

IOWA LOTTERY AUTHORITY



RFP IL 18-01

***REQUEST FOR PROPOSALS
PURCHASE OF PULL-TAB TICKETS
July 31, 2017***

REQUEST FOR PROPOSAL

RFP COVER SHEET

Administrative Information:

TITLE OF RFP:	Purchase of Pull-Tab Ticket Printing Services	RFP Number:	IL 18-01
Agency:	Iowa Lottery		
Lottery seeks to purchase:	Pull-Tab tickets and related services	Available to Political Subdivisions?	Yes
Number of mos. or yrs. of the initial term of the contract:	Twenty – One (21) Months	Number of possible annual extensions:	Three (3) years
Issuing Officer:			
Terry Brown			
Phone: 515-725-7877 Fax: 515-281-3182 E-Mail: tdbrown@ialottery.com			
Mailing Address: Iowa Lottery 13001 University Avenue Clive, IA 50325			
PROCUREMENT TIMETABLE—Event or Action:			Date/Time (Central Time):
Lottery Posts Notice of RFP on TSB website			July 31, 2017
Lottery Issues RFP			July 31, 2017
Letter of Intent Due			August 11, 2017
RFP written questions, requests for clarification, and suggested changes from Contractors due:			August 21, 2017 4:00 p.m.
Lottery's written response to RFP questions, requests for clarifications and suggested changes due:			August 25, 2017 4:00 p.m. or earlier
Proposals Due Date: Proposals Due Time:			September 11, 2017 11:00 a.m.
Sight Visits (At the Iowa Lottery's discretion)			September – October 2017
Anticipated Date to issue Notice of Intent to Award:			November – December 2017
Award of Contract presented for Lottery Board approval (if necessary)			November - December 2017
Anticipated Date to execute contract:			April 2018
Relevant Websites:		Web-address:	
Internet website where Addenda to this RFP will be posted:		http://bidopportunities.iowa.gov/ and www.ialottery.com	
Number of Copies of Proposals Required to be Submitted:			1 original plus 3 photocopies and 1 electronic copy
Firm Proposal Terms Per Section 1.13, the minimum Number of Days following the deadline for submitting proposals that the Contractor guarantees all proposal terms, including price, will remain firm:			180 Days

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PART 1 – PROPOSAL SUBMISSION INFORMATION

1.0 Introduction

The purpose of this Request for Proposal (RFP) is to solicit proposals from qualified firms or vendors (Vendor or Vendors) interested in printing pull-tab tickets and providing related services for the Iowa Lottery Authority (Lottery), pursuant to the authority of Iowa Code, Chapter 99G. **The Lottery intends to award one vendor a single contract, but reserves the right at its' sole discretion to award additional contracts to print Lottery pull-tab tickets. The award of a contract does not guarantee the Lottery will print any tickets with that Vendor.**

The Successful Vendor(s) will be expected to enter into a written agreement (the "Contract") with the Lottery within twenty (20) business days of the successful completion and acceptance by the Lottery Board of the Iowa Division of Criminal Investigations (DCI) Report. The Contract(s) issued will be for a twenty-one (21) month period beginning April 1, 2018 through December 31, 2019 plus three (3) additional one-year option periods with the option periods being exercised at the sole discretion of the Lottery.

The Lottery operates on a multiple game strategy and multiple price point strategy and plans to have at least 18 games available for sale at all times. New tickets at the .25, .50 and \$1 price points may be introduced every 1-2 months and at the \$2 price point 2-4 times per year. The ticket size and unit size are all the same regardless of price point.

Pull-tabs are generally sold out of Pull-tab Vending Machines (PTVM) produced by American games, Council Bluffs, Iowa. Over the last 12 months, the Lottery reduced the number of vending machines that it owned from 993 to 337. The Lottery has a base of approximately 335 retailers selling pull-tab tickets on any given day within Iowa. The Lottery's current game system is operated by SGI which includes on-site verification that each pull-tab ticket being cashed was purchased at that location. Each prize-winning pull-tab ticket winning up to \$600 currently must be cashed at the location where it was purchased, meaning cross-validation of pull-tab tickets between retailers is currently not allowed. Jackpot tickets of \$600 or more can only be validated and paid at five (5) Lottery office locations across the state.

Pull-tab ticket gross sales for the 52 weeks of fiscal year 2017 were approximately \$11.3 million in dollars and 17.4 million in tickets. For FY18, the Lottery is budgeting for pull-tab sales of \$10 million.

Each unit is packaged with 540 tickets regardless of ticket price. Here are the total unit sales for the 52 weeks of fiscal year 2017 by price point:

Ticket Price	Gross Sales in Units	Retail Sales Value Per Unit	Gross Sales in Dollars
.25	14,372	\$135	\$1,940,265
.50	8,249	\$270	\$2,227,364
1.00	6,161	\$540	\$3,326,842
2.00	3,518	\$1,080	\$3,799,030
Total	32,300		\$11,293,501

Gross Sales in Units

By Ticket Price	FY13	FY14	FY15	FY16	FY17
.25	24,250	21,680	20,340	19,094	14,372
.50	14,179	12,930	12,238	10,881	8,249
1.00	8,849	8,551	9,116	8,684	6,161
2.00	4,012	4,317	4,608	4,449	3,518
Total	51,290	47,479	46,302	43,108	32,300

1.1 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 subsequent Contract. Part Three contains technical and services 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(s). Appendix A provides the Proposal Compliance and Certification Statement that must be submitted. Appendix B provides the format required for the cost proposal. All other Appendices are as noted.

1.2 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:	Terry Brown
Mail or hand deliver to:	Iowa Lottery, 13001 University Ave., Clive, IA 50325
Telephone:	515-725-7877
E-mail address:	tdbrown@ialottery.com
RE:	Pull-Tab Ticket RFP Inquiry
Official website for postings:	www.ialottery.com "For Vendors" link found in top right corner

1.3 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 David Jobes, Iowa Department of Public Safety, Division of Criminal Investigation, telephone: (515) 725-6014, jobes@dps.state.ia.us.

1.4 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 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 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.

Vendors currently doing business with the Lottery may continue to do so; however, any communication regarding the RFP, not otherwise permitted in the RFP, is prohibited. The Lottery will disqualify a Vendor for intentionally causing a material violation or circumvention of the requirements of this section.

1.5 Schedule

The following are the milestones and significant dates for the RFP, Proposal and Contract award. Specified dates that have a time associated with them are CST.

Event	Date	Time *
RFP issued to Vendors	July 31, 2017	
Letter of Intent Due	August 11, 2017	4:00 pm
Questions from Vendors Due	August 21, 2017	4:00 pm
Questions and Answers provided to all Vendors	August 25, 2017	4:00 pm
Deadline for Submission of Proposal	September 11, 2017	11:00 a.m.
Site Visit by evaluation team, if any	Sept./Oct. , 2017	
Board of Directors vote on Notice of Intent to Award subject to successful completion of DCI Investigation	Nov./ Dec. , 2017	
DCI Investigation	Nov./ Dec. , 2017	
Contract Execution subject to successful negotiations and Lottery Board of Directors Approval	Nov./ Dec. , 2017	Board Meeting TBA
Contract period begins	April 2018	

* All times refer to Central Time.

1.6 Intent to Bid

Vendors may submit a letter of Intent to Bid to the Lottery RFP Coordinator as specified in Section 1.2 by the date and time specified in Section 1.5. 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 Section 1.5. 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.

1.7 Written Questions from Vendors

It is the responsibility of each Vendor to examine the entire RFP and seek clarification in writing. The Lottery will consider no requests for clarification, change or modifications after this period. The Vendor will not be entitled to additional compensation, relief, or time by reason of the error or its later correction.

The RFP clarification procedure provides the only means by which a Vendor may request clarification of the RFP or additional information on the business, contractual, procedural and technical requirements of the procurement.

The Lottery will conduct one (1) round of Clarification Questions to assure Vendors are clear on the RFP terms, conditions and requirements and Proposal evaluation processes. The Vendor should review Section 1.5 (Schedule) to determine the milestones and dates for submitting written questions.

Written questions relevant to the RFP must be submitted via email in PDF or Microsoft Word formats. A RFP clarification question from a Vendor must:

- Be written in generic (i.e., non-proprietary) terms inasmuch as all responses to inquiries will be available to all Vendors.
- Not contain price data.
- Cite a specific RFP section number and title (if any).
- Contain the subject line "Pull-Tab Ticket RFP Inquiry".
- Identify the section number (and subsection number) for each specific question.
- Be submitted timely.

SPECIAL NOTE: The Lottery may reject a Vendor's Proposal for the inclusion of specific pricing information in a clarification question.

An e-mail confirmation indicating receipt will be provided by the Lottery. It is the sole responsibility of the Vendor to verify receipt of questions by the Lottery.

The Lottery will attempt to respond to written questions by the dates specified in Section 1.5. An electronic copy of all written questions, together with the Lottery's written responses, will be posted on the Lottery's Official RFP Website. 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.

1.8 Vendor Pre-Proposal Conference

No conference will be held.

1.9 Addendum to the RFP

The Lottery reserves the right to issue addendums to the RFP prior to the final due date in order to make changes to the requirements, correct defects or ambiguities, change the date, and place or time of critical milestones published in the RFP. Any addendums to the RFP will be clearly identified as such. Only modifications made as written and posted addendums to the RFP by the Bid Coordinator will be valid and applicable addendums to this RFP. All addendums to this RFP will be uniquely identified and posted to the official website. The Vendor is solely responsible for obtaining all relevant information posted on the website and, by responding to this RFP, will be considered to have obtained all such posted addendums. Vendors with a notice of Intent to Bid on file will receive an e-mail announcement that an addendum to the RFP has been posted to the Lottery's website.

1.10 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 an agreement to this condition. The Lottery reserves the right to accept a Proposal or Proposals in whole or in part.

1.11 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(s) of a contractual obligation.

1.12 Rejection/Selection of Proposals

The acceptance of a Proposal submission will not diminish the Lottery's right to negotiate specific contract terms, including price, with the apparent Successful Vendor(s). Issuance of the RFP in no way constitutes a commitment by the Lottery to award any Contract. The Lottery reserves the right to reject any or all Proposals received in response to the RFP, reject any Proposal which is conditional or incomplete, or cancel this procurement if it is in the best interest of the Lottery to do so.

1.13 Acceptance Period

Proposals must remain valid for one hundred eighty (180) days following the Deadline for Submission of Proposal identified in Section 1.5. The Lottery will reject a Vendor's Proposal that is not valid for this proposal time period. The contents of the RFP and the Successful Vendor's Proposal, subject to contract negotiations, will become contractual obligations in the event of Contract award. The Lottery may cancel a Contract award for failure of the Successful Vendor(s) to accept these obligations.

1.14 Proposal Content and Format

A Proposal must be fully responsive to the requirements stated in this RFP and provide a written description outlining its resources, capabilities and strengths to fully service the Lottery account and perform the services required. The 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 as "Response Notes".

