STATE OF VERMONT
OFFICE OF PURCHASING & CONTRACTING
109 STATE STREET
MONTPELIER VERMONT 05633-3001

ADDENDUM #3 for RFP
Lottery Gaming Services, Sales Channels, and Related Systems
December 19, 2018

PROPOSAL DATE:	January 23,2019
FOR:	State of Vermont
REQUISITION NUMBER:	N/A

CHANGES:
The RFP Document posted on December 19, 2018 has been replaced in its entirely with the attached document.

Stephen Fazekas
PURCHASING AGENT

Revised 1/16/2019

Department of Buildings and General Services *Agency of Administration*
Office of Purchasing & Contracting
109 State Street [phone] 802-828-2211
Montpelier VT 05609-3001 [fax] 802-828-2222
http://bgs.vermont.gov/purchasing

SEALED BID
INFORMATION TECHNOLOGY REQUEST FOR PROPOSAL

FOR

Lottery Gaming Services, Sales Channels, and Related Systems

Expected RFP Schedule Summary:

ISSUE DATE	December 7, 2018
LOTTERY PROCESS BRIEFING	December 18, 2018
QUESTIONS DUE	December 28, 2018
RFP RESPONSES DUE BY	March 22, 2019 2pm (EST)

PLEASE BE ADVISED THAT ALL NOTIFICATIONS, RELEASES, AND AMENDMENTS ASSOCIATED WITH THIS RFP WILL BE POSTED AT:

http://www.bgs.state.vt.us/pca/bids/bids.php

THE STATE WILL MAKE NO ATTEMPT TO CONTACT INTERESTED PARTIES WITH UPDATED INFORMATION. IT IS THE RESPONSIBILITY OF EACH BIDDER TO PERIODICALLY CHECK THE ABOVE WEBPAGE FOR ANY AND ALL NOTIFICATIONS, RELEASES AND AMENDMENTS ASSOCIATED WITH THIS RFP.

PURCHASING AGENT: **Stephen Fazekas**
TELEPHONE: **(802) 828-2210**
E-MAIL: **stephen.fazekas@vermont.gov**
FAX: **(802) 828-2222**

VERMONT

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PART 1 – RFP CONTENT

1.0 Overview

The Office of Purchasing & Contracting on behalf of the Vermont Department of Liquor and Lottery, Division of Lottery (the State) is soliciting competitive sealed, fixed price proposals (Proposals) for Lottery services and a Gaming System (System) including marketing services, operational services and associated gaming products, and sales channels. (the Work) from qualified offerors. If a suitable offer is made in response to this Request for Proposal (RFP), the State may enter into a contract (the Contract) to have the selected offer (the Contractor) perform all or part of the Work. This RFP provides details on what is required to submit a Proposal in response to this RFP, how Proposals will be evaluated, and what will be required of the Contractor in performing the Work.

This is a Request for Competitive Sealed Proposals (RFP) to select the vendor who can perform the Scope of Work described in PART 3 of this RFP.

It is required that any Bidder submitting a Proposal has at least one government sponsored lottery client to whom it is supplying Lottery Services and a Gaming System similar to those required by this RFP.

The lottery gaming services and system and services required include, but are not limited to:

- Revenue optimization services
- Operational services
- Sales channels, sales channel connectivity, and sales channel support services
- Terminal games
- Lottery gaming system management and operational capabilities for Terminal Games and Instant Games Retailer Instant ticket validation capabilities, instant games management system, and combined instant/terminal game accounting
- Primary and back-up computer systems, operational facilities, and connectivity
- Software updates and maintenance

In the RFP, the Lottery has defined a series of objectives, requirements, and a proposal evaluation approach that will represent its best interests in conformance with Lottery objectives, State regulations and Vermont Statutes. **The Lottery's goal is to choose a Vendor who will work collaboratively as a primary business partner to assist the lottery in driving sales and maximizing Lottery profits.**

An existing base of approximately six hundred and twenty-nine (629) clerk-activate terminals and one hundred full service vending machines together with all related computer and network hardware, software and support services, must be replaced as a result of this RFP. All proposed System components must be delivered, installed, implemented, acceptance tested and ready to be operational by the agreed-upon schedule.

