elements will include, but are not limited to, retailer names, addresses, days and hours of operation, billing data, products, DSR assignments, retailer status and history (e.g. active, terminated), retailer relationships and various codes defining the retailer (e.g. SIC, chain codes, geo-codes, etc.).
- 2) Retailer Key Personnel. The System will support entry of retailer personnel including control persons, clerks and associated contact information. The information must be searchable by name.
- 3) Retailer Configuration. The System will maintain a list of equipment assigned to the retailer. This will include both Successful Vendor-supplied equipment and Lottery supplied equipment (e.g. vending machines).

- 4) Retailer Event and Compliance Tracking. The System will support application processing, retailer security investigations, on-going contract management, retailer compliance with Iowa rules and retailer training status.

3.4.18.2 Retailer Tax Accounting

- 1) The Successful Vendor must support combined instant, pull-tab and on-line product accounting for retailers. Retailer IRS filing (1099) services shall be provided by the Successful Vendor. The files transferred to the Lottery for this purpose must be made available by January 5 of the new year. The 1099 filings operate under the following requirements:
 - a) The database captures all 1099 information based on retailer terminal activity: sales commission, cashing commissions, incentives, bonuses, and certain retailer adjustments.
 - b) Capability for Lottery to enter or adjust additional 1099 data (e.g. bonuses paid to retailers for selling high tier winning tickets). These entries do not affect the retailer invoice but are folded into the 1099 reporting.
 - c) Roll-up of all owner's (based on EIN/TIN) stores to one 1099.
 - d) Reports must show year-to-date 1099 totals; shows individual store/retailer data rolled into each owner.
 - e) The Lottery currently produces 1099 forms in-house.
 - f) The Lottery currently reconciles 1099 retailer totals on a quarterly basis.
- 2) The Successful Vendor must support System capability to provide for income tax withholding on Lottery retailers as required by federal and state tax guidelines (e.g., Internal Revenue Service 26 CFR Part 31[REG-158747-06] RIN 1545-BG45 Withholding Under Internal Revenue Code Section 3402(t)).

3.4.18.3 Retailer Accounting Period

The normal accounting cycle for computing monies owed by retailers and processing EFT files is currently Sunday through Saturday. End of Day will be midnight Central Time. In current practice the retailer accounts are serviced weekly. This accounting period is also referred to as an accounting week or business week. However the Successful Vendor's system must provide flexibility to allow for end of day or other retailer accounting periods. The Lottery reserves the right to change the accounting period during the term of the Contract. The Successful Vendor shall be responsible for the creation of the EFT file for transmittal by the Lottery to the bank. The data must be available to the Lottery on the Sunday following the end of the accounting week.

3.4.18.4 Accounting by Retailer Location

Some Iowa retailers have multiple retailer terminals in one location, and these must be accounted for using one retailer account.

Another accounting obligation is to continue the capability to identify and report sales for a location even if it has undergone a change of ownership. The Lottery gives these locations a new retailer number when the change occurs.

Response Note: The Proposal shall describe the process to be used to identify and report sales for a location that has undergone a change of ownership.

3.4.18.5 Retailer Adjustments and Reimbursements

The System must provide an application for the Lottery to make retailer account adjustments and reimbursements. Authorized games management application users must have the capability to make adjusting entries to retailer accounts with a complete audit trail of adjustment amount, date of adjustment, user who entered the adjustment, adjustment type and a description/reason for the adjustment. There must be the capability to make recurring adjusting entries either based upon parameters within the system and/or a file provided by the Lottery (e.g. retailer incentive adjustments). The System must assign a unique reference number to each adjustment upon entry.

3.4.18.6 Tracking for Retailer Changes

The System must provide for tracking all changes to the retailer master file and accounting files. There must be displays and reports that show past changes and statuses of the files.

3.4.18.7 Prospective Retailer Licensing Process

The System must provide a software application to capture retailer applicant licensing information. This part of the System must allow Lottery management terminal tracking of prospective applicants and must allow for various Lottery entities to approve or deny the application. Upon the necessary approvals the applicant shall be automatically added to the Successful Vendor's retailer master file, as a licensed retailer. At the start of the contract resulting from this RFP, Lottery's then-current Retailer Master File will be provided to the Successful Vendor by the Lottery which will be imported into the System.

3.4.18.8 Retailer Account Management

Retailer EFT transactions and IRS filings shall be handled by the Lottery, based on files transmitted from the Successful Vendor on a regularly scheduled basis. The Lottery will be responsible for the final production and accounting of retailer 1099 forms and winner W2G forms. The Successful Vendor must maintain retailer 1099 data for at least the three (3) most recent calendar years. The Successful Vendor shall process the EFT files and IRS 1099 files upon the Lottery's request. The Successful Vendor must support combined instant, pull-tab and on-line product accounting.

3.4.18.9 Chain Accounting

The System must provide a mechanism for accounting that accommodates multi-store chains. Chain headquarters must be able to see individual store accounting as well as chain roll-ups.

3.4.18.10 Variable Retailer Commission Rates

The System must support variable commission rates for retailers. Various rates may be triggered by terms and conditions of retailer contracts, by retailers meeting sales objectives, or for other defined conditions.

3.4.19 Instant and Pull-Tab Ticket Accounting

System features must include:

1. Monitor individual pack status at the retailer level for the purpose of initiating pack settlement.
2. Provide weekly settlement information to retailers and the Lottery conforming to the weekly accounting cycle.
3. Provide retailer account record-keeping, including retailer instant and pull-tab ticket inventory and inventory value.
4. Maintenance of game ticket validation records, to ensure one-time-only payment of winners.
5. Protect information regarding the retailer locations of winning instant and pull-tab tickets.
6. Support transactions that depend on bar coded numbers for unique identification of instant tickets. The System must accommodate reading at least three (3) different bar code algorithms. **If the Successful Vendor has input into the instant ticket identifier and/or bar code encoding scheme, the identifier design and the algorithm must be secure against compromising the integrity of the game.**

3.4.20 Inventory Management

The System must allow for packs of instant tickets to be received at the warehouse, entered into inventory and then shipped to Lottery regional warehouses. The System must also provide for trunk stock deliveries to retailers by the Lottery's sales representatives.

1. Provide secure receiving, off-loading, and inventory verification of tickets delivered from the Lottery's ticket manufacturer. Provide to the Lottery receiving reports and other documentation as may be necessary.

2. Maintain and report pack inventory and pack history.
3. Monitor and report pack status at the warehouse, in-transit, regional warehouse, DSR and at the retailer level. Reports must show games and packs by ownership and date range.
4. Transfer or return ticket stock to inventory.
5. Perform activities such as return packs of tickets, process stolen ticket reports and serve as the initial point of contact concerning damaged, misprinted, or mis-packaged packs of tickets.
6. Support secure destruction of tickets remaining in the warehouse after the end of a game. No tickets will be destroyed until the Lottery has accounted for and reconciled the disposition of all inventory for that game.
7. Accommodate full and partial pack returns by District Sales Representatives (DSR).
8. Employ a security grid concept. Operations on packs and tickets will depend on a rules-based security grid that defines acceptable status changes. The grid's rules shall be developed jointly with the Lottery.
9. The System must support inventory transactions for DSRs.
10. The System must support transactions from the ticket-printing Successful Vendor, to central warehouse, regional warehouse, DSR, retailer, DSR, regional warehouse, central warehouse, to destruction. Partial returns must also be tracked from the retailer, DSR, regional warehouse, central warehouse, to destruction.

Pack Activation: The system must have the capability to allow a DSR to activate packs of tickets to a retailer for sale and produce a pack activation report of the transaction.

Pack Returns: Retailers may return full and partial packs via DSR with a ticket/pack return report. Full pack returns will be reassigned to the DSR to be used elsewhere, or for return to inventory in the regional warehouse. Partial pack returns will be reassigned to the DSRs and will be returned to the regional warehouse. Partial pack returns are not eligible for reissue.

Settlement: The terminal must support settlement of the packs that have been distributed to, and sold by, the retailers. The System must support manual and automatic pack settlement based on parameters such as the time since the pack was activated or the percentage validated.

3.5 Games and Marketing

The Successful Vendor must apply its best efforts to support the Lottery in retailer placement and network planning, game design, and marketing, assisting the Lottery to achieve its financial objectives.

3.5.1 Corporate Marketing Support

The Lottery will require new games and features over the term of the Contract. Successful Vendors must be able to accommodate the Lottery's marketing plans and efforts with corporate marketing support that includes, but is not limited to:

1. Marketing Strategy Meetings. Semi-annual strategy meetings shall be held with the Lottery for (i) formulating the slate of games, games changes, and promotions to be introduced in the coming twelve (12) months, and (ii) monitoring and analyzing progress.
2. Vendor "State of the Industry" Presentation. The Successful Vendor shall provide an annual review of the industry, identifying new games, new gaming media, relevant technologies, sales trends, and public policy developments. The Successful Vendor shall also identify its own new developments, capabilities, and directions relevant to supporting the Lottery.
3. Gaming Product Planning. Associated with the meetings and presentations cited immediately above, the Successful Vendor will be expected to propose product and promotional releases and changes for consideration by the Lottery.

Response Note: As part of the Proposal, the Vendor must provide a brief analysis of the Lottery's current slate of products and promotions and propose appropriate changes, if any, for the next one (1) year.

4. Gaming Concept Design and Development. The availability of new gaming products and product ideas is critical to the Lottery. The Successful Vendor is expected to have a continuous program of research and development into gaming concepts and products.

Response Note: The Proposal must contain a brief description of the Vendor's gaming R&D program.

3.5.2 Games Menu

The Successful Vendor must support the current set of Lottery game offerings and provide flexibility for growth into new games, game features, and play types.

1. Current Games and Play Types. The Successful Vendor must include all games currently being offered by the Lottery, at the time the Successful Vendor's System is to take over.

2. Additional Games and Play Types from the Successful Vendor. The Lottery reserves the right to add games, game features, play types, and promotions for start-up, or at any time later in the contract. Emerging game types must be available to the Lottery.

Response Note: The Vendor's Proposal shall address the depth and breadth of the games library and the capability to expand beyond traditional games and play options.

3. Association-Based Games. The Successful Vendor must support games from all multi-jurisdiction associations with which the Lottery may become affiliated.
4. Third-Party or External Games. The Lottery may identify games or game concepts not from the Successful Vendor's library that the Lottery may determine could be productive if made available in Iowa. As the Iowa Lottery Authority may direct in such a case, the Successful Vendor is obligated to implement a version or variation of such a game, or if need be to acquire, at Lottery's expense, any rights including software and any other mechanisms on behalf of the Lottery to offer such a game, assuming that it could be effectively supported on the Successful Vendor's System.
5. Internet Games. In the event that Federal or State legislation permits Internet gaming, the Successful Vendor must be capable of providing a compatible suite of game applications. The Vendor's Proposal shall address the depth and breadth of the games library and the ability to expand beyond traditional games and play options. The Vendor should describe their capability to supply games that would be played for entertainment purposes only on the Lottery website.

3.5.3 Promotional Features

The System must be capable of providing a broad range of promotional features should the Lottery opt to include them. The System must include a promotions generator capability. Tracking and reporting of all promotions is required.

Specific promotions required at a minimum are as follows:

1. Multiple Drawings per Day. Multiple drawings for the same game within one day, including Day/Night feature with the same play for the day and night drawings of a game.
2. Bonus Draw. Drawing of more than one (1) winning number (set of winning numbers) at the Lottery's option.
3. Bonus Payoff. A specified increase in the payoff for specified winning plays at the Lottery's option.
4. Drawing Events. Varying the number of drawings per game per week and/or the days the drawings are conducted.

5. "Regional" Marketing. Sale of specified games/products/features (e.g., couponing, discounting) through selected retailers, retailer groups, and/or selected geographical areas.
6. Sampler Ticket. A multi-game quick pick where the System will automatically generate more plays--possibly one for each game on the market – either with or without a premium.
7. Variable Commission Rates. For certain on-line and instant products, commission rates may be set differently from the default value. For certain retailers or retailer subsets, commission rates may temporarily or permanently be set differently from the default. Commission rates may be set for one or more days or any portion of a day.
8. Voucher. The System must support vouchers used in a promotion where a ticket purchase attempt could result in a certificate worth a certain dollar amount or exchangeable for a commodity item. The System must be able to add a barcode, a UPC code, or other appropriate identifier to the certificate generated. The System must track liability for prizes due to issuance of vouchers.
9. Entry Forms. The System must support entry forms issued upon ticket purchase to create an entry for a prize drawing.
10. Retailer Clerk Incentive. Under conditions specified by the Lottery, a ticket sale or other action may prompt the retailer terminal to issue a form for a clerk to enter a drawing, or other clerk incentive.
11. Buy "X" get "Y". Under conditions specified by the Lottery, the retailer terminal may print a promotional ticket if the player purchases "X" number of tickets.
12. Every "nth" ticket. Under conditions specified by the Lottery, the retailer terminal may print a promotional ticket if the "X" numbers of tickets have been sold.
13. Free Play. Free play when several plays are purchased or other conditions specified by the Lottery.
14. Cross Promotion. Promotions between products that allow for discounts (e.g., buy "X" amount of Game A and get "Y" amount of Game B free). Both on-line and instant products may be cross promoted in combinations, namely on-line to on-line, on-line to instant, etc.
15. Raffle. Producing a raffle ticket for a promotional drawing when the correct combination or dollar values of plays are purchased.

Response Note: If the System has been used to implement other types of on-line and instant promotions, the Vendor should describe the capabilities available.

3.5.4 Instant Game Support

The proposed System must handle all instant ticket related transactions, as required by the Lottery, through the retailer terminals. Support from the Successful Vendor shall include but will not be limited to the transactions noted below, which generally fall into the classes of: Activation, Returns, Settlement, Validation, Inventory and Reports. Examples of instant tickets used in Iowa are provided at www.iaLottery.com.

1. Game Volumes. The System must accommodate large game volumes. Based on current practice, the Lottery may have one hundred (100) instant games active at one time, ranging from approximately one hundred thousand (100,000) to ten million (10,000,000) tickets per game. The Lottery requires that the System accommodate games of up to fifty million (50,000,000) tickets. Approximately fifty (50) new games may be introduced annually.
2. Validating Winners. Winning instant tickets may be validated up to ninety days (90) following the official game-ending announcement.
3. Game Identifiers. The System must accommodate up to a four (4) character game identifier.
4. Pack Identifiers. The System must accommodate up to a six (6)-character pack identifier.
5. Ticket Bar Code Identifier. The System must be able to accommodate the current twenty-two (22) digit bar code tickets: three (3) digit game, six (6) digit pack, seven (7) digit validation number, three (3) digit check digit, and three (3) digit ticket number. Also the System must accommodate any expansion to the current bar code or any new bar code the Lottery may define for use in the future.
6. DSR Transactions. The System must support inventory transactions and messages for DSR.
7. Pack Consignment/Activation. The System must have the capability to allow a DSR to consign packs of tickets to a retailer and produce a pack activation report of the transaction. Packs are activated for sale purposes at the time of delivery.
8. Pack Returns. Retailers may return full and partial packs via the DSR with a ticket/pack return report. Full pack returns will be reassigned to the Lottery sales representative to be used elsewhere, or for return to inventory in the regional warehouse. Partial pack returns will be reassigned to the Lottery sales representative and will be returned to the regional warehouse.
9. Prize Payouts. The System must support prize structures for low, mid, and high tier levels, with numerous subdivisions. The System must support up to fifty (50) prize levels, with ninety-nine million dollars (\$99,000,000) as a top prize limit. Non-cash prizes must also be supported (e.g., merchandise, trips, vehicles)

Response Note: The Proposal must identify any limitations the System may have in prize tiers or payout levels. High tier prize levels will require the capability to determine if a prize payout involves the file claim process.

10. The System must support ticket messages to announce prize awards and must support prizes that are cash; merchandise; cash/merchandise; trips; and annuity (weekly, monthly, annually). Prize messages must allow descriptive information as well as prize amounts.
11. Flexibility in Instant Products. The System must accommodate new instant ticket products that may be of different sizes and shapes, bar code qualities, pack quantities, prize structures, and price points, from those described as current products.
12. Retailer Reports. The retailer must be able to obtain, through the terminal, an appropriate collection of reports summarizing instant ticket transaction activity. These include, but are not limited to, (the retailer's own) pack status information, current and previous two weeks pack activation reports, daily activity reports, weekly settlement reports and news messages. The gaming system must provide the retailer an integrated business report incorporating instant, pull-tab and on-line summaries.
13. Terminal Software. The Successful Vendor will be responsible for all terminal programming necessary to meet the needs of the Iowa Lottery at start-up and on a continuing basis for instant ticket and coupon handling.
14. Settlement. The terminal must support settlement of the packs that have been distributed to, and sold by, the retailers. Packs are settled according to the three (3) criteria established by the Lottery (e.g. upon delivery, time, time and/or percent of validation).

3.5.5 Pull-tab Game Support

The proposed System must handle all pull-tab ticket related transactions, as required by the Lottery, through the retailer terminals. Support from the successful vendor shall include but will not be limited to the transactions noted below, which generally fall into the classes of: Activation, Returns, Settlement, Retailer Pack Verification, Inventory and Reports. Examples of pull-tab tickets used in Iowa are provided at www.iaLottery.com

1. Game Volumes. The System must accommodate large game volumes. Based on current practice, the Lottery may have fifty (50) pull-tab games active at one time. Approximately ten (10) new games may be introduced annually.
2. Game Identifiers. The System must accommodate up to a four (4) character game identifier.
3. Pack Identifiers. The System must accommodate up to a six (6) character pack identifier.

4. Ticket Bar Code Identifier. The system must be able to accommodate the current nine (9) digit bar code tickets: three (3) digit game and six (6) digit pack. Also the System must accommodate any expansion to the current bar code or any new bar code the Lottery may define for use in the future.
5. DSR Transactions. The System must support inventory transactions and messages for DSRs.
6. Pack Consignment/Activation. The system must have the capability to allow a DSR to consign packs of tickets to a retailer and produce a pack activation report of the transaction. Packs are activated for sale purposes at the time of delivery.
7. Pack Returns. Retailers may return full and partial packs via the DSR with a ticket/pack return report. Full pack returns will be reassigned to the Lottery sales representative to be used elsewhere, or for return to inventory in the regional warehouse. Partial pack returns will be reassigned to the DSR and will be returned to the regional warehouse.
8. Retailer Pack Verification. Pack verification at on-line retailer terminals will pass against a pull-tab database, maintained by the Successful Vendor's system. The system will respond with 'sold here' or 'do not pay' message sent back to the retailer. This transaction will verify whether the pack is consigned to retailer.
9. Settlement. The terminal must support settlement of the packs that have been distributed to, and sold by, the retailers. Packs are settled at the time they are consigned to the retailer.
10. Retailer Reports. The retailer must be able to obtain, through the terminal, an appropriate collection of reports summarizing pull-tab transaction activity. These include, but are not limited to, (the retailer's own) pack status information, current and previous two weeks pack confirmation reports, daily activity reports, weekly settlement reports and news messages. The gaming system must provide the retailer an integrated business report incorporating instant, pull-tab and on-line summaries.
11. Terminal Software. The Successful Vendor will be responsible for all terminal programming necessary to meet the needs of the Iowa Lottery at start-up and on a continuing basis for pull-tab ticket and coupon handling.