Vendors must submit their Proposal as two (2) volumes in separate packages. The two (2) volumes must be identified as Volume 1 and Volume 2 as provided in Section 1.15. Vendors must submit one (1) original of each volume. The original of each volume must be signed in ink by an officer or agent of the Vendor with authority to contractually bind the Vendor. In addition to the originals, Vendors must submit three (3) additional hard copies (i.e. paper) of Volume 1 Technical Proposal and one (1) additional hard copy of Volume II Price Proposal. Vendors must also submit one (1) copy of the original Volume I Technical Proposal on a CD using a Microsoft Word or PDF file to be included with the "original" document only (not the additional copies). In addition to the aforementioned copies a public viewing copy marked as "Public Copy" must be included per Section 1.26. No cost figures are to be included within Volume 1.

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.

1.15 Proposal Submission

The Proposal must be submitted via US mail, sent by courier (e.g. Federal Express or United Parcel Service), or hand delivered before the "Proposals Due" date and time listed on the RFP cover sheet. 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 Section 1.5 (Schedule).

1.15.1 Volume I – Technical (Non-Price) Proposal

The Technical Proposal must contain information as to the manner in which the Vendor will fulfill all of the services as set forth in Part 3 (Specifications). The contents of the Technical Proposal must include:

- a. Letters of Transmittal (see section 1.16). One copy of the transmittal letter to be included with the original copy of the Technical Proposal.
- b. Bid Bond and Litigation Bond (see Sections 1.30 and 1.31). Bonds to be included with the original copy of the Technical Proposal.
- c. Disclosure of litigation, investigations, and other information (see Section 1.33), to be included with the original copy of the Technical Proposal.
- d. Class "L" Business Entity disclosure form required by the Lottery (see Section 1.33 and <http://www.ialottery.com/Pages/Vendors/VendorsMain.aspx>) must be provided in a separate binder or package. One hard copy (i.e. paper copy) and one (1) copy on CD are required. Business Entity disclosure information is not to be placed on the CD with other technical information.
- e. Response to Technical Specifications (see Section 3). A response to all paragraphs where a "Response Note" is deemed appropriate in the order of which it appears in the RFP.
- f. Financial information (see Section 3.7.6). One hard copy (i.e. paper copy) plus two (2) copies on CD are required and must be included with the original copy of the Technical Proposal.
- g. Vendor's Proposal Compliance and Certification Form (see Appendix A)

1.15.2 Volume II – Price Proposal

The Price Proposal must be sealed and identified as Volume II Price Proposal. The Vendor must only include pricing information in the Price Proposal. Pricing information must not be referenced or identified in the Technical Proposal Volume of the Proposal. The contents of the Price Proposal must include:

- a. Letter of Transmittal (see Section 1.16).
- b. The Price Proposal (see Section 4).

1.16 Letters of Transmittal

A Vendor submitting a Proposal in response to the RFP must submit a Letter of Transmittal. A separate Letter of Transmittal for Volume 1 and Volume 2 must be signed by an officer or agent of the Vendor with authority to contractually bind the Vendor to the terms and offerings in the Proposal. Pricing information must not appear in any portion of any Letter of Transmittal. Each Letter of Transmittal must include:

- Any requests for confidential treatment of information identified in Section 1.26 (Public Records and Request for Confidentiality), if applicable.
- A clear Vendor's statement of compliance, exceptions or reasons for non-compliances with the requirements of the RFP for the duration of the acceptance period identified in Section 1.13 (Acceptance Period).
- An acknowledgement of any RFP addenda issued, if applicable.
- The name, telephone number and e-mail address of the Vendor's representative to contact regarding all technical matters concerning the Proposal.

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 a contract has been signed by the Successful Vendor(s). Once a contract has been signed by both parties, 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 when a request is made in writing or e-mailed to the Bid Coordinator and such notice is received prior to the deadline for submitting a Proposal specified in Section 1.5 (Schedule).

1.19 Late Proposals

A Proposal submitted pursuant to this RFP must be submitted and received by the Lottery no later than the Proposal Due date and time per the schedule in RFP Section 1.5. **This is a mandatory requirement and will not be waived.** The Lottery will record the official date and time of receipt on each Proposal. The Lottery will reject a Proposal that is not submitted by the specified date and time and will return the Proposal unopened to the Vendor.

1.20 Demonstrability of Proposed Equipment and Security

The Lottery requires that all printing processes and security procedures proposed be capable of a demonstration that indicates the Vendor's ability to meet the requirements specified in this RFP.

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 security and operations are expected.

1.21 On-Site Visit and Inspection

By submitting a proposal, a Vendor agrees to allow members of the evaluation committee and any other person designated by the Lottery to inspect their facilities or their subcontractors' facilities during the RFP review process. Following the submission of the proposals, the evaluation committee will determine which facilities, if any, will be inspected. If the evaluation committee

determines that an inspection is required, an inspection will be scheduled within thirty (30) calendar days. The travel costs for the evaluation committee associated with the inspections will be the responsibility of the Lottery. The evaluation committee, in making a recommendation, may use any information obtained during an on-site visit.

1.22 Proposal Clarification Process

The Lottery may request clarification from a Vendor for the purpose of resolving ambiguities or questioning information presented in a Proposal. The Lottery may request clarification on one (1) or more statements made by a Vendor in its Proposal at any point during the evaluation process. When the Lottery requests clarification from a Vendor, the Bid Coordinator will prepare a written request which will:

- Consist of a list of questions.
- Be sent in writing via e-mail to the contact person representing the Vendor with receipt to be acknowledged by the Vendor.
- Include a deadline for the Vendor to submit a response.
- Include appropriate references to the RFP or the Vendor's proposal.

The Vendor must send a response within the time indicated in the written request. If this proves to be unfeasible, the Lottery and the Vendor may agree on a different date for the Vendor to respond to the Lottery's request for clarification.

The Vendor's response must:

- Address only the information requested.
- Be submitted to the Bid Coordinator in writing via e-mail.
- Must not include any pricing information unless the request for clarification relates specifically to the Vendor's price proposal.

The Vendor must keep confidential all information that is exchanged as part of the proposal clarification process. The clarification process does not permit withdrawal, revision or additions to the technical elements of the Proposal after the Proposal has been submitted nor does it permit any change to the financial terms quoted. Clarifications are an opportunity to explain, but not enhance, the Proposal. A clarification request by the Lottery is not a negotiation.

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, 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 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.

1.24 Proposal Disclosure

Disclosure by a Vendor or agent of the Vendor of the 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 a contract has been signed with a Successful Vendor(s). 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 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 Successful Vendor's proposal shall be considered an open record after a contract is executed or all proposals are rejected. The Vendor shall not submit the entire proposal as proprietary or confidential, but may submit a part of the proposal as confidential 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, <https://www.legis.iowa.gov/law>. All information submitted by a Vendor may be treated as public information by the Lottery unless the Vendor properly 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 request for confidential treatment of specific information must be included in the transmittal 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. Pricing information cannot be considered confidential information. 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 Proposal submitted which contains specific 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. In addition to marking the confidential information in the body of the response, any page that contains confidential information will be noted as such in either the page header or page footer. The confidential information must be clearly identifiable to the reader wherever it appears. All copies of the Proposal submitted, as well as the original Proposal, must be marked in this manner. Failure to properly identify specific confidential information shall relieve the Lottery or State personnel from any responsibility if confidential information is viewed by the public, a competitor, or is in any way accidentally released. Identification of the entire Proposal as confidential may be deemed non-responsive and disqualify the Vendor.

If the Vendor designates any portion of the RFP as confidential, the Vendor must submit one copy of the Proposal plus one (1) on CD/Memory Stick both marked "Public Copy" from which the confidential information has been excised. These copies are in addition to the number of copies requested in section 1.14. 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.

If the Lottery receives a request for information marked confidential, written notice may be given to the Vendor prior to the release of the information to allow the Vendor to seek injunctive relief pursuant to *Section 22.8* of the *Iowa Code*. In that event, the Lottery will disclose the information marked confidential upon request unless a court of competent jurisdiction determines the information is confidential under *Iowa Code Chapter 22* or other applicable law.

The Vendor's failure to request confidential treatment of material will be deemed by the Lottery as a waiver of any right to confidentiality the Vendor may have had.

1.27 Multiple Proposals from One Vendor Not Allowed

Each Vendor may submit only one (1) Proposal. Within the single Proposal, the Vendor may identify offered options including unsolicited products, services, features or substitutions that the Vendor believes may be appealing and useful to the Lottery.

1.28 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.

1.29 RFP and Contract are Non-Exclusive

Nothing in this RFP or the Contract resulting from this RFP shall preclude the Lottery from purchasing from other vendors. Nothing in this RFP or any contract shall preclude the Lottery from purchasing unique or legally protected/licensed games, equipment or other services for its use from any other source.

1.30 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 ten thousand dollars (\$10,000) to guarantee 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. The bid bond of the Successful Vendor(s) will be retained until the Contract is executed and the Lottery is furnished with an acceptable performance bond (see RFP Section 2.9). The check or bond will be forfeited to the Lottery if any 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.

1.31 Litigation Bond

Each Vendor must submit with the Proposal a Litigation Bond in the amount of ten thousand dollars (\$10,000). The litigation bond (a cashier's check is acceptable) shall be payable to the Iowa Lottery Authority. A claim upon the Bond may be made by the Lottery under the following conditions:

- a. The Vendor sues the Lottery or any of its directors, officers or employees, other contractors, or retailers with regard to any matter relating to the award of a contract pursuant to this RFP; and
- b. 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 any Successful Vendor(s), the Litigation Bond of any Vendor will be released upon acceptance by the Lottery of a Covenant Not to Sue.

1.32 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.

1.33 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 D.

Any Vendor, its parent, as well as any subsidiary corporation of the Vendor (not any other subsidiaries of the parent company), providing goods or services to the Lottery, 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 D.

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(s). 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 David Jobes, Iowa Department of Public Safety, Division of Criminal Investigation, telephone: (515) 725-6014, jobes@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.

DOCUMENT SUBMISSION REQUIREMENTS. The Class "L" Business Entity document and associated fee that must be included with the RFP Proposal shall be submitted to the Lottery. Once received by the Lottery, the documents will be cataloged and delivered to DCI. The DCI will conduct a preliminary review of each Vendor's Class "L" Business Entity background form submission along with a Key Personnel Supplemental List. A Key Personnel Supplemental List must be included with the Class "L" Business Entity to include personal information for all Vendor Key Personnel. This supplemental listing must contain:

- Employees full name
- Home address
- Date of birth
- Social security number or other unique personal identification number (Canadian Social Insurance Number)

All disclosure documents provided as part of the Proposal should be clearly identified as disclosure documents and should be placed in a separate envelope within the Proposal package. Only one copy of the disclosure document should be submitted. Any Vendor, its parent, as well as any subsidiary corporation of the Vendor (not any other subsidiaries of the parent company) providing goods or services to the Lottery, must submit a completed Class "L" Business Entity.

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.

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.

At the Lottery’s sole discretion, the Lottery may waive this requirement for vendors whom the Lottery deem have undergone a sufficient background investigation within the past five (5) years, the outcome of which is both accessible to and acceptable to the Lottery.

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 to the Lottery in the form of a check or money order made payable to the Iowa Division of Criminal Investigation. If at any time the investigative costs exceed the total amount of fees submitted by the Vendor, DCI may require additional funds, as it deems appropriate.

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.

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 for additional funding shall be provided by the DCI or the Lottery in writing.

Class “L-1” Vendor Key Personnel – After review of the Key Personnel Supplemental List provided with the Proposal, the Lottery or DCI will notify the Vendor in writing 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

1.34 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. Vendors must disclose this information with any Proposal submitted.