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

1.1 Lottery Objectives

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

- Maximize net lottery proceeds for the State of Vermont.
- Enter into a contract with clearly defined and measureable service levels agreements or quality and performance that will result in high retailer and player satisfaction.
- Install a flexible System that will meet Vermont's gaming needs for the term of the Contract.
- Obtain sales channels including retailer terminals, sales devices, supporting systems, and services that are operationally sound, incorporate the highest level of integrity and security, and minimize risk for the Lottery.
- Ensure that all proposed systems and services are ready to be operational by the agreed-upon schedule.

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

1.2 Overview of the RFP

This Request for Proposals (RFP) will provide the information necessary to submit Proposals. **Part One** provides background and Proposal preparation information. Section 1.8 provides the specification for the form of the submission and Attachment A provides a checklist. **Part Two** defines terms and conditions that will apply to the Contract. **Part Three** contains technical and business specifications. **Part Four** contains the submission requirements for Bidder experience and capability. **Part Five** defines how pricing must be submitted. **Part Six** provides evaluation criteria.

1.3 Single Point of Contact

All communications concerning this RFP are to be addressed in writing to the State Contact listed on the front page of this RFP. Actual or attempted contact with any other individual from the State concerning this RFP is strictly prohibited and may result in disqualification.

1.4 Restrictions on Communication with Lottery

The Vendors, their agents, representatives and lobbyists may not make unsolicited contact with the Lottery staff, members of the Board, or their representatives, regarding this RFP. Unsolicited contact may only be made with the Purchasing agent. For Bidders currently doing business with the Lottery, any communication regarding this RFP is prohibited except as provided for in this RFP. Any Bidder causing or attempting to cause a violation or circumvention of this ethical standard may, in the sole discretion of the Lottery, be disqualified from further consideration.

1.5 Timeline

The following dates are established for informational and planning purposes. The Lottery reserves the right to change any of the dates. Time references listed below are reflected in Eastern Time as observed at the Vermont Lottery headquarters.

Event	Expected Date(s)
RFP Released	12/7/2018
Lottery process briefing	12/18/2018 11am (EST)
Question period closed	1/4/2019
Proposals Due	3/22/2019 2pm EST

Evaluation of Proposals	3/22/2019 - 5/3/2019
Contract Signed	7/16/2019
Project Starts	7/17/2019
System specification review by Lottery	7/31/2019 – 9/14/2019
Acceptance testing completed/system ready	4/10/2020
Customer acceptance testing completed	6/5/2020
Implementation/Conversion	7/5/2020

1.6 Lottery Briefing and Bidder Question Clarification of RFP

Any vendor requiring clarification of any section of this RFP or wishing to comment on any requirements of the RFP must submit specific questions in writing no later than the deadline for question indicated on the first page of this RFP. Questions may be emailed to the point of contact on the front page of this RFP. Questions or comments not raised in writing on or before the last day of the question period are thereafter waived. Bidders are encouraged to submit questions as they arise and the State may post interim responses prior to the close of the question period. At the close of the question period a copy of all questions or comments and the State's responses will be posted on the State's web site http://www.bgs.state.vt.us/pca/bids/bids.php. Every effort will be made to post this information as soon as possible after the question period ends, contingent on the number and complexity of the questions.

The Lottery will provide briefings on Lottery processes on December 18, 2018 at 11am EST. The briefings will include the following processes:

1. Claims and payments not performed at retail locations
2. Instant ticket allocations/retailer ordering
3. Terminal game drawings
4. Retailer contracting

Potential Bidders may request additional processes be added to the briefing.

Restrictions on communication require that Contact with any Vermont Lottery personnel or officials elected or appointed in the State of Vermont to influence the awarding of this contract shall be grounds for rejection of bidder. Any bidders causing or attempting to cause a violation or circumvention of this ethical standard may, in the sole discretion of the Vermont Lottery, be disqualified from further consideration.

Written acknowledgement of all addenda issued prior to the Proposal due date shall become part of the Bidder's Proposal reply.

1.7 Bidder Conference

A bidders' conference is not required for this RFP. The Request for Proposal and clarifications will suffice for proposal preparation.

1.8 Proposal Format

NOTE: Attachment A contains the Proposal Submission Checklist

The Proposal must be submitted in three (3) separate packages plus the required equipment and be received by the Office of Purchasing & Contracting no later than the date and time provided on the front page of this RFP. All responses must be submitted in sealed packages identified on the outside of the enclosure with the package contents, Bidder's full name and address, and the RFP number.