3.5.6 External Coupons

The Lottery may employ coupons produced by third party sources for sales promotions. For example, a coupon may permit the bearer to obtain a free ticket from the retailer. The coupons may have bar code reading specifications similar to instant tickets. The Successful Vendor's application software must permit the use of coupon promotions. As part of this capability, the System must read coupons with an accountable bar code/serial number (e.g., using a validation file). At the Lottery's discretion some

coupons may be used in conjunction with promotions enabled on the System. If requested, the System must be capable of generating a validation file that can be sent to a commercial printer for the production of the coupons.

3.5.7 System-Generated Coupons

The retailer terminal and System must be capable of generating a coupon used as part of a cross promotion. System-generated coupons may relate to, and be generated by a similar mechanism to that which provides gift cards for customers. The System shall produce summary reports of such transactions. The reports shall define the outstanding liabilities and claimed amounts, as appropriate. At the Lottery's discretion some coupons may be used in conjunction with promotions enabled on the System.

3.5.8 Additional Non-Traditional Gaming and Non-Gaming Capabilities

The System must be able through hardware and software upgrades to support additional games not currently offered. Specific non-traditional capabilities offered by the Vendor may be described and/or may appear as **Offered Options**.

Similarly, the Lottery does not currently conduct non-Lottery transactions through its retailer terminals, network, or host systems. If the System proposed can support non-Lottery functions, then the Vendor may describe the support available. Specific features or items offered by the Vendor may appear as **Offered Options**.

3.6 Successful Vendor Facilities and Disaster Recovery Plan

The Successful Vendor must provide and operate a Primary Data Center (PDC) and a Backup Data Center (BDC) within the contiguous forty-eight (48) United States. The data centers may be located in state or out-of-state, or a combination thereof, based on cost effectiveness and operational efficiencies to the Lottery. In addition, because the Lottery is always striving to be as cost effective as possible, the Successful Vendor may propose alternative configurations such as utilizing the PDC as a regional hub for the Successful Vendor's other Lottery related operations in order to realize cost efficiencies. Regardless of the location selected for its data centers, the Successful Vendor must provide communications between its primary and backup Data Centers and the Lottery Headquarters facility in Des Moines, Iowa, and each retailer site. The intent of this requirement is to assure survival of the System in the event of a major outage.

Each of these paths must support all of the gaming traffic needed between the Data Centers and between the Data Centers and the Lottery.

The Successful Vendor must support a primary data center, a remote backup data center, and additional service facilities as needed. All site specifications must be

consistent with standards of any multi-jurisdictional associations in which the Lottery may participate.

3.6.1 Primary Data Center Specifications

Should the Vendor propose a primary data center located in Des Moines Iowa ("Des Moines Metropolitan Area"), the primary data center must be located within fifteen (15) miles of the Lottery headquarters (currently located in Des Moines, Iowa). The primary data center must be ready one hundred twenty (120) days prior to production start-up for Lottery acceptance testing. The Lottery must approve of the specific geographical location, subject to the above limitations.

Response Note: The Proposal shall contain specifications and a description for the location and the space planned.

3.6.1.1 Environment and Security at Primary Data Center

The Successful Vendor's primary data center must include appropriate safety, security, and environmental controls equipment for a computer facility, as described below. It must meet security and lockdown specifications promulgated by MUSL (and by any other multi-jurisdiction affiliations the Lottery may join). If the primary data center is located farther than 15 miles from the Lottery headquarters, the Successful Vendor must address MUSL lockdown procedures that would not utilize Iowa Lottery Security personnel.

All construction and furnishings must comply with fire, safety, building, and ADA codes. Any upgrades, servicing, or replacement required to maintain compliance with such codes shall be the Successful Vendor's obligation.

- 1) Emergency exit doors must be provided and must be equipped with alarms.
- 2) Locking devices must be installed on all doors or other entry points.
- 3) An electronic access system shall be installed at entrances to the computer room(s), media library and other secure areas. The Successful Vendor must provide a feed so that the access system can be remotely monitored from the Lottery's Security Division. The access list shall be authorized by the Lottery.
- 4) The Successful Vendor must install and administer a digital CCTV system with enough camera and communications capacity to monitor all gaming systems, games management activities, and sensitive facility areas, as determined by Lottery Security. At least certain cameras must have tilt, pan, and zoom features. There must be provided a video feed to the Lottery Security Office from cameras viewing critical areas, to be determined by the Lottery.
- 5) The computer room(s) must be protected by an automatic fire extinguishing system based on FM-200 or another Lottery-approved method. The system shall be installed and maintained as specified by applicable National Fire Protection

Association (NFPA) guidelines. When triggered, the automatic fire extinguishing system shall be equipped with alarms that sound locally and at the Lottery's Security Office in Des Moines.

- 6) Construction shall support fire safety as noted in NFPA guidelines and must meet all applicable state and local fire codes. Computer room(s) with mission critical equipment must be separated from the other areas by non-combustible materials having at least a one-hour fire resistance rating, and in addition:
 - a) Walls must be extended from structural floor to structural floor (or roof) above.
 - b) Fire doors must be provided on all entrances into the computer room with a fire resistance rating at least equal to the wall in which the door is located.
 - c) All penetrations through the computer room floor, wall or ceiling must be tightly sealed with material equivalent to existing floor, wall or ceiling construction to prevent passage of heat, smoke and water.
 - d) Fire and smoke dampers must be provided in ducts that pass through the computer room walls, floor or ceiling.
- 7) The air conditioning system shall have sufficient capacity to maintain a stable environment within original computer equipment manufacturer specifications. An air conditioning failure detection mechanism must be provided. The air conditioning system(s) must be interlocked to shut down upon activation of the fire extinguishing system or the automatic system must compensate for loss of extinguishing agent through operation of the air conditioning systems. The HVAC system must be maintained according to its manufacturer's specifications.
- 8) The Successful Vendor shall provide power-conditioning equipment for the computer room(s) and shall provide an uninterruptible power system with both battery backup and an electrical generator. Should a utility power failure occur, the UPS must provide at least one hundred fifty (150) percent of the capacity needed to sustain full capacity business. During the Contract, the batteries, transfer switch, and generator must be exercised for extended periods on a Lottery-approved schedule, and the generator must be maintained according to its manufacturer's recommendations.

3.6.1.2 Vendor Supplied Lottery Facilities

The Vendor may propose a primary data center that is located locally or remotely. In either event, the Successful Vendor must supply Lottery office space co-located with the Successful Vendor's Iowa Office in the Des Moines Metropolitan Area subject to the same geographical location as specified in RFP Section 3.6.1.

The Lottery office space will permit certain Lottery office functions to be co-located with the Successful Vendor's Iowa Office. Design and build-out of the Lottery's remote space is the Successful Vendor's obligation, subject to Lottery approval. These services include interior finishing, carpeting, plumbing, lighting, and electrical service.

- 1) Lottery Services. The Successful Vendor shall provide office furnishings, building maintenance, utilities, grounds care, pest control, parking, restroom access, and janitorial services.
- 2) Lottery Space, Layout and Successful Vendor supplied equipment. The Lottery will require the following:
 - Three hundred (300) square feet conference room space with table and chairs,
 - o Data Access. The Successful Vendor shall provide access through a Local Area Network for any purpose the Lottery requires. This includes four (4) jacks and wiring to the LAN infrastructure.
 - An approximate 15 x 15 foot drawing machine room with dual locks on the door,
 - ICS Room. The Successful Vendor shall provide a secure, segregated, air-conditioned area in the Successful Vendor's facility to house the Lottery's secondary ICS System. The room will accommodate the ICS server, small table or counter area and a chair
 - Securable Lottery office of sufficient size to house the following Successful Vendor supplied equipment:
 - o Two (2) desks and chairs
 - o Two (2) Five (5) drawer lateral file cabinets
 - o Two (2) PCs with LAN and internet access
 - o Desktop Printer and Fax or Printer/Fax combination unit
 - o Two (2) desk phones

- 3) Entry/Exit. The Lottery's area must be separate from the Successful Vendor's, with separate interior access. An external entrance may be shared so long as the Lottery's access cards will work (or there are separate cards issued to selected Lottery staff).
- 4) Parking. There must be sufficient parking for Successful Vendor staff and up to four (4) Lottery vehicles.
- 5) Secure Space. No portion of the Lottery space, other than the conference room, can be shared with that of the Successful Vendor. Access control to the space will be provided and controlled by Lottery Security. The Successful Vendor must provide any space needed for the Lottery to install access control hardware devices. Successful Vendor staff shall have access to this area only with permission of the Lottery.

3.6.2 Backup Data Center

The Successful Vendor must provide a remote backup data center where gaming transactions are logged and processed. The retailer network, the primary data center, Lottery access for games management and the Lottery's ICS must connect to this facility.

1. The remote backup data center shall be identified in the Proposal and may be proposed either for in-state or out-of-state placement, subject to Lottery approval. It is required that the remote backup data center be separated from the primary data center so as to virtually preclude simultaneous loss due to the same disaster.
2. The remote backup data center must be located greater than fifty (50) miles from the primary site. The remote backup site is required to be in the contiguous forty-eight (48) United States.
3. The remote backup data center must be operated under the safety and security requirements of the primary data center. If the remote backup data center is in a Successful Vendor facility that shares processing support with other business operations of the Successful Vendor, then the Iowa Lottery Authority equipment must be physically and logically separated and secure from all other operations, subject to the written approval of the Lottery.
4. The remote backup data center must be attended during all Lottery gaming hours, but not necessarily with staff dedicated to the Iowa Lottery operation, to support a failover in case the primary data center can no longer serve and is unable to manage a failover.

3.6.3 Training Facilities for Conversion and Ongoing

The Successful Vendor must provide training facilities, at Vendor expense, around the State for start-up or for the introduction of new equipment/features as determined by the Lottery. Facilities may be temporary, such as hotel meeting rooms, and must be approved by the Lottery. These shall be rented in conjunction with the Lottery's process of scheduling retailers for training. Retailer training sites shall be within a seventy-five (75) mile radius of retailer locations to limit the driving distance for attending a training class. The Successful Vendor will also provide ongoing retailer training at the retailer's corporate headquarters or store sites. For use after conversion, the Successful Vendor must provide eight (8) or more retailer terminals and other point of sale equipment that can be used for training purposes.

3.6.4 Testing Room at Lottery Headquarters

The Successful Vendor must equip a separate room at Lottery Headquarters to be used by Lottery staff for System testing. The Successful Vendor must furnish and install three (3) management terminals, six (6) or more test gaming terminals and other point of sale equipment in the Lottery's testing room. The terminals must be connected by communications to the testing system. Communications must be routed in an exact manner to actual retailer terminals, namely, those outside the building.

3.6.5 Service Centers and Depots

The Successful Vendor must provide and operate maintenance centers and depots to fully support the terminal maintenance and repair program, and consumables warehousing and distribution (but not instant/pull-tab tickets). The Lottery reserves the right to approve all locations.

Terminal repair facilities are not required to be within the boundaries of Iowa.

3.6.6 System Disaster Recovery Plan

The Successful Vendor must provide and annually update a disaster recovery and contingency plan for the data centers and administrative sites used in this Contract. The plan must be delivered by the start-up date.

Such plan shall take into account disasters caused by weather, water, fire, environmental spills and accidents, malicious destruction, acts of terrorism, and contingencies such as strikes, epidemics, etc. The plan must ensure continuity of the System and games. Provision shall also be made for the safe, secure off-site storage of all scheduled backup data and programs.

The Successful Vendor must provide contact information and detailed System recovery procedures and documentation and must coordinate with the Lottery's production of its own disaster plan. Should implementation of any portion of the disaster recovery and

contingency plan become necessary, all costs associated with the plan shall be borne by the Successful Vendor.

Response Note: The Proposal must contain an outline for, or sample of, such a disaster recovery plan.

3.6.7 Successful Vendor Corporate Infrastructure Protection Plan

The Successful Vendor must also produce a Corporate Infrastructure Protection Plan for its own additional facilities and capabilities necessary to support the Iowa Lottery Authority. For example, the Successful Vendor's terminal manufacturing and central software development and support facilities are critical for the term of the Contract. This protection plan shall be due at start-up.

Response Note: The Proposal must contain an outline for, or sample of, such a protection plan.

3.7 Staffing, Services, and Operations Security Plan

The Successful Vendor is required to provide the Lottery with a variety of staff and support services as described below.

3.7.1 Vendor Personnel

The Vendor must provide information, as specified below, that documents its organizational structure and the staffing with which Lottery operations will be implemented and run. The Vendor must identify substantial subcontractor staff and consultants by name, where such are anticipated to be part of the implementation and ongoing operational support efforts. The Proposal must make clear which proposed staff is employees and which are subcontractors or consultants. All personnel, regardless of whether they are Successful Vendor staff, subcontractors, or consultants may be subject to Lottery background investigations and shall be subject to removal by the Lottery and at the Lottery's sole discretion.

1. Implementation and Conversion Staff. The Vendor shall provide an **organization chart** showing names of all **management, supervisory, and key technical personnel** who will be active in the implementation and conversion of the System. **There shall be a dedicated technical project manager and software development manager assigned to the implementation project who must be on-site during Lottery quality assurance and conversion testing.** Further, the Vendor must indicate what specific Contract function(s) staff will perform and how long it is anticipated they will be engaged. For staff not yet identified, the Proposal shall identify and quantify them by title, and state what qualifications they can be expected to have.

2. Ongoing Lottery Operations Staff. The Vendor shall provide **brief position descriptions and an organization chart** showing names of all **management, supervisory, and key technical personnel** who are expected to be active in the ongoing operation of the System. For staff not yet identified, the Proposal shall identify and quantify them by title, and state what qualifications they can be expected to have.

Response Note: The Vendor must describe its staff capability to support Quality Assurance and marketing promotions with quick implementation and short duration. These promotions will be targeted to individual retailer level with multiple promotions active on a daily basis.

3. Resumes. The Vendor shall provide one-page resumes of all **management, supervisory and key technical personnel** planned to be involved in the installation, implementation, and operation of the System, and shall provide for each such person:
 - 1) Full name;
 - 2) Most recent five (5)-year employment history;
 - 3) A specific description of experience that person has in connection with Lottery gaming systems;
 - 4) Specific indication of the role the individual will have in this project;
 - 5) Any additional helpful information to indicate the individual's capability to successfully perform the work involved in the Contract.
4. Key Staff Continuity. The Vendor must commit to a good faith effort to retain proposed key staff for the implementation/conversion phase and the ongoing operations phase of the project.
5. Staffing Levels. The Vendor must commit to maintain or exceed proposed staffing levels for the duration of the contract. Reassignment of staff to a different geographic location, even on a temporary basis, requires written Lottery approval.

3.7.2 Operations Services

The Successful Vendor must provide operation and monitoring services for the System, retailer network and QA systems, including the operation of two data centers.

1. Data Center Operations Duties. Duties shall include System start-up and shutdown tasks, monitoring, drawing results entry, report generation, file backups, recovery from System failures and various operational procedures to enable the correct operation of the System. Operations shall produce reports and files documenting the operations activities.

The Successful Vendor's staff shall continuously monitor the systems and network, and must be trained in the System's monitoring tools for this purpose. Any System faults must be detected, diagnosed and corrected.

Response Note: The Proposal shall indicate what monitoring tools are proposed for operators and communications technicians.

2. Secure Operating Principles. The Successful Vendor must operate the System on the basis of the Principle of Least Privilege, observing need-to-know and segregation of duties, to limit the capability of staff to misuse the System. The Successful Vendor must also highly restrict "superuser" capabilities to access and change System components.

Response Note: The Vendor must describe the manner in which the data centers will be staffed, including the number of operators per shift available for Iowa operation issues and procedures.

3.7.3 Terminal Provisioning Services: Moves, Adds, Changes, Removal

The Successful Vendor is responsible for providing terminals, communications and related peripherals at retailer locations. Besides installing a new retailer ("add") it may be necessary to serve an existing retailer from a new physical location ("outside move"), to relocate the retailer's terminal within the premises ("inside move"), or to de-install a terminal. An inside move may involve a change to the inside wiring.

The Lottery shall identify the authorization for a retailer change, and then advise the Successful Vendor in writing that a retailer requires provisioning. This advisory starts the provisioning clock.

A terminal shall be considered to have completed add or move provisioning and be ready when:

1. It has been installed at the designated location;
2. Is in good running and working order;
3. Is communicating with the gaming host systems;
4. Is capable of issuing tickets, conducting validations, and producing reports;
5. It performs all other terminal functions as specified in this RFP;
6. The retailer has received terminal training from the Successful Vendor.

Provisioning activities must be conducted on a timely schedule.

The Lottery has determined that the following provisioning schedule (in calendar days) is the maximum permitted for completion:

Add a new retailer	14 days (30 days for land lines)
Outside move	14 days (30 days for land lines)
Inside move	7 days
Removal	3 days

These particular schedules are the maximum allowable under a Service Level Agreement (SLA) with the Lottery. The Proposal must in this section define the Vendor's commitment to a terminal provisioning schedule and the Successful Vendor will be held to the proposed provisioning schedule; and liquidated damages from RFP Section 2.26.8 may apply. Shorter provisioning schedules than shown in this RFP are **desirable**.

3.7.4 Support of the Lottery's Partnership with Retailers

The Lottery currently employs its own DSR staff. The Vendor must propose mechanisms such as meetings, messaging, and data interfaces to facilitate DSR activities and resolve retailer concerns or problems with Successful Vendor-provided activities such as terminal functions, terminal repair, and quality and timely delivery of consumables.

3.7.5 Retailer Training Programs, Initial and Ongoing

The Successful Vendor shall provide training for retailer staff in the operation of retailer terminals for the initial conversion training, post conversion retailer start-ups and for major System changes during the Contract.