Disclosure information is a continuing requirement; any such matter commencing after submission of a Proposal and, with respect to any Successful Vendor(s) 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.

1.35 Change of Ownership or Financial Condition

If a Successful Vendor(s) 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 a Successful Vendor(s) or the parent company of a Successful Vendor(s). "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 a Successful Vendor(s). Failure to disclose such matters may result in rejection of the Proposal or in termination of a Contract.

1.36 Independent Price Determination

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

- 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.
- 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.
- 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.

1.37 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:

- Providing meals, entertainment, or other expenses for Iowa Lottery Authority employees, Iowa elected officials or board members.
- 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.

1.38 Disqualification for Business Incapability

The Successful Vendor(s) must have financial and business stability and the wherewithal to perform and support the Lottery.

If, at any time prior to the signing of a Contract, the Lottery determines that a Vendor does not possess adequate financial ability or requisite stability to carry out the obligations of the Contract, the Lottery reserves the right to disqualify that Vendor from further consideration.

If, at any time after Contract execution, the Lottery determines that the Successful Vendor(s) does not possess adequate financial ability or business stability, has a conflict of interest, or lack security, integrity and reliability to assure performance in carrying out the obligations of the Contract, the Lottery reserves the right to terminate the Contract per the termination clause set forth in the sample contract found as Appendix H.

1.39 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(s) to the Iowa Lottery Authority are to be performed.

1.40 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, 13001 University Avenue, Clive, Iowa 50325-8225, 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(s) 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.

1.41 Business Compliance.

The Vendor must be in compliance with the laws regarding conducting business in the State of Iowa. The Vendor certifies by signing the letter of transmittal that the Vendor and any proposed subcontractors either are presently in compliance with such laws or shall be in compliance with such laws prior to any resulting contract award. The Vendor shall provide documentation of compliance upon request by the Iowa Lottery. The compliance to conduct business in the state shall include but may not be limited to:

- Registration of business name with the Iowa Secretary of State (if applicable)
- Certificate of authority to transact business/certificate of good standing (if applicable)
- Taxes (e.g. city/county/state/federal)
- State and local certifications (e.g. professions/ occupations/activities)
- Licenses and permits (e.g. city/county license, sales permits)
- Insurance (e.g. worker's compensation/unemployment compensation)

Any foreign company based outside of the United States that does not have an Employer Identification Number assigned by the IRS will need to complete the appropriate IRS W-8 form (found on the www.irs.gov website).

1.42 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.

1.43 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.

1.44 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.

SECTION 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 H: Sample Contract. The Successful Vendor(s) will be expected to sign a Contract based on the terms of this section and those found in Appendix H. By submitting a Proposal, the Vendor agrees to the Terms and Conditions contained in this section and in Appendix H. The Lottery reserves the right to either award a contract without further negotiation with the Successful Vendor(s) or to negotiate contract terms with the selected Vendor if the best interests of the Lottery would be served. All costs associated with complying with these requirements should be included in the prices quoted by the Vendor.

2.1 Contract Elements

The Contract between the Lottery and the Successful Vendor(s) 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 both parties. 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 and for the period noted in Section 1. 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, provided that any such option to renew is exercised in writing by the Lottery at least sixty (60) 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 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.

2.6 Audit and Accounting Requirements

Under the Contract, the Successful Vendor(s) must meet these specific auditing and accounting obligations:

2.6.1 The Successful Vendor(s) 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.

2.6.2 The Successful Vendor(s) 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.

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

2.7 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(s) 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.

2.8 Insurance

2.8.1 The resulting contract will require the Vendor to maintain in effect, with insurance companies of recognized responsibility, at its own expense, insurance covering its work

during the entire term of the contract and any extensions or renewals. The Vendor's insurance shall, among other things, be occurrence based and shall insure against any loss or damage resulting from or related to the Vendor's performance of the contract regardless of the date the claim is filed or expiration of the policy. Only companies authorized to transact business in the State of Iowa shall issue insurance policies and certificates. All such insurance policies shall remain in full force and effect for the entire life of the Agreement. Proof of compliance with this section shall be provided by the Vendor to the Lottery immediately upon execution of the Agreement.

2.8.2 Unless otherwise requested by the Lottery in writing, the Vendor shall, at its sole cost, cause to be issued and maintained during the entire term of the contract the insurance coverage's set forth below each naming the Lottery as an additional insured or loss payee, as applicable:

<i>TYPE OF INSURANCE</i>	<i>LIMIT</i>	<i>AMOUNT</i>
General Liability (including contractual liability) written on an occurrence basis	General Aggregate	\$2 million
	Products Completed Operations Aggregate	\$1 million
	Personal Injury	\$1 million
	Each Occurrence	\$1 million
Automobile Liability, including any auto, hired autos and non-owned autos	Combined Single Limit	\$1 million
Errors and Omissions Policy	Each Occurrence	\$1 million
Excess Liability, Umbrella Form	Each Occurrence	\$2 million
	Aggregate	\$2 million
Workers Compensation and Employer Liability	As Required by Iowa law	
Property Damage	Each Occurrence	\$250,000
	Aggregate	\$250,000

2.8.3 Coverage for Lottery Property or Personnel on Vendor Premises. The policies must provide coverage for damages to the Lottery's property or personnel, which occurs on the Vendor's premises or premises under the control of the Vendor or Vendor's subcontractors.

2.8.4 Coverage Without Regard to Claim. All insurance policies required by the contract, with the exception of the Errors and Omissions Policy, shall provide coverage for all claims arising from activities occurring during the term of the policy regardless of the date the claim is filed or expiration of the policy.

2.8.5 Notice Regarding Cancellation. Certificates of insurance, which provide that the Lottery will be notified at least thirty (30) days prior to cancellation or expiration of the insurance coverage required by the contract shall be provided to the Lottery at the time of execution of the contract or at a time mutually agreeable to the parties. The receipt of such certificates does not constitute approval of the coverage contained on the certificates, and the Vendor remains responsible for determining that its insurance

coverage meets each and every requirement of the contract. The insurer shall state in the certificate that no cancellation of the insurance will be made without at least thirty (30) days prior notice to the Lottery and that the notice shall be directed to the Lottery in writing.

2.8.6 No Limitation of Liability. Acceptance of the insurance certificates by the Lottery shall not act to relieve the Vendor of any obligation under the contract or any liability in excess of the insurance coverage. All insurance policies and certificates shall be issued only by companies authorized to transact business in the State of Iowa.

2.8.7 Warranty. The contract will require the Vendor to warrant that it has examined its insurance coverage to determine whether the State and the Lottery can be so named without creating an adverse effect on the Vendor's coverage.

2.8.8 Scope of Errors and Omissions Insurance. In addition to the amounts set out above, the contract will require the Vendor to procure errors and omissions insurance that indemnifies the Lottery and the Vendor for losses that may be incurred due to errors. The policy shall remain in effect for one year past the expiration of the contract and any extensions thereof.

2.8.9 Scope of Property Insurance. The contract will require the Vendor to maintain property insurance during the term of the contract that shall insure the Vendor's property at its replacement value and shall provide funds to the Vendor to compensate the Vendor for loss of revenues resulting from the destruction of the Vendor's property by fire or other hazards.

2.8.10 Waiver of Subrogation Rights. The contract will require the Vendor to obtain a waiver of any subrogation rights that any of its insurance carriers might have against the Iowa Lottery or the State of Iowa. The waiver of subrogation rights shall be indicated on the certificates of insurance coverage supplied to the Lottery.

2.9 Bonds

2.9.1 Performance Bond. The contract will require the Vendor to post a performance bond in the amount of two hundred thousand dollars (\$200,000) and provide a copy of the bond to the Lottery within ten (10) days of execution of the contract. The Vendor shall pay the cost of the bond. In the event that the Vendor or any subcontractor or any officer, director, employee or agent of the Vendor or any subcontractor or any parent or subsidiary corporation of the Vendor or subcontractor fails to fully and faithfully perform each material requirement of the Contract, including without limitation the Vendor's obligation to indemnify the Lottery and pay damages to the Lottery, the Lottery shall make claim against the bond in the amount of any damages as determined by the Lottery. The bond may be renewable annually. Neither non-renewal by the Surety, nor failure or inability of the Vendor to file a replacement bond in the event the Surety exercises its right to not renew this bond, shall itself constitute a loss to the Obligee recoverable under this bond or any extension thereof. The bond shall be in a form customarily used in the lottery industry and shall be written by a surety authorized to do business in Iowa and that is acceptable to the Lottery. The bond shall be in effect at all times during the term of the contract and any extensions or renewals thereof and for ninety (90) days following the conclusion of the Contract. The Vendor warrants that it will maintain the required performance bond coverage as described herein without any lapse in coverage.

2.9.2 Fidelity Bond. The contract will require the Vendor to post a fidelity bond in the amount of two hundred thousand dollars (\$200,000) within ten (10) days of the execution of the contract. The Vendor shall pay the cost of the bond. The bond shall provide funds to the Lottery in the event that the Vendor or Lottery suffers any liability, loss, damage, or expense as a result of any fraudulent or dishonest act or omission of the Vendor or any

subcontractor or any officer, employee, or agent of the Vendor or any subcontractor or any parent or subsidiary corporation of the Vendor or any subcontractor, which occurs during the term of the bond regardless of the date the act or omission is discovered, or a claim is made. The bond shall be in a form customarily used in the lottery industry and shall be written by a surety authorized to do business in Iowa and that is acceptable by the Lottery. This bond shall be in effect at all times during the term of the contract and any extensions or renewals thereof and for one (1) year following the conclusion of the Contract. The Vendor warrants that it will maintain the required fidelity bond coverage as described herein without any lapse in coverage. If a subcontractor is not covered by the Successful Vendor's policy the Successful Vendor(s) must ensure the subcontractors have their own coverage.

2.9.3 Provision of Bonds. Failure on the part of the Vendor to furnish such bonds, or other proof of bond coverage acceptable to the Lottery within ten (10) days of contract execution, or to maintain the bonds in full force and effect during the term of the contract and any extension or renewal thereof, shall be a material breach of the contract and shall be considered cause for the Lottery to declare the Vendor in default under the contract. The Lottery's receipt of such bonds or other proof of coverage does not constitute approval of the bonds' coverage nor do the bonds relieve the Vendor from the faithful and honest performance of the contract or relieve the Vendor of any losses greater than the bond amount.

2.10 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 includes, fire, explosion, Act of God, rationing, war, terrorism, civil disturbance, governmental interference, or other similar causes which are beyond the control of the party affected, and which, by the exercise of reasonable diligence, said party is unable to prevent or through advance planning avoid. Except as otherwise provided herein, neither the Successful Vendor(s) 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 any such period, the Successful Vendor(s) shall continue to be responsible for all costs and expenses related to alternative performance. The Successful Vendor(s) shall not be relieved of its responsibility for any obligation being performed by a subcontractor or supplier of services unless the subcontractor or supplier is prevented from timely performance by a "force majeure" as described here. The party asserting force majeure must provide the other party with reasonable information substantiating the basis for such assertion.

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

To the extent a Successful Vendor(s) utilizes or relies upon third-party Intellectual Property Rights in fulfilling its obligations under the Contract, the Successful Vendor(s) will represent that it has the valid right to use such intellectual property right. In addition, in the event of failure to perform or breach of contract the Successful Vendor(s) must ensure continued right of use of licensed intellectual property by the Lottery.