Proposals that are unsealed, unsigned, or otherwise materially non-conforming may be declared non-responsive.

1.8.1 Package A – Required Documents and Files

The contents of the Required Documents and Files volume must follow this outline, employing divider pages with tabs to separate the response sections:

A. Transmittal Letter. The transmittal letter shall contain names, addresses, and telephone numbers of individuals who are authorized by the Bidder to address matters related to the Proposal including, but not limited to, contractual, technical, site visit, and background investigation issues. The letter must be signed in ink by an individual authorized to legally bind the Bidder.
B. Agreement by the Bidder to comply with all Terms and Conditions (Part 2) with exceptions noted.
C. Proposal Bond (see Section 1.27)
D. Litigation Bond (see Section 1.28).
E. Disclosure of Litigation and Other Information (see Section 1.30)
F. Letter of Ability to secure Performance Bond (see Section 2.10)
G. Acknowledgement of all RFP addenda.
H. Completed State-required forms:
    a. EXHIBIT A: CERTIFICATE OF COMPLIANCE
I. Financial statements and information required by section 4.6
J. USB or CD with pdfs of all documents included in Package A
K. USB or CD/DVD with searchable pdfs of all documents included in Package B

.

If any materials included in Package A contains confidential information, the Bidder must include one (1) redacted copy.

1.8.2 Package B - Specifications and Business Proposal

Package B must contain an original and six (6) copies of each of the following:

A. Cover letter designating confidential and proprietary information (see Section 1.19)
B. Bidder’s response to Part 3 - Specifications and Business Proposal in identical order as Part 3 subsections. The contents of this volume must employ divider pages with tabs to separate each major section. No price figures should be contained in the Specifications and Business Proposal but the Specifications and Business Proposal should identify whether an Invited or Offered Option is provided within the baseline or at additional cost or cost savings. Bidder-supplied technical documentation may be submitted as appendices.
C. Responses to Bidder Experience and Capability sections 4.1 through 4.5 in identical order to Part 4 subsections. The contents of this volume must employ divider pages with tabs to separate each major section

Package B must contain an original and one (1) copy of each of the following:

A. Redacted response to Part 3 Specifications and Business Proposal (if applicable).
B. Redacted response to Bidder Experience and Capability sections 4.1 through 4.5 (if applicable)

1.8.3 Package C – Price Proposal

The Price Proposal must be submitted in a separate package. The Price Proposal shall be signed in ink by an individual authorized to legally bind the Bidder. **The original plus two (2) copies of this part must be provided.**

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

1. Transmittal Letter.
2. Pricing for the Baseline System.
3. Pricing for Options.

The response must be in the format designated in Part 5.

1.8.3 Equipment Submittal

In addition to the three packages discussed above, the Bidder must submit two of the proposed CARTs working in stand-alone mode for assessment. User documentation must be included. (Terminals need not have their software adapted to issue Vermont Lottery games.)

1.9 Bid Submission

1.9.1 Closing Date:

Bids must be received by the due date and at the location specified on the front page of this RFP.

1.9.2 Bid Opening

The bid opening will be held at 109 State Street, 3rd Floor, Montpelier, VT and is open to the public.

1.9.3 Security Procedures

Please be advised extra time will be needed when visiting and/or delivering information to 109 State Street. All individuals visiting 109 State Street must present a valid government issued photo ID when entering the facility.

1.9.4 Sealed Bid Instructions

All bids must be sealed and must be addressed to the State of Vermont, Office of Purchasing & Contracting, 109 State Street – 3rd Floor, Montpelier, VT 05609-3001. BID ENVELOPES MUST BE CLEARLY MARKED 'SEALED BID' AND SHOW THE REQUISITION NUMBER AND/OR PROPOSAL TITLE, OPENING DATE AND NAME OF BIDDER.

1.9.4.1 All bidders are hereby notified that sealed bids must be received and time stamped by the Office of Purchasing & Contracting located at 109 State Street – 3rd Floor, Montpelier, VT 05609-3001 - by the time of the bid opening. Bids not in possession of the Office of Purchasing & Contracting at the time of the bid opening will be returned to the vendor, and will not be considered. Any delay deemed caused by Security Procedures will be at the bidder's own risk.