1. **Retailer Instruction.** To support the conversion, the Successful Vendor shall provide initial hands-on group instruction at locations approved by the Lottery and shall provide training on-site at retailer locations when appropriate. The Successful Vendor shall continue to provide retailer training throughout the term of the Contract. Further Successful Vendor-supplied training may be required by the Lottery after start-up and during the Contract period in case of a major System release or games modification. There shall be an emphasis on train-the-trainer exercises. It is anticipated that retailer managers will use the training to train retailer clerks. The Successful Vendor is required to use trained facilitators to conduct the initial training services.
2. **Training Program Contents.** The retailer-training program must cover the retailer terminal and peripherals, and on-line, instant and pull-tab products. The program must address not only the technical aspects of operating the terminal and account management, but also approaches for interacting successfully with players. The training must include instruction on using the retailer web site. Contents of the training program must be approved by the Lottery.

Response Note: The Vendor shall describe the proposed training program in terms of materials, facilities, staff qualifications, sessions, and schedule. The program description shall address the Vendor's capability of providing for the specific training needs of top corporate accounts.

3. Training Security. The Vendor must describe the mechanisms for security of ticket stock and training tickets produced during retailer training sessions, and the security of the terminals themselves from tampering or theft. Security must comply with all multi-jurisdictional rules (e.g., MUSL rules).

Response Note: The Vendor shall describe this capability.

4. Training Materials and User Documentation.

- 1) Handouts and/or manuals on the correct use of retailer terminals and retailer procedures are required and must be approved by the Lottery. Such documentation must contain, at a minimum, information and instructions on changing ticket stock, how to conduct each type of transaction, obtaining and using the reports, hotline procedures, use of play slips, validations, and retailer adjustments. Such manuals shall be written at sixth grade reading level and feature a high level of visuals to achieve greater understanding.

Response Note: The Vendor must include samples of similar such user (retailer) documentation the Vendor has produced and distributed.

- 2) User Documentation Updates. The Successful Vendor shall update the training materials and any user documentation provided to retailers with each game or procedural change. The format must be approved by the Lottery. Copies shall be supplied to the Lottery and to the retailers by one (1) week prior to the start date of any new game or game change. Training changes shall also appear on the retailer website.
- 3) Terminal-Based Documentation and Training. It is required that the Successful Vendor provides supplementary video or graphical training and documentation directly through the retailer terminal at the point of sale.

3.7.6 Lottery Staff Training

The Successful Vendor must provide training for Lottery staff, at the Lottery offices, or appropriate venues as approved by the Lottery.

1. Customized Training. Training must be customized to meet the unique needs of Lottery employees performing specific primary and support activities. At times during the Contract additional training may be needed as System features evolve.
2. Training Methods and Tools. Training must incorporate a mix of instructor-led presentations and discussions, as well as interactive hands-on, computer-based

activities and workshops. The Successful Vendor will provide workbooks and documentation to support these activities.

Response Note: The Vendor shall describe what training will be provided to Lottery staff regarding concepts of the Lottery gaming system, use of the games management applications, administrative reports, Successful Vendor-provided services, security features and controls, and any other relevant aspects of the proposed package of systems and services.

3.7.7 Retailer Consumables Supply

1. Consumables. The Successful Vendor shall provide and deliver consumables to the retailers, reminding the retailers during this activity that secure storage of ticket stock is a priority. The consumables to be provided include:
 - 1) Play slips that can be processed by the terminal reader;
 - 2) Secure ticket stock;
 - 3) Any terminal supplies required to print tickets; and
 - 4) Retailer manuals and/or reference cards for terminal operation, updated upon Lottery request. There must also be a version of retailer documentation available to the Lottery for the purpose of publishing on the Lottery website.
2. Consumables Designs. Consumables designs and wording shall be jointly developed by the Successful Vendor and the Lottery, and must be approved by the Lottery prior to production and distribution. The Successful Vendor will be responsible for consumables production, storage, and delivery.
3. Testing and Training Ticket Stock. The Successful Vendor must ensure that in addition to production ticket stock, there is stock of the same paper quality suitable for retailer terminals used at training facilities, and for use by the Lottery in testing, training, and promotions. Testing and training ticket stock must be plain and conspicuously distinct from live ticket stock and must comply with any multi-jurisdictional security rules (e.g., MUSL rules).
4. Multiple Suppliers. In order to avoid dependence on one (1) supplier, the Successful Vendor must have more than one (1) source of paper stock and printing service(s), as well as multiple suppliers for any other consumables.

3.7.8 Retailer Equipment Maintenance Program

The Proposal shall describe the maintenance plan for the retailer terminals and associated equipment. The term "retailer terminal" shall include all attachments and peripherals, including any network devices at the retailer location, (e.g., IDU, cable, ODU [dish with electronics]) provided or serviced by the Successful Vendor. **The Successful Vendor is obligated to obtain replacement parts and services that are**

approved, recommended, or recognized by the original equipment supplier as effective.

1. Retailer Terminal Maintenance. As well as to repair or replace the terminal, its peripherals, or wide area network communications interface, the Successful Vendor's technicians will be required during any service call to routinely check the mechanical security, safety, and general operation of any mechanisms or attachments provided or serviced by the Successful Vendor.
2. Terminal Preventive Maintenance Schedule. The Successful Vendor and Lottery shall agree on a preventive maintenance (PM) schedule for the retailer terminals. For the Proposal, the Vendor must propose a PM schedule however the schedule cannot exceed a one hundred twenty (120) day cycle. In no case shall there be attempts to render preventive maintenance services during retailers' busiest periods.
3. Terminal Parts Supply. The Successful Vendor shall maintain an adequate supply of parts to sustain the service of terminals that it has supplied and is required to maintain. The Proposal must identify the spare levels planned, and the approach to swapping out whole terminals versus parts/module replacement in the field.
4. Terminal Repair and Maintenance Reporting. At service events a log will be updated noting the maintenance activities. The log information shall be entered into a database accessible to the Lottery. The Lottery shall have access to generate reports from the retailer dispatch and repair data that indicate when services have occurred, what services have occurred, and on an exception basis, when services have NOT occurred or have been untimely. Entries to the log may not be removed by the Successful Vendor.
5. Successful Vendor's Maintenance System. The Successful Vendor must have a system for trouble tracking and maintenance management. That system shall at a minimum fulfill the following criteria:
 - 1) Tracking. Tracking and reporting of retailer terminal, communications line, network, and other problem reports is required whether or not actual problem(s) are found. Data must be kept on all terminals including those in reserve or returned to a depot for maintenance.
 - 2) Maintenance Information. The Successful Vendor is required to retain maintenance data for the Contract term, with at least twelve (12) months of data on-line.
6. Staffing and Hours. The Successful Vendor must provide adequate field service staffing for timely repair or liquidated damages may result (RFP Section 2.26.13). Repair technicians must be available for repairs at retailer locations between

7:00 AM and 8:00 PM, Monday through Saturday and between 10:00 AM and 5:00 PM on Sunday.

7. Retailer Hotline Services. The Vendor must provide a staffed toll-free hotline number. Refer to RFP Section 3.7.14 for business hours and specific information related to hotline. The Vendor must maintain hotline records for the life of the Contract and any extensions and for three (3) years after cancellation or expiration of the Contract while providing these records to the Iowa Lottery as requested. The Iowa Lottery reserves the right to require calls to be routed elsewhere.

3.7.9 Other Host, Systems, and Network Equipment Maintenance

The Successful Vendor shall be responsible for maintaining data center components, including but not limited to host systems, LANs, communications equipment for the central sites, and infrastructure and facilities items (such as generator backup, UPS, power and HVAC). Documentation of maintenance events must be maintained by the Successful Vendor for Lottery review.

The Successful Vendor is obligated to obtain replacement parts and maintenance services that are approved, recommended, or recognized by the original equipment supplier as effective.

3.7.10 Technical Support Services

Timely and committed fulfillment of Lottery requests for System support and changes is a requirement. The Proposal must identify how systems and software engineering support services for System management, System error correction, support for changes to the Lottery's business rules and requirements, and game changes will be delivered to the Lottery, by responding to the following:

1. Software Support with Quarterly Releases. The Successful Vendor must provide software and systems engineering support for System changes. The Successful Vendor must be capable of supplying upgrades on a quarterly or more frequent basis, and the periodic releases must be capable of including additions and changes for several games and promotions as well as administrative improvements to the System. Some of these changes will be multi-jurisdictional and must be completed in consort with other lotteries and the vendors representing them.
2. Quality Assurance and Acceptance Testing. The Successful Vendor must provide a local Quality Assurance capability and support for the Lottery's acceptance testing.
3. Shared Records for Change Management. In fulfillment of joint responsibilities between the Successful Vendor and the Lottery to make System changes in a

timely and correct manner, the Successful Vendor must provide shared access to change requests and change tracking for the Lottery project.

3.7.11 System Change Control and Configuration Management

The Successful Vendor shall operate under a defined change control and configuration management procedure practices. Configuration Management practices, as described below, shall apply to all of the following components: documentation, procedures, specifications, program application source and object code, operating systems, database platforms, other third-party applications, host systems and network hardware major hardware components, and any other major System components. Strict performance according to principles of configuration management is required:

1. **Approved Changes Only.** The Successful Vendor shall ensure through procedural and System controls that only Lottery-approved changes, on an approved schedule, can be made. Reports and/or displays shall be available to the Lottery to review all related change and configuration management activities.
2. **Change Introduction.** All changes to host systems, network devices or applications must first be completed on the related testing systems. All changes approved and completed for production systems must also be completed on the associated backup systems.
3. **Checksums.** Checksums are required for software at the time it is released for Lottery testing, and must be available at any time for testing applications and for the production systems.
4. **Component Identification.** System components shall be documented with version and release numbers / patch versions, or model and serial numbers.
5. **Traceability of Components.** System components shall be traceable, identifying the history, use, and location of a component.
6. **Change Tracking.** The Successful Vendor must track all changes made to System components, provide reports showing when and by whom a change was made and for what purpose, and must avoid multiple update conflicts. Change logs must reference associated planning documents and approvals.
7. **Configuration Status and Inventory.** The Successful Vendor shall have the capability to produce a configuration status report identifying the current configuration of any System component as well as an inventory report including all System components.
8. **Documentation.** The Successful Vendor must provide and maintain comprehensive System documentation for the Lottery including but not limited to: network diagrams, security standards and processes, multi-jurisdictional security standards compliance documents, change control processes and procedures, data dictionaries, third-party licensing documentation, etc.

3.7.12 Operations Security Plan

The Lottery expects its System and operations to be of the highest security and integrity. This requires both the Lottery and its Successful Vendor to maintain a confidential, high-level comprehensive approach to information security controls. For example, staff must be organized, assigned, and operate under procedures and with System controls that mitigate such threats as insider fraud.

The Successful Vendor must present an Operations Security Plan ready for approval by the Lottery, the submission to be achieved no later than thirty (30) days prior to commencement of operations. Approval of this plan is an entry criterion for acceptance testing.

As a minimum, the security plan in the Proposal (to be revised after award) must include the following sections:

1. Business Impact Analysis
2. Risk, Threat, and Vulnerability Analysis
3. Security Strategy
4. Personnel Security Practices
5. Physical Security
6. Data Security
7. Systems Security
8. Network Security
9. Terminal Security
10. Communications Access Security Applications and Data Security
11. Patch Management
12. Incident Response
13. Protection of Software and Other Copyrighted Materials
14. Plan Evaluation
15. Security Awareness/Training
16. Plan Maintenance.

The plan must address incident response procedures (e.g., in case of an electronic intrusion); periodic audits to ensure compliance with the security plan; and periodic meetings with Lottery staff to review security controls. The security plan must follow a format approved by the Lottery, must be approved by the Lottery, and must comply with all associated multi-jurisdictional security requirements (e.g. MUSL rules).

3.7.13 Electronic Media, Computer Room Paper, Supplies

The Successful Vendor shall supply all magnetic tapes, cartridges, disk packs, CD's, DVD's, and other media items, printer paper, toner cartridges, pre-printed forms and supplies needed to operate the gaming system, Lottery testing terminals, ICS, and systems at all Successful Vendor sites.

3.7.14 Trouble Tracking, Dispatch, and Reporting System (Hotline Support)

The Vendor must operate a toll free hotline to support the Retailers and handle Retailer trouble calls. Staff trained for Iowa-specific issues must be available on a 24/7 basis. The hotline function is required to be located in the United States. The Hotline phone system shall employ a voice and data recording system. The system will record both the audio and capture the screens on a per call basis. The system must store such information online for a minimum of three hundred sixty five (365) days.

Response Note: The Proposal must address the staffing and mechanisms employed to ensure Retailer waiting upon calling the hotline is not onerous. Provide detailed description and functionality of the recording system.

This center will maintain and manage a database and reporting system fulfilling the following criteria:

1. Tracking: Tracking and reporting of Retailer terminal, communication line, network and other Retailer reported problems are required whether or not actual problem(s) are found. Data must be retained on all terminals including those held in reserve or returned to a depot for maintenance. The system must have capability to assign a problem type and resolution code and provide useful reports for review.
2. Maintenance Information: The Vendor is required to maintain maintenance data for the Contract term with at least twelve (12) months of historical data accessible online. On-line data must be accessible for Iowa Lottery staff via a secure web-enabled browser.
3. Call System Management:
 - 1) Staffing. Staff trained and able to communicate regarding Iowa-specific issues must be available on a 24/7 basis.

Response Note: The Vendor must describe how the Hotline Call Center will be staffed and managed to ensure timely, professional and accurate response to Iowa retailer calls.

- 2) Call System. Telephone call management equipment must be capable of handling all incoming calls on toll-free circuits. (The cost of toll-free circuits must be covered in the base line price.) If all available Hotline operators are busy, a prerecorded message must be played and the calls must be queued for the next available staff member. If a call is queued, the system must provide call status information to the caller at intervals including estimates of hold time. Calls that cannot be completed due to volume must allow for a retailer to leave a message for service or for a question. Under ordinary operational circumstances, ninety percent (90%) of Iowa retailer calls must provide a live operator response within two (2) minutes on a weekly basis, and failure to do so may result in liquidated damages (see RFP Section 2.26.35.)
- 3) Call System Reporting. The Lottery must be able to monitor/review the calls received by the Hotline Call Center. The data to be monitored will include but not be limited to current date/time, calls received today, calls holding, average answer time, number of calls waiting, average and total hold times, and the number of calls abandoned and their average abandon time. The call management system must provide periodic summary reports.
- 4) Call Recording. A recording device must be provided to record all telephone conversations transacted on the Hotline Call Center circuits. Recording of telephone conversations must adhere to all applicable Federal, State, and local laws. The Vendor must provide the recording equipment and maintain recorded conversations for at least three hundred sixty five (365) days. Conversation files must be transferable for Lottery review upon request.

The Successful Vendor must make recorded hotline calls available in an audio format to the Lottery within twenty-four (24) hours of written request.

4. Trouble Tracking, Dispatch, and Reporting System (Hotline Support). As an **Invited Option**, the Vendor may propose a toll free hotline to support the Retailers and handle Retailer trouble calls from a facility located within the State of Iowa during the hours of 5:00 AM through 8:00 PM Central Time. During all other hours, the Vendor would have the option of sending calls to a centralized call center. Staff trained and able to communicate regarding Iowa-specific issues must be available on a 24/7 basis.

3.7.15 Operations According to Association Rules and Standards

The System must be operated in compliance with rules and standards of any multi-jurisdiction association that the Lottery may join. For example the Successful Vendor's operation must be in compliance with both "Rule 2" and "Confidential Security"

standards from MUSL. In addition the Successful Vendor must operate the Gaming System in compliance with other standards accepted by the Iowa Lottery, including but not limited to the NASPL standards initiatives and other industry standards for best practices operation.

3.8 Implementation

The implementation process requires that all of the new software, hardware, and service elements of the new System be delivered, installed, tested, and put into production operation. In addition, a significant amount of pre-existing information and processes must be integrated into the new System. The new System must process tickets from the old system, which are still in the field at the time of implementation of the new System. The System will be expected to process all instant/pull-tab product related transactions, (e.g. validations [instant only], full and partial pack returns, stolen ticket reporting, distribution, shipment confirmation, activation and settlement). As well, on-line wagers for future games must be converted from the old system to the new System at cut-over. Validations must be supported on all games, including past un-validated winners. The integration of existing elements into the new System environment must be performed seamlessly.

3.8.1 Conversion Strategy

The Vendor is at liberty to propose a conversion strategy or strategies that would best support the System's implementation. The Vendor shall describe the pros and cons of the approach proposed, and examples of past conversions.

Response Note: At a minimum, the following Lottery goals must be addressed in the Proposal description:

1. Minimizing conversion limitations (such as coming up late on a start-up day, or without the full complement of retailers).
2. Avoiding start-up System failures and outages.
3. Maintaining good retailer relations and addressing retailer issues during conversion (such as inconvenient training opportunities, getting all retailers trained, demand for counter space when installing a new terminal and concerns associated with dual communication systems).
4. Minimal disruption to selling tickets and paying winners during the conversion.

3.8.2 Formal Implementation Plan

The Proposal must contain a detailed implementation plan and time chart (Gantt, PERT, or similar) identifying the major milestones to be accomplished for the business requirements definition, construction, equipment delivery, software programming,

installation, testing, and file conversion. The plan must make clear which items are on the critical path for timely implementation. The Lottery's approval is necessary for the final implementation plan of the Successful Vendor.

Response Note: Responsibilities of the Successful Vendor's implementation team, of the Lottery's implementation team, and of any of the Lottery's other providers (e.g., instant ticket supplier), must be identified. Retailer roles and responsibilities during conversion must be addressed.

3.8.3 Interim Facilities and Processes

If the conversion involves interim configurations, facilities, staffing, or business procedures, the Proposal must explicitly describe them and note their development and use within the schedule. Costs associated with interim facilities are the Successful Vendor's responsibility.

3.8.4 Installation and Lottery Acceptance Testing

The Lottery will conduct a series of acceptance tests, which the Successful Vendor is obliged to support. Lottery acceptance testing will be conducted from the testing facility equipped by the Successful Vendor at Lottery Headquarters.