The Successful Vendor(s) 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(s) under the contract violate the Intellectual Property Rights of a third party.

While the Lottery and the Successful Vendor(s) agree that Intellectual Property associated with any product or service provided by (or developed solely by) the Successful Vendor(s) during the term of this Contract and used by the Lottery will remain the property of the Successful Vendor(s), the Successful Vendor(s) will grant a license or authority to the Lottery to make use of any such Intellectual Property with respect to Lottery conduct of games and business until the latter of the following: contract expiration or the end of a game utilizing the license. There shall be no additional charge for this right of the Lottery.

The Successful Vendor(s) obligation under this Section shall not extend to any liability caused by (a) the negligence of or the unauthorized use by the Lottery, the state of Iowa, or its agents, officials or employees, or any act or omission of a third party, not a subcontractor of the Successful Vendor(s).

The Lottery's trademarks, trade names and service marks used on materials produced will remain the sole property of the Lottery and shall be reproduced exactly as specified by the Lottery. The Lottery's marks shall not be used on any materials other than those authorized by the Lottery.

2.12 State or Federal Trademark Searches

The Successful Vendor(s), at Vendor's expense shall be required to obtain a state and federal trademark search or trade name search from competent legal counsel for the name selected for each game before approval of final Working Papers for each game and related promotion. *An electronic copy of this letter, written opinion from competent trademark counsel shall be submitted to the Lottery indicating that it is appropriate for the Lottery to use the name selected.* The expense of the search and all associated counsel fees will be the responsibility of the Vendor.

Upon issuance of a purchase order to the Successful Vendor(s), the Successful Vendor(s) must conduct the trademark search and provide an electronic notification to the Lottery of the results within twenty (20) calendar days of receipt of purchase order.

2.13 Contractor Warranties.

2.13.1 The warranties expressed in the contract will be 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 Successful Vendor(s).

2.13.2 Warranty Regarding Intellectual Property Rights. The Successful Vendor(s) will warrant that, in the performance of this contract; the Successful 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 Successful Vendor(s) will not infringe any copyright, patent, trademark, trade dress or other intellectual property right of Vendor or others provided; however, that the Successful Vendor(s) need provide no such warranty for information, data, designs, processes, inventions, techniques, devices and other such intellectual property furnished to the Successful Vendor(s) by the Lottery.

2.13.3 The Successful Vendor(s) must warrant that the production, design and use of ticket product by the Lottery provided by the Successful Vendor(s) will not infringe on any patent, trademark, copyright, trademark, service mark, trade secret or other right held by any third party. The contract will also require the Successful Vendor(s) to indemnify the

Lottery and the State of Iowa in the event that a third-party asserts that the Lottery's use of the product is a violation of such party's rights; provided, however, that the Successful Vendor(s) need provide no such warranty for information, data, designs, processes, inventions, techniques, devices and other such intellectual property furnished to the Successful Vendor(s) by the Lottery.

2.13.4 The Successful Vendor(s) must warrant that the products and services provided to the Lottery will be suitable for the particular purpose of use in a state lottery and are merchantable. The Successful Vendor(s) also acknowledge that the Lottery is relying on the Successful Vendor's skill and judgment to provide product and services fit in all aspects for this purpose that will be designed to maximize the ticket sales of the Lottery.

2.13.5 The Successful Vendor(s) must warrant that any product and related services will be new and unused and free of defects in material, design and workmanship.

2.13.6 The Successful Vendors) must warrant that all services provided shall be performed in a prompt, competent and workmanlike manner by properly trained individuals in accordance with the highest standards in the Successful Vendor's profession, that goods and services will be free and clear of any lien or claim by any party at the time of delivery and that no misrepresentations have been made including material omissions.

2.14 Ticket Purchase and Prize Payment Restrictions

Restrictions apply to the purchase of tickets and payment of prizes regarding individuals related to the Successful Vendor(s) 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(s) shall ensure that this requirement is made known to each affected individual.

To ensure compliance with this requirement, the Successful Vendor(s) 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 or other unique personal identification number (Canadian Social Insurance Number), and shall be updated to maintain current information. This requirement applies throughout the duration of the Contract.

2.15 Liquidated Damages

2.15.1 Liquidated Damages - Delivery of Non-conforming Tickets. After any test or inspection conducted by the Lottery, no more than five percent (5%) of the tickets of any particular game may fail to meet the requirements contained in the working papers. The Lottery will have the sole right to reject the non-conforming tickets or the entire order containing the non-conforming tickets. If the quantity of non-conforming tickets is such that the rejection of the tickets does not interrupt the scheduled sale of the game, the Vendor shall refund any purchase price paid for the non-conforming tickets and any related expense.

The Successful Vendor(s) will be responsible for all costs and expenses related to the replacement, return or destruction of non-conforming tickets. The risk of loss on non-conforming tickets remains with the Contractor at all times prior to and after rejection and does not pass to the Lottery upon initial acceptance by the Lottery.

If the quantity of non-conforming tickets is such that the game is terminated, interrupted or delayed, the failure to deliver conforming tickets will interfere with the Lottery's ability to

maximize sales. Since the damages accruing to the Lottery for lost sales will be difficult or impossible to ascertain, the Vendor may be required to pay as liquidated damages for lost sales and not as a penalty, five thousand dollars (\$5,000) per calendar day that the Lottery is unable to sell tickets of the game as originally scheduled and beginning with the fifteenth (15) calendar day the Vendor may be required to pay liquidated damages of seven thousand five hundred dollars (\$7,500) per calendar day for each day that tickets are not sold as scheduled.

The Lottery may also be entitled to additional damages in compensation of expenses and damages including without limitation, damage to integrity, and the cost of advertising services and materials, promotional items and administrative time for which the Lottery does not receive full value as a consequence of the non-conforming tickets.

2.15.2 Liquidated Damages - Over-Redemption. If over-redemption occurs, the Successful Vendor(s) shall reimburse the Lottery for all prize liabilities incurred that are attributable to over-redemption in addition to any damages with respect to the delivery of nonconforming tickets. If over-redemption occurs, the Vendor shall reimburse the Lottery for all prize liabilities incurred which are attributable to over-redemption and to indemnify the Lottery.

If the Lottery interrupts a game due to over-redemption as defined above, the Vendor shall reimburse the Lottery for the aggregate of the Lottery's purchase price from the Vendor of any tickets not sold by the Lottery due to the interruption of the game and the expenses of the Lottery.

The Vendor shall reimburse the Lottery's expenses on a proportionate basis that reflects the relationship, which the number of tickets unsold, has to the number of tickets ordered in the game. In determining the percentage of tickets sold and unsold, the total, delivered quantity shall be used, unless all deliveries have not yet been made, in which case, the ordered quantity shall be used. In either case, the Lottery shall pay only for tickets actually sold to the public.

If a game is interrupted as a result of over-redemption, the Vendor shall take all reasonable steps, including the payment of overtime, to ensure that the Lottery obtains replacement tickets in the shortest possible time. The Lottery will not be charged for any additional expenses incurred to facilitate the expedited delivery of replacement tickets.

The Vendor's liability for over-redemption shall extend to all instances of over-redemption including instances discovered after the expiration, cancellation or termination of the contract. Over-redemption will be considered a material breach of the contract and the Lottery may cancel the contract or seek any other legal or equitable remedy available by the contract or authorized by law.

2.15.3 Liquidated Damages - Late Delivery. In the event of a delay in the delivery of tickets, the Vendor may pay liquidated damages of five thousand dollars (\$5,000) per calendar day that the Vendor does not fully meet the delivery schedule in Working Papers for the first fourteen (14) calendar days during which the schedule is not met. Beginning with the fifteenth (15) calendar day following the scheduled delivery date, the Vendor will pay liquidated damages of seven thousand five hundred dollars (\$7,500) per calendar day for each day the schedule in the Working Papers is not met. Late deliveries will be considered a material breach of the contract and the Lottery may cancel the contract or seek any other legal or equitable remedy available by the contract or authorized by law.

2.16 Indemnification

The resulting contract will contain indemnification provisions. Vendor shall 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 damages, liabilities or expenses, including attorney's fees, incurred by the Lottery as a result of the acts or omissions of the Vendor or the Vendor's agent(s) or subcontractor(s), including but not limited to patent or copyright trademark or trade dress infringement claims. Pursuant to the Iowa Constitution, Article VII, Section 1, the Lottery may not agree to assume or become responsible for the debts or liabilities of any individual, association or corporation. Consequently, the Lottery's ability to indemnify Vendor is limited.

2.17 Security Program Under the Contract

The Successful Vendor(s) shall establish a plant security system at all plants in which game tickets are to be produced to ensure the security of tickets in all stages of production including without limitation, design, material procurement, production, transportation, storage, distribution, validation, and disposition of game tickets and production media. Prior to contract execution, current plant security procedures for all plants used by the Successful Vendor(s) and any subcontractors shall be provided. Thereafter, the plant security procedures must be updated and reviewed annually, and receive written acceptance by the Lottery.

2.17.1 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(s) it deems appropriate. Such background investigations may include fingerprint identification.

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

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

2.17.1.1 A list of the names, addresses, dates of birth, and Social Security numbers or other unique personal identification number (Canadian Social Insurance Number) of all employees and subcontractors assigned to and associated with the Contract.

2.17.1.2 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(s) or the parent company of the Successful Vendor(s). 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(s).

2.17.1.3 Unfettered and unannounced access, inspection and evaluation privileges for all phases of performance and for all facilities and premises used by the Successful Vendor(s) in fulfillment of the Contract and any extension thereof.

2.17.2 Security Violation Reporting. The Successful Vendor(s) shall immediately report via telephone and 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 paper stock, data media, cylinders, tickets, waste, film, printing plates, software or material used or to be used in the performance of this Contract.

2.17.3 Security Information (Disclosure) Updates. The Successful Vendor(s) 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(s) 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.

2.18 Vendor Ethics and Integrity

The Successful Vendor(s) is obligated to meet high standards for ethics and integrity under any resulting Contract. The Successful Vendor(s) and employees:

2.18.1 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 the Contract, or from any party under contract to the Lottery or seeking to contract with the Lottery with respect to this project.

2.18.2 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.

2.18.3 Shall not disclose any business sensitive or confidential information gained by virtue of the Contract to any party without the explicit written consent of the Lottery.

2.18.4 Shall take no action in the performance of the Contract to create an unfair, unethical, or illegal competitive advantage for itself or others.

2.18.5 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 any resulting Contract, receive restitution from, debar, or take any other appropriate actions against the Successful Vendor(s).

2.19 Consumer Price Index (CPI) Adjustment

CPI adjustments will be made at the start of any approved contract extensions and the percentage increase or decrease will be based on the percent change from the prior calendar year (January thru December) for the all items index as reported by the US Department of Labor, Bureau of Labor Statistics website. The date a purchase order is signed by the Lottery will be the determining factor of when the CPI adjustment will be included in the printing costs in the case of games being ordered around the time of a contract extension. It takes the Department of Labor approximately 15 days to release the index once the prior month has ended. It will be the responsibility of the printing vendor to submit updated CPI pricing information for Lottery approval as soon as index information is made available for any contract extension time periods, unless the Lottery at its own discretion chooses to update the pricing and send it to printing vendor for their approval. If the printing vendor fails to get Lottery approval for the updated pricing at the allowed time, the Lottery at upon its own discretion may continue to use previous pricing or calculate updated pricing for printing vendor review and approval.