1.9.4.2 Office of Purchasing & Contracting may, for cause, change the date and/or time of bid openings or issue an addendum. If a change is made, the State will make a reasonable effort to

inform all bidders by posting at: **http://www.bgs.state.vt.us/pca/bids/bids.php** **.**

1.9.4.3 Proposals will be subject to public bid opening on the day of receipt, but will not be subject to review by the public at that time. At the time of execution of the Contract, Proposals will be available for public inspection and/or copying upon request, subject to any applicable statutory exemption to disclosure under the Vermont Public Records Act. .

1.9.5 Delivery Methods

1.9.5.1 Security Procedures: Note that security procedures concerning delivery of any mail or parcels to 109 State Street may delay receipt of mail/parcel pieces by one business day.

1.9.5.2 U.S. Mail: Bidders are cautioned that it is their responsibility to originate the mailing of bids in sufficient time to ensure bids are received and time stamped by the Office of Purchasing & Contracting prior to the time of the bid opening.

1.9.5.3 Express Delivery: If bids are being sent via an express delivery service, be certain that the RFP designation is clearly shown on the outside of the delivery envelope or box. Express delivery packages will not be considered received by the State until the express delivery package has been received and time stamped by the Office of Purchasing & Contracting. Due to security procedures express deliveries must be received by 10:30 AM in order to be received by the Office of Purchasing & Contracting that same day.

1.9.5.4 Hand Delivery: Hand carried bids shall be delivered to a representative of the Office of Purchasing & Contracting prior to the bid opening.

1.9.5.5 Electronic: Electronic bids will not be accepted.

1.9.5.6 Fax Bids: Faxed bids will not be accepted.

1.10 Withdrawal of Proposals

The withdrawal of a Proposal may be requested by written notice sent to the Purchasing Agent, if such notice is received within 72 hours (excluding State holidays, Saturdays, and Sundays) after the established submission time and date. Requests received in accordance with this provision may be granted by the Lottery upon proof of impossibility to perform, based upon an obvious error.

1.11 Modification of Proposals

Proposals may be modified by (a) written notice of the Bidder, if such notice is received prior to the exact hour and date specified for receipt of Proposals or (b) in person by the Bidder or his/her authorized representative, provided the Bidder's identity is established to the full satisfaction of the Lottery and provided the Bidder signs a receipt for the Proposal, but only if the modification is made prior to the exact hour and date set for receipt of Proposals.

1.12 Late Proposals

Proposals submitted pursuant to this RFP must be received by the Purchasing Agent no later than the date and time shown in the front page of this RFP. Failure of a Vendor to submit a Proposal by the specified time will result in rejection or disqualification of the Proposal. Proposals rejected or disqualified for lateness will be returned unopened to the Vendor.

1.13 Demonstrability of Proposed System

The Lottery requires that all major elements of equipment and software, including the retailer network capabilities proposed by the Bidder, be capable of a demonstration that indicates the Bidder's ability to meet the requirements specified in this RFP. Failure to propose demonstrable products may result in rejection of Bidder's Proposal.

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

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

1.14 Readiness for Production and Delivery

The Lottery requires that every major software and hardware item and network technology in the proposed configuration, other than invited and offered options, already be operational in some government-sponsored lottery environment, with the exception that equivalent or improved newer releases or models of the proposed products and their architectures are acceptable. The Lottery will not consider or accept major configuration items that are at the specifications or conceptual stage only, early in development, or are products only announced but not yet engineered and ready for manufacture and delivery. The Lottery acknowledges that a Bidder's System would likely require adaptation to the Vermont requirements and that component parts would be ordered and assembled for delivery. A Proposal based on undeveloped products, however, will be rejected.

1.15 Proposal Clarification Process

The Lottery may request clarifications from Bidders for the purpose of resolving ambiguities or questioning information presented in the Proposals. Clarifications may occur throughout the Proposal submission review and/or the Technical Proposal evaluation process. Clarification responses shall be in writing and shall address only the information requested. Responses shall be submitted to the Lottery within the time stipulated at the occasion of the request.

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

1.16 Latitude in Proposal Contents

Each Bidder is expected to provide the Lottery with sufficient information to allow the Evaluation Team to fully evaluate the Proposal.

Bidders are given wide latitude in the degree of detail they offer or the extent to which they reveal services, solutions, processes, plans, and systems.

