

State of Arkansas
ARKANSAS LOTTERY COMMISSION

REQUEST FOR PROPOSAL

RFP Number: SP-09XXXX	Buyer:
Commodity: Instant Ticket Lottery Game Services	Proposal Opening Date: July 29, 2009
Date: June 19, 2009	Proposal Opening Time: 2:30 P.M. CDT

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

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

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

Company Name: _____

Name (type or print): _____

Title: _____

Address: _____

Telephone Number: _____

Fax Number: _____

E-Mail Address: _____

Signature: _____

USE INK ONLY; UNSIGNED PROPOSALS WILL NOT BE CONSIDERED

Exhibit A

Identification:

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*

Federal Employer ID Number

Social Security Number

FAILURE TO PROVIDE TAXPAYER IDENTIFICATION NUMBER MAY RESULT IN PROPOSAL REJECTION

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

GENERAL DESCRIPTION:	Instant Ticket Lottery Game Services
TYPE OF CONTRACT:	Term
BUYER:	
AGENCY P.R. NUMBER	

INVOICE TO:

F.O.B:

MINORITY-OWNED AND FEMALE-OWNED BUSINESS POLICY

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

EQUAL OPPORTUNITY POLICY:

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

ACT 157 of 2007 EMPLOYMENT OF ILLEGAL IMMIGRANTS

Pursuant to Act 157 of 2007 (Arkansas Code Annotated § 19-11-105), all Vendors must certify prior to award of the contract that they do not employ or contract with any illegal immigrants in its contract with the State. -Vendors shall certify online at: http://www.arkansas.gov/dfa/procurement/pro_index.html

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

ARKANSAS LOTTERY COMMISSION MAJOR PROCUREMENT RULES

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

ALTERATION OF ORIGINAL RFP DOCUMENTS

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

REQUIREMENT OF AMENDMENT

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

DELIVERY OF RESPONSE DOCUMENTS

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

INTENT TO AWARD

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

The Arkansas Lottery Commission reserves the right to waive this policy, The Intent to Award, when it is in the best interest of the State. Vendors are responsible for viewing the Intent to Award section of the Arkansas Lottery commission Major Procurement Rules.

PAST PERFORMANCE:

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

EO-98-04 GOVERNOR'S EXECUTIVE ORDER:

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

SECTION I. GENERAL INFORMATION

1.0 INTRODUCTION

The purpose of this Request For Proposal (RFP) is to invite responses (Proposals) from vendors in the lottery industry (Vendors) for the provision of instant ticket lottery game services for the Arkansas Lottery Commission (ALC). It is the ALC's desire to select a single Vendor that is able to provide a comprehensive solution to its instant ticket operations, to include the manufacture of instant tickets, warehousing and distribution, and marketing support services. An RFP is being used by the ALC to take maximum advantage of the design capabilities, implementation knowledge, and operational knowledge of the marketplace for the design implementation and operation of the ALC's statewide instant ticket sales and related activities. All Vendors must fully acquaint themselves with the ALC's needs and requirements and obtain all necessary information to develop an appropriate solution and to submit responsive and effective Proposals. Vendors must also acquaint themselves with the ALC's Major Procurement Rules (Attachment A), and adhere to the requirements of those rules throughout this process.

1.1 ISSUING AGENCY

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

1.2 SCHEDULE OF EVENTS

Release RFP	June 19, 2009
Written vendor questions due	July 8, 2009
Answers to vendor questions	July 15, 2009
Evaluation of proposals	Approximately 7 days after proposal opening
Anticipation to Award	Approximately 1 days after evaluation
ASLLOC review	Approximately 6 days
Contract Execution	Approximately 3 days after ASLLOC review

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

1.3 CAUTION TO VENDORS

1. During the time between the proposal opening and contract award, any contact concerning this RFP will be initiated by the issuing office or requesting entity and not the vendor. Specifically, the person(s) named herein will initiate all contact.
2. **Vendors are requested to respond to each numbered paragraph of the RFP.**
3. Vendors must submit one (1) signed original proposal on or before the date specified on page one of this RFP. The Vendor should submit seven (7) complete copies (marked copy) of the signed RFP response, and two (2) electronic versions (one (1) redacted electronic version and one (1) unredacted electronic version), preferably in MS Word/Excel format, on CD. **Do NOT include any pricing from the Official Proposal Price Sheet on the copies, including the CD. Pricing from the Official Proposal Price Sheet must be separately sealed from the proposal response and clearly marked as pricing information. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal.** Failure to submit the required number of copies with the proposal may be cause for rejection. If the Arkansas Lottery Commission (ALC) requests additional copies of the proposal, they must be delivered within twenty-four (24) hours of request.
4. For a proposal to be considered, an official authorized to bind the Vendor to a resultant contract must have signed the proposal.
5. All official documents and correspondence shall be included as part of the resultant contract.

6. The ALC reserves the right to award a contract or reject a proposal for any or all line items of a proposal received as a result of this RFP, if it is in the best interest of the State to do so. Proposals will be rejected for one or more reasons not limited to the following:
- a. Failure of the Vendor to submit his or her proposal(s) on or before the deadline established by the issuing office;
 - b. Failure of the Vendor to respond to a requirement for oral/written clarification, presentation, or demonstration;
 - c. Failure to supply Vendor references.
 - d. Failure to sign an Official RFP Document;
 - e. **Failure to complete the Official Proposal Price Sheet(s) and include them sealed separately from the rest of the proposal;**
 - f. Any wording by the Vendor in their response to this RFP, or in subsequent correspondence, which conflicts with or takes exception to a requirement in the RFP; or
 - g. Failure of any proposed services to meet or exceed the specifications.

1.4 RFP FORMAT

Any statement in this document that contains the word “**must**” or “**shall**” means that compliance with the intent of the statement is mandatory, and failure by the bidder to satisfy that intent will cause the proposal to be rejected. It is recommended that bidders respond to each item or paragraph of the RFP in sequence. Items not needing a specific vendor statement may be responded to by concurrence or acknowledgement; no response will be interpreted as an affirmative response or agreement to the ALC conditions. Reference to handbooks or other technical materials as part of a response must not constitute the entire response and vendor must identify the specific page and paragraph being referenced.