1. **Schedule for Lottery Acceptance Testing.** To support acceptance testing, the Successful Vendor must have the data center facilities, systems and network hardware and software, and at least six (6) test terminals, three (3) management terminals, other point of sale equipment plus any other hardware or software to be deployed into the field; installed, configured, and operational at Iowa Lottery Headquarters, one hundred twenty (120) days prior to the scheduled conversion of the first terminal. The remote backup site must be operational and ready for testing ninety (90) days prior to the scheduled conversion date. The Iowa Lottery Headquarters' testing facility is accessible from 7:00 AM through 4:30 PM Central Time, Monday through Friday, unless other arrangements are approved.
2. **Documentation and Support.** Training and written procedure manuals specific to the Lottery must be delivered to the Lottery upon availability of the System for Lottery acceptance testing. During the testing period, the Successful Vendor must provide technical staff on-site as a resource to collaborate and support the Lottery's acceptance testing. In addition to Section 3.7.1.1, the Lottery shall have the option of requiring programming/developer staff on site during the acceptance-testing period. The Lottery shall have the option of specifying which programmer/developer to have on site, i.e. a developer that has performed work on the Lottery project.
3. **Ticket Stock Testing.** A sample of the production ticket stock must be provided for ticket testing to ensure that it is manufactured in accordance with all RFP requirements and Proposal specifications. The ticket stock sample is due on or

before the start of the one hundred twenty (120) day Lottery acceptance testing period. The Lottery may have the paper tested at Successful Vendor expense.

4. Randomizer Testing. Samples from the Successful Vendor's randomizer software in the retailer terminals and from the automated drawing software application must be submitted for quality testing. The randomizer samples are due on or before the start of the one hundred twenty (120) day Lottery testing period. The Lottery may have the randomizer samples tested at Successful Vendor expense.
5. Release Notes. Each release of the software for testing by the Lottery must be accompanied by release notes. The release notes must evidence good configuration management practices, namely each release must be identified by a version number and the changes must be succinctly defined. This requirement shall extend throughout the Contract.
6. Entry and Exit Criteria. The Lottery will consider the System ready for acceptance testing once all hardware and software items are installed and configured to operate in the Lottery's environment and in accordance with the Lottery's standards. The Lottery will have successfully completed testing when all components of the System have been tested and all significant issues identified during testing are resolved by the Successful Vendor and validated by the Lottery. The Successful Vendor and the Lottery shall develop and agree upon detailed criteria that must be met prior to the System being put into production.

Response Note: The Vendor shall agree to comply with the Lottery's reasonable statements of entry and exit criteria for Lottery quality assurance testing and identify any issue that may concern the Vendor regarding effective and timely QA testing.

3.8.5 Project Reporting and Monitoring

The Proposal must provide a dedicated on-site technical project manager for the implementation. The Vendor must propose a project team structure, process, and tools that facilitate Lottery oversight of the implementation. Regular reporting, walkthroughs, and project status meetings are required.

The Successful Vendor shall provide suitable access to project records (e.g. PERT charts, progress status reports) to enable Lottery staff to monitor project management tasks, schedules, and issues. This requirement begins with conversion and continues throughout the Contract.

3.8.6 Validation After Conversion

The Successful Vendor must accommodate validation of winning on-line tickets that have been sold prior to the conversion by reading the bar code. Accepting manual entry of the "old" winning ticket's serial number may be allowed by the Lottery at the

sole discretion of the Lottery. The Successful Vendor must also convert the instant ticket validation files, if applicable, to permit validation by bar code read (and manual entry) and pull-tab ownership verification of pull-tab units delivered before system conversion. The goal, both during conversion and after, is to minimize confusion and effort for the players and retailers.

3.8.7 Historical Data

The Successful Vendor must convert a minimum of thirty six (36) months of pre-existing sales and operating data so that the Lottery and the retailers will see a continuity of data in displays and reports from before, during, and after the start-up day. A conversion process for historical Lottery data will need to be developed by the Successful Vendor in conjunction with the Lottery and current Vendor.

3.8.8 Removal of Retailer Communications Equipment

As a **Specified Option** the Vendor shall propose a plan to remove the existing Lottery owned radio and satellite communications equipment at retailer locations. The Vendor shall seal the exterior wall/roof cable hole after equipment removal and will assume liability for damage to the premises occurring during the removal process. A listing of the equipment involved and the retail locations where the equipment is currently deployed can be found as Appendix K. The plan would cover two scenarios:

1. Vendor removes the equipment and keeps/disposes of it.
2. Vendor removes the equipment, delivers and unloads at a location in the Des Moines metropolitan area specified by the Iowa Lottery. (This option will be used in the price evaluation)

Response Note: The Vendor must describe in their response the timeline involved with the removal of the communications equipment and the price associated with each scenario.

3.9 Vendor Corporate Capability

The Vendor is required to demonstrate corporate experience, technical capability, integrity, and financial means to support the Contract.

3.9.1 Corporate Background Review

The Vendor shall provide the following information:

1. Name and address of the business entity making the Proposal.
2. Type of business entity (e.g., corporation, partnership, etc.).
3. Place of incorporation, or other form of organization, if applicable.

4. Name and location of major offices, plants and other facilities that relate to performance under the terms of this RFP.
5. Name, address, and function of substantial subcontractors, associated companies, or consultants that will be involved in any phase of this project.

Response Note: The Vendor shall provide information requested in this section.

3.9.2 Gaming Systems Experience

The Vendor shall describe, in detail, the current and historical experience of the Vendor with Lottery gaming systems; that is, descriptions and references for all gaming industry engagements of comparable complexity and sensitivity that have been conducted by the Vendor over the past five (5) years.

Each experience statement shall include the following details:

- Name of Lottery or gaming enterprise(s)
- Estimated contract value
- Number and type of terminals delivered to the customer
- The term of the contract including effective dates
- Reason for contract end, if the contract is no longer in effect
- Whether the implementation was a new state installation, or a conversion from another Lottery gaming system. If a conversion, then whether the conversion was from the Vendor's previous system, or from a system supplied by a different company. Include any liquidated damages assessed and liquidated damages paid regarding implementation.
- Types of services directly provided by the Vendor under the contract and whether the Vendor was a prime contractor or subcontractor

The descriptions must include names, titles, addresses and telephone numbers that may be contacted to verify qualifying experience.

Response Note: The Vendor shall describe this capability. If the experience is provided by a teaming partner or a subcontractor that will provide a major part of the products and services, the experience information for that entity must be included.

3.9.3 Pending Workload

The Vendor may have other project commitments at the time of the Iowa Lottery implementation and must be able to conduct any such multiple implementations without schedule delays and quality issues for the Iowa Lottery due to resource overload.

Response Note: The Vendor must provide a timeline of Lottery project commitments that may be concurrent with the implementation for Iowa and must provide evidence that such will not interfere with the Iowa Lottery project.

3.9.4 Contract Performance

The Vendor must be a business in good standing with its customers and the business community, evidencing good delivery on the obligations of its contracts. The Vendor shall state whether any of the following have occurred:

1. Implementation Delays. During the previous five (5) implementations, the Vendor has had an original new System installation delayed beyond the intended start-up date. Similarly, if during a contract, whether any major game or promotion rollouts have been delayed beyond their intended starting dates. The Vendor should describe the circumstances of the delay. If any such delays have been caused by a *force majeure* incident, or by the jurisdiction opting to delay, or directly causing the delay, then the Vendor should cite those mitigating circumstances.
2. Terminations. During the last five (5) years, the Vendor has had a contract terminated for default or cause. If so, the Vendor shall submit full details for contacting the jurisdiction affected.
3. Suspensions. During the last five (5) years, the Vendor, a subsidiary or intermediate company, parent company or holding company was the subject of any order, judgment or decree of any federal or state authority barring, suspending or otherwise limiting the right of the Vendor to engage in any business, practice or activity, or if trading in the stock of the company has ever been suspended, with date(s) and explanation(s).
4. Liquidated Damages and Settlements. The Vendor shall list incidents of liquidated damages and settlements for the past five (5) years where such resulted in an extraordinary payment to any jurisdiction of one hundred thousand dollars (\$100,000) or greater in a twelve month period. The format shall indicate the jurisdiction, date, amount, and brief description (e.g., late delivery of software; central system downtime; untimely terminal service, unauthorized facilities access). An event is reportable even if the vendor has provided in-kind services or other considerations rather than damage payments.

Response Note: The Vendor shall provide information requested in this section. If the experience is provided by a teaming partner or a subcontractor that will

provide a major part of the products and services, then the same performance information as above must be included for that entity.

3.9.5 Manufacturing Capabilities for Terminals

Capacity to provide the gaming terminals is critical to the project.

1. Manufacturing Plans. The Vendor shall describe its resources, capability, capacity, and plans for producing (through current inventory, manufacturing, purchasing, or modification) the terminals proposed to meet the requirements of the RFP. The availability of additional plants and secondary sources must be addressed.

Response Note: The Vendor shall describe this capability.

2. Manufacturing Quality. The Vendor's Proposal must address manufacturing quality practices, and in particular whether the Vendor is certified under the ISO 9000 series or other recognized quality practices standards. Such practices and certification are **desirable**.

Response Note: The Vendor shall describe this capability.

3.9.6 Software Development and Support Capabilities

Capacity to provide the software and systems support is critical to the success of the Lottery.

1. Software Development Plans. The Vendor shall describe its staff skill levels, headcounts, and locations pertinent to developing and maintaining software for the Iowa Lottery Contract. To facilitate the delivery of software modifications and enhancements, the Vendor shall deliver Software developed by the Vendor in batches at the end of each three (3) month period. The Vendor and the Lottery, on a case-by-case basis, may agree in writing to a delivery period shorter or longer than the three (3) month Software Development Batch Period.

Vendor's must recognize that certain requests fall into an "emergency fix" category and will need to supply corrected software as soon as possible.

Response Note: The Vendor shall describe this capability.

2. Software Quality. The Vendor must address software engineering quality practices, and in particular whether the Vendor is certified under the ISO 9000 series, SEI CMMI, NASPL Quality Standards or other recognized quality practices standards. Such practices and certification are **desirable**.

Response Note: The Vendor shall describe this capability.

During the term of the contract, the Successful Vendor must work with the Lottery to ensure new hardware and software upgrades are compatible with existing Lottery operating systems and software versions to ensure complete compatibility. The Successful Vendor will assume all costs to ensure compatibility.

3.9.7 Project Management Capabilities

The Vendor shall describe its corporate organization and tools pertinent to managing a large project for the Lottery Contract.

Response Note: The Vendor shall describe this capability.

3.9.8 Security Management Capabilities

The Vendor must demonstrate a capacity to develop and implement a comprehensive plan for maintaining effective security controls and practices critical to ensuring the integrity of Lottery operations.

1. Security Management Approach. The Vendor shall describe its corporate organization and tools pertinent to managing all aspects of information security pertaining to gaming operations.

Response Note: The Vendor shall describe this capability.

2. Security Standards. The Vendor must address security standards and practices, and in particular whether the Vendor's gaming solutions and practices are compliant with ISO 17799, ISO 27002, COBIT or other recognized information security standards. Such standards and practices are **desirable**.

Response Note: The Vendor shall describe this capability.

3.9.9 Communications Capabilities

The Vendor must demonstrate the capacity to provide the communications implementation and additional evolutionary changes for the project.

1. Communications Plans. The Vendor will describe its resources, staff skill levels and certifications pertinent to developing and maintaining communications for the contract.

Response Note: The Vendor shall describe this capability.

2. Communications Quality. The Vendor must address communications engineering quality practices, and in particular whether the Vendor is certified under the ISO 27001 standards or equivalent. Such practices and certification are **desirable**.

Response Note: The Vendor shall describe this capability.

3.9.10 Research and Development Program

The success of the Lottery depends on the availability of new products, gaming features, and services. The Successful Vendor must be capable of supporting the Lottery in this mission.

Response Note: The Vendor shall describe its resources, capability, capacity and plans for maintaining a research and development effort in such areas as retailer terminal design, communications, retailer network planning, and sales data mining.

The Vendor shall have an annual presentation for the Lottery of their latest offerings of products and services as well as what they have installed in their most recent Lottery location.

3.9.11 Financial Viability

In order to ensure the Vendor's financial capability to perform under the contract, the Lottery requires the following financial information.

1. Submission of Financial Statements. All Vendors and substantial subcontractors must submit audited financial statements, or federal income tax returns if the Vendor or substantial subcontractor does not have audited financial statements prepared for the last two (2) fiscal years. Audited financial statements must be the result of an audit of the entity's records, reviewed in accordance with Generally Accepted Auditing Standards (GAAS) by an independent certified public accounting firm. The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP), and must include balance sheets, income statements, statements of cash flows, statements of retained earnings, notes to the financial statements for both years, and any management letters that have been received for those years. The Proposal must include the most recent 10-K and 10-Q statements, if applicable, as well as any form 8-K, for two (2) years. For non-United States (US) entities the equivalent non-US accounting standards apply.
2. Subsidiaries. If a Vendor or substantial subcontractor is a subsidiary of a parent entity and the Vendor or substantial subcontractor does not have its own, separate financial statements, the Vendor or substantial subcontractor may satisfy its financial responsibility submission requirements by submitting the consolidated financial statements of its parent entity if the consolidated financial statements include the activity of the Vendor or substantial subcontractor. If a Vendor or substantial subcontractor submits the consolidated financial statements of its parent, the parent must serve as financial guarantor of the Vendor or substantial subcontractor.
3. Parent Corporation Resources. If the Vendor is a subsidiary and will rely on the financial resources of the parent to perform this contract, the parent must certify,

in writing in a form acceptable to the Lottery, the availability of its resources to the Vendor. Parent entities that serve as financial guarantors of subsidiary firms shall be held accountable for all terms and conditions of the RFP and the resulting contract and shall execute the Contract as guarantor.

4. External Borrowing. The Vendor must provide a letter of commitment in a form acceptable to the Lottery from a creditor acceptable to the Lottery, if outside borrowing will provide any or all of the funding for this project.

Response Note: An original and two (2) copies of this information must be provided and should be submitted with the original Proposal (not with copies). All submissions must employ US currency or include a US currency conversion formula.

PART 4 – Volume II – PRICE PROPOSAL

4.0 Introduction

This section describes the manner in which Vendors will submit pricing for the Lottery's consideration.

4.1 Separately Sealed Price Proposal

The price Proposal must be so identified on a separately sealed enclosure. The price Proposal shall be signed in ink, and must be signed by an individual authorized to legally bind the Vendor. The contents of the price Proposal must follow this outline, employing divider pages with tabs to separate these response sections:

1. Pricing for the Baseline System.
2. Pricing for Options.

4.2 Form of the Price Proposal

The Vendor must submit pricing in the following format.

1. For the Base System:

Pricing as a percentage of weekly sales including free tickets given in the format X.dddd where X represents the whole percentage value and d represents decimal percentage digits. To estimate the contract cost, the Lottery will assume \$249,000,000 of sales based on FY 2008 sales including free tickets. (Compensation will not be paid for cancelled or returned tickets; however, compensation will be paid for free tickets).

This includes all costs and fees including, but not limited to, terminals, central site, backup site, maintenance, hotline support, operations fees, communication equipment and communications fees. No other payments will be made to the Successful Vendor except as a result of negotiated options and enhancements.

2. Pricing for Specified Options. (U.S. dollars or as a percentage of sales as specified)
3. Pricing for Invited Options. (U.S. dollars or as a percentage of sales as specified)

4. Pricing for Offered Options. (U.S. dollars or as a percentage of sales as specified)

For comparison and evaluation of options, the Lottery has designated the pricing format and terms. The Lottery may or may not accept the options in whole or in part, and the request for pricing for options in no way obligates the Lottery to acquire the options according to the stated format and terms. If the Lottery should accept the options under different terms, the details will be negotiated with the Successful Vendor.

Response Note - Among the options:

- **Any item for which there is no additional fee should be shown as No Charge (N/C) in the Technical Proposal.**
- **To Be Determined (TBD) pricing is permitted only for Offered Options and “TBD” will not be interpreted by the Evaluation Committee as N/C.**

The bid amounts should exclude applicable state gross receipts tax or applicable local taxes, but the Vendor shall be required to pay the applicable taxes including any increase in the applicable taxes becoming effective after the Contract is entered into.

4.3 Duration of the Price Proposal

The Price Proposal must be valid for one (1) year or until execution of a Contract (or cancellation of the procurement), whichever occurs first.

4.4 Pricing and Scoring of Options

The Vendor is encouraged to propose options regarding innovative functions, features, services, and solutions. **However, options separately priced shall be clearly noted in the Technical Proposal (although without pricing information) and their corresponding prices listed in the Price Proposal as separate line items.** (Otherwise they will be considered part of the baseline.)

Additionally, options separately priced and that have been clearly noted as such in the Technical Proposal should be listed on a summary sheet (without pricing information).

To make the evaluation comparable, the Evaluation Committee intends to score only:

1. Included baseline features and services.
2. Specified Options at the minimum quantities and terms shown in the Price Quotation Sheet below.

3. Invited and Offered Options included in the base price. **These items must be noted in the technical response as a no cost item.**

Not scored: Invited or Offered Options that are separately priced—designated as such in the Technical Proposal and in the Price Proposal. These may be considered at Contract negotiation time or later. Such options included within the base price may or may not favorably influence the Proposal score in the relevant technical section.

In order to promote flexibility and creativity, Vendors may propose different cost percentages for different annual time periods during the initial contract term and contract extensions. Additionally, Vendors may propose different cost percentages for different sales levels. The evaluation process is designed to identify the Proposal that best meets or exceeds the RFP requirements.

PRICE QUOTATION SHEET
RFP IL 10-01
Iowa Lottery Authority
On-Line Gaming System and Related Products and Services

Baseline System Pricing

Vendors are required to quote the following items as a percentage of sales as defined in RFP Section 4.2.

Seven (7) Year Base Period

Price Quoted as a Percentage of Sales _____%

Extension Period – One (1) Year Increments

Price Quoted as a Percentage of Sales _____%

Extension period pricing will not be included in the pricing evaluation.

At the end of the contract term, the Successful Vendor must remove and dispose of all equipment, at the direction of and at no cost to the Lottery.

Lottery-Specified Options

Vendors are required to submit specifications and pricing for Specified Options. Conditions of delivery are provided for bidding purposes, although other delivery conditions may apply and would be subject to negotiations.

Response Note: TBD pricing is not allowed.

1. Additional retailer terminals (including communications), in batches of twenty-five (25) (RFP Section 3.2.1). The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$_____

2. Player Flat Panel Display (RFP Section 3.2.1.3.1). A player display attachment for the retailer terminal that is suitable for customer transaction information, ticket validation information, jackpot information, marketing or informational messages, new game announcements/instructions, Amber Alerts and Lottery winner information. All installations, maintenance, and support included based on two thousand (2000) retailer installations at start-up.