There is no limit on the number of pages; however, Bidders must prepare their Proposals simply and economically, providing a straightforward and concise description of their ability to satisfy the requirements of this RFP. Proposals that are of excessive length, or contain a preponderance of boilerplate text, are discouraged. Emphasis in each Proposal must be on completeness and clarity of

content.

Failure of a Bidder to provide sufficient information may result in a lower score during the evaluation.

1.17 Proposal Disclosure by Bidder

Disclosure of Proposal contents by a Bidder or agent of the Bidder prior to the execution of the Contract may result in rejection of the Proposal.

1.18 Disclosure and Ownership of Proposal Contents by the Lottery

All matters set forth in a Bidder's Proposal, including technical and price information, may be subject to disclosure after Contract execution. All information in a Bidder's Proposal and any Contract resulting from this RFP are subject to the provisions of Vermont Public Records Act regardless of copyright status or Bidder designations on pages of the Proposal.

Any and all materials submitted become the property of the Lottery. The Lottery reserves the right to use any and all information contained in a Proposal unless prohibited by law.

1.19 Confidential Proposal Materials

a. To the extent your bid contains information you consider to be proprietary and confidential, you must comply with the following requirements concerning the contents of your cover letter and the submission of a redacted copy of your bid (or affected portions thereof).
b. The successful response will become part of the contract file and will become a matter of public record, as will all other responses received. If the response includes material that is considered by the bidder to be proprietary and confidential under the State's Public Records Act, 1 V.S.A. § 315 et seq., the bidder shall submit a cover letter that clearly identifies each page or section of the response that it believes is proprietary and confidential. The bidder shall also provide in their cover letter a written explanation *for each marked section* explaining why such material should be considered exempt from public disclosure in the event of a public records request, pursuant to 1 V.S.A. § 317(c), including the prospective harm to the competitive position of the bidder if the identified material were to be released. Additionally, the bidder must include a redacted copy of its response for portions that are considered proprietary and confidential. Redactions must be limited so that the reviewer may understand the nature of the information being withheld. It is typically inappropriate to redact entire pages, or to redact the titles/captions of tables and figures. Under no circumstances can the entire response be marked confidential, and the State reserves the right to disqualify responses so marked.

If a response to this RFP includes any information that is considered that constitutes security-related information that the Bidder believes cannot be disclosed without compromising the best interests of the Bidder (or of the Lottery if the Bidder receives the Contract award), such information shall be clearly marked as "CONFIDENTIAL."
An entire page or paragraph in which such information appears must not be marked CONFIDENTIAL unless the entire page or paragraph consists of such confidential information. Only the confidential portion(s) should be so identified and marked.

If the Bidder includes any information that is marked as "CONFIDENTIAL" in the Proposal, the Bidder must submit a second version of its Proposal that has all confidential material redacted but maintains the location (pages and location on pages) of the non-redacted information. The

Bidder only needs to submit one physical copy and one redacted copy of the second version.

It will be the responsibility of the Bidder to defend the confidentiality of its proposal materials through the judicial process, as well as to indemnify the Lottery for any costs or fees, including reasonable attorneys' fees, incurred by the Lottery in the defense of disclosure of such information contained in Bidder's Proposal.

Pricing information may not be designated as proprietary or confidential.

1.20 Joint Proposals

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

1.21 Multiple Proposals from One Bidder Prohibited

A Bidder shall submit a single Proposal only. Within the single Proposal, the Bidder may identify options, including solicited and unsolicited products, services, and features that the Bidder believes may be appealing and useful to the Lottery. The inclusion of options accommodates the purpose of defining alternatives through multiple Proposals.

1.22 Costs of Preparation

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

1.23 Mandatory and Desirable

Specifications in the RFP shall be regarded by the Bidder as mandatory, as denoted by terms such as "required," "must," "shall," "will," and their semantic equivalents, except where a function, feature, or capability is specifically noted as being "desirable" or an "option." In the case of a "desirable," the Bidder is not required to offer such as expressly described in the RFP; however, the evaluation of the Bidder's offering may be more favorable if desirable functions, features, and capabilities are offered. "Options" are explained in Section 1.33.

1.24 Material Deviations

Material requirements of the RFP are those set forth as mandatory, without which an adequate analysis and comparison of Proposals is impossible, or those that affect the competitiveness of Proposals, or the cost to the Lottery. Proposals that do not meet all material requirements of this RFP or that fail to provide all required and mandatory information, documents, or supporting materials, or include language that is conditional or contrary to terms, conditions, and requirements, may be rejected as non--responsive.