1.5 SEALED PRICES

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

1.6 TYPE OF CONTRACT

This will be a term contract for a term of seven (7) years from date of award, with an option for renewal up to three (3) additional times in one (1) year increments or a portion thereof.

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

1.7 PAYMENT AND INVOICE PROVISIONS

All invoices shall be delivered to the ALC.

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

The ALC shall have no responsibility whatsoever for the payment of any federal, state, or local taxes which become payable by the Successful Vendor or its subcontractors, agents, officers, or employees. The Successful Vendor shall pay and discharge all such taxes when due.

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

The Contractor shall be required to maintain all pertinent financial and accounting records and evidence pertaining to the contract in accordance with generally accepted principles of accounting and other

procedures specified by the State of Arkansas. Access will be granted upon request, to State or Federal Government entities or any of their duly authorized representatives.

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

1.8 LIQUIDATED DAMAGES

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

- Delay in the start of the lottery;
- Delay in the start of a new game;
- Shortage of tickets;
- Failure to distribute tickets within two (2) business days of ordering;
- Security violations;
- Untimely vending machine repair;
- Untimely reports;
- Working Papers –untimely or unauthorized modifications;
- Claimed prize tickets not approved by the ALC;
- Defective or nonconforming tickets;
- Unavailability of the telemarketing and Inventory Control System; and
- Incomplete or incorrect game validation files.

The Successful Vendor will remit damages directly to the ALC, or at the option of the ALC, the ALC may withhold amounts otherwise due to the Successful Vendor.

For purposes of this RFP, "Working Papers" means the documents, including without limitation specifications for each instant ticket game, supplied by the Vendor including the following:

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

1.9 PROPRIETARY INFORMATION

Proprietary information submitted in response to this RFP will be processed in accordance with applicable major procurement procedures. Proposals and documents pertaining to the RFP become the property of the ALC and shall be open to public inspection subsequent to proposal opening subject to exemptions as outlined in § 23-115-404(a)(1)(A) and (B). It is the responsibility of the Vendor to identify all proprietary information and to seal such information in a separate envelope marked as confidential and proprietary.

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

1.10 CLARIFICATION OF RFP AND QUESTIONS

If additional information is necessary to enable Vendors to better interpret the information contained in the RFP, written questions will be accepted until the close of business (5:00 PM CDT) on July 8, 2009. Vendor questions submitted in writing will be consolidated and responded to by the ALC. The questions and the consolidated written ALC response will be posted on the ALC website on or before the close of business (5:00 PM CDT) on July 15, 2009. Written questions should be sent to the ALC.

1.11 BID EVALUATION

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

1.12 ORAL AND/OR WRITTEN PRESENTATIONS/DEMONSTRATIONS

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

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

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

1.13 PERFORMANCE SECURITY

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

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

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

1.14 PRIME CONTRACTOR RESPONSIBILITY

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

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

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

If any part of the work is to be subcontracted the Vendor is subject to the provisions of Arkansas Code Annotated § 23-115-501(c), in that the Vendor must disclose the same information for the subcontractor

as for itself. Responses to this RFP must include a list of subcontractors, including: firm name and address, contact person, complete description of work to be subcontracted, and descriptive information concerning subcontractor's organizational activities.

1.15 DELEGATION AND/OR ASSIGNMENT

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

1.16 CONDITIONS OF CONTRACT

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

1.17 CANCELLATION

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

1.18 STATEMENT OF LIABILITY

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

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

1.19 OWNERSHIP OF MATERIALS AND RIGHTS OF USE

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

The ALC grants to the Successful Vendor during the period from the effective date of the Contract until the Contract expires or is otherwise terminated a non-exclusive license to use, sublicense, modify and create derivative works of hardware, equipment, firmware, and mask works which are owned by the ALC and created solely by the Successful Vendor or its approved subcontractors, provided such use by the Vendor is only for the purpose of performing the Contract.

The Successful Vendor grants to the ALC a perpetual, royalty-free license to use and sublicense the use of any and all proprietary materials owned by it including, but not limited to, hardware, equipment, firmware, mask works, trademarks, and service marks and used in connection with the performance of the Contract, and the Successful Vendor irrevocably grants to the ALC the necessary rights and authority to modify such proprietary materials and to create the derivative works in any manner the ALC deems

necessary. It is the intent of the ALC that it have control over such proprietary materials in a manner consistent with ownership thereof. The intent of the ALC is that the ALC is able to continue to use the systems and equipment which is purchased under the RFP in the conduct of the lottery games, if in the discretion of the ALC it is in the best interests of the lottery and the ALC to do so, after the expiration or termination of the Contract. A necessary component of such operations is for the ALC to have access to the source code, operational diagrams, and other proprietary materials so that the ALC, or contractors engaged by the ALC, if the Successful Vendor is unable or unwilling to supply upgrades, modifications, or other necessary support, can perform such functions so as not to jeopardize the operation of the Lottery. The Contract will require that the Successful Vendor deposit the source code and other proprietary materials with an independent third party to be accessed by the ALC in the event of expiration or termination of the Contract. The Successful Vendor agrees to grant the ALC non-exclusive intellectual property usage rights for games and properties owned by the Vendor at no cost during the term of the Contract period of this Proposal.

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

1.20 TRADEMARK AND SERVICE MARK SEARCH AND REGISTRATION

The Successful Vendor, at its sole expense, will conduct trademark and service mark searches for all game names used during the term of the Contract. Copies of all such search reports will be delivered to the ALC and its legal counsel. New trademarks and service marks developed for the ALC will be registered by legal counsel chosen by the ALC in the name of the ALC for its sole use.