Player Flat Panel Displays, including installation and service, quoted as a percentage of sales:

_____ %

3. Player Flat Panel Displays, in batches of twenty-five (25) (RFP Section 3.2.1.3.1). The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$_____

4. Player Transaction Display (RFP Section 3.2.1.3.2). A player display attachment for the retailer terminal that is suitable for customer transaction information, ticket validation information and may provide an advertising or informational message. All installations, maintenance, and support included based on five hundred (500) retailer installations at start-up.

Player Transaction Displays, including installation and service, quoted as a percentage of sales:

_____ %

5. Player Transaction Displays, in batches of twenty-five (25) (RFP Section 3.2.1.3.2). Player Flat Panel Displays, in batches of twenty-five (25). The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$_____

6. Self-service Validator (RFP Section 3.2.1.3.3). The self-service ticket checker including hardware and software installation and service. An on-line terminal peripheral for retailer locations that allows players to check their own on-line and instant tickets for winners. These devices would be located far enough away from the retailer terminal to minimize activity or traffic at the retailer counter. All

installations, maintenance, and support included. All installations, maintenance, and support included based on two thousand-six hundred (2600) retailer installations at start-up.

Self-service Validators, including installation and service, quoted as a percentage of sales:

_____ %

7. Self-service Validators, in batches of twenty-five (25) (RFP Section 3.2.1.3.3). The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$ _____

8. Cash Drawers (RFP Section 3.2.1.3.4). Cash drawers attached to the terminals, installation and service included, quoted as a percentage of sales based on 800 installations at startup.

Cash Drawers, including installation and service, quoted as a percentage of sales:

_____ %

9. Cash Drawers, in batches of twenty-five (25) (RFP Section 3.2.1.3.4). The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$ _____

10. DSR Pack Delivery Device (RFP Section 3.2.1.3.7). A device for the DSR to deliver and return instant and pull-tab tickets. All maintenance, and support included based on fifty (50) units at start-up quoted as a one-time cost.

One-Time Fee \$ _____

11. Rapid Draw Game Monitors (RFP Section 3.2.1.3.8). Twenty-six (26)-inch or greater color flat panel video display with mounting brackets to display rapid draw game drawings. All installations, maintenance, and support included based on 500 retailer installations at start-up.

Weekly Fee \$_____

12. Rapid Draw Game Monitors (RFP Section 3.2.1.3.8). Twenty-six (26)-inch or greater color flat panel video display with mounting brackets, in batches of twenty-five (25), to display rapid draw game drawings. The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$_____

13. DSR Field Automation Device and Communication Service (RFP Section 3.3.7). A solution containing both hardware and wireless communication capability to support access to in-house or third party sales force automation tools for forty-six (46) DSRs. The price includes hardware and software support, a communication system and a replacement cycle.

Weekly Fee per Field Automation Device/Communication Service
\$_____

14. Retailer Shift Reporting Application (RFP Section 3.4.15). Provides the Lottery with a retailer shift reporting application. The application would be used by the retailer as an aid for the clerks to balance Lottery product sales at the end of each shift as well as acting as an aid for other retailer billing/inventory management/loss prevention processes. Additionally, the retailer shift reporting application would assist the Lottery with inventory management and loss prevention. The price includes software, installation and service quoted as a one-time cost.

One-Time Fee \$_____

15. Gift Card Application (RFP Section 3.4.16.1). Provides the Lottery with an application enabling the Lottery to sell gift cards to players via retail locations for the sole purpose of purchasing Lottery products. A gift card application would allow a player to purchase a gift card at any Lottery location, have the retailer activate the card via an electronic transaction, and use the gift card to purchase Lottery products using the on-line Vendor's terminal at the store, a device integrated with the Vendor's system or an application that enables a player to purchase plays on the internet. Initially, the gift cards will be one-time programmed with fixed dollar amounts. The cost and obligation of obtaining or producing gift card stock would be negotiable. The price includes software, installation and service quoted as a percentage of net gift card sales:

_____ %

16. Gift Card Application (RFP Section 3.4.16.2). Provides the Lottery with an application to support a program where a player can establish an account through a gift card. The card will allow monies to be prepaid for play using the on-line Vendor's terminal at the store, a device integrated with the Vendor's system or an application that enables a player to purchase plays on the internet and for winnings associated with such plays to be applied to the account. The price includes software, installation and service quoted as a percentage of net gift card sales:

_____ %

17. Removal of Retailer Communication Equipment (RFP Section 3.8.8). A plan to remove the existing Lottery owned radio and satellite communications equipment at retailer locations.

Removal where the Successful Vendor keeps/disposes of equipment.

One-Time Fee \$ _____

Removal where the Successful Vendor delivers and unloads equipment at a Lottery specified location. (This option will be included in the price evaluation)

One-Time Fee \$ _____

Lottery-Invited Options

Vendors are not required to submit specifications and pricing for Invited Options. Conditions of delivery are provided for bidding purposes, although other delivery conditions may apply and would be subject to negotiations.

Response Note: TBD pricing is not allowed.

1. ID Card Reader (RFP Section 3.2.1.2.3). The Lottery will consider an alternative reader capable of performing age verification through reading a drivers license quoted as a percentage of sales. All installations, maintenance, and support included based on two thousand-six hundred (2600) retailer installations at start-up.

_____ %

2. ID Card Reader in batches of twenty-five (25) (RFP Section 3.2.1.2.3). The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$_____

3. Alternative Media Reader (RFP Section 3.2.1.2.31). The Lottery will consider an alternative reader capable of handling smart cards, magnetic stripes or alternative media. This may be employed as a:
- Pre-paid gift card reader, the cost and obligation of obtaining or producing pre-paid cards would be negotiable.
 - VIP card reader or reader/writer that permits the use of prepaid VIP/player club cards. VIP cards may permit certain player premiums, for example, make a purchase and get a free play. The cost and obligation of obtaining or producing VIP cards would be negotiable.

Alternative Media Reader, including installation and service, quoted as a percentage of sales. All installations, maintenance, and support included based on two thousand-six hundred (2600) retailer installations at start-up.

_____ %

4. Alternative Media Reader in batches of twenty-five (25) (RFP Section 3.2.1.2.31). The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$_____

5. Store Signage (RFP Section 3.2.1.3.5). Signs for retailer locations that advertise Lottery availability. The price includes hardware and software installation and service quoted as a weekly fee based on seven hundred (700) installations at start-up.

Store Signage, including installation and service, quoted as a percentage of sales:

_____ %

6. Store Signage in batches of twenty-five (25) (RFP Section 3.2.1.3.5). The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$_____

7. In-store Wireless Peripherals Support in batches of twenty-five (25) (RFP Section 3.2.1.3.6). The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$_____

8. Rapid Draw Game Monitors (RFP Section 3.2.1.3.8). Various other sizes (e.g. thirty-two (32)-inch, forty (40)-inch) of flat panel video display with mounting brackets. All installations, maintenance, and support included based on 500 retailer installations at start-up.

_____Size Weekly Fee \$_____

_____Size Weekly Fee \$_____

_____Size Weekly Fee \$_____

9. Rapid Draw Game Monitors (RFP Section 3.2.1.3.8). Various other sizes (e.g. thirty-two (32)-inch, forty (40)-inch) of flat panel video display with mounting brackets in batches of twenty-five (25) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

_____Size Weekly per Batch \$_____

_____Size Weekly per Batch \$_____

_____Size Weekly per Batch \$_____

10. Hand-Held Wireless Terminals (RFP Section 3.2.3.2). Mobile terminals to be carried by an operator at special events including hardware and software installation and service, quoted as a one-time cost per terminal fee based on five (5) installs at start-up.

One-time cost per terminal \$_____

11. Alternative Retailer Play Devices/Mechanisms (RFP Section 3.2.3.3). Play capability at retailer locations OTHER THAN through a conventional Lottery retailer terminal. The price includes hardware and software installation and service, quoted as a weekly total fee based on two hundred (200) installs at start-up.

Alternative Retailer Play Devices/Mechanisms, including installation and service, quoted as a percentage of sales:

_____ %

12. Alternative Retailer Play Devices in batches of twenty-five (25) (RFP Section 3.2.3.3). The price includes hardware and software installation and service (maintenance and repair or replacement) quoted as a weekly fee per batch based on groups of twenty-five (25) paid over one hundred fifty-six (156) weeks. If less than one hundred fifty-six (156) weeks remain in the contract the total of the payments will be prorated over the remainder of the contract.

Weekly per batch: \$ _____

13. Wireless Terminals for Temporary Locations (RFP Section 3.2.3.4). Wireless terminals including hardware and software installation and service, quoted as a one-time cost per terminal fee based on five (5) installs at start-up.

One-time cost per terminal \$ _____

14. Advanced Communications Technologies (RFP Section 3.3.5). Advanced communications options that may further improve the reliability and/or performance of the network beyond the baseline design. The price includes hardware and software installation and service, quoted as an additional one-time start-up fee and weekly fees over the communications fee included in the baseline, from start-up.

One-Time Fee \$ _____

And

Weekly Fee \$ _____

15. Real-Time Accounting for Instant Tickets (RFP Section 3.4.5.11). Technologies and/or methods that would provide accounting for instant ticket sales as they occur.

One-Time Fee \$ _____

16. Subscription System (RFP Section 3.4.11). A system for enrolling Iowa Lottery Authority players for future drawings is invited. Any quote must include costs for system delivery, operation, and maintenance.

Weekly Fee \$ _____

17. Player Registration (RFP Section 3.4.12). A system for enrolling Iowa Lottery Authority players is invited. Any quote must include costs for delivery, operation, and maintenance.

Weekly Fee \$ _____

18. In-State Trouble Tracking, Dispatch, and Reporting System (Hotline Support) (RFP Section 3.7.14.4). A toll free hotline to support the Retailers and handle Retailer trouble calls from a facility located within the State of Iowa.

Weekly Fee \$ _____

Offered Options

The Vendor shall attach sheets for any Vendor-offered optional items. Clearly identify the items offered and the terms under which they are offered. Vendors are not required to submit any Offered Options.

Response Note: TBD pricing is permitted but such will not be interpreted for evaluation purposes as N/C.

PART 5 – PROPOSAL EVALUATION

5.0 Introduction

This section describes the evaluation process that will be used to determine which Proposal provides the greatest overall benefits to the Lottery. The capability of the Lottery to evaluate a Proposal is dependent upon the completeness and proper submission of the Proposal. The failure of a Vendor to provide information requested by this RFP, to submit according to the required format, or to respond appropriately to a clarification request or demonstration request, may result in rejection of the Proposal or reduction in scoring during the evaluation.

5.1 Evaluation Committee and Lottery CEO

The Lottery intends to conduct a comprehensive, fair, and impartial evaluation of Proposals received in response to this RFP. In making this determination, the Lottery will be represented by an Evaluation Committee. The Evaluation Committee will evaluate each responsive Proposal that is properly submitted by a responsible Vendor and develop consensus findings.

The Lottery has obtained the services of an independent and not-for-profit consultant, Battelle Memorial Institute, to facilitate this evaluation effort. Battelle shall not score the Proposals.

The Evaluation Committee will provide its findings to the Lottery CEO and the Lottery Board of Directors. The CEO will instruct the DCI to conduct background investigation(s) and upon approval of the Iowa Lottery Board a notice of award will be issued.

5.2 Evaluation Steps

The evaluation and award process will be comprised of all of the following:

1. Pass/Fail evaluation of minimum qualifying requirements of the Vendor as provided for in RFP Section 1.12.
2. Review of Proposals to assess compliance with Proposal submission requirements, including responsiveness to terms, conditions and requirements;
3. Evaluation of proposed functions, features, services, and references, using requirements and criteria defined in this RFP;

4. Proposal clarifications, site visits and demonstrations (as determined necessary by the Evaluation Committee);
5. Scoring of Technical Proposals;
6. Assessment and Scoring of Price Proposals after the completion of the Technical scoring;
7. Compilation of technical scores and price scores into a summary score sheet;
8. Evaluation Committee presentation to the Lottery CEO and the Lottery Board of Directors;
9. The Lottery CEO instructs the DCI to complete background investigation(s);
10. DCI presents its findings to the CEO and Lottery Board of Directors;
11. The Iowa Lottery Board will approve an award;
12. Issuance of a notification of award letter to the Successful Vendor;
13. Negotiation and signing of the Contract.

5.3 Information from Other Sources

The Lottery reserves the right to obtain, from sources other than the Vendor, information concerning a Vendor, the Vendor's offerings, capabilities, and past performance, that the Lottery deems pertinent to this RFP and to consider such information in evaluating the Proposal.

References may be checked regarding the Vendor's past experience. The Evaluation Committee may select current or previous clients for each Vendor from the information provided in response to RFP Section 3.9.2 to contact for a reference. The Lottery may contact as many references as necessary, as many times as necessary, to support its understanding of the Vendor's gaming system performance and experience.

5.4 Technical Proposal Scoring

Each of the technical (non-price) factors in Part 3 will be scored by the Evaluation Committee based on its best professional judgment, considering all Proposal text, clarifications, reference checks, and any site visits, interviews, demonstrations, and qualified sources of information. A weighted scoring system will be used.

The weighted scoring system will provide numerical scores that represent the Committee's assessments of the relative technical merits of the Proposals. The scores will be used to develop a preference ranking based on non-price factors.

The scoring approach will involve grading nine technical and management criteria, multiplying the grades by the points available for each, and then summing up.

5.4.1 Criteria and Points

The points for each of the evaluation criteria are:

EVALUATION CRITERIA

Section 3.1 Central Configuration	40
Section 3.2 Terminals	150
Section 3.3 Communications Network	75
Section 3.4 Software Controls and Data Management	100
Section 3.5 Games and Marketing	65
Section 3.6 Facilities and Disaster Recovery Plan	25
Section 3.7 Staffing, Services and Operations Security Plan	110
Section 3.8 Implementation	65
Section 3.9 Corporate Capability	20
Technical Points Total	650
 Price Points Total	 350
 TOTAL POINTS	 1000

Although the Proposal response to the individual criteria will be scored using a various number of points, the Vendor is cautioned that every criterion reflects requirements that must be met regardless of the criterion's points; and that a poor response to a lower point criterion still can have a significant impact on the Vendor's final technical score as compared with other Vendors' scores.

5.4.2 Award Scale for Evaluation

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

<u>PERCENT</u>	<u>DESCRIPTION</u>
90-100	Vendor's Proposal exceeds expectations and was near perfect for this criterion.
80-89	Vendor's Proposal was good and meets the expectations for this area.
70-79	There were limitations or concerns with the approach or capability of the vendor's Proposal.

60-69	There were numerous deficiencies with the vendor's Proposal.
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Less than 60	The deficiencies were found to be so severely flawed for this criterion as to render an essential element of the solution unworkable and, therefore, the entire Proposal will be rejected.
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Thus, for each of the nine criteria, the Proposal will receive a score as a result of multiplying the point's available times the percentage. All nine scores will be combined for the Proposal's total technical score.

5.4.2.1 Minimum Scores

A technical score of less than 60% on any of the nine criteria, or a total technical score below 70% (e.g. less than 455 of available 650 points) will render the Proposal ineligible for further consideration.

5.4.3 Desirable Items

Numerous technical requirements in the RFP are accompanied with the description of an item that is indicated as **desirable**. The Vendor is not obligated to respond to these items, but the Evaluation Committee will review Proposals with reference to them. While no specific bonus points are pre-determined for desirable items in this RFP, the appearance of a strong response for these items may favorably impact the scoring.

The following RFP items are noted as **desirable**:

Section 3.1.5.14	Processing a Lottery play slip with signature image
Section 3.1.6	Automated alarm notification
Section 3.2.1.2.2.a	Screen saver message
Section 3.2.1.2.15	Remote diagnostics on retailer terminal
Section 3.3.4.1	Automated alarm notification
Section 3.3.4.7	Service Level Agreement for WAN network availability exceeds minimum requirements
Section 3.4.1.1.3	Research into past transactions up to one year without loading archived media
Section 3.4.4.1	Web browser-based games management application interface

Section 3.4.5.11	Suspend sales of instant games immediately upon request of the Lottery
Section 3.7.3	Terminal provisioning schedules shorter than maximums permitted by the RFP
Section 3.9.5.2	Certification for manufacturing quality
Section 3.9.6.2	Certification for software quality
Section 3.9.8.2	Certification for security standards
Section 3.9.9.2	Certification for communications quality

5.4.4 Scoring of Options

The Vendor is encouraged to propose optional functions, features, services, and solutions. Specified Options will be included in the baseline Proposal. However, only the Invited or Offered Options included at no additional charge in the quoted baseline price will be scored. Therefore, options included at no additional cost should be noted as such in the Technical Proposal.

5.5 Site Visits for Discussions and Demonstrations

Prior to completion of the evaluation process, Vendors may be required to discuss and demonstrate the proposed System and explain how its components would be applied to the specifications described in this RFP. Refer to Appendix B for the types of demonstrations the Lottery may request.

It is expected that these demonstrations and discussions may occur in Vendor facilities, at an existing Lottery, including its retailer sites, at the Iowa Lottery Authority Headquarters, or some other appropriate venue.

The purpose of this phase is to provide substantiating information and demonstrated performance to support Proposal content. No part of the demonstrations will serve to relieve the Vendor of any Lottery quality assurance or operational performance obligations required under the Contract. No enhancements to the offering may be tendered.

It is the Lottery's intent to conduct site visits as needed with Vendors who correctly submitted Proposals, meet all mandatory requirements, and otherwise are competitive. The determination as to need for site visits to specific Vendors, and the order and schedule of site visits, are at the sole discretion of the Lottery.

The Lottery will provide for all expenses of the Evaluation Committee during site visits.

5.6 Price Evaluation

Price evaluation will occur after technical scoring, and may involve only Proposals that are acceptable based on:

1. Determination of Vendor as “responsible.”
2. Meeting Proposal submission requirements and compliance with mandatory technical requirements (“responsive”).
3. Achieving a total technical score of at least 70% of available points.
4. Achieving a technical score of at least 60% of available points on each of the nine (9) technical evaluation criteria.

For each Proposal, the Lottery price evaluation will be based on the proposed price, as described in Part 4 of this RFP.

The Evaluation Committee will then award up to three hundred fifty (350) points for price, based on a ratio of the Proposal being evaluated versus the lowest-cost acceptable Proposal. The formula for any particular Proposal being evaluated is:

$$\text{PRICE POINTS} = 350 \times (\text{LOWEST COST} / \text{PROPOSAL COST})$$

Under this formula, the lowest cost acceptable Proposal receives all three hundred fifty (350) available price points. A Proposal twice as expensive as the lowest cost acceptable Proposal earns half as many, or one hundred seventy five (175) price points.