The Lottery, in its sole discretion, reserves the right to determine whether a Proposal meets the material requirements of the RFP.

1.25 Non-Exclusive Rights

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

1.26 Rejection or Selection of Proposals

The Lottery reserves the right to reject any or all Proposals, to advertise for new Proposals, to arrange to receive or itself perform and obtain the services and goods to be obtained hereunder, to abandon the need for such goods and services, or to award in whole or in part a Contract deemed to be in the best interests of the Lottery and the State of Vermont.

1.27 Proposal Tenure and Proposal Bond

Proposals must remain valid for a period of eighteen (18) months. Proposals remaining valid less than this timeframe may be rejected. Bidders shall be strictly held to the terms contained in their Proposals. The contents of this RFP and the Proposal will be utilized to draft contractual obligations if a Contract ensues. Failure of the Successful Bidder to accept these obligations will result in cancellation of the Contract award.

Each Bidder must submit a Proposal Bond with the Proposal. The Proposal Bond must be acceptable to the Lottery in form and substance, and issued by an approved issuer, in the amount of two hundred fifty thousand dollars ($250,000). This bond will guarantee the availability of the goods and services at the price(s) quoted in the Proposal for a period of eighteen (18) months after submission of the Proposal. In lieu of the Proposal Bond, the Lottery will accept a secured check from the Bidder in this amount. The check or Proposal Bond shall be made payable to the Vermont Lottery.

The check or Proposal Bond will be returned to an unsuccessful Bidder upon the execution of the Contract. The check or Proposal Bond of the Successful Bidder will be retained until the Contract is officially executed and until the Lottery is furnished with an acceptable Performance Bond. The check or Proposal Bond will be forfeited to the Lottery if the Successful Bidder fails to timely submit the Performance Bond or other security, as required, or fails to execute the Contract when required to do so by the Lottery.

Bonds shall be issued by a reliable surety company with a record of successful continuous operation and licensed to do business in the State of Vermont. Refer to Section 2.8 for additional qualifications and information.

1.28 Litigation Bond

Each respondent must submit with the Proposal a litigation Bond in the amount of five hundred thousand dollars ($500,000). A claim upon the Bond may be made by the Lottery if:

1. The respondent sues the Vermont Lottery, the State of Vermont, or any of their officers, employees, representatives, other contractors, or retailers with regard to any matter relating to this RFP, determination of responsiveness of Bidders or the award of a contract pursuant to this RFP; and
2. The Lottery or other defendant is the prevailing party in such suit.

The purpose of the Bond is to permit the Lottery or other defendants to recover damages, including the

cost of appeal relative to the additional cost in compensation to the current bidder during implementation or conversion delay, and 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.

As an alternative to the Litigation Bond, the Bidder may execute a Covenant Not to Sue, and submit it with the Proposal. The Covenant Not to Sue must be submitted in a form acceptable to the Lottery.

1.29 Disclosure and Investigations During Proposal Evaluation

Subsequent to Proposal submission, the Lottery may initiate investigations into the backgrounds of the Bidder and individuals or entities related to any officers, directors, members, principals, investors, owners, subcontractors, employees, or any other individuals or entities related to the Bidder, as deemed appropriate. Such background investigations may include but not be limited to fingerprint identification by the Vermont State Police, and shall require the provision of information, including such information as is required in the Bidder application.

The Lottery may reject a Proposal based upon the results of these background checks. The Bidder 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.

If the Bidder or a substantial subcontractor is a subsidiary of a parent entity, the Lottery may request the above disclosures from the parent entity as necessary.

1.30 Disclosure of Litigation and Other Information

Since the Lottery has a strong interest in the Successful Bidder's continuing ability to produce secure, high quality products and services, the Lottery requires that Bidders list and summarize pending or threatened litigation, administrative or regulatory proceedings or similar matters that could materially affect the Bidder. As part of this disclosure requirement, Bidders must state whether they or any owners, officers, directors, or partners have ever been convicted of a felony. Failure to disclose such matters may result in rejection of the Proposal or in termination of a Contract. Such disclosures must be submitted with the Proposal.