2.20 Exclusive and Non-Exclusive Rights

The resulting Contract will not be exclusive. The Lottery will reserve the right to contract with other Contractors for related services during the Contract term. The Contract does not guarantee that the Lottery will print any games with Contractor.

2.21 Taxes on Vendor

The Successful Vendor(s) 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 Successful Vendor(s) shall be solely responsible for paying any such taxes and 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 Successful Vendor(s) for any purpose. Such taxes must not be included in the Proposal prices.

SECTION 3. TECHNICAL AND SERVICES SPECIFICATIONS

3.1 Ticket Specifications

3.1.1 Samples. The Vendor shall include sample tickets identical in construction and as similar in design as possible to the tickets the Vendor proposes to sell to the Lottery. Handmade samples are not acceptable although the printing on the back of the sample tickets may be in rough form.

RESPONSE NOTE: The Vendor shall provide at least five-hundred forty (540) machine-made sample tickets. The Vendor shall provide five-hundred forty (540) tickets of one design (one unit) to be included with the original copy of the response. The Vendor is not required to supply the ticket samples for the three additional copies of the response.

3.1.2 Ticket Construction

3.1.2.1 The Lottery requires the use of a coated-board stock, on the face side (opposite side of the opening tabs), of the finished, glued ticket. The basic ticket construction shall be 2-ply with the overall thickness in the range of .024 through .027 inches. Stock must be specified in the working papers.

RESPONSE NOTE: The Vendor shall state the production method used to prevent tickets from warping, curling or other general defects.

3.1.2.2 Pull-tab tickets may be constructed as either a 3, 4 or 5 tab break open industry standard ticket, conforming to the size specified in Section 3.1.5.

3.1.2.3 The Vendor shall ensure color consistency in the printing of tickets making it impossible to identify winning tickets in a unit due to differences in color or the appearance of extraneous marks on the tickets.

RESPONSE NOTE: The Vendor shall discuss its capability to use soy based inks, recycled/recyclable paper and otherwise environmentally friendly products on the tickets.

3.1.2.4 Pull-tab tickets produced must be capable of being dispensed from automated pull-tab dispensing machines. The Lottery currently sells pull-tabs through American Games Maxim Vending Machines in one of two sizes: the 4230 Model accommodating six vending columns of tickets and the 8430 with twelve vending columns. The dispensing of tickets is achieved with one non-abrasive dispensing belt, which smoothly delivers each ticket into a ticket hopper that can hold multiple tickets.

RESPONSE NOTE: The Vendor shall state production methods and quality control used to assure tickets may be dispensed from automated pull-tab dispensing machines. The Vendor shall relate any experience with tickets being dispensed from machines and provide data regarding that experience.

3.1.3 Ticket Gluing. Pattern ticket gluing must occur on all four edges of the sealed ticket and between the individual break-open tabs.

3.1.4 Die-Cut Openings and Perforations

3.1.4.1 The opening tabs shall be evenly spaced side-to-side on each ticket.

3.1.4.2 Each ticket shall contain opening tabs perforated on the horizontal lines top and bottom and at the end of the opening tab where the tab must be grasped for opening. Perforations and die cutting shall allow easy opening by the general public while at the same time not permit tickets to be accidentally opened in normal handling.

3.1.4.3 The openings shall be 9/16" H x 1 3/8" W.

3.1.5 Size of Tickets. The individual ticket size shall be 1 7/8" +/- 1/16" x 4 1/4" +/- 1/16". The Lottery reserves the right to request tickets in other sizes at prices mutually agreeable to the Lottery and the Successful Vendor(s).

3.1.6 Play Numbers/Symbols. All labor and materials necessary to produce and generate the play numbers or symbols that must appear on individual tickets comprising the game, shall be the responsibility of the Vendor, and must be included in the price quoted in Section 4.

RESPONSE NOTE: The Vendor shall describe the method to be used to generate the numbers and symbols.

3.1.7 Confirming Caption/Verification Symbol or Device. Each winning play shall be accompanied by a confirming caption/verification symbol or device that must appear under the winning tab. Examples of verification symbols would be the use of a specific number keyed to particular winners, changing symbol colors for winners, the use of benday patterns, or similar feature. Each winning ticket winning combination shall also have a colored winning arrow running through the winning symbols, along with the total dollar amount the entire ticket won printed in the far left margin of the lower most winning arrowhead tab. Multiple wins on a single ticket may be used depending on the approved prize structure. The use of benday patterns is a requirement. Benday patterns may be repeated on non-winning tickets; however, all non-winning tickets shall not have the same benday pattern. A unique benday pattern and a win code shall also be used in addition to the total dollar amount won and the actual win bar.

RESPONSE NOTE: The Vendor shall describe the verification methods used.

3.1.8 Barcode. A barcode representing the game and unit number must be printed on the outside ply of the ticket that contains the unconcealed symbols or numbers, rather than on the covering sheet containing the opening tabs. The 10 digit barcode contains a check digit which is determined by the algorithm and does change with each serial number. The game and unit number must also appear above the barcode in an easily read form. Each ticket in the unit must bear the same barcode. The barcode height shall be 5/16" high. The barcode will be standard interleaved two of five symbology. The barcode will contain 10 digits in the form of GGGUUUUUC where:

GGG	represents the 3 digit game number
UUUUUU	represents the 6 digit unit number
C	represents a check digit

The algorithm will be supplied to vendor after contract award.

RESPONSE NOTE: The Vendor shall describe their capability to include validation features and/or barcode functions.

3.1.9 Special Ticket Markings

3.1.9.1 The reverse or back side (pull-tab side) of each ticket must include the following printing and may include additional printing as specified by the Lottery.

- "Must be 21 to purchase"
- "Prizes of \$599 or less must be claimed at place of sale"
- The Lottery logo (if requested by Lottery)
- "If you or someone you know has a gambling problem, Call 1-800-BETS OFF"
- A signature line

3.1.9.2 The following items must appear on the ticket front:

- " Average odds of winning are 1 in X.XX "
- Ticket Price
- Iowa Lottery
- IAGG (where GG is a game number)
- 10 Digit barcode
- Where applicable:
- Criss Cross
- Follow the Arrows
- Multiple Winners

3.1.10 Colors. The colors and symbols on the front of the tickets shall correspond to the same colors and symbols on the reverse side of the same ply (game spots). The Vendor shall be capable of printing four-color process and/or spot color printing.

3.1.11 Fluorescent Ink. Vendors shall describe its' capability of printing fluorescent inks.

RESPONSE NOTE: The Vendor shall state the cost of fluorescent inks as part of Section 4 Price Proposal.

3.1.12 Ultra-Violet Ink. Vendors shall be capable of printing tickets using a ultra-violet print process and inks for security purposes.

RESPONSE NOTE: The Vendor shall state the cost of ultra-violet inks as part of Section 4 Price Proposal.

3.1.13 Randomization. The odds of winning any prize of any level on a given ticket must not vary from the odds of winning that prize as stated in the final approved prize structure. Winning prizes must appear randomly within each unit of tickets.

3.1.13.1 Number patterns, plate layouts, collating/shuffling sequences, and plans for cutting shall be developed by Vendor and require Lottery approval to eliminate any possibility of the tickets not appearing totally random in their organization within units.

3.1.13.2 In cutting finished tickets, winners and losers must be cut together to eliminate any possibility of picking out the winners from variations in the cutting, or from edge patterns that are caused from cutting.

3.1.13.3 The Vendor shall organize the printing plates used in the process of printing tickets to ensure that winning tickets are interspersed among losing tickets. Various combinations of plates must be utilized during the manufacturing process to achieve this objective.

3.1.13.4 All play symbols on tickets, both winning and non-winning, shall be dispersed randomly throughout the play area.

3.1.13.5 The Vendor shall be capable of selective seeding within pools as may be specified by the Lottery.

RESPONSE NOTE: The Vendor shall provide a description of the randomizing methods used. The Vendor shall also indicate cost of selective seeding in Section 4 Cost Proposal

3.1.14 Working Papers. For each game ordered, the Lottery will require a complete set of working papers describing the details of the ticket production. This set of working papers must be delivered to the Lottery in hard copy form or may be provided electronically. The approved final set of working papers become the governing document pertaining to the game and take precedence over any other conditions of the contract in the event of any conflict in the specifications or requirements. The working papers will contain the detailed specifications of the game including ticket design, play symbols, prize structure, production schedule, packaging & shipping and game layout. For an example of a current set of Iowa Lottery Working Papers, see Appendix E.

RESPONSE NOTE: The Vendor shall describe their ability to develop a set of working papers that detail all aspects of the game and their capability of providing these documents electronically.

3.1.15 Ticket Production Timetable

3.1.15.1 For the first order of a game (not a reorder), the Vendor shall submit to the Lottery draft Working Papers and an electronic version of trademark approval from competent trademark attorney within 20 days after receiving a purchase order request from the Lottery. Refer to Section 2.12 for additional trademark search requirements. Delivery dates shall be established in the purchase order; failure to meet the delivery dates shall be subject to a penalty clause to be set forth in the contract.

3.1.15.2 Delivery date for the tickets shall be 45 days from final approval of the Working Papers.

3.1.15.3 Reorders shall be delivered within 35 days from the date the Lottery orders the tickets.

3.1.15.4 "Days" shall mean "working days" and does not include Saturdays, Sundays or State legal holidays.

RESPONSE NOTE: Vendor shall provide a sample time schedule showing all activities required by the Vendor and the Lottery, from issuance of a purchase order through delivery as part of the proposal. Vendor shall include in the schedule adequate time for Lottery input into ticket design and for all Lottery approvals required.

3.1.16 State or Federal Trademark Searches. The contract will require the Successful Vendor(s) to obtain a state and federal trademark search and a written opinion from trademark counsel, stating whether the name selected for the pull-tab ticket game is available for use without a likelihood of confusion with outstanding trademarks. The expense of the search and all associated counsel fees will be the responsibility of the Successful Vendor(s).

3.1.17 Press Proof. Press proofs (actual design and color) must be made available to the Lottery for approval at least seven (7) days prior to production printing of tickets. The Successful Vendor(s) shall also notify the Lottery via e-mail at least two (2) weeks prior to

the expected print date indicating the official print dates. The Lottery will require press proofs for every new game. The Lottery may inspect press proofs at the Successful Vendor's facility. The Successful Vendor(s) shall notify the Lottery ten working days prior to the printing of the press proofs.

3.1.18 Quality Control. The Successful Vendor(s) shall allow the Lottery to select three complete production cartons of tickets for inspection and approval of quality from among the initial cartons produced for each individual order of tickets. All tickets accepted by the Lottery must meet specifications in the "Working Papers". Tickets that do not conform to these specifications shall be rejected by the Lottery. The Lottery may, in its sole discretion, reject an entire ticket order if the Lottery's sample inspection reveals nonconforming tickets or packaging in the ticket order.

3.1.19 Production Samples. The initial order of each game shall include 12 units of void sample tickets that must not include any winning tickets. The Vendor shall mark "VOID" on the back of these sample tickets to assure they cannot be confused with valid game tickets. The barcode and human readable number on the front of the ticket shall contain game number 099 and unit number 999999.