1.21 AWARD RESPONSIBILITY

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

1.22 INDEPENDENT PRICE DETERMINATION

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

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

1.23 PUBLICITY

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

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

1.24 CONFIDENTIALITY

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

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

1.25 PROPOSAL TENURE

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

1.26 COST

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

NOTE:

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

1.27 WARRANTIES

1. The Successful Vendor shall warrant that it currently is, and will at all times remain, lawfully organized and constituted under all federal, state and local law, ordinances and other authorities of its domicile and that it currently is, and will at all times remain in full compliance with all legal requirements of its domicile and the State of Arkansas.
2. The successful Vendor shall warrant and agree that it will keep all equipment in good condition and repair, and it shall make all reasonable efforts to prevent anything that may materially impair the operations thereof. The Successful Vendor shall not permit such equipment to be used in violation of any provision to be used in violation of any provision of the Contract, this RFP and any amendments thereto, any statute or any regulation of the ALC and shall not encumber such equipment or otherwise dedicate the use of such equipment in such a way as to compromise the ability of the Successful Vendor to perform the services provided in the Contract.
3. The Successful Vendor shall warrant that the actual prize pool for each game will be within the limits set out in the "Working Papers".
4. The Successful Vendor shall warrant that all tickets will have a unique validation number within each game.

1.28 ONGOING PERFORMANCE REQUIREMENTS

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

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

1.29 VENDOR REFERENCES

The Successful Vendor must have experience in providing the goods or services specified in this RFP and must furnish proof of that experience to the satisfaction of the ALC. Therefore, all Vendors shall provide the ALC with a minimum of three (3) references for which the Vendor supplied goods or services

similar to those being sought by this RFP. For each reference listed, the following information must be provided:

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

1.30 NEGOTIATIONS

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

SECTION 2. OVERVIEW

2.0 ALC OVERVIEW

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

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

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

The ALC's retailer base at start-up is expected to be approximately two thousand five hundred (2,500) and its retailer base may be expanded to up to five thousand (5,000) during the term of the Contract. Thereafter, based on subsequent developments and sales, the retailer base may be expanded.

2.1 ALC OBJECTIVES

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

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

- To ensure prize payouts are at least fifty percent (50%) of the amount of money from the actual sale of lottery tickets;

- To annually increase revenue and associated net lottery proceeds;
- To market high quality products that provide entertainment and customer satisfaction;
- To ensure that the Lottery receives services from Vendors who are financially sound and experienced, and who maintain favorable reputations within the lottery industry for contract performance;
- To ensure that instant ticket products are in retail locations and available for sale to the public on or prior to October 29, 2009 in all locations of retailers approved by the ALC two (2) weeks prior to start-up;
- To ensure meaningful minority and female representation and a commitment to nondiscrimination, in accordance with the Arkansas Scholarship Lottery Act;
- To provide for innovation and the ability to respond to changes in the industry and the demands of the marketplace;
- To obtain the highest quality goods and services at the most competitive price; and
- To start up and operate the ASL as one of the most successful lotteries in the world, while maintaining its security and integrity.

SECTION 3. INSTANT TICKET OPERATIONS

3.0 TECHNICAL SPECIFICATIONS

The objective of this RFP is to encourage Vendors to provide a solution for the challenges facing the ALC associated with the start-up of instant ticket sales. The ALC has provided the specifications, requirements, and functional features in this section of the RFP. The portions of Proposals that address the functional requirements of this RFP will provide the ALC with the information necessary to conduct a fair evaluation of the proposed technical solutions from all responsible and responsive Vendors.

3.0.1 GAME SPECIFICATIONS

It is the ALC's intent to receive Proposals for the Printing of instant game tickets using "state of the art" production techniques, including the services necessary to design and produce secure, high quality instant tickets. A Vendor's Proposal should include recommended specifications as to the following:

- "Working Paper" structure;
- Ticket stock construction and durability;
- Ticket size and orientation;
- Perforations;
- Industry tolerances;
- Display/graphics printing;
- Overprint design and rub-off cover;
- Printing design security;
- Barcode technology;
- Benday patterns;
- Prize fund management;
- Retailer validation codes;
- Colors, ink, and coating characteristics;
- Game data fonts and sizes;
- Design and reconstruction of barcode validation number;
- Shelf life;
- Ticket samples;
- Ticket and package numbering;
- Ticket packaging;
- Universal product codes;
- Security certifications; and
- Any other pertinent ticket specifications.

3.0.2 LIMITATIONS AND EXCEPTIONS

If a Vendor has any limitations in regard to the capability of printing a variety of words, letters, number, characters, or unique symbols in various combinations of colors, these must be fully and clearly specified in the Proposal.

3.0.3 UV COATING

All tickets printed by the Successful Vendor pursuant to the Contract must contain full UV coating over the entire front surface of the ticket to provide a glossy finish.

3.1 QUALITY SPECIFICATIONS

Vendor's Proposal must address quality specifications in order for the ALC to ensure the acquisition of instant game products that are marketable and of high quality and durability. Vendors will be required to produce tickets of varying sizes. The ticket dimensions shall not vary by more than two percent (2%) of the size established in the Working Papers for each instant game. Regardless of the type of ticket design or designs proposed, the final product must be tamper-proof by any practical means. Quality limitations and/or deviations that adversely affect the security of the tickets are unacceptable.

3.2 GAME PLANNING PROCESS

The instant ticket planning process will play a vital role in the success of the ALC's instant ticket sales. Recognizing the aggressive game launch schedule, the ALC will work with the Successful Vendor on a continual basis to quickly monitor the relative success of each game. Games that appear to indicate they will have a longer than average sales life will be quickly reordered and reprinted. Quick turnarounds and flexibility in print schedules are imperative in the planning and production processes to ensure that ticket inventory remains available for ordering, with no lapses in sales for any game.

A Vendor's Proposal must include a complete description and timeline of the instant ticket planning process for a game, from the development stage to the "available in the warehouse for distribution" stage. This should be provided for a new game launch, as well as a reorder. Vendor must describe the team that will be available to the ALC for such processes, as well as the percentage of time expected to be dedicated to ALC. The ALC's requirement to reorder successful games, as necessary, should be taken into account.

3.3 OVERALL SECURITY SPECIFICATIONS

A Vendor shall provide an overall security plan by which it intends to produce the recommended instant game tickets including:

- Plant security;
- Game ticket construction security;
- Anti-counterfeiting and validation security;
- Redemption security; and
- Game design security.