5.7 Technical Scoring and Pricing Combined

The Lottery will combine the points for technical and price to determine the total score for each eligible Proposal, the highest of which will be the apparent overall preferred Proposal.

TOTAL POINTS = TECHNICAL POINTS + PRICING POINTS The available six hundred fifty (650) technical points and three hundred fifty (350) price points provide a maximum of one thousand (1,000) points.

Upon completion of the evaluation and scoring, the Evaluation Committee, using total scores, shall rank the Proposals regarding the apparent preference to provide the requested System and services to the Lottery.

In the case of a close finish in the scores, the highest total point-earning Proposal will be shown preference, regardless of how slim the margin. In the case of an exact tie in the ranking based on points (including decimals), the tie will be resolved in favor of the Proposal scoring the most technical points.

5.8 Notice of Award and Contract Signing

The final ranking and the findings of the Evaluation Committee will then be presented to the Lottery CEO and Board, for consideration.

The Lottery CEO and Board, after evaluation of the process and its results, will approve issuing a notice of award and begin contract negotiations.

Contract negotiations shall not address transformational changes to terms and conditions, offered services, products, or pricing for performance of the Contract, but may address options, option delivery schedules, and other variations for the benefit of the Lottery.

Should the Lottery be unable to reach agreement with the apparent Successful Vendor, the Lottery shall award and then undertake negotiations with the second most preferred Vendor, and so on. This process shall continue at the sole option of the Lottery until an agreement is reached or no Proposals remain for negotiation.

APPENDIX A: GLOSSARY

Baseline: The System including all features and capabilities for an offered price, without additional pricing for options.

Bond: A bond, cashier's check, or alternative security in form and substance and issued by a company acceptable to the Lottery.

Business Day: A working day occurring Monday through Friday except legal holidays observed by the Lottery.

Business Week: The period beginning on Sunday and running through the end of the day the following Saturday. This is also known as the "accounting week."

Capability: A feature or capacity of the System as offered for delivery within the System baseline, not to include items that are theoretical or available following a future separate development or purchase effort.

Central Time: Central Standard or Central Daylight time, as applicable.

Consumables: Play slips, ticket stock, printer paper, toner, and/or any other operational supplies required by retailers to operate their terminals. The term "Consumables" does not include point of sale materials, promotional items or instant tickets.

Contract: The written agreement resulting from the successful Proposal and subsequent negotiations, which shall incorporate, among other things, this RFP and the Successful Vendor's Proposal, and all modifications hereto and thereto, and in addition shall contain such other terms and conditions as may be required by the Lottery.

Control Person: A control person is defined as all persons owning 5 percent (5%) or more of the Vendor or a parent company or subsidiary corporation of the Vendor and all officers and directors of the Vendor in any parent or subsidiary company of the Vendor.

Conversion: The phase of the implementation project during which the existing System used by the Lottery for games sales and management is replaced. During the conversion, data and files from the existing System must be transferred, for continuity, to the new System.

Corporate Account: Lottery retailer accounts that have multiple distinct retail locations assigned to that account on the System that sell tickets.

CSV File: A file with records whose data fields are delimited by commas (Comma-Separated Values), and each record is a separate line.

Day: A calendar day unless otherwise stated as a business day.

Deliverable: A defined product or feature required by the RFP and/or proposed by the Successful Vendor.

Dial-up Terminals: The dial-up terminals are used to check and cash instant games and verify ownership of pull-tab games. In addition to game sales functions, the terminal accesses and prints reports, news messages and is utilized by the DSRs for pack activation and returns.

District Sales Representative (DSR): Lottery sales representative, an individual that performs sales related activity through direct interaction and retailer-site visits.

EFT: Electronic Funds Transfer through a bank employing the Automated Clearing House (ACH) network.

End of Day: End of Day is midnight Central Time.

Facilities: Data centers, warehouses, repair depots, and any other such locations required to provide and support the retail network.

File: A related collection of records containing a consistent set of data fields that describe an entity. A file can be processed by software representing an authorized user to add, modify, or delete records, or to generate a report or display of useful information. A file can be operated on as an object itself, for example to move it from one location to another, or to delete it.

First Read Rate: A measure of reader performance, especially bar code reader performance. The measure indicates what proportion of times the reader returns a successful read of a legitimate code on the first try. The "first read" event is defined as the initial effort to read a code as processed by an experienced user.

Fiscal Year: The twelve (12) month period ending June 30 and named for the calendar year in which it ends. For example, fiscal year 2012 begins July 1, 2011 and ends June 30, 2012.

Instant Games: Games sold on pre-printed tickets containing play and validation data under a latex coating or such other coating as may be approved by the Lottery.

Intellectual Property Rights: Any rights with respect to inventions, discoveries, or improvements, including patents, patent applications and certificates of invention; trade secrets, know-how, or similar rights; the protection of works of authorship or expression, including copyrights and future copyrights; and trademarks, service marks, logos, and trade dress; and similar rights under any laws or international conventions throughout the world, including the right to apply for registrations, certificates, or renewals with respect thereto, and the rights to prosecute, enforce and obtain damages.

ISO 27001: An Information Security Management System standard published in October 2005 by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Its full name is "ISO/IEC 27001:2005

– Information technology – Security techniques – Information security management systems – Requirements” but is commonly known as “ISO 27001”.

IT Manager: A member of the Lottery’s technical management staff, designated by the Lottery CEO, who will provide oversight for the deliverables and performance of the Contract on a day-to-day basis.

Lottery: The Iowa Lottery Authority, also referred to in the RFP as the “Lottery.”

Lottery CEO: The chief executive of the Lottery, or an employee authorized to act on behalf of the chief executive of the Lottery. Also referred to as the “CEO.”

Lottery LAN: A local area network (LAN) serving the offices of the Iowa Lottery Authority.

Lottery QA. The process by which the Lottery separately tests any hardware or software changes to the gaming system. Lottery QA employs a testing environment consisting of test terminals, communications, gaming host systems, and management workstations that run the games management applications. Lottery QA represents the acceptance testing of the Successful Vendor’s products and is distinct from the Successful Vendor’s own quality assurance efforts.

On-line Credit Request (OCR): A retailer-initiated request for a Control Number for credit originating from on-line tickets that were issued by mistake, mutilated or misprinted. (The Lottery will define types of requests eligible for OCR.) OCR applies only to those purchases that cannot be cancelled.

On-line Games: Games sold through a computer network at retailer locations. The tickets are generated on demand of the customer.

On-line Terminal: The on-line terminals are used to sell and cancel on-line games, check and validate instant and on-line games and verify ownership of pull-tab games. In addition to game sales functions, the terminal will also access and print reports, news messages and be utilized by the DSRs for pack activation and returns.

Option(s): A system feature or capability for which the Lottery makes no schedule or quantity commitments, but which may, at the Lottery's sole discretion, be included in or added to the System. **Specified Options** are required to be proposed, although the Lottery may opt not to take them. **Invited Options** are identified by the Lottery as of interest, but may be proposed at the discretion of the Vendor. **Offered Options** may be proposed at the discretion of the Vendor. Options may have additional cost quoted or may be included in the baseline price.

Pack: A pack of instant game tickets, with individual tickets uniquely numbered by virtue of game/pack/ticket identifiers. Packs contain varying numbers of tickets, depending on the game.

Person: An individual, a partnership, a joint venture, a registered limited liability partnership, an association, a corporation, a limited liability company, a trust, an unincorporated organization or any other entity, business or enterprise, authorized to do business in the State of Iowa.

Play: A single set of numbers for a Lottery drawing. A ticket may contain multiple plays, depending on the game.

Principle of Least Privilege: A design concept describing a system environment in which all services and personnel given access are granted only the privileges necessary to perform their functions.

Proposal: All materials submitted by a Vendor in response to this RFP, together with all addenda, clarifications, and demonstrations.

Pull-tab Games: Games sold on break open tickets containing play data under a perforated tab as may be approved by the Lottery.

Repeat Bets: A ticket can be processed through the terminal for repeat ticket to be printed.

Report: Information produced by the System that is viewed via display, printed, and/or saved to a file depending on the needs of the Lottery.

Responsible Vendor: A Vendor judged by the Lottery to have the capability in all respects to perform fully the Contract requirements and to have the integrity, security, reliability, and financial condition that will ensure good faith performance.

Responsive Proposal: Timely and conforming in all material aspects to stipulations of the RFP.

Retailer: An entity licensed by the Lottery to sell tickets.

Retailer Master File: The file containing the official list and data defining retailers.

RFP Coordinator: The sole point of contact for Iowa's on-line RFP.

RNG: Random Number Generator, a software application that uses a math algorithm to produce a pseudo-random numerical output.

RNG Seed: A random value used to begin the processing of an RNG.

Sales: Revenue from online, instant and pull-tab games, not including cancelled or returned tickets; however, sales do include free tickets.

Sales Day: The period of time the Lottery's gaming systems support transactions from terminals at retailer locations, subject to future modifications.

SLA: Service level agreement.

State: The State of Iowa and its departments, authorities, boards and commissions, officers and employees.

Subcontractor: For purposes of this RFP, where creating obligations or bearing restrictions, the term "subcontractor" refers to an entity retained by the Vendor to provide a contribution to the completion of the project.

Substantial Subcontractor: A subcontractor performing major and critical activities specific and customized for the Contract, including hardware development, production or support, software development, production, or support, ticket stock printing and retailer servicing. This does not include purchase of consumer-tariffed communication services, suppliers of "off the shelf" (available to the general public) hardware, or suppliers of "off the shelf" software when those firms perform only these roles under the Contract. This does not include routine service providers such as landscapers or janitorial firms. The Lottery retains the right to make the final determination whether a subcontractor is a substantial subcontractor.

Successful Vendor: The Vendor with whom the Lottery then executes the Contract pursuant to this RFP.

System: A set of hardware, software, facilities, and procedural elements that provides useful services and which produces useful outputs. In this RFP there are numerous references to "systems," inclusive of references to systems that are subsystems of other referenced systems. The immediate context and adjectives or labels define which system is being discussed. When used without other qualification, "System" refers to the comprehensive gaming system (instant/pull-tab tickets related components and/or on-line system) proposed by the Vendor.

Trunk Stock: Packs of Instant and Pull-tab tickets that are assigned to a DSR's inventory and carried in their vans.

Validation: Process by which winning tickets are checked against computer files, to ensure that the ticket presented is valid, and that it has not been redeemed previously. Validations apply to both on-line and instant tickets.

Validation Code: A security feature of instant tickets printed under the latex (or other coating). Also known as a VIRN (Void If Removed Number).

Vendor: An entity that submits a Proposal in response to this RFP.

APPENDIX B: DEMONSTRABILITY OF SYSTEM

The proposed System must be available for demonstrations and inspections during Proposal evaluation. The demonstrations and inspections will occur at a production Lottery location, at the Vendor's research and development facilities, or at some other appropriate venue, as requested by the Lottery during the evaluation process. The term "System" in this case includes capabilities of the retailer network and other network features and deliverables.

Demonstrability may include several tests from each of the following categories, as requested by the Lottery:

1. Inspection Tests
2. Functional Tests (with observation of Usability)
3. Performance Tests
4. Failure and Recovery Tests.

Various tests from the selection to follow could be considered.

Inspection Tests

Inspection tests provide evidence that the Vendor has the facilities, resources, systems, and capabilities expressed in the Proposal.

1. Proposed Equipment

Has the proposed System been shown and demonstrated? Inspect for the particular models of equipment proposed. Are parts of the proposed configuration not part of the demonstration? Has the proposed retailer communications mechanism been demonstrated?

2. Fielded Products

Determine whether the systems and products demonstrated are prototypes or whether they have been manufactured in quantity or are ready for manufacture. For the demonstrated terminals, are they mockups, hand-built unique items, part of a preliminary manufacturing run?

3. Materials and Construction Quality

Inspect the retailer terminals for durability, manufacturing integrity, and appearance.

4. Manufacturing and Development Facilities

Does the manufacturing facility appear to be capable of producing the quantities of devices needed?

5. Process Quality

Does the Vendor have a quality-oriented manufacturing system? Are there quality hardware and software engineering practices in place, such as SEI CMMI and/or ISO 9001?

6. Other Tests Specific to Vendor

Functional Tests

Functional tests provide evidence that the proposed System can perform common Lottery tasks, and that the System is in a position to be adapted to the Lottery's requirements. Possible functional tests follow.

1. Retailer Functions

Can simulated operations be run to demonstrate the major gaming operations as seen by the retailer? (Logging on/off, selling, validating, canceling, taking retailer reports, and receiving messages). Is the user interface straightforward?

2. System Operator Functions

Can simulated operations be run to demonstrate the major gaming operations as seen by the data center operations staff? (Bringing the System up and down, entering winning numbers, sending retailer messages and monitoring operations,).

3. Instant/Pull-tab Ticket Management Functions

Can the System demonstrate:

- Accepting tickets into inventory,
- Transferring tickets to:
 - o Regional warehouses,
 - o DSRs
- Consigning tickets to retailers
- Returning tickets from:
 - o Retailers
 - o DSRs
- Transferring tickets back to
 - o Regional Warehouses
 - o State warehouses.

4. Lottery Games Administration Functions

Can simulated operations be run to demonstrate the major gaming operations as seen by the Lottery? (Drawings, monitoring sales levels, creating new retailers, enabling/disabling retailers and receiving administrative reports).

5. Maintenance and Inventory

Can simulated operations be run to demonstrate functions such as Hotline and trouble reporting? Inventory control of consumables and terminals?

6. Other Tests Specific to Vendor

Performance Tests

Performance tests provide evidence that the Vendor's System is capable of supporting the business volume and response times required by the Lottery for excellent player service. Possible performance tests follow.

1. Response Time, Single and Multiple Plays

Can it be shown that single play tickets and multiple play tickets are delivered within specifications? Measure both discrete transactions and average transactions per unit time through repeats (bulk buy). Typically these tests require that the host system be loaded by a simulator.

2. Heavy Volume Throughput: Ticket Sales

If possible, conduct several simulation runs with heavy simulated volume. Runs shall include duplex operation to confirm hot backup feeds. Conduct manual transactions simultaneously to demonstrate full functioning. Employ a software monitor utility to assess CPU, disk, and memory consumption during the simulation.

3. Other Tests Specific to Vendor

Failover and Recovery

Failover and recovery tests provide evidence that the Vendor's terminals and System can maintain operations, data integrity, and security during periods of equipment and software failure. The entire proposed configuration will not be in place at Proposal time, so a complete path test for failover cannot normally be conducted. Possible failover and recovery tests follow.

1. Terminal Paper Low and Out

Check paper sensor, check buffering of last transactions when paper low. Remove the paper or use an almost empty roll. Determine how easy it is to replace the paper.

2. System Fault Tolerance

If possible, bring down the primary system (for example by Ethernet disconnect, or equivalent). Failover shall occur with only a brief outage (the RFP specification is two minutes). Return primary to service and time re-synchronization.

3. Terminal Loss of Connection

Disconnect a test retailer terminal from the communications mechanism linking it to the central system, and then restore the connection. Determine if the return to service compromises any transactions or reporting. Determine if the disconnection is detectable by the central system of network monitoring application.

4. Other Tests Specific to Vendor

APPENDIX C: LOTTERY STANDARD TERMS AND CONDITIONS

1. Assignment and Delegation. The Vendor shall not assign, transfer, convey, or otherwise dispose of this Agreement, its duties under this Agreement, or any rights, title, or interest in this Agreement to any other person, corporation, or other entity without the prior written approval of the Lottery and the Lottery Board as required. For purposes of this section a transfer or conveyance includes the sale or gift of a twenty-five per cent equity interest in the Vendor.

In the event that any person, or group of persons, hereafter acquires directly or indirectly the beneficial ownership (as defined by Securities and Exchange Commission Regulation 17 C.F.R. §240.13d-3) of five (5) percent or more of the ownership interest in, or any class of equity securities of, the Vendor, the Lottery must be notified in writing of such event. Background investigation may be required for these new owners. Such background investigations may include fingerprint identification by the Iowa Division of Criminal Investigation, the Federal Bureau of Investigation or the appropriate non-U.S. equivalent. By signing this Agreement, the Vendor consents to cooperate with such investigations, and to instruct its employees to cooperate. The expense of any investigation will be borne by the Vendor. The Lottery may terminate this contract based upon adverse results of these background checks. The ability to conduct such investigations is a continuing right of the Lottery throughout the contract term.

2. Records Retention and Access. The Vendor shall maintain books, records, and documents which sufficiently and properly document and calculate all charges billed to the Lottery throughout the term of this Agreement for a period of at least three (3) years following the date of final payment, cancellation, expiration or completion of any required audit, whichever is later.

The Vendor shall retain and maintain all ticket validation, financial, and accounting records, and evidence pertaining to this Agreement and to each game offered under the Agreement in accordance with generally accepted accounting principals and sound business practice and any other procedures reasonably established by the Lottery.

The Vendor shall permit the Auditor of the state of Iowa or any authorized representative of the State or any authorized representative of the United States government, to access and examine, audit, excerpt and transcribe any directly pertinent validation records, financial records, accounting records, books, documents, papers, electronic or optically stored and created records or other records of the Vendor relating to or created as a result of the performance of this Agreement. These records shall be made available to the Lottery, its designees, the Auditor, or an authorized representative of the State or any authorized representative of the United States government at reasonable times and at no cost to the Lottery during the term of this

Agreement and for a period of (3) years following the termination, cancellation or expiration of this Agreement.

3. Confidential Information. All Confidential Information provided shall be clearly marked as Confidential Information by the party providing the information at the time of disclosure to the other party. The Vendor shall limit such identification to information it reasonably believes is entitled to confidential treatment pursuant to the public records provisions of Iowa law. Each party shall hold the Confidential Information of the other in strictest confidence and, except as previously authorized in writing by the other party, (i) shall use the Confidential Information only in furtherance of this Agreement, (ii) shall not copy Confidential Information and (iii) shall not disclose the Confidential Information to any person or entity except those employees of the party to whom the information has been disclosed who have a need to know the Confidential Information for purposes contemplated by this Agreement. The parties' obligations under this provision do not apply to information which: is publicly available or in the public domain when provided; is or becomes publicly available or public domain information through no fault of the recipient of the information subsequent to the time it was provided; is rightfully communicated to the recipient of the information by another party; is independently developed by the recipient; or is disclosed pursuant to law or the order of a court or government authority. The parties' obligations under this provision shall survive the conclusion of this Agreement and shall be perpetual.