3.1.20 Durability. Tickets that have been printed and sealed must maintain their original crisp appearance, must not warp, and must remain properly sealed, regardless of environment encountered in normal handling and usage, for a minimum of two years after delivery by Vendors to the Lottery.

3.1.21 Ticket Security. All production techniques possible must be employed to prevent security compromise in the following areas:

- Opacity
- Debonding
- Color or printing variations
- Cutting variations
- Positioning of winners in unit
- Paper
- Gluing
- Benday
- Ultra-violet inks
- Selective seeding

RESPONSE NOTE: The Vendor shall point out any known security risks associated with its tickets and describe methodologies used by the Vendor to prevent breaches of ticket security. The Vendor shall provide a thorough description addressing all aspects of the security of its tickets including the items listed above. The description shall include all efforts or programs of the Vendor designed to ensure ticket security and the results of any tests that have been performed on the tickets currently produced by the Vendor.

3.1.22 Test Game. A test game consisting of 17,280 tickets printed in accordance with the printing specifications listed in this RFP and packaged in accordance with the specifications listed in this RFP, shall be produced by the Successful Vendor(s) if the Successful Vendor(s) has not produced a live game for the Iowa Lottery within the preceding eighteen (18) months of this RFP. The sample game must include all validation algorithms, barcodes and media files associated with a live game. Creative ticket art will not be required. Production of a live game will not occur until the Lottery has successfully tested a sample game. All costs associated with the production and delivery of a sample game at the initiation of the contract will be borne by the Vendor.

RESPONSE NOTE: The Vendor shall describe the Vendor's timeframe required to produce a test game.

3.2 Packaging

3.2.1 Unit Assembly and Guarantee. The Vendors production plans and manufacturing procedures must ensure: (a) that each unit has the precise quantity of tickets; (b) that the proper number and ratio of winning to losing tickets exists in each unit; and, (c) that there is a random distribution of the winning tickets in a given unit and that there is no possibility that individual winning tickets could be picked out by their physical location in a unit.

3.2.2 Unit Packaging. Each unit shall consist of five hundred forty (540) tickets. Each unit must be placed in a cardboard tray and individually shrink-wrapped. The cardboard tray sizes shall be L 14 1/4" x W 4 3/8" x H 1 1/4" using a 2-ply cardboard. One ticket of the unit is to be "flipped" over and placed on top of the unit with game side up prior to shrink-wrapping, so that the barcode, game and unit number are readily identifiable. One Retailer Manual Page (see Section 3.6.1.2) shall be placed in the bottom of the tray prior to tickets being inserted.

There shall be one serial number per 540 ticket-count tray, four serial numbers in the carton of four trays and a total of 16 serial numbers in a master case of product. Serial numbers are to be sequential with omits allowed in the sequential numbering. The unit tray does not require a label; the ticket that is "flipped" over is sufficient labeling.

3.2.3 Carton Packaging. Each carton shall consist of four packaged units of tickets with each cardboard carton containing the same total number of tickets (2160 per carton). The size of the die cut cardboard carton shall be L 16 1/2" x W 9 1/2" x H 4" and designed to pass a 200 lb. crush test and 32 lb. edge crush test. The carton containing the four units is not to be shrink-wrapped, but the carton must be capable of being securely closed for shipment. Each carton must be sequentially numbered with its' own unique 9-digit number. The carton serial number will be structured to indicate the game code (first three digits) and the consecutive carton within the game (last six digits).

3.2.4 Carton Label. Each carton shall contain labeling in the form of a stick-on label or direct printing on the outside of the carton with identifying information. Labels or direct printing must be no less than 3" x 4 1/2". Each carton label must identify the four unit numbers within the carton.

3.2.5 Case Packaging. Each case shall consist of four packaged units of four cartons for ease of handling and shipment. The cases must be designed to pass a 200 lb. crush test and 32 lb. edge crush test. Standard case size shall be L 17" x W 10" x H 17".

3.2.6 Case Label. Each case shall contain labeling in the form of a stick-on label or direct printing on the outside of the case with identifying information. Labels or direct printing must be no less than 3" x 4 1/2". Each case label must identify the case number and unit serial numbers within the case.

3.2.7 Skids.

3.2.7.1 Shipping cases shall be packed on pallets in sequential order secured by stretch wrapped plastic. Pallets must be constructed of hardwood lumber or number two softwood, capable of withstanding multiple handling by forklift trucks without splintering or collapsing.

3.2.7.2 Pallets are to be 30" x 37" with 3 runners 4" high and 37" long to allow forklift to enter the 30" side. Pallet labels are to face outwards and be on 30" side of the pallet. The label must show the game code number, the lowest and

highest case numbers loaded on the pallet, and the pallet number for the game. Pallets shall be numbered one through the highest pallet number for the game.

3.2.7.3 The cases of tickets will be stacked on pallets not to exceed 55" in height, in numerical sequence (clockwise) with the case labels facing out. The lowest numbered case shall be on the top layer of the pallet and highest number on the bottom layer.

3.2.7.4 Each pallet shall be assigned a number with all numbering to be sequential within the ticket order.

3.3 Delivery

3.3.1 Delivery Vehicles and Loading. Tickets are to be delivered in exclusive-use, sealed trucks from plant to warehouse. Skids of finished tickets must be loaded with the lowest numbered skid in the “nose” of the trailer and the highest numbered skid at the rear of the trailer. A minimum of three feet of clearance must be left between the last skid loaded and the cargo doors at the rear of the delivery vehicle to facilitate unloading.

3.3.2 Shipping Documentation. At the time of ticket delivery, the Vendor shall provide three separate reports; a) a shipping manifest as described in Section 3.4.1, b) a shipping report as described in Section 3.4.2, and c) game file information as described in Section 3.4.3.

3.3.3 Delivery of Tickets. Tickets must be delivered FOB destination to the Lottery Warehouse located at 1918 SE Hulsizer in Ankeny, Iowa or to any other warehouse location in Iowa designated by the Lottery in writing. Continuous and uninterrupted delivery, without storage, must be made in accordance with the delivery schedule specified in the working papers.

3.3.4 Delivery Tolerances. The Vendor shall deliver the ordered quantity for each game plus or minus five (5) percent. The Lottery will be billed and will pay only for the actual number of conforming tickets delivered. Deliveries in excess of the ordered quantity plus the delivery tolerance may be accepted by the Lottery on consignment only.

3.3.5 Delivery Schedule. The Successful Vendor(s) shall notify the Lottery when tickets are ready for shipment. Tickets ordered are not to be shipped from the Successful Vendor's plants or warehouses until the Lottery authorizes acceptable times for the shipment of tickets.

3.3.6 Partial Shipments. The Successful Vendor(s) shall be prepared to supply partial shipments if requested by Lottery.

3.4 Reports and Other Deliverables

At the time the ticket order is delivered to the Lottery, the Successful Vendor(s) shall provide a shipping manifest, shipping report and game file as described below.

3.4.1 Shipping Manifest. The shipping manifest shall contain the following information:

- Game number.
- Game name.
- Purchase order number.
- Date picked up at Successful Vendor's plant.
- Date of delivery to the Lottery.
- Truck seal number.
- Listing of omitted cartons and ticket serial numbers.
- Total number of omitted cartons.
- Total number of cartons (4 units of tickets per carton).
- A list providing the carton number, ticket or serial number within that carton broken down by individual pallet number.

3.4.2 Shipping Report. The shipping report shall contain the following information:

- Gross number of tickets included in the shipment.
- Number of pallets,
- Number of cases per pallet.
- Number of tickets per pallet.

- Seal number of the truck lock. The seal number must also appear on the bill of lading for the shipment.

3.4.3 Game File. The game file shall be a sequential listing of all case numbers and unit serial numbers within the shipment. The game file shall be provided on a CD compatible with the Lottery computer system. The game file shall be sequential and all-inclusive with missing units (omits) designated on the game file.

3.5 Security

3.5.1 Cost of Travel for Ticket Printing. The Lottery may be present during the production of all ticket orders produced and shall have the right, acting by itself or through its authorized representatives, to enter the premises of the Successful Vendor(s) at all times to examine the game and to inspect and copy the records of the Vendor pertaining to the operation of the Lottery account.

Normal travel expenses relating to ticket inspections will be paid by the Lottery.

Current practice is to have a Lottery Security staff person inspect the printing of ticket backs and UV ink applications and monitor the process of hand-seeding for all tickets having a prize of \$600 and above.

3.5.2 Plant Security Requirement. All plants in which the game tickets are produced must be equipped with a complete plant security system acceptable to the Lottery, which must include controlled access, building intrusion alarm system and monitoring cameras.

RESPONSE NOTE: Vendor shall provide a written description of all plant security procedures used by the Vendor and any subcontractors of the Vendor to ensure the security of tickets in all stages of production including without limitation, design, material procurement, production, transportation, storage, distribution, validation and disposition of game tickets and production media.

3.5.3 Waste Materials. All tickets or ticket parts wasted in the manufacturing processes throughout the plant are to be accounted for and destroyed. These materials must be destroyed by shredding, burning or dissolving on the printer's premises. Scrap materials cannot leave the printer's premises until processed to render them unrecognizable as lottery materials.

RESPONSE NOTE: Vendor shall describe the process used to account for and destroy waste materials.

3.5.4 Storage. Finished tickets are to be stored in a secured area which must include controlled access and monitoring cameras. If the Lottery requests a delayed delivery date other than the delivery date specified in the working papers, the Vendor shall be required to store tickets for up to ninety (90) days at no additional cost to the Lottery.

RESPONSE NOTE: Vendor shall provide a written description of how the area is secured.

3.5.5 Security Breach Notification. The Successful Vendor(s) shall notify the Vice President of Lottery Security immediately via telephone and in writing of any breach of security experienced by the Successful Vendor(s) during the term of the contract including but not limited to the theft or disappearance of any paper stock, data media, cylinders, tickets, waste, film, printing plates, etc.

3.5.6 Property of Lottery. Tickets produced for the Lottery are proprietary materials, and shall not be furnished by the Successful Vendor(s) to any other country, state, organization, company, agency, jobber, distributor or individual other than the Iowa Lottery.

3.6 Corporate Marketing Support

3.6.1 The Successful Vendor(s) must apply its best efforts to support the Lottery game design and marketing, assisting the Lottery to achieve its financial objectives. A Successful Vendor(s) must be able to accommodate the Lottery's marketing plans and efforts with corporate marketing support that includes, but is not limited to:

3.6.1.1 Catalog. The Vendor shall be capable of providing a catalog of all games currently available from Vendor.

RESPONSE NOTE: The Vendor shall include a copy of this catalog.

3.6.1.2 Retailer Manual Pages. The Successful Vendor(s) shall design, produce and provide Retailer Manual Pages as described herein. The initial order of a game shall include 950 Retailer Manual Pages. These Retailer Manual Pages shall be packaged in quantities of fifty and shrink-wrapped. The Retailer Manual Page shall be approved by the Lottery. Each page is to be printed on 6" x 4" recycled enamel 100# paper with multi-colors to be selected, full bleed, and printed on both sides. Each page shall be six-hole punched. A sample Retailer Manual Page is included as Appendix F.