A Vendor must fully describe methods to be employed in the construction of tickets to avoid security problems. These methods include protective measures against unauthorized invasion utilizing all types of known techniques. Also to be included is a description of measures that have been taken to minimize and detect ticket alteration and counterfeiting attempts. A Vendor shall identify potential security problems in the type of tickets proposed and specify its method for handling these problems.

An understanding of the overriding importance of security in all phases of design, materials procurement, production, transportation, storage, distribution, validation, and disposition of game tickets is to be made manifest in the procedures, methods, controls, and accounting systems of the security plan. It is intended that all sections and paragraphs of this RFP have implied the essential need for security, though such may not be explicitly stated. A Vendor's Proposal must make clear and specify the precautions, safeguards, inspections, reporting, and other measures that will relate to the entire program and its parts.

The Successful Vendor will have the capability and integrity required to maintain constant vigilance against any breach of security. Failure to meet or to maintain ALC approved security standards will be grounds for exclusion from further consideration, or if a Contract has been awarded, will be grounds for immediate cancellation of the Contract.

3.3.1 TICKET SECURITY SPECIFICATIONS

Neither winning tickets nor non-winning tickets shall be recognizable by the human eye from any characteristics of the tickets other than by the play symbols concealed by the rub-off material. In particular, and without limitation, the following must be true:

- (a) **Physical Features.** The odds of winning any prize of any level on a given ticket must not vary from the approved prize structure by virtue of; any characteristics of the tickets including, but not limited to, any variation or irregularity in the front or back display printing, stock, perforations, cuts, exposed pack number, exposed ticket numbers, bar code, staples, folds, packaging; color or thickness or texture of rub-off material, overprints, protective coating, and printing registration or misregistration. If the game is produced in more than one production batch, winners shall be recreated for each such batch and shall not bear any identifying characteristics. Describe the control of "odds" at all levels and overall, when tickets are printed in more than one production batch for a game.
- (b) **Invasive Techniques.** It shall not be possible to ascertain whether a ticket is a winning or non-winning ticket, using a practical or economical technique, unless the application of the technique renders the ticket not saleable to the public or easily recognizable as having been tampered with. In particular, it shall not be possible to "see-through" the rub-off spots, or the back of paper card stock tickets, with any practically available device or technique including, without limitation, high-intensity light, infrared light, ultraviolet light, x-rays, photography, microscopes, optical fibers, heat, freezing, mechanical means, cutting or peeling, electrostatics, chemical means, electrical means, coping machine intrusion techniques, or microsurgery.

3.3.2 SECURITY CERTIFICATION

A Vendor shall submit with its Proposal copies of the most recent and applicable laboratory test reports and other certifications assuring the security of said instant lottery tickets against practical compromise by reasonably comprehensive technical effort. The ALC reserves the right to cancel the Contract at any time if the Successful Vendor's or the ALC's tests show any representative sample of production tickets to be practically compromisable. Tickets shall not bear any works, symbols, or numbers that in any way would permit a person to determine the location of a winning ticket.

3.3.3 PLANT SECURITY

The plant(s) and warehouse(s) in which the lottery tickets are to be produced and stored must be equipped with a complete plant security system that is acceptable to ALC. The plant(s) and warehouse(s) may be inspected for security prior to or after Proposal opening if the ALC deems such an inspection is necessary. A Vendor shall describe how it will protect the ALC from financial loss in the event of a disaster at the warehouse that destroys the inventory of tickets.

3.3.4 EMPLOYEE SECURITY

The Successful Vendor must establish a program to ensure that all those involved in the design, production, distribution, or sale of the instant lottery tickets are precluded from ascertaining or being knowledgeable of the location of winning tickets. The Proposal should outline the procedures that will be implemented to address this requirement.

3.3.5 TICKET TESTING

The ALC may arrange for quality, security, and bar code testing of tickets by an independent laboratory selected by the ALC as deemed necessary. The Successful Vendor shall be responsible for all costs for up to three (3) such tests per year. Testing in excess of once per game shall be the responsibility of the ALC unless it is necessitated by a failure on the first test. The purpose of the testing will be to determine if the ticket meets the following three (3) primary quality and security criteria:

- (a) *Marketability*. Is construction of the ticket secure enough for the ticket to endure reasonable environmental rigors and still be readily marketable?
- (b) *Compromisability*. Is construction of the ticket secure enough for the ticket to withstand attempts to determine if the ticket is a winning or a non-winning ticket without removing a readily noticeable amount of the coatings on the play area of the ticket within a reasonable time frame, by methods and materials available to the retailers?
- (c) *Alterability*. Is construction of the ticket secure enough for the ticket to withstand attempts to alter the play data, prize amounts, or bar code and produce a redeemable winning ticket from a non-winning ticket, and/or increase the prize amount on the ticket by methods and materials available to the public?

Failure of any ticket to pass any of the tests will be cause for additional testing. The objective of the additional testing will be to:

- (a) Determine the repeatability and practicality of the method; and
- (b) Determine the range of ticket production pools in which the problem is repeated.

If ten percent (10%) or more of the pools within a game are rejected, then the ALC shall be entitled, at its sole option, to reject the whole game.

3.4 GAME PRODUCTION AND PRIZE GUARANTEES

A Vendor's Proposal shall describe the methods and procedures by which it guarantees: That each game is printed in conformity with all game specifications included in the Working Papers;

That each game is printed in conformity with the prize structure included in the Working Papers so that prizes will constitute no more than the percentage of revenue stated, and percentage of revenue stated, and larger prizes are all present in delivered tickets within stated tolerances;

That winning tickets are distributed with no discernible pattern throughout the entire population of a game.

The Successful Vendor will be required to submit, at no additional cost to the ALC, a report by a certified public accounting firm relating to agreed-upon procedures for each game's production, related to the above.

3.41 WINNER'S FILE

The Successful Vendor will submit a computer file containing all prizes for the game, including grand prize entry tickets and annuity type prizes, if any. Low tier prizes will be separate from mid and high tier prizes or as specified in the Working Papers. The information will include only validation number, play spots, and prize code (prize amount) for the tickets actually produced and delivered.

A Vendor should describe all possible secure methods for transmitting the file to the ALC or an online systems Vendor, as may be required.