No private or confidential data collected, maintained, or used in the course of performance of the Agreement shall be disseminated except as authorized by statute, either during the period of the Agreement or thereafter. Any data supplied to VENDOR by the Lottery shall be considered the property of the Lottery.

VENDOR shall use its best efforts to ensure that the details of the games planned by the Lottery are not disclosed to persons or organizations other than the personnel, agents, and subcontractors of VENDOR whose assistance is necessary for the production of tickets and related materials. In the event that VENDOR receives a request for information or records concerning the Lottery or its advertising plans, VENDOR shall immediately forward the request to the Lottery. VENDOR will not release the information subject to the request without the Lottery's permission or pursuant to a court order or as may be required by law.

In the event VENDOR receives a request from a third party (other than a subcontractor working on Vendor's Lottery account) for information supplied to VENDOR by the Lottery, VENDOR shall immediately notify the Lottery of the request by telephone and fax. VENDOR will not release the information subject to the request without the Lottery's permission or pursuant to a court order or as may be required by law.

Notwithstanding anything to the contrary herein, in the event a public records request is made to the Lottery pursuant to Iowa Code chapter 22 regarding Confidential Information of the VENDOR, the Lottery shall notify VENDOR as soon as possible of the request by telephone and fax. The Lottery may respond to the request for

information not sooner than seven (7) business days thereafter with a release of the requested information unless VENDOR has obtained an injunction preventing release of the requested information.

4. Default and Termination.

Termination for Cause. The Lottery may terminate this Agreement upon written notice for the breach by the Vendor of a material term, if such breach is not cured, provided that a cure is feasible within ten (10) days following receipt of written notice of breach from the Lottery. Breach events include but are not limited to the following:

Vendor fails to perform as required by this Agreement; or

Vendor fails to make substantial and timely progress toward performance or fails to meet any of the material specifications and requirements of this Agreement, including without limitation the representations and warranties provided in this Agreement; or

Notice of Cure. If a cure is feasible and an opportunity to cure is provided, the notice shall specify the exact date by which the condition must be cured. Following expiration of the opportunity to cure and notice from the Lottery, the Lottery may seek any legal or equitable remedy authorized by this Agreement or by law.

Immediate Termination. The Lottery may terminate this Agreement, effective immediately without advance notice and without penalty or legal liability for any of the following reasons:

- If the Vendor furnished any statement, representation, warranty or certification in connection with this Agreement, which is materially false, deceptive, incorrect or incomplete; If the Vendor fails to perform, to the Lottery's satisfaction, any material requirement of this Agreement or is in violation of any material provision of this Agreement, including, without limitation, the express warranties made by the Vendor; or
- If the Lottery determines that satisfactory performance of this Agreement is substantially endangered or that a default is likely to occur; or
- If the Vendor becomes subject to any bankruptcy or insolvency proceeding under federal or state law to the extent allowed by applicable state or federal law including bankruptcy laws; or
- If the Vendor terminates or suspends its business; or
- If the Lottery reasonably believes that the Vendor has become insolvent or unable to pay its obligations as they accrue consistent with applicable federal or state law; or
- If an officer, director or employee in contact with the Lottery's account is or has been convicted of a felony, any gambling related offense whether a misdemeanor or felony, or of any state or federal Racketeer Influenced or Corrupt Organization Act (RICO) by a court of competent jurisdiction; or
- If a lawsuit is filed against Vendor claiming that the Vendor's processes or materials violate any valid patent, trademark, copyright, other intellectual property right or contract, and the Lottery reasonably believes that the lawsuit may impair the Vendor's performance of this Agreement; or

- If during the course of this Agreement, the Vendor sells Iowa Lottery tickets to others; or
- If during the course of this Agreement any action by the Vendor interferes with the Lottery's relationship with its licensed retailers, or promotes products or distribution systems that compete with authorized Lottery products or distribution systems; or
- If cancellation occurs for any of the causes set forth above, the Lottery shall have no further obligation to the Vendor other than payment for services rendered and materials provided prior to cancellation. Payment will be made only upon submission of invoices and proper proof of the Vendor's claim. This provision in no way limits the remedies available to the Lottery in the event of a termination under this provision.

5. Waiver. Any breach or default by Vendor shall not be waived or released other than by a writing signed by the Lottery. Failure by Lottery at any time to require performance by the Vendor or to claim a breach of any provision of the Agreement shall not be construed as affecting any subsequent breach or the right to require performance with respect thereto or to claim a breach with respect thereto. Only the following persons may execute a waiver of a term of this Agreement on behalf of the Lottery: the Lottery CEO, the Executive Vice President and Vice President of Finance.

6. Termination for Lack of Authority or Funding.

Notwithstanding anything in this Agreement to the contrary, and subject to the limitations, conditions, and procedures set forth below, the Lottery shall have the right to terminate this Agreement without penalty and without any advance notice as a result of any of the following:

- The legislature or governor fails in the sole opinion of the Lottery to appropriate funds sufficient to allow the Lottery to either meet its obligations under this Agreement or to operate as required and to fulfill its obligations under this Agreement; or
- If funds are de-appropriated, not allocated or if the funds needed by the Lottery in the Lottery's sole discretion are insufficient for any other reason; or
- If the Lottery's authorization to conduct its business is withdrawn or
- There is a material alteration in the programs the Lottery administers; or
- If Lottery's duties are substantially modified.

7. Remedies of Vendor. In the event of termination of this Agreement the Vendor shall be paid for services completed prior to termination upon submission of invoices and proper proof of claim, for services and materials provided to the Lottery prior to cancellation and for reasonable industrial costs of work-in-progress.

8. No Release of Obligation. The expiration or termination of this Agreement for any cause shall not release Vendor from:

- Any obligations and duties remaining under any order accepted by the Vendor prior to such expiration or termination; or

- Any liability which at the time of expiration or termination has already accrued to the other party, or, which thereafter may accrue in respect to any event prior to expiration or termination; or
- Any liability from any obligation that survives expiration or termination.

9. Choice of Law and Forum. The laws of the State of Iowa shall govern and determine all matters arising out of or in connection with this Agreement without regard to the choice of law provisions of Iowa law.

In the event any proceeding of a quasi-judicial or judicial nature is commenced in connection with this Agreement, the proceeding shall be brought in Des Moines, Iowa, in Polk County District Court for the State of Iowa, if jurisdiction is proper. If however jurisdiction is not proper in the Iowa District Court, Polk County, but is proper only in a United States District Court, the matter shall be commenced in the United States District Court for the Southern District of Iowa, Central Division.

This provision shall not be construed as waiving any immunity to suit or liability, in state or federal court, which may be available to the Lottery or the State of Iowa.

10. Compliance with the Law and Regulations. The Vendor shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations and orders when performing within the scope of this Agreement, including without limitation, all laws applicable to the prevention of discrimination in employment, the administrative rules of the Iowa Department of Management or the Iowa Civil Rights Commission which pertain to equal employment opportunity and affirmative action, laws relating to prevailing wages, occupational safety and health standards, prevention of discrimination in employment, payment of taxes, gift laws, lobbying laws, laws dealing with the manufacture and transportation of gambling related materials and laws relating to the use of targeted small businesses as subcontractors or suppliers.

The Vendor declares that it has complied with all federal, state and local laws regarding business permits and licenses that may be required to carry out the work to be performed under this Agreement.

The Vendor shall give notice to any labor union with which it has a bargaining or other agreement of its commitment under this section of the Agreement. The Vendor shall make the provisions of this section a part of its contracts with any subcontractors providing goods or services related to the fulfillment of this Agreement.

The Vendor shall comply with all of the reporting and compliance standards of the Department of Management regarding equal employment. These requirements may require the Vendor to submit its affirmative action plan. The plan must comport with the Department of Management rules at 541 IAC chapter 4.

The Lottery may consider the failure of the Vendor to comply with any law or regulation as a material breach of this Agreement. In addition, the Vendor may be declared

ineligible for future State contracts or be subjected to other sanctions for failure to comply with this section.

11. Indemnification. The Vendor agrees to defend, indemnify and hold the State of Iowa and the Lottery, its employees, agents, board members, appointed officials and elected officials, harmless from any and all liabilities, damages, loss, claims, suits or actions, settlements, judgments, costs and expenses, including reasonable value of time for the Attorney General's Office, and the costs and expenses and attorney fees of other counsel required to defend the Lottery, related to or arising from:

- Any violation or breach of this Agreement by the Vendor, its employees, or agents; or
- Any negligent acts or omissions of Vendor, its officers, employees, agents, board members, contractors, subcontractors, or trademark counsel employed by Vendor in the performance of this Agreement; or
- Any failure by the Vendor to comply with all local, state and federal laws and regulations; or
- Any failure by the Vendor to make all reports, payments and withholdings required by Federal and State law with respect to social security, employee income and other taxes, fees or costs required by the Vendor to conduct business in the State of Iowa; or
- Any event in which a third-party asserts that the Lottery's use of a product, design, and use of ticket product provided by Vendor to the Lottery is a violation of such party's rights; provided, however, that Vendor need provide no such indemnification for claims which relate solely to information, data, designs, processes, inventions, techniques, devices and other such intellectual property furnished to Vendor by the Lottery.

The Vendor's duty to indemnify as set forth in this section shall survive the expiration or termination of this Agreement and shall apply to all acts taken in the performance of this Agreement regardless of the date any potential claim is made or discovered by the Lottery.

12. Independent Contractor. The status of the Vendor shall be that of an independent contractor. The Vendor, its employees, agents and subcontractor performing under this Agreement are not employees or agents of the Lottery.

The Lottery shall not provide the Vendor with office space, support staff, equipment, tools, or supervision beyond the terms of this Agreement.

Neither the Vendor nor its employees, agents and subcontractors are eligible for any State employee benefits, including but not limited to, retirement benefits, insurance coverage or the like.

Neither the Vendor nor its employees shall be considered employees of the Lottery or the State of Iowa for federal or state tax purposes. The Lottery shall not withhold taxes

on behalf of the Vendor (unless required by law). The Vendor shall be responsible for payment of all taxes in connection with any income earned from this Agreement.

13. Payment to Vendor. The Lottery shall pay all approved invoices in arrears and in conformance with Iowa Code Section 8A.514 and II IAC § 41.1(2). The Lottery may vary the terms of this provision by paying the bill for services in less than 60 days as provided in Iowa Code Section 8A.514. However, an election to pay in less than 60 days shall not act as an implied waiver of Iowa Code Section 8A.514.

Pursuant to Iowa Code Section 99G.38, the funds of the state of Iowa, as opposed to the funds of the Iowa Lottery Authority, are not available to meet the obligations of the Lottery that may arise from this Agreement.

14. Notices. Any and all notices, designations, consents, offers, acceptances or any other communication provided for herein shall be given in writing by registered or certified mail, return receipt requested, by receipted hand delivery, by Federal Express, courier or other similar and reliable carrier which shall be addressed to each party as set forth as follows:

If to the Iowa Lottery :	Iowa Lottery Authority Attn.: Lottery COO 2323 Grand Ave. Des Moines, IA 50312
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If to the Vendor :	Vendor Name Attn.: Vendor address
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Each such notice shall be deemed to have been provided:

- At the time it is actually received; or
- Within one day in the case of overnight hand delivery, courier or services such as Federal Express with guaranteed next day of delivery; or
- Within five days after deposited the U.S. Mail in the case of registered U.S. Mail.

Copies of such notice to each party shall be provided separately.

From time to time, the parties may change the name and address of a party designated to receive notice. Such change of the designated person shall be in writing to the other party and as provided herein.

15. Related Services. The Lottery will reserve the right to contract with other vendors for related services during the contract term.

16. Infringement of Trademarks, Patents, Copyrights and Other Proprietary Rights. The Vendor represents and warrants that all the concepts and materials produced, or provided to the Lottery pursuant to the terms of this Agreement shall be wholly original with the Vendor or that the Vendor has secured all applicable interests, rights, licenses, permits, or other intellectual property rights in such concepts and materials.

The Vendor represents and warrants that the concepts and materials and the Lottery's use of the materials and the exercise by the Lottery of the rights granted by this Agreement shall not infringe upon any other work, other than material provided by the Lottery to the Vendor to be used as a basis for such materials, or violate the rights of publicity or privacy of, or constitute a libel or slander against, any person, firm or corporation and that the materials will not infringe upon the copyright, trademark, trade name, literary, dramatic, statutory, common law or any other rights of any person, firm or corporation or other entity.

The Vendor represents and warrants that, in the performance of this Agreement, the Vendor's work product and the information, data, designs, processes, inventions, techniques, devices, and other such intellectual property furnished, used, or relied upon by the Vendor will not infringe any copyright, patent, trademark, trade dress or other intellectual property right of the Vendor or others.

The Vendor also represents and warrants that the design and method of manufacture of materials provided pursuant to this Agreement shall not infringe on any patent.

17. Personnel to Perform the Services. The Vendor shall identify for the Lottery all employees of the Vendor and any subcontractors that provide goods or services necessary to the Lottery contract. The Lottery reserves the right to disapprove of any subcontractor used by the Vendor or any employee of the Vendor or any subcontractor directly involved in the Lottery contract. If the Lottery disapproves of any such person or subcontractor, the Vendor shall ensure that they are not involved in the Lottery contract. The Vendor shall require its employees and the employees of any subcontractors involved in the Lottery contract to submit to background investigations by the Lottery, if requested, and to complete all background disclosure forms as may be required by the Lottery.

18. Prime Vendor Responsibilities. The Vendor shall assume all responsibility for the performance of all required services, whether or not subcontractors are involved. The Lottery shall consider the Vendor to be the sole point of contact with regard to all matters related to this Agreement and is not required to initiate or maintain contact with any subcontractor.

19. Taxes. The Vendor and its subcontractors, may be subject to certain taxes, including but not limited to sales tax, motor vehicle fuel tax, personal or corporate income tax or other taxes or assessments, and to licensing fees or other miscellaneous fees or charges which may be imposed by federal, state, or local law or ordinance. The

Vendor and its subcontractors shall be solely responsible for paying any taxes incurred in the performance of this Agreement. The Vendor shall promptly pay all such taxes, fees or charges when due. The Lottery is a tax-exempt entity and no payment will be made for any taxes levied on the Vendor for any purpose.

20. Vendor Representations and Warranties. All representations and warranties made by the Vendor in all provisions of this Agreement and the Proposal by the Vendor, whether or not this Agreement specifically denominates the Vendor's promise as a warranty or whether the warranty is created only by the Vendor's affirmation or promise, or is created by a description of the materials and services to be provided, or by provision of samples to the Lottery, shall not be construed as limiting or negating any warranty provided by law, including without limitation, warranties which arise through course of dealing or usage of trade. The warranties expressed in this Agreement are intended to modify the warranties implied by law only to the extent that they expand the warranties applicable to the goods and services provided by the Vendor.

The Vendor represents and warrants that the related materials, goods and services to be provided to the Lottery pursuant to this Agreement shall be suitable for their intended purposes. The Vendor acknowledges that the Lottery is relying on the Vendor's skill and judgment to furnish services fit in all respects for this purpose which will be designed to maximize sales of the Lottery.

The Vendor represents and warrants that goods and services shall be merchantable.

The Vendor represents and warrants that title to the materials conveyed to the Lottery shall be good and that transfer of title is rightful and that the materials shall be delivered free of any security interest or other lien or encumbrance.

The Vendor represents and warrants that it has the right to enter into and to fully perform this Agreement upon the terms and conditions specified and that it has not granted and will not grant any right or interest to any person or entity which might derogate, encumber, or interfere with the rights granted to the Lottery.

The Vendor represents and warrants that equipment provided will be new and unused and free of defects in material, design and workmanship.

The Vendor represents and warrants that all services provided shall be performed in a prompt, competent and workmanlike manner by properly trained individuals in accordance with the highest standards of the Vendor's profession.

The Vendor expressly represents and warrants that all aspects of the goods and services provided by it during the performance of the Agreement will conform to the highest standards in the industry.

The Vendor also represents and warrants that the design, manufacture and sale or use by the Lottery of materials provided by the Vendor pursuant to this Agreement will not infringe on any intellectual property rights of any other person or entity.

The Vendor represents and warrants that the production, design, and use by the Lottery of goods and services provided by the Vendor will not infringe on any patent, trademark, copyright, trademark, service mark, trade secret or other right held by any third party; provided, however, that the Vendor need provide no such warranty for information, data, designs, processes, inventions, techniques, devices, and other such intellectual property furnished to Vendor by the Lottery.

The Vendor represents and warrants that the equipment and services provided shall meet each and every requirement and specification of this Agreement exactly as specified in this Agreement.

The Vendor represents and warrants that it has not made any misrepresentations to the Lottery related to this Agreement or the products and services to be provided pursuant to this Agreement. "Misrepresentations" include material omissions.

APPENDIX D: MANAGEMENT AND ADMINISTRATIVE REPORTS

Management reports must be available upon demand at management workstations or via an agreed upon transport method and be able to support the business activities listed below. Actual report formats are to be resolved with the Lottery with final approval by the Lottery. Specific wording in the following report descriptions simply represents the meaning that is to be conveyed.

This list of reports is not intended to represent an all-inclusive list of the reports required by the Lottery; it is intended as a sample only. Some reports may or may not be applicable depending upon the Vendor's submittal of a Proposal with **Invited Options**.

1. **Game Control** – such as Game Close, Winning Numbers, Game in Pay Status.
2. **Total Daily Activity** – Total sales activity for the day.
3. **Daily Activity/Game** – Reflecting the current day's activity for all on-line games, showing the total pool amount and play type and date. All pools for which play is being accepted are to be shown. Also indicates the number of quick pick plays and percent of total.
4. **Previous Activity/Game** – Reflecting the previous activity and showing the total pool amount by play type and date. This report shall show play activity prior to the current day on all pools for which sales are being accepted.
5. **Combined Activity** – Reflecting the total pool amount combined from current and previous activity reports.
6. **Prize Reports** – Showing the winning numbers for the most recent drawing, last control number, the number of winning plays by play type and tier, the prize payout liability and the total pool amount.
7. **Top Played Numbers** – Showing the fifteen (15) most popular numbers being played on the current day and all advance pools, the total prize liability of all play combinations on each number in dollars and cents.
8. **Retailer Transaction History/Look-up** – Any and all retailer transaction history for the day.