3.6.1.3 Sales Sheets. The Successful Vendor(s) shall provide 660 Lottery approved Sales Sheets at least seven (7) working days prior to the start of each new game launch. The Sales Sheet shall be shipped directly to each of the five (5) Lottery regions and Lottery headquarters. The Successful Vendor(s) shall design, produce and provide Sales Sheets as described herein. The Sales Sheet design shall be submitted to the Lottery for approval. Each Sales Sheet designed shall be printed on 8.5" x 11" white 100# signature gloss enamel stock with multi-colors (to be selected at a later time), full bleed, and printed two sides. A sample Sales Sheet is included as Appendix G.

3.6.1.4 Marketing Support. The Successful Vendor(s) shall provide marketing support to assist the lottery with prize structure and game design, game names, themes, play formats, industry trends, lottery data processing, lottery accounting, and lottery security. The Lottery reserves the right to approve the account representative(s). Costs for marketing services provided by the account representative and any required support staff shall be included in the printing prices provided in the pricing section.

The representative will be responsible for providing the following services:

- Coordination of contract execution between the Lottery and the Successful Vendor(s) including working papers for specific games, ticket art design, prize structures, schedules, production, ticket printing and ticket delivery.
- Provide support in game design and strategic planning of the pull-tab product.
- Recommend game offerings, prize structures, pricing and point-of-sale strategies.

- Successful Vendor(s) representative must identify any special printing techniques or costs associated with the Successful Vendor's recommendation for tickets.
- Be readily available by telephone or other means of business communication.
- Meet with Lottery personnel, typically one time per calendar year or as may be requested by Lottery.
- Provide promotional ideas or concepts available for licensing to enhance pull-tab sales.

RESPONSE NOTE: The Vendor shall include a description of up to three (3) different games or promotional ideas to enhance pull-tab sales. The Vendor shall describe the experience and qualifications of the personnel proposed to perform the representative services under a resulting contract.

3.7 Vendor Corporate Capability

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

3.7.1 Corporate Background Review.

- 3.7.1.1** Name and address of the business entity making the Proposal.
- 3.7.1.2** Type of business entity (e.g., corporation, partnership, etc.).
- 3.7.1.3** Federal Tax ID Number.
- 3.7.1.4** Place of incorporation, or other form of organization, if applicable.
- 3.7.1.5** Identify the firm that audits the Vendor's financial information, if applicable.
- 3.7.1.6** Name and location of major offices, plants and other facilities that relate to performance under the terms of this RFP.
- 3.7.1.7** 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.

3.7.2 Vendor Personnel. The Vendor shall provide resumes of all key personnel who will be involved in providing the services or products specified in this RFP including persons not employed by the Vendor that may be involved in ticket production or ticket design or other areas. The following information must be included in the resumes: full name; 5-year employment history; specific lottery game ticket production experience or other relevant experience and the role the individual will have in this project.

RESPONSE NOTE: The Vendor shall provide information requested in this section.

3.7.3 Ticket Printing Experience. The Vendor shall describe, in detail, the current and historical experience of the Vendor with pull-tab ticket printing; that is, a description and reference for all states for which the Vendor has printed pull-tab tickets over the past five (5) years.

Each experience statement shall include the following details:

- 3.7.3.1** Name of Lottery or gaming enterprise(s)
- 3.7.3.2** Estimated contract value
- 3.7.3.3** The term of the contract including effective dates
- 3.7.3.4** Reason for contract end, if the contract is no longer in effect

- 3.7.3.5 Type of services directly provided by the Vendor under the contract.
- 3.7.3.6 The names, titles and telephone numbers that may be contacted to verify qualifying experience.

RESPONSE NOTE: The Vendor shall provide information requested in this section.

3.7.4 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 the following:

- 3.7.4.1 During the last five (5) years, has the Vendor had a contract terminated for default or cause? If so, the Vendor shall submit full details for contacting the entity affected.
- 3.7.4.2 During the last two (2) years, has the Vendor been assessed any damages, claims or performance bonds penalties or traded or given up anything of value under any of its existing or past contracts, with date(s) and explanations(s)? **Vendors must provide a summary report for any incidents of \$10,000 or more or \$50,000 cumulative in any one year per customer.** The per incident data must be available upon request of the Lottery.
- 3.7.4.3 During the last two (2) years, has the Vendor, a subsidiary or intermediary company, parent company or holding company been 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 these companies has ever been suspended, with date(s) and explanation(s)?
- 3.7.4.4 During the last two (2) years, has the Vendor had a state or provincial lottery reprint, return or reject 50 percent (50%) or more of an order of tickets because of misprinting, substandard quality or non-conformance to Working Papers, with date(s) and explanation(s)?
- 3.7.4.5 If any product or service offered under this RFP are being manufactured or performed at sites outside of the continental United States, the Vendor must disclose such information and provide details with the proposal.

RESPONSE NOTE: The Vendor shall provide information requested in this section.

3.7.5 Equipment and Resource Capabilities. Ability to provide the pull-tab tickets is critical to the project. The Vendor must have the equipment and resources available at a primary location and describe any back-up facilities if the primary resources are unavailable.

RESPONSE NOTE: The Vendor shall provide an explanation of the equipment and expertise with that equipment in relationship to ticket design.

RESPONSE NOTE: The Vendor shall provide a report of current production capabilities. The report should detail current contractual commitments, current production capabilities and capacities, and measures that would be taken to ensure timely production under a resulting contract, i.e. extra shifts, expansion of facilities, etc. The Vendor should also provide the location of the production plant that would be used to produce tickets under a resulting contract and any back-up facility. Vendor shall indicate the number of print presses available to accommodate Lottery's printing needs.

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

- 3.7.6.1 Submission of Financial Statements. All Vendors and substantial subcontractors must submit audited financial statements (annual reports)

for the last three (3) 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, 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.

3.7.6.2 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.

3.7.6.3 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.

RESPONSE NOTE: An original in paper form plus two (2) additional copies in electronic format on CD of the required financial information must be provided and should be submitted with the original copy of the Proposal (not with copies). All submissions must employ US currency or include a US currency conversion formula.

SECTION 4. PRICE PROPOSAL

4.0 Introduction

This section describes the manner and conditions in which Vendors will submit pricing for the Lottery's consideration. Vendors that meet all of the specifications will be awarded a contract. Vendor ticket pricing shall remain firm for the initial contract period plus any option periods however, the Lottery can negotiate for better pricing. Vendors must use the pricing matrix format provided as Appendix B.

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.

4.2 CPI Contract Options

The resulting contract shall allow for a price increase or decrease adjustment of the Contractor's price beginning with each of the contract extensions. Each contract extension will allow for an adjustment of the Contractor's price based on a percentage of the change in the National All Urban Consumer Price Index for the "all items" classification. The applicable percentage of the total change will be based upon the percentage quoted by the Contractor. Contractors are

required to complete the CPI markup/markdown percent even if the future increase or decrease in price is to be zero (0) percent.

- For example, if the Contractor rate is to be \$100.00, the CPI increase is five (5) percent and the Contractor bids a fifty (50) percent markup, then the new rate will be \$102.50. If the Contractor bids one-hundred (100) percent markup, then the new rate will be \$105.00.
- The CPI is an annual rate determined by the U.S. Department of Labor. The change will be computed from the previous January thru December.
- The CPI markup percentage provided as part of the Cost Proposal would be applicable for all contract extensions. The Lottery will not accept CPI markup percentage proposals that vary by year and the Lottery will not allow a percentage greater than one-hundred (100) percent.

The percentage quoted will be applicable to the start of the first approved contract extension after the initial contract period, and all additional option periods.

Proposed CPI Index Markup _____% (See Appendix B)

SECTION 5. PROPOSAL EVALUATION

5.0 Introduction

This section describes the evaluation process that will be used to evaluate each Proposal submitted. 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. **The Lottery intends to award one vendor a single contract but reserves the right at its' sole discretion to award additional contracts to print Lottery pull-tab tickets. The lowest priced proposal is not necessarily the best proposal. The award of a contract does not guarantee the Lottery will print any tickets with that Vendor.**

5.1 Evaluation Committee

The Lottery intends to conduct a comprehensive, fair, and impartial evaluation of Proposals received in response to this RFP. The Lottery will use an evaluation committee to review and evaluate the Proposals.

5.2 Overview of Evaluation

Technical Proposals will be opened, and a determination will be made that the prospective Contractor's Technical Proposal complies with the proposal format instructions for submitting a proposal. Non-compliant Technical Proposals and correspondingly sealed Cost Proposals will be rejected and no further evaluation of the proposal will be made. Non-compliant Technical Proposals and their respective sealed Cost Proposals shall be handled by the Lottery pursuant to Section 1.11.

During the evaluation process, all information concerning proposals submitted will remain confidential and not be disclosed to anyone whose official duties do not require such knowledge.

All Cost Proposals will remain unopened and separated from the Technical Proposals until the committee has completed its evaluation of the Technical Proposals.

After the committee has completed its evaluation of all Technical Proposals, the Evaluation Committee shall open the Cost Proposals for all technically compliant prospective Contractors

achieving the minimum score. A determination will be made by the Lottery that the prospective Contractor's Cost Proposal complies with the proposal format instructions for submitting a proposal. Non-compliant Cost Proposals and their respective Technical Proposals may be rejected and no further evaluation of the proposal will be made. A non-compliant proposal shall be handled by the Lottery pursuant to Section 1.11.

Technical and Cost Proposals will be awarded points (2000 points maximum) as follows: The compliant prospective Contractor's Technical Proposal will be evaluated by the committee and points will be awarded for each category, as applicable, based upon the information, responses, and documentation provided by the prospective Contractor. Seventy percent (70%) of the maximum number of points available is derived from the Technical Proposal. The criteria used to evaluate the Technical Proposals will be weighted to reflect the importance of the criteria in the evaluation. Thirty percent (30%) of the maximum number of points available is derived from the Cost Proposal.

No prospective contractor is promised a minimum or maximum number of points.

The findings and recommendation of the Evaluation Committee will be presented to the Lottery CEO and Board, for consideration. The CEO and the Board, after evaluation of the process and its results, will approve issuing a notice of intent to award and authorize the negotiation of a contract with the prevailing vendor, contingent upon the vendor's successful completion of any required DCI background investigation.

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. This process shall continue at the sole option of the Lottery until an agreement is reached.

5.3 Site Visits

Prior to completion of the evaluation process, Vendors may be required to provide an on-site tour of the production facility for the evaluators. The tour should be constructed to provide substantiating information and demonstrated performance to support Proposal content. No enhancements to the proposal may be offered. The Lottery may choose 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.

5.4 Notice of Award and Contract Signing

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 the issuance of a notice of intent to award and authorize the negotiation of a contract with the prevailing vendor, contingent upon the vendor's successful completion of any required DCI background investigation.

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. This process shall continue at the sole option of the Lottery until an agreement is reached.

5.5 Evaluation Criteria

Evaluation of Proposals will be based on the following criteria, which are not listed in any particular order of importance. Maximum Score Possible - 2,000.

5.5.1 Technical Proposal Evaluation Criteria (1,400 points available)

5.5.1.1 Corporate Background and Experience

Prospective Contractors will be evaluated on the integrity of the business entity which includes, but is not limited to evaluation of criminal, administrative and civil proceedings against a prospective Contractor in which the prospective Contractor fails or has failed to comply with applicable laws and regulations governing the business entity or displays a pattern or practice of failure to comply with applicable laws and regulations. Prospective Contractors will be evaluated on demonstrated experience and performance on past and current contracts similar in scope. (References will be utilized to verify information provided by prospective Contractors.) Prospective Contractors will also be evaluated on their financial stability and overall track record and reputation in the industry. In the sole discretion of the Lottery, a prospective Contractor may be disqualified from further consideration if the Contractor provides false or misleading information in its proposal.