3.5 WAREHOUSING OF NEW TICKETS, PROMOTIONAL ITEMS, AND POINT-OF-SALE ITEMS (POS)

The Successful Vendor will be responsible for the storage of new tickets from the time they are printed until they are distributed to retailers or the ALC's district offices. Facilities, organization, and procedures must be designed to ensure the security and integrity of the games.

Vendors shall submit a warehouse-staffing plan, including the resume of the perspective warehouse manager.

Procedures and controls must be in place to ensure the confidentiality and integrity of game information. In particular, printing systems and data must not be accessible to those involved in the warehousing activities and vice versa. A Vendor shall specify the methods and carriers by which packaged tickets are to be transported from the Vendor's plant to the warehouse.

The warehouse must contain a minimum of nine thousand square feet (9,000 sq. ft.) of secured space for use by ALC. The warehouse must contain a minimum of four thousand square feet (4,000 sq. ft.) of secured, segregated space for ALC point-of-sale and premium items, supplies, and other items that are intended for delivery to Retailers and other marketing events.

The Contractor is responsible for and must maintain an inventory control system for ALC point-of-sale material, ticket dispensers, play stations, promotional items, and other similar items that are stored in the ALC portion of the central warehouse facility. The Contractor must provide shelving necessary to store these items in an organized manner. A vendor must describe the procedures and controls which will ensure adequate supervision and control of regular point-of-sale (POS) and premium items, supplies, and other materials intended for delivery to the required self-storage facilities and stored in the ALC space at the warehouse and that inventory will be restricted and checked periodically. Three (3) lockable offices must be provided, with the aggregate space for all three (3) being in the range of one thousand five hundred square feet (1,500 sq. ft.) to one thousand eight hundred square feet (1,800 sq. ft.) (roughly two hundred fifty square feet (250 sq. ft.) to three hundred square feet (300 sq. ft.) per office, a six hundred square foot (600 sq. ft.) conference room and normal common areas such as hallways and restrooms). Reasonable variations from this standard or range will be acceptable but must be explained in detail in the proposal. The Contractor is expected to provide basic up-fitting for each of the three (3) office areas that is suitable for general office space, one that is appropriate and adequate for a commercial setting with proper heating and air conditioning with reasonable access to restroom facilities. Walls should be finished and carpet or tile flooring is acceptable. Phone lines should be provided for each office and basic office furniture must be provided. Office and conference rooms shall contain computer network wiring, Internet access and a connection to the central gaming system.

The warehouse may not be located within a fifty-year flood plain. The warehousing space must contain, at a minimum, a loading bay or ramp to receive delivery of tickets from tractor trailer trucks, backup electrical generation capability, fire protection, security, and concrete block or brick masonry walls. The warehouse space must also have adequate environmental control systems to allow storage of instant tickets for up to twenty four (24) months with no degradation in instant ticket quality.

The Proposal must address the requirements set out above and must include:

- A Description of the Security Controls, including the Access Control System(s) and Procedures;
- Security Equipment and Procedures;
- Intrusion Detection and Monitoring Equipment and Procedures; and
- Fire Prevention and Detection, and Flood Detection

All procedures and controls must be approved by ALC. The proposed location of the warehouse must be in Pulaski County, Arkansas, or a contiguous county, and it must be approved by the ALC.

3.6 TICKET INVENTORY CONTROL AND MANAGEMENT

The Proposal must provide a plan to ensure that an adequate supply of tickets is always available for distribution. Status reports must be routinely given to the ALC.

3.7 DISTRIBUTION OF TICKETS FROM OTHER VENDORS

The Successful Vendor may be required, up to seven (7) times a year, to package, warehouse, and distribute up to seven (7) instant ticket games per year purchased by the ALC from other Vendors, which will include as part of their bid price up to three (3) licensed properties of the ALC choice each year of the contract. If the ALC does not elect to use any or all of the licensed properties in any given year of the contract, usage will not roll over to subsequent years. These tickets will be distributed along with the Successful Vendor's tickets, and the Successful Vendor will not be reimbursed for warehousing and distributing these tickets, nor will they be paid a percentage of sales, when the tickets are sold.

3.8 TICKET ORDER PACKAGING

The Successful Vendor will responsible for the filling and packing of ticket orders. The procedures to be used must focus on the need for security, integrity, efficiency, and accuracy.

The Successful Vendor may be required to include additional materials, at no additional cost to the ALC, in packages containing tickets to be delivered to Retailers.

The Proposal must contain a detailed plan for the packaging of tickets for delivery to retailers. It should address all aspects of the operation including:

- Staffing and organization;
- Physical layout of packing area;
- The amount of training that would be provided to staff;
- Hours of operation during the week, on week-ends, and during holiday periods;
- Picking and packing procedures and controls; and
- Packing materials.

3.9 INSTANT TICKET DISTRIBUTION

The Successful Vendor will be responsible for delivering instant tickets to retailers and the ALC's offices. Deliveries must be made as soon as possible, but no later than two (2) business days after the order is placed. Proof of delivery must be obtained. The Successful Vendor must ensure that the distribution is secure, effective, and efficient and presents a positive image of the ALC to Retailers and others. The Proposal should include a complete description of the distribution plan, including staffing training, and procedures. The Successful Vendor shall assume full financial responsibility for picking up any tickets printed by the Successful Vendor that must be picked up as a result of exigent circumstances.

In addition to tickets, the Successful Vendor may, in special instances, be required to deliver other ALC materials (such as point of sale material, online game supplies, Retailer manuals and newsletters) at no additional charge to the ALC.

3.10 RETURNED TICKETS

The Successful Vendor will be responsible for the return of undeliverable, unaccepted, and unsold tickets. Full packs of returned tickets from active games should be reissued. The response must include a description of the procedures that will be used to return, document, and store full and partial packs (including damaged tickets) returned from retailers.

3.11 INSTANT TICKET DESTRUCTION

The Successful Vendor must provide for the secure disposal of unsold, damaged, and/or returned tickets in an environmentally responsible manner. The ALC may also require for secure disposal of other similar materials, such as tickets returned for second chance drawings. This response must include a plan for ticket destruction and a description of all ticket destruction procedures.