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

1.31 Change of Financial Condition

If a Bidder, who has submitted a Proposal in response to this RFP, experiences a material change in financial condition prior to Contract 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. A "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. Failure to notify the Lottery of such a change may result in the rejection of a Bidder's Proposal or termination of the Contract. The Lottery reserves the right, based on its assessment of a material change in financial condition, to reject the Bidder’s Proposal or terminate the Contract.

1.32 Change of Ownership

If a Bidder, who has submitted a Proposal in response to this RFP, experiences a material change of ownership prior to Contract award or during the term of a Contract with the Lottery, the Lottery must be notified in writing at the time the change occurs or is identified. "Material change" in ownership is defined as any merger, acquisition, assignment or change in parties who comprise ownership greater than five (5) percent of the Bidder or the parent company of the Bidder. Failure to notify the Lottery of such a change may result in the rejection of a Bidder's Proposal or termination of the Contract. The Lottery reserves the right, based on its assessment of a material change in ownership, to reject the Bidder's Proposal or terminate the Contract.

1.33 Invited and Offered Options

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

An **Offered Option** is not identified in this RFP but may be identified by the Bidder and included in the Proposal. This is an opportunity for Bidders to offer options that the Lottery may not have been aware of at the time the RFP was written. The Lottery makes no commitment to quantity or timing for acquisition of Offered Options.

1.34 Independent Price Determination

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

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

1.35 Hiring and Other Business Relationships with the Lottery

During the period from the RFP release until the signing of the Contract, Bidders are prohibited from officially or unofficially making any employment offer or proposing any business arrangement whatsoever to any Lottery employee or member of the Board. A Bidder 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, Bidders, their employees and any representative, designee or agent of the Bidder shall refrain from:

A. Providing meals, entertainment or other expenses for Board Members, Commissioner, Deputy Commissioners, or employees; and,
B. Providing gifts of any value to Board Members, Commissioner, Deputy Commissioners, or employees.

1.36 Disqualification for Non-Responsibility

Financial and business stability and wherewithal to perform and support the Lottery are required. Bidders who, in the Lottery's judgment after the evaluation of documents required to be submitted in

response to this RFP, do not possess the capability to perform the Contract requirements, have a conflict of interest in serving the Vermont Lottery, or fail to demonstrate sufficient financial responsibility, security, integrity and reliability to assure good faith performance, shall be rejected as non-responsible.

1.37 Applicable Laws and Procedures

The RFP, the Bidder Proposals, the resulting Contract and the processes associated with the procurement shall be governed by the laws of the State of Vermont. With respect to any and all legal action or proceedings arising under this RFP or any Contract resulting thereunder, a Bidder, by submission of a Proposal, consents to the venue and jurisdiction of all courts of the State of Vermont 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 Bidder to the Lottery are to be performed.

1.38 Headings

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

PART 2 - TERMS AND CONDITIONS

2.0 Introduction

This section describes the terms and conditions which apply to the procurement and which will become part of the Contract executed pursuant to this RFP. By submission of a Proposal, the Bidder agrees to the Terms and Conditions contained herein.

2.1 Contract Obligation

The contract resulting from this RFP shall be solely the obligation of the Lottery and is payable solely out of the income, revenues, and receipts of the Lottery. In no event shall the contract resulting from this RFP constitute or create an obligation, either general or special, debt, liability, or moral obligation of the State of Vermont, or any municipality, political subdivision, or governmental unit thereof or constitute or give rise to a pecuniary liability of the State of Vermont, or any municipality, political subdivision, or governmental unit thereof nor shall the general credit or taxing power of the State of Vermont, or any municipality, political subdivision, or governmental unit be pledged therefore.

2.2 Amendments to the Contract

Any Contract provision resulting from this RFP may not be modified, amended, altered, changed, renewed, varied, waived or augmented, except in writing executed by the parties hereto, and 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 to be invalid, it shall be severed and the remaining portion of a Contract shall remain in effect.

2.4 Term of Contract

2.4.1 Intended Term

The Contract resulting from this RFP will be in effect from the Contract effective date, including an implementation period and ten (10) years of production operations, plus such time as is necessary to

finish out the Lottery business week in progress. The Contract term may run a shorter period, as determined by the Lottery, due to causes such as Contract termination or loss of statutory authority by the Lottery.

The Lottery reserves the right to renew the Contract at its sole option up to a maximum of two (2) renewals of five (5) years each, provided that any such option to renew is exercised by the Lottery at least ninety (90) days prior to the end of the initial contract 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.