5.5.1.2 Production Methods and Equipment

Prospective Contractors will be evaluated on the plan to perform all of the functions and requirements of this RFP. The Proposal will be evaluated on the Contractors demonstrated understanding of the Lottery's requirements as described in the specifications of the RFP. Demonstrated understanding is reflected by such factors as: description and quality of methods to be used to achieve final product and attention to detail in the proposal. The Proposal should demonstrate the Contractor's comprehensive understanding of the required effort and any other factors necessary for successful completion.

5.5.1.3 Security Features

Prospective Contractors will be evaluated on existing and/or proposed security measures offered by the Contractor in the design, print, storage and production of pull-tab tickets.

5.5.1.4 Proposal Quality

The proposal will be reviewed for thoroughness in addressing requirements, ability to be clear and concise, and demonstration of understanding of the project.

5.5.2 Cost Proposal Evaluation Criteria (600 points available)

5.5.2.1 Price for delivery of requirements as specified in Section 4 shall be stated in Cost Proposal found as Attachment B.

5.5.2.2 Cost Proposals will be evaluated and points awarded as follows:

The maximum award for a Cost Proposal will be 600 points. The lowest bid shall receive the maximum number of points available in this section. To determine the number of points to be awarded to each Contractor, the lowest bid among all proposals will be used in all cases as the numerator. The bid of each respective Contractor will be used as the denominator. The resulting ratio for each Contractor will be multiplied by the maximum number of points (600) and the resulting number will be the Cost points awarded to each Contractor. The points awarded for the Cost will be added to the Contractors Technical Points to obtain the total points awarded for a proposal.

Example for evaluating Cost:

Contractor A quotes \$15; Contractor B quotes \$20; Contractor C quotes \$25.

Contractor A: \$15 = receives 100% of available points or 600 points.

\$15

Contractor B: \$15 = receives 75% of available points or 450 points.

\$20

Contractor C \$15 = receives 60% of available points or 360 points.

\$25

Points will be rounded to the nearest higher whole value. If more than one Contractor proposes the same cost, each will be awarded same number of points.

5.6 Preferences

5.7.1 Preference to Iowa Products and Services

In accordance with the provisions of *Iowa Code § 73.1* a preference will be given to products and provisions grown and locally produced within the State of Iowa, when they are found in marketable quantities in the State and are of a quality reasonably suited to the purpose intended, and can be secured without additional cost over foreign products or products of other states. Preferences required by applicable statute or rule shall also be applied, where appropriate.

5.7.2 Tied Bid

An award shall be determined by a drawing when responses are received that are equal in all respects by drawing lots unless only one of the tied bidders is an Iowa business. If only one of the bidders tied for an award is an Iowa business, the Iowa business shall be given preference over all tied out-of-state businesses.

If it is necessary to draw lots, the drawing shall be held in the presence of the Contractors who submitted the tied bids or proposals whenever practical. If the tied Contractors are not present, the drawing shall be held in front of at least two persons, and the Lottery shall document the drawing.

5.7 Scoring Criteria

Information regarding the weighting of the evaluation scoring criteria will be made available to Vendors at the time and date of submission of proposals to the Lottery.

APPENDICES

Appendix A	Proposal Compliance and Certification Statement
Appendix B	Cost Proposal format
Appendix C	DCI Class “L” Business Entity form
Appendix D	DCI Class “L-1” Bidder Key Personnel form
Appendix E	Sample of Working Papers
Appendix F	Sample of retailer manual pages
Appendix G	Sample of sales sheet
Appendix H	Sample contract
Appendix I	Contractor checklist

Appendix C and D may also be found under the Vendors / Forms tab on the Iowa Lottery Web site www.ialottery.com.

APPENDIX A

PROPOSAL COMPLIANCE AND CERTIFICATION STATEMENT

I certify that the contents of the Bid Proposal are true and accurate. I also certify that no false statements have knowingly been made in this Bid Proposal.

Certification of Independence

By submitting a Bid Proposal in response to this RFP, I certify the following:

1. The Bid Proposal has been developed independently, without consultation, communication or agreement with any employee or consultant to the Lottery who has worked on the development of this RFP, or with any person serving as a member of the evaluation committee.
2. The Bid Proposal has been developed independently, without consultation, communication or agreement with any other Contractor or parties for the purpose of restricting competition.
3. Unless otherwise required by law, the information found in the Bid Proposal has not been knowingly disclosed and will not be knowingly disclosed prior to the award of the contract, directly or indirectly, to any other Contractor.
4. No attempt has been made or will be made to induce any other Contractor to submit or not to submit a Bid Proposal for the purpose of restricting competition.
5. No relationship exists or will exist during the contract period between the Contractor and the Lottery that interferes with fair competition or as a conflict of interest.

Certification Regarding Debarment

6. I certify that, to the best of my knowledge, the Contractor/Company (shown in signature box) and all of its principals: (a) are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by a Federal Agency or State Agency; (b) have not within a ten-year period preceding this Bid Proposal been convicted of, or had a civil judgment rendered against them for commission of fraud, or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (federal, state, or local) transaction or contract under a public transaction, violation of antitrust statutes or commission of embezzlement, theft, forgery, falsification or destruction of records, making false statements, or receiving stolen property; (c) are not presently indicted for or other criminally or civilly charged by a government entity (federal, state, or local) with the commission of any of the offenses enumerated in (b) of this certification; and (d) have not within a three year period preceding this Bid Proposal had one or more public transactions (federal, state, or local) terminated for cause.

This certification is a material representation of fact upon which the Lottery has relied upon when this transaction was entered into. If it is later determined that the undersigned knowingly rendered an erroneous certification, in addition to other remedies available, the Lottery may pursue available remedies including suspension, debarment, or termination of the contract.

Certification Regarding Registration, Collection, and Remission of Sales and Use Tax

7. Pursuant to Iowa Code sections 423.2(10) & 423.5(8) (2011) a retailer in Iowa or a retailer maintaining a business in Iowa that enters into a contract with a state agency must register, collect, and remit Iowa sales tax and Iowa use tax levied under Iowa Code chapter 423 on all sales of tangible personal property and enumerated services. The Act also requires Contractors to certify their compliance with sales tax registration, collection, and remission requirements and provides potential consequences if the certification is false or fraudulent.

By submitting a Bid Proposal the undersigned certifies the following: (check the applicable box)

- _____ is registered with the Iowa Department of Revenue, collects, and remits Iowa sales and use taxes as required by Iowa Code chapter 432; or
- _____ is not a “retailer” or a “retailer maintaining a place of business in this state” as those terms are defined in Iowa Code subsections 423.1(42) & (43).

By submitting a Bid Proposal and signing this statement, Contractor indicates understanding and acknowledges that the Lottery may declare the bid or resulting contract void if the above certification is false. The Contractor also understands that fraudulent certification may result in the Lottery or its representative filing for damages for breach of contract.

I have the authority to bind the Contractor indicated below to the specific terms and conditions and technical specifications required in this RFP and offered in the Bid Proposal.

Business Name:	
Authorized Signature:	
Printed Name:	
Title:	
Date:	

APPENDIX B Cost Proposal Format

COMPILATION OF THE SINGLE PROPOSAL PRICE. The following assumptions will be used to convert the unit prices to the single proposal price. The single proposal price will be a compilation of total anticipated payments by the Lottery over a five-year period. An inflation factor will be used to figure the costs in three (3) contract extension years however it will not be used to determine a net present value of the payments.

- a) Contract Length 21 months (April 2018 – Dec. 2019) with 3 one-year renewals
- b) Inflation Rate 3% per year
- c) Yearly Ticket Purchases totaling 18 million tickets broken up as follows:

Ticket Quantity	# of Games Orders	Total # of Purchased Tickets
-----	-----	-----
2,000,000	4	8,000,000
1,000,000	10	10,000,000

- d) Fourteen (14) new games developed per year

PRICE MATRIX

Pull-Tab Tickets. The Lottery will accept a delivery tolerance of +/-5% of the ticket order quantity. Prices to include a Retailer Manual Pages and sales sheets with each order of tickets produced. Prices to include all costs (transportation, etc.) F.O.B. Lottery warehouse, Ankeny, Iowa 50021.

Ticket Quantity	Cost of Order	Cost Per Ticket
250,000	_____	_____
500,000	_____	_____
1,000,000	_____	_____
1,500,000	_____	_____
2,000,000	_____	_____
2,500,000	_____	_____
3,000,000	_____	_____
3,500,000	_____	_____
4,000,000	_____	_____
5,000,000	_____	_____

New Game Development. One time charge for developing a new game includes creative development and

- trademark search (refer to Section 3.1.16),
- press proofs (refer to Section 3.1.17),
- 17,280 sample tickets (refer to Section 3.1.22),

- 950 retailer manual pages (refer to Section 3.6.1.2), and
- 660 sales sheets (refer to Section 3.6.1.3).

Cost _____

CPI Contract Options

The percentage increase or decrease adjustment quoted will be applicable to the first contract extension after the initial contract period and all optional extension periods as described in Section 1.0.

CPI Index Markup _____%

Additional Pricing and Product Description. If the Vendor has any other product capabilities relating to the purchase of pull-tab tickets, for example die cut tickets, the Vendor may list the product description and cost. The Vendor shall provide a cost for ultra-violet inks.

DESCRIPTION	COST
Ultra-violet inks (Section 3.1.12)	_____
Selective seeding (Section 3.1.13.5)	_____
Fluorescent Inks (Section 3.1.11)	_____
_____	_____
_____	_____

Vendor's Name: _____

Signature of Officer: _____

Printed Name: _____ Title: _____

Date: _____

Email Address: _____

APPENDIX C
DCI Class “L” Business Entity Form
(See attached document or visit
www.ialottery.com/Vendors/Vendors_main.asp)

APPENDIX D
DCI Class “L-1” Bidder Key Personnel Form
(See attached document or visit
www.ialottery.com/Vendors/Vendors_main.asp)

APPENDIX E
Sample of Working Papers
(See attached document)

APPENDIX F
Sample of Retailer Manual Pages
(See attached document)

APPENDIX G
Sample of Sales Sheet
(See attached document)

APPENDIX H
Sample Contract
(See attached document)

**APPENDIX I
Contractor Check List**

RFP REFERENCE SECTION	RESPONSE INCLUDED		LOCATION OF RESPONSE
	Yes	No	
1.14 1 Original Copy of the Technical Proposal, plus 3 photocopies & 1 electronic copy			
1.14/1.26 One (1) Public Copy with Confidential Information Excised-if applicable			
1.16 Transmittal Letter			
1.13/1.16 Acceptance Period			
1.30 Proposal bid bond			
1.31 Litigation bond			
1.33 Disclosure documents			
1.34 Disclosure of litigation			
2.0 Acceptance of terms and conditions			
3.0 Response notes as required in section			
3.7.1 Corporate background			
3.7.2 Vendor personnel			
3.7.3 Ticket printing experience			
3.7.4 Contract performance			
3.7.6 Financial information			
Appendix A Proposal Compliance			
Cost Proposal – sealed			