3.12 MARKETING SERVICES

The ALC expects the Successful Vendor to play a significant role in the ALC's marketing program. The Successful Vendor will work closely with the ALC as decisions are being made regarding games and implementation schedules.

The marketing support services associated with the design and implementation of an instant lottery game are to include, but not be limited to, the following items:

- Creative design of instant lottery games;
- Development of each instant game in detail, with accepted game design, prize structure and proposed "HOW TO PLAY" rules; draft proposed regulations for the purpose of defining the rules of the game for defining what constitutes a winning ticket in the game, for defining the security tests that claimed tickets must satisfy in order to be validated as a winner, for defining conditions which will invalidate a ticket;
- Mechanical art work and color separations for each game and specifications of the game ticket layout consistent with security requirements and methods;
- Conducting, coordinating, or providing support services for events associated with an instant games as may be requested by the ALC; and

- All support personnel required by the ALC for management consultation relating to the items above as needed before and during game design, the cost of which must be included in the specified price, since no additional charge will be allowed.

The Proposal should include a marketing plan for the first twenty-four (24) months of the Contract. The plan should address the overall strategy for marketing instant games in Arkansas including:

- Vendor staffing;
- Focus group testing;
- Prize structures/payouts and sequence in which proposed games are recommended;
- Incentives and promotions; and
- Sales data and trend analyses, etc.

The Vendor must conduct, at no charge to the ALC, focus groups involving lottery players, prospective players, non-players, and/or lottery retailers as directed by the ALC. The focus groups shall be scheduled, as directed by the ALC up to two (2) times per calendar year in at least three (3) geographic locations as designated by the ALC. Provided, however, that only one (1) focus group be held in 2009 in three (3) different geographic locations. Each series of focus groups will include at least nine (9) individual groups, three (3) each in three (3) different geographic locations as directed by the ALC.

In addition, the ALC will require a minimum of two (2) full-time, on-site staff persons residing in Pulaski County, Arkansas, or a contiguous county, assigned to service this account. These staff individuals must be identified in the Proposal and complete resumes of such individuals must be submitted. The Successful Vendor may be required to rent office space at the ALC's headquarters for these individuals at the ALC's cost. Consideration will be given during the evaluation process to Vendors providing highly qualified personnel and services that add to the value of their Proposal.

The ALC is interested in knowing what service(s) or product(s) Vendors shall offer, over and above those which are specifically required in this RFP. A Vendor should explain why such service(s) or product(s) would benefit the ALC.

Services described in this Section must be included in the proposed ticket price.

3.12.1 ADDITIONAL MARKETING SERVICES

Research projects may be requested by the ALC as needed or suggested by the Vendor. If done through a subcontractor, the written contract for research projects, the scope of the project, and the cost must be approved, in writing, by the ALC before any work is begun. The ALC shall pay the actual costs for each research project as a pass through cost to the ALC without mark-up. If a research project is to be done with the Contractor's personnel, the scope of the project and the cost must be approved by the ALC in writing, before any work is begun.

Retailer identification signage and other promotional items may be purchased by the vendor at a price and in a quantity as approved by the ALC and only at a pass-through cost to the ALC without mark-up.

3.13 START-UP PLAN

The Successful Vendor will have the responsibility for developing and implementing a plan to start-up instant ticket sales, and set up related facilities, arrange for necessary services and obtain the necessary inventory. As part of the Proposal, a Vendor shall include a start-up plan and timeline for the first twenty-four (24) months following the execution of the Contract. Each Vendor should include recommendations for the number of games; and quantity of tickets for each game for this time period.

3.14 INSTANT TICKET DISPENSERS

A Vendor's Proposal must include a plan to provide sufficient and appropriate dispensers that securely store, display, and dispense the required number of full packs of instant tickets using the best marketing and sales approaches. At least twenty thousand (20,000) single unit instant ticket dispensers or their equivalents must be provided each year during the Contract term.

3.15 RETAILER AND EMPLOYEE TRAINING

The Proposal should include retailer and ALC employee training on the various aspects of handling the instant game process, as appropriate. Training may be provided in conjunction with an online gaming system vendor.

The Vendor must work with the ALC in the development and delivery of programs approved by the ALC for instant ticket game Retailers. The purpose of these events is to provide meaningful program content to Retailers regarding our entire product line, effective ways to enhance sales, Retailers concerns about challenges and compliance with licensure, and security or other play or regulatory matters. Although the Vendor is expected to have a presence and participate in the event, the ALC is primarily responsible for staffing and conducting the programs or activities that make up the substantive aspects of the events. Subject to the ALC's approval of the details necessary to conduct the events, the Vendor is responsible for reserving and paying the cost of event locations, catering services, risers, chairs, tables and table cloths, table skirting, podiums, audio/visual equipment rental, including set-up and breakdown needed to conduct and host a successful event as required herein. Full meals are not required at these events. Instead, a light buffet-style meal or tables set up with heavy hors d'oeuvres and various non-alcoholic beverages and cookies or similar light dessert may be provided. No alcoholic beverages may be purchased, provided or offered by the Vendor at or in association with these events.

The Vendor is responsible for providing a turn-key service and shall bear the cost for provision of the services necessary to conduct the event, except the actual program expenses or the expenses of the ALC personnel relating to meals or beverages before or after the time allotted for the event (the beginning and ending time for which Retailers have been invited) and any lodging needed by the ALC personnel. Although the Retailer event will include a half-day of activities, it may be necessary to set up the room(s) the day before the event. The ALC is responsible for inviting attendees and all costs associated with promoting the event. The Retailer events are held every two (2) years in nine (9) different geographic locations across the State.

3.16 ADDITIONAL REQUIRED OPERATIONAL ITEMS

A Vendor must list in this section other significant services, procedures, materials, supplies, programs, policies, equipment, facilities, etc., necessary for the successful daily operational aspects of the proposed products and services, even though there are no specific requirements for those items listed in this RFP. The Successful Vendor is not released from the responsibility of providing all needed items to make the proposed products and services successful.

3.17 MATERIAL, SUPPLIES AND EQUIPMENT

All material, supplies and equipment offered and furnished must be new except as otherwise specified herein.