9. **Retailer Sales History** – Sales history for all games for the requested retailer(s).
10. **On-Line Terminal Sales Over/Under Report** – A report of selected Retailers over a specified sales amount and under a specified sales amount showing Retailer number, line and network address, and actual net sales amount for all games. Report to be applied to all games or a selected game for the current day or week to date.
11. **Games Net Sales** – Tickets selling per second statewide for all on-line games.
12. **Daily Terminal Availability** – Reflecting the date and time of inquiry and showing those terminals not operable at that time on that day as well as the period of time that the terminals were inoperable.
13. **Week to Date Retailer Balance** – Showing the cumulative position (week to date) of all Retailers, sales dollar amount less cancels, retailer commission on tickets sold, number of units canceled, cash paid to winners, number of "file claim" tickets issued, number of tickets cashed, Retailer net balance and Retailer number.
14. **System Totals** – Showing tickets sold and cash received for each type of play broken out by today's and the previous week's business with grand totals.
15. **Terminal Sales Activity** – Showing, by terminal, the number of tickets canceled, net sales, commissions, number of winners validated, and amount paid. An identifying symbol is to be printed next to the Retailer number whenever cancels exceed a designated variable percentage of sales and another symbol list to be printed if the Retailer has a negative balance.
16. **Game Status** – A report showing the status of the current open games (where plays are currently being accumulated to) and past games for 365 days. On all past games, indicates the winning numbers that were drawn, the play amount, and the liability amount (and percentage of play amount).
17. **Weekly Invoice/EFT** – A report summarizing the retailer invoices, reflecting amounts that will be swept from their bank accounts with subtotals available by corporate account and district.
18. **Total Daily Activity** – All activity for all on-line games for the day.
19. **Combined Sales** – Combined report of instant and on-line sales for the day.
20. **Forced Settlement** – Weekly report of retailers and instant inventory that was automatically settled by the system per Lottery-defined parameters.

21. **Instant Sales** – Counts and amounts for all instant game activity.
22. **Stolen Pack Status Changes** – All packs placed into a stolen status for the day or the period requested.
23. **Instant Games Inventory Balancing** – All instant game inventory information (active, settled, etc.).
24. **Instant Game Aging** – All packs in a selected status for a selected number of days.
25. **Sales by Price Point** – Capability to report sales by individual ticket price points.
26. **Instant Game Liability Report.**
27. **Activations and Settles** – Date driven Instant Activations and Settles by game pack and amount for requested retailer or chain.
28. **Filled/Cancelled orders** – Date driven instant filled or cancelled orders for all order types including order number, date shipped, date received, filled by for requested retailer or chain.
29. **Packs in Transit** – Instant status of packs in transit report shows game, pack value, warehouse transit date and order number sorted by order number or transit date for requested retailer or chain.
30. **Retailer Pack Inventory** – Instant game retailer pack inventory with game, pack, pack status, total packs, tickets per pack, ticket cost, value active date, number of days, number of cashes, and maximum ticket sorted by activation date, game number or pack status. Requested for retailer or chain.
31. **Activity Sales Detail** – Date driven combined on-line and instant gross sales, cancels/instant return, promos, net sales, cashes, sales commissions, cashing commission, adjustments, net cash flow, for requested retailer or chain.
32. **Activity Games Detail** – Date driven (by specific game) of on-line or instant game for requested retailer or chain showing gross sales, cancels, promos, net sales, cashes, sales commissions, cashing commissions and net cash flow.
33. **Retailer Daily Activity** – Date driven combined on-line and instant daily activity by game for cashes, sales commissions, cashing commission, promos, and adjustments, requested for retailers or chain.
34. **Retailer List** – retailer listing showing retailer, name, business/contact, phone number, business address, mailing address: requested for retailers or chain.

- 35. **Retailer Ranking** – Date driven combined daily average, instant daily average, on-line daily average, by retailer status, rank, net instant sales amount, net on-line sales amount, total sales amount, and number of sale days - for retailer or chain.
- 36. **Retailer Commissions** – Date driven report for retailer or chain, showing retailer, name, owner name, address, on-line sales, instant sales, on-line sales commissions, instant sales commissions, on-line cashing commissions, instant cashing commissions, adjustments, incentive checks and 1099 total.
- 37. **Sales Comparisons** – Report showing combined instant or on-line sales, date range comparison current versus prior, requested for retailer or chain.
- 38. **Zero Sales** – Date driven report showing DSR, status, city, phone, point of contact – requested for retailer or chain.
- 39. **Corporate Reporting** – The chain headquarters receive special reports that detail the activity for each store and summarize the activity for all stores.

In addition to the named reports, the Lottery anticipates that various other types of security, operational, technical, sales, and marketing reports will be needed, with the data to be displayed and format to be determined by the Lottery.

APPENDIX E: RETAILER TERMINAL REPORTS

Below is a generic list of the reports currently available from the retailer terminals. Actual report formats are to be resolved with the Lottery with final approval by the Lottery. Specific wording in the following reports simply represents the meaning that is to be conveyed.

This list of reports is not intended to represent an all-inclusive list of the reports required by Lottery. It is intended as a sample only.

On-Line Games

1. **Daily sales** – Combined on-line daily sales, cancels, cashes, adjustments, coupons and commissions by game for requested retailer
2. **Weekly Sales** – Combined on-line weekly sales, cancels, cashes, adjustments, coupons and commissions by game for requested retailer
3. **Winning Numbers and Payouts** – Winning numbers and payouts for last completed draw of all on-line games for a specified date (default is most current draw and all games)
4. **By game winning cities/prizes** – City(s), prize amounts and winning numbers by game
5. **Weekly adjustments** – On-line and instant adjustments to the retailer for the week requested
6. **By game Current/Previous Week Sales** – Current week and previous week sales by game for requested retailer
7. **History** – Shows retailer the history of transactions for current sign-on
8. **Test Ticket** – Prints a 'test' ticket where the wording "DEMO – NOT FOR SALE" must be prominently displayed in the middle of the ticket.

Instant and Pull-tab Games

1. **Daily Activity** – Instant inventory activity and sales activity for the day for requested retailer.
2. **Weekly Activity** – Instant inventory activity and sales activity for week-to-date for requested retailer.

3. **Inventory Summary** – Summary of ticket inventory by game.
4. **Inventory Detail** – Detailed ticket inventory by game.
5. **Inventory History** – History of inventory for a retailer for a particular time frame.
6. **Weekly Cashes Detail** – A listing of all weekly cashes.
7. **Weekly Pack Settle Detail** – Packs settled by game, number, date and amount.
8. **Game Information** – Game status listing for active and closed games for all games currently on the System.
9. **Adjustment History** – Adjustments made to the retailer for the week requested.
10. **Activated Packs** – Details of activated packs in the retailer's inventory.
11. **Orderable Games** – Games that are currently available for order, descending by sales (statewide totals).
12. **Top Prize Remaining** – Games that currently have top prizes remaining and the number of prizes remaining in each game.
13. **Sales by Price Point** – Capability to report sales by individual ticket price point.

OTHER REPORTS

1. **Weekly Settlement** – Combined on-line, instant and pull-tab total activity for requested week.
2. **Broadcast Messages** – Informational broadcast messages to be sent to all retailers or to a specific retailer.

APPENDIX F: FILES TO TRANSFER TO/FROM THE LOTTERY

Below is a generic list of files that are currently or are proposed to be transferred between the Lottery and the Successful Vendor. Actual file formats are to be resolved with the Lottery with final approval by the Lottery.

This list of files is not intended to represent an all-inclusive list of the files to be transferred required by Lottery. It is intended as a sample only.

1. MUSL CARS Interface. The system must be able to produce files that are required for the MUSL Centralized Automated Reporting System (CARS). Data files in an XML format are transmitted to the CARS system for Powerball daily sales, drawing sales and winner-by-tier.
2. On-line Terminal Retailer Accounting/Billing related reports. Files containing information related to a retailer's accounting/billing such as weekly and daily billing information.
3. Daily on-line sales information. The system must provide access to all Lottery related data by means of relational database tables. These tables will be used to generate needed Lottery reports and systems. These tables must include (but not be limited to) financial, sales, retailer and game data. The Lottery currently has access to such data either remotely or locally.
4. Vendor gaming system files/reports. Currently accessed directly from the vendor are Electronic Funds Transfer (EFT) data, Lottery Verification System (LVS) data, winning numbers data and unclaimed prizes data. These are accessed either by direct server connection or web shares. Additionally any testing data files need to also be made available thru one of these methods.
5. Near real-time retailer down information. This file may contain such information as which retailers were down or degraded and for how long as well as certain system log information for analysis.

APPENDIX G: LOTTERY BACKGROUND AND GENERAL INFORMATION

History

The people of Iowa voted by greater than a 2-to-1 margin in November 1972 to repeal language in the state's Constitution that placed a prohibition on a Lottery.

Legislation creating the Iowa Lottery wasn't signed into law, however, until April 1985. Lottery sales began in Iowa on Aug. 22, 1985, with a kickoff celebration at the Iowa State Fair.

The first game sold by the Iowa Lottery was a \$1 instant-scratch product called "Scratch, Match and Win" and players bought more than 6.4 million tickets during the first week of play.

In the years since, the Iowa Lottery has raised nearly \$1.2 billion for state programs while its players have won more than \$2.4 billion in prizes. Sometime in March 2006, an Iowa Lottery player purchased the ticket that helped push Lottery profits to state programs over the \$1 billion threshold.

Lottery profits have helped the state in a variety of ways through the years. Lottery proceeds currently benefit the Iowa Veterans Trust Fund and the state General Fund. Lottery proceeds also were used to secure financing for the Vision Iowa program. Vision Iowa was created in 2000 to provide funding for tourism attractions and school repairs in the state. Bonds for the program were issued with direct funding provided by state revenues from racetracks and casinos, and Lottery revenues used as a backup over the 20-year payback period of the bonds.

General Information

The Iowa Lottery Authority is corporate-model Lottery that focuses on entrepreneurialism in its operations. Iowa law declares that "Lottery games shall be operated and managed in a manner that provides continuing entertainment to the public, maximizes revenues and ensures that the Lottery is operated with integrity and dignity and free from political influence."

The CEO of the self-funded state authority is appointed by the governor and confirmed by the Iowa Senate. However, the CEO serves a four-year term that does not coincide with governor's election cycles. The CEO and six-member Iowa Lottery Authority Board of Directors oversee Lottery operations and approve or alter the Lottery's budget. Five members of the Lottery Board are appointed by the governor, confirmed by the Senate

and serve staggered four-year terms. The state treasurer serves on the Board as an ex-officio member.

There are approximately 110 full-time Lottery employees working at the Lottery's headquarters in Des Moines and its regional offices in Council Bluffs, Storm Lake, Mason City and Cedar Rapids. Lottery sales representatives deliver tickets on 30 sales routes to about 2,400 retail locations across the state.

Product Categories

The Lottery sells tickets in three game categories: lotto, instant-scratch and pull-tabs. Preliminary figures for fiscal year 2009 show that Iowa Lottery sales totaled \$243.3 million. Scratch tickets accounted for about 56 percent of total Lottery sales; lotto games were about 35 percent of sales; and pull-tabs made up about 9 percent of sales.

Lotto (On-Line) Games

The Iowa Lottery currently has five lotto games. They are:

1. Powerball – a multi-state game played in 30 states, the District of Columbia and the U.S. Virgin Islands. Drawings are at 9:59 p.m. on Wednesdays and Saturdays.
2. Hot Lotto – a multi-state game played in 13 states and the District of Columbia. Drawings are held on Wednesday and Saturday nights just before the Powerball drawings.
3. Iowa's \$100,000 Cash Game – an Iowa-only game with a 5/35 matrix. Drawings occur at 6:28 p.m. Monday-Saturday.
4. Pick 3 – a daily-draw, three-digit, pari-mutuel style game. Drawings occur at 12:40 p.m., Monday through Saturday and 9:20 p.m. daily.
5. Pick 4 – a daily-draw, four-digit, pari-mutuel style game. Drawings occur at 12:40 p.m., Monday through Saturday and 9:20 p.m. daily.

The Lottery is currently considering adding at least one multi-state on-line game to its product mix.

Instant-Scratch Games

The Iowa Lottery releases about 40 scratch games a year at three-week intervals. Current price points within the instant-ticket category are \$1, \$2, \$3, \$5, \$10 and \$20.

Pull-Tab Games

The Iowa Lottery releases about 10 pull-tab games a year at four-week intervals. Current price points within the pull-tab category are 25 cents, 50 cents, \$1 and \$2.

Back-Office Systems

The Iowa Lottery's Back Office System is located at Lottery headquarters in Des Moines, Iowa. The system consists of Microsoft Windows based servers, to serve ASP, Microsoft SQL, Visual Basic, and MS Access based applications. This system is used for sales reporting and analysis, and other in-house applications.

The Lottery LAN/WAN operates using TCP/IP. Most Lottery desktop PCs are currently running Windows XP Pro or Vista. The vendor must be aware of systems limitations when developing software and hardware to ensure all Lottery hardware/software components can operate in the gaming environment, if applicable.

Jurisdictional Game Groups

The Iowa Lottery is a charter member of the Multi-State Lottery Association (MUSL), sells both the Powerball and Hot Lotto games and has offered other MUSL games in the past. The Kansas and Iowa lotteries also sell the multi-state "Midwest Millions" scratch game as part of a MUSL game group.

Major Vendors

The Iowa Lottery has contracts with two advertising agencies. Strategic America in Clive, Iowa, conducts media-buying and post-buy analysis services for television and radio advertising. The Integer Group-Midwest in Des Moines, Iowa, provides creative and production services for Lottery advertising. Both agencies also can provide public relations services to the Lottery.

Scientific Games International (SGI) based in Alpharetta, Ga., is the Lottery's current on-line system provider. SGI also is the Lottery's primary instant-ticket printing vendor, while Pollard Banknote Limited based in Winnipeg, Manitoba, serves as the Lottery's secondary instant-ticket printing vendor.

American Games Inc. based in Council Bluffs, Iowa, is the Lottery's current pull-tab printing vendor.

The Lottery purchased the instant-ticket and pull-tab vending machines that it currently has in the field from American Games Inc. in 2004.

Audited Past Sales Figures

DESCRIPTION	2004	2005	2006	2007	2008
Instant ticket sales	\$95,258,080	\$103,259,272	\$106,562,536	\$125,147,976	\$137,917,848
Pull-tab ticket sales	\$25,528,391	\$23,624,094	\$18,314,338	\$21,058,969	\$21,407,956
Touchplay (net)	\$303,079	\$6,428,123	\$121,450,529	\$0	\$0
Monitor Vending Machine	\$1,257,087	\$0	\$0	\$0	\$0
Online Sales:					
Powerball	65,967,337	54,244,379	71,110,985	61,548,520	63,761,024
Hot Lotto	7,717,962	10,443,903	9,634,818	14,453,908	11,724,416
\$100,000 Cash Game	4,430,118	4,426,833	4,323,511	4,362,916	4,291,933
Pick 3	6,333,801	6,200,109	6,056,037	6,282,529	6,373,362
Pick 4	1,662,015	2,042,499	2,066,769	2,224,092	2,315,469
Freeplay Replay	77,330	0	0	0	0
Raffle	0	0	0	0	1,425,460
Online sales total	\$86,188,563	\$77,357,723	\$93,192,120	\$88,871,965	\$89,891,664
Gross Sales	\$208,535,200	\$210,669,212	\$339,519,523	\$235,078,910	\$249,217,468

APPENDIX H: DISCLOSURE FORMS

All disclosure forms can be found on the Iowa Lottery Authority website.

<http://www.iaLottery.com/Vendors/Forms.html>

DCI class “L” Business Entity

DCI class “L-1” Bidder Key Personnel

DCI class “O” Lottery Background

APPENDIX I: TRANSMITTAL LETTER CONTENT

The VENDOR shall submit a cover transmittal letter providing the information requested below. The cover letter shall be submitted on the VENDOR'S business letterhead and shall contain all the information as listed in this section. A person(s) legally authorized to contractually bind the business entity must sign the cover transmittal letter.

- 1) State the name, address, telephone number and e-mail address (if available) of the Vendor's representative to contact regarding all **contractual** matters concerning this Proposal.
- 2) State the name, address, telephone number and e-mail address (if available) of the Vendor's representative to contact regarding all **technical** matters concerning this Proposal.
- 3) State the name, address, telephone number and e-mail address (if available) of the Vendor's representative to contact regarding **scheduling** and other arrangements, if necessary.
- 4) Identify the firm that audits the Vendor's financial information.
- 5) State the Vendor's Federal Employer Identification Number.

APPENDIX J: NON-DISCLOSURE AGREEMENT

In consideration of the Iowa Lottery Authority (Iowa Lottery) retaining the services of _____ (Successful Vendor), and because of the sensitivity of certain information that may come under the care and control of Successful Vendor, both parties agree that all data and information relating to the business of the Iowa Lottery which is, or has been, disclosed to, or obtained by, Successful Vendor in connection with its engagement or employment by the Iowa Lottery (Confidential Information) shall remain confidential subject to release only with the prior written permission of the Iowa Lottery, and more specifically agree as follows:

1. The Confidential Information may be used by the Successful Vendor only to assist the Successful Vendor in connection with its engagement or employment with the Iowa Lottery.
2. The Successful Vendor will not, at any time, use the Confidential Information in any fashion, form, or manner except in its approved capacity with the Iowa Lottery.
3. The Successful Vendor agrees to maintain the confidentiality of the Confidential Information.
4. The Confidential Information may not be copied or reproduced without the Iowa Lottery's prior written consent.
5. All Confidential Information made available to Successful Vendor, including copies thereof, shall be returned to the Iowa Lottery upon the first to occur of (a) completion of the project, (b) termination of Successful Vendor's engagement or employment, or (c) request by the Iowa Lottery.
6. The foregoing shall not prohibit or limit Successful Vendor's use of the Confidential Information (including, but not limited to, ideas, concepts, know-how, techniques and methodologies) (a) previously known to it (b) independently developed by it, (c) acquired by it from a third party or (d) which is or becomes part of the public domain through no breach by the Successful Vendor.
7. The foregoing shall not prohibit or limit the Successful Vendor's disclosure of Confidential Information after notification to the Iowa Lottery if required by an appropriate judicial order.
8. This agreement shall become effective as of the date Confidential Information is first made available to the Successful Vendor and shall survive any agreement for services or employment and shall be a continuing obligation of Successful Vendor.
9. Successful Vendor will require that this agreement be signed by all its employees and agents who are assigned to perform any services at or for the Iowa Lottery or who are privy to Confidential Information concerning the Iowa Lottery.
10. This agreement shall not be construed as an employment contract.

Successful Vendor:

By _____

Title _____

Date _____

Iowa Lottery:

By _____

Title _____

Date _____

APPENDIX K: EQUIPMENT REMOVAL LISTING

A list of equipment is available from the RFP Coordinator.