SECTION 4. ADDITIONAL VENDOR REQUIREMENTS

4.0 VENDOR PROFILE

Vendors must disclose the following:

1. Business Name;
2. Business Address;
3. Alternate Business Address;
4. Primary Contact Name, Title, Telephone, Fax and E-mail address;
5. How many years this company has been in this type of business;
6. Proof that the vendor is qualified to do business in this state;
7. A disclosure of the Vendor's name and address and, as applicable, the names and addresses of the following: If the Vendor is a corporation, the officers, directors, and each stockholder of more than a ten percent (10%) interest in the corporation. However, in the case of owners of equity securities of a publicly traded corporation, only the names and addresses of those known to the corporation to own beneficially five percent (5%) or more of the securities need be disclosed; if the Vendor is a trust, the trustee and all persons entitled to receive income or benefits from the trust; if the vendor is an association, the members, officers, and directors; and if the Vendor is a partnership or joint venture, all of the general partners, limited partners, or joint

- venturers;
8. A disclosure of all the states and jurisdictions in which the Vendor does business and the nature of the business for each state or jurisdiction;
 9. A disclosure of all the states and jurisdictions in which the Vendor has contracts to supply gaming goods or services, including without limitation lottery goods and services, and the nature of the goods or services involved for each state or jurisdiction;
 10. A disclosure of all the states and jurisdictions in which the Vendor has applied for, has sought renewal of, has received, has been denied, has pending, or has had revoked a lottery or gaming license of any kind or had fines or penalties assessed to the Vendor's license, contract, or operation and the disposition of each instance in each state or jurisdiction. If any lottery or gaming license or contract has been revoked or has not been renewed or any lottery or gaming license or application has been either denied or is pending and has remained pending for more than six (6) months, all of the facts and circumstances underlying the failure to receive a license shall be disclosed;
 11. A disclosure of the details of any finding or plea, conviction, or adjudication of guilt in a state or federal court of the Vendor for any felony or any other criminal offense other than a traffic violation committed by the persons identified under Arkansas Code Annotated § 23-115-501 (b)(1). The commission may request that any or all of the persons identified under § 23-115-501 (b)(1) undergo a state and federal criminal background check. If requested, a state and federal criminal background check shall be conducted in the manner under § 23-115-601(e);
 12. A disclosure of the details of any bankruptcy, insolvency, reorganization, or corporate or individual purchase or takeover of another corporation, including without limitation bonded indebtedness, and any pending litigation of the Vendor;
 13. A disclosure of the Vendor's most recent financial report, including any reports on internal control over financial reporting, and the most recent audit report of the vendor's operation as a service organization; and
 14. Additional disclosures and information that the commission may determine to be appropriate for the procurement involved.

4.1 INSURANCE

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

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

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

4.2 CONVERSION

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

4.3 BACKGROUND INVESTIGATION

The ALC may conduct background investigations, as required by law. The successful Vendor shall be required to conduct background investigations on all subcontractors.

4.4 DISCLOSURE OF LITIGATION

A Vendor must include in its Proposal a complete disclosure of any civil or criminal litigation or indictment involving such Vendor. A Vendor must also disclose any civil or criminal litigation or indictment involving any of its joint ventures, strategic partners, prime contractor team members, and subcontractors. This disclosure requirement is a continuing obligation, and any litigation commenced after a Vendor has submitted a Proposal under this RFP must be disclosed to the ALC in writing within five (5) days after it is filed.

4.5 IMPLEMENTATION ROLLOUT

A Vendor must provide a summary overview and an implementation plan for the entire project being proposed. The intent of this requirement is to provide the ALC with a concise but functional summary of (the "Executive Summary") discussion of each phase of the Vendor's plan in the order of progression. While the ALC expects a Vendor to provide full details in each of the sections in other areas of the RFP relating to its plan, the Executive Summary will provide a "map" for the ALC to use while reviewing the Proposal.

Each area summarized must be listed in chronological order, beginning with the date of Contract execution, to provide a clear indication of the flow and duration of the project. A Vendor may use graphics, charts, pre-printed marketing pieces, or other enhancements as a part of this section to support the chronology or add to the presentation. Any such materials must be included in the original and each copy of the Proposal.

4.6 PROJECT STAFF

A Vendor's Proposal shall include an organization diagram and a staffing plan. Key staff must be identified, the nature and scope of each person's responsibilities and duties must be outlined, and detailed resumes must be provided. Vendor must identify six (6) experienced start-up professionals who will be made available to the ALC for general start-up assistance from the time of contract award through the first two (2) months after start-up.

4.7 COMPUTATION OF LIQUIDATED DAMAGES

A Vendor must propose a program of liquidated damages to cover the damages listed in Section 1.8 and provide the rationale and the computation formula used to determine the level of damage penalties that are included in this response. All proposed liquidated damages amounts shall be subject to approval of the ALC.

4.8 VENDOR EXPERIENCE

A Vendor, and its joint ventures, strategic partners, and prime contractor team members must outline their experience in the marketing, creative design, computer programming for ticket generation, imaging, ticket production, distribution, warehousing, and inventory control and security of instant lottery games, including instant ticket game start-up experience, as well as that of their subcontractors.

A Vendor must demonstrate overall experience in the functions described in this RFP. In addition, the joint ventures, strategic partners, prime contractor team members, and subcontractors proposed to perform specific tasks, duties or functions must clearly document that they possess the qualifications and experience necessary to fulfill the relevant requirements of the RFP.

The ALC reserves the right to verify all information provided via direct contact with a Vendor's joint venture's, strategic partner's, prime contractor team member's, and subcontractor's prior project or client personnel, and a Vendor and its joint ventures, strategic partners prime contractor team members, and subcontractors agree to provide any release necessary for the ALC to check on any previous projects. Misstatements of experience, scope of prior projects, or results thereof may result in the disqualification of the Proposal.

4.9 BACKGROUND AND FINANCIAL VIABILITY

A Vendor must provide evidence of financial responsibility and stability for performance of a Contract of this magnitude. A Vendor must demonstrate the ability to finance the project described by the Vendor's submission and must also disclose any outside financial resources that will be utilized.

In addition, a Vendor must submit a copy of its last three (3) years financial statements that have been audited by an independent public accounting firm.

SECTION 5. EVALUATION CRITERIA FOR SELECTION

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

In order to ensure the maximization of revenue for higher education scholarships and grants during start-up, the ALC has developed evaluation criteria that will be used by the ALC evaluation committee which is incorporated in Section 5.0 of this RFP. Other agencies and consultants of the ALC may also examine documents.

The ALC requires that instant ticket sales begin on or before October 29, 2009. Since time is of the essence, in addition to other stated evaluation criteria, the ALC will evaluate the Vendor response of a date before October 29, 2009 ("Early Start-Up Date") that the Vendor believes the ALC could begin the sale of instant tickets. The Vendor should place such a proposed date in the "Early Start-Up Date" column of Section 5.0 and should address this item in their Proposal response. In doing so, the Vendor should provide an explanation of how it will reasonably and responsibly achieve the early start-up date proposed by the Vendor.

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

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

5.0 EVALUATION POINTS

Criteria	Points
Experience, including start-up experience	10
Early Start Up Date _____, 2009	5
Marketing Plan	5
Operations Plan, including printing, warehousing, distribution, ticket inventory control and management	10
Security plan	5
Proposed technical solution	5
Background and financial viability	5
Minority Owned Business Participation	5
Subtotal	50
Cost	50
Total Points	100

5.1 COST

The ALC will offer a compensation package that is based on percentage of sales. A Proposal must meet both the immediate and long-term needs of the ALC. Therefore, the objective of this RFP is to develop a

program of compensation that rewards the successful Vendor for excellent performance while ensuring that the ALC will achieve its desired goals regarding start-up of the lottery including annually increasing revenue and associated net lottery proceeds.

5.1.1 PRICING FORMULA

The method of compensation that will be utilized is a percentage of total Net Sales achieved by the ALC during the term of the Contract. A Vendor must state the percentage of total sales required for compensation to accomplish the tasks specified in the Proposal. ***Bidders must include all pricing information on the Official Price Proposal Sheet and must clearly mark said page(s) as pricing information. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal.***

The Single cost quotation should be presented on the "Official Proposal Price Sheet" and be expressed as a numeric percentage of Net Sales carried to no more than four (4) decimal places (i.e 1.0000%).

Vendors are reminded that the cost quotation should cover all of the following products and services covered by this RFP and to be provided by the Successful Vendor during the seven (7) year term of the Contract:

- Marketing support services;
- Instant ticket printing;
- Distribution and warehousing;
- A minimum of twenty thousand (20,000) single unit instant ticket dispensers annually;
- Distribution, along with other instant ticket products, of a maximum of up to seven (7) times a year, to package, warehouse and distribute up to seven (7) instant ticket games purchased by the ALC from other Vendors, which will include as part of their bid price up to three (3) licensed properties of the ALC choice each year of the contract; and
- All other services deemed necessary as determined by the Vendor.

ALL PRICES QUOTED ARE APPLICABLE FOR SEVEN (7) YEARS FROM THE DATE OF CONTRACT AWARD.

5.1.2 DETERMINATION OF NET SALES

At the end of each full week of sales, Net Sales will be calculated to determine the amount subject to compensation. "Net Sales" shall equal:

- The total face value of the Vendor's tickets activated for sale during the week (exclusive of any activations from instant tickets purchased by the ALC from other Vendors);
- **LESS** the total face value of activated tickets returned by retailers during the given week, as well as the total face value of defective tickets or stolen tickets based on numbers reported to the ALC during the given week; and
- **LESS** the total face value of promotional tickets issued by ALC during the given week.
- Adjustments for active field inventory will be made at the Contract conclusion.

5.2 PAYMENT

Upon determination of the amount due to the successful Vendor for any week, payment (less applicable damages and penalties which may be deducted) will be processed in an expedited manner. Vendors may propose any alternative methods or schedules of payments, which will be considered during contract negotiations with the apparent Successful Vendor.

5.3 PRICING ASSUMPTIONS

The following assumptions and estimates should be factored into the calculation of the percentage of sales compensation formula:

- At start-up of instant ticket sales, the ALC plans to have approximately seven (7) games for sale simultaneously, and an additional seven (7) games within two (2) weeks of start-up;

- The ALC anticipates that it will introduce forty (40) to seventy (70) new games each year. Successful games may be reordered/reprinted during the year.
- At start-up of instant ticket sales, the ALC plans to have approximately two thousand five hundred (2,500) retailers selling instant tickets;
- The ALC will pay the successful Vendors the same percentage of sales for instant tickets, regardless of font, price point, ticket size, or shape.

5.4 PROGRAM OPTIONS

The Successful Vendor may be requested by the ALC to perform tasks, provide equipment, or otherwise perform in a manner that was not originally contemplated in the Contract. By mutual agreement, those functions may be performed for a specific fee to be mutually agreed upon. This procedure is not intended to avoid a competitive solicitation for goods and services that might appropriately be provided by other potential suppliers. However, the ALC may decide to separately procure any option not covered in the Successful Vendor's Proposal.

As part of the basic compensation that has been proposed by the Successful Vendor, all items represented in the Proposal must be provided for unless specifically identified as options. If programs, equipment or services represented in the Proposal are not clearly indicated as options, the ALC will rightfully assume that the cost is included in the percentage of sales quotation in the Proposal.

Appendix 1
Vendor's References

1. Company Name: _____
2. Contact Name: _____
3. Contact's Title: _____
4. City: _____ State: _____
5. E-Mail Address: _____
6. Telephone Number and Area Code: _____
7. Description of Services Furnished: _____

1. Company Name: _____
2. Contact Name: _____
3. Contact's Title: _____
4. City: _____ State: _____
5. E-Mail Address: _____
6. Telephone Number and Area Code: _____
7. Description of Services Furnished: _____

1. Company Name: _____
2. Contact Name: _____
3. Contact's Title: _____
4. City: _____ State: _____
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5. E-Mail Address: _____

6. Telephone Number and Area Code: _____

7. Description of Services Furnished: _____