2.4.2 Invited Optional Five-year Initial Term

Consistent with the State of Vermont's standard contracting procedures, the State invites Bidders to propose an initial term of five (5) years if they so desire. The optional offering must meet all specifications, terms and conditions as the standard ten year initial term.

2.5 Emergency Extension

The Lottery reserves the right to reactivate or further extend the initial Contract, or any renewal thereof, at the rates and upon the terms and conditions then in effect on thirty (30) days' notice for one (1) or more thirty (30) day periods if a different Bidder is chosen for a subsequent Contract and the subsequent Bidder's System does not meet the requirements of the Lottery. To meet this requirement, the Successful Bidder for this Contract must maintain the System in a state of readiness through the date of full conversion and for thirty (30) calendar days thereafter.

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

2.6 Covenant Against Contingent Fees

The Bidder warrants that no person or selling 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, excepting bona fide employees or bona fide established commercial or selling agencies retained by the Bidder for the purpose of securing business. 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 any price or consideration or otherwise recover the full amount of any such commission, percentage, brokerage or contingent fee.

2.7 Audit and Accounting Requirements

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

A. The Successful Bidder 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 Bidder's certified financial statements shall be provided within one quarter after the close of the Successful Bidder's fiscal year.
B. The Successful Bidder shall provide the Lottery with Securities and Exchange Commission (SEC) 10-K reports (or the appropriate non-U.S. equivalent) as they are issued, together with any other reports required pursuant to Section 13 of the Securities and Exchange Act of 1934, as amended.
C. A third party review of the Successful Bidder's Vermont operations must also be conducted

annually. This audit will be a Statement of Standards for Attestation Engagements (SSAE) SOC 2 Type II audit, at the sole discretion and determination of the Lottery, and shall be paid for by the Successful Bidder. For this review the Successful Bidder will suggest, for the Lottery's approval, the firm(s) to perform the work. All financial aspects shall be conducted pursuant to auditing standards as issued by the American Institute of Certified Public Accountants. Annual reviews shall occur on a July-to-June basis and will be reported not later than August 31 to the Lottery. The first audit shall cover a partial year ending with the State's fiscal year.

D. The Successful Bidder is required to maintain all records pertaining to performance under the Contract. "Records" means any written or recorded information, regardless of physical form or characteristics, which is produced or acquired by the Successful Bidder in the performance of the Contract. Records produced or acquired in a machine-readable electronic format shall be maintained in that format. 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, or for any period required by law for inspection by any authorized representatives of the State or Federal Government.. If any litigation, claim, or audit is started before the expiration of the five-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved.

E. The Successful Bidder is required to participate in security reviews or audits performed by Lottery Security, any authorized representatives of the State or Federal government, or third-party contractors. Any findings that require remediation in the Successful Bidder's operations must be corrected in accordance with a timetable agreed upon in writing with the Lottery.

2.8 Bonds and Insurance Company Qualifications

All required bonds (if bonds) and insurance must be issued by companies which are B+ or higher rated by A.M. Best & Co., have a record of successful continuous operation, are licensed, admitted, and authorized to do business in the State of Vermont, and are approved by the Lottery. Required coverage and limits 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 Bidder must submit copies of each required certificate of insurance or insurance contract, and any renewals thereof, to the Lottery upon the Lottery's request. The Successful Bidder must provide thirty (30) days' advance written notice of cancellation, termination, or failure to renew any policy.

2.9 Insurance

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

- Claims under workers' disability compensation, disability benefit and other similar employee benefits acts.
- Claims for damages because of bodily injury, occupational sickness or disease, or death of the Successful Bidder's employees, or any person other than Successful Bidder employees.
- Claims for damages because of injury to or destruction of tangible property, including any resulting loss of use.
- Errors and Omissions Insurance that will indemnify the Successful Bidder, the Lottery, and the State of Vermont for any losses incurred due to System downtime, for errors or omissions caused

by the Successful Bidder during the time that terminals are expected to be operational, machine error, or for any error or omission caused by the Successful Bidder, its officers, employees, agents, subcontractors or assigns regardless of negligence.

2.9.1 Insurance Coverage and Limits

Specific coverage requirements are listed below and in Attachment D. The defined dollar amounts are minimum limits. The Successful Bidder must provide these or as otherwise designated by Vermont Statutes during the course of the Contract. Statement of self-insurance to cover these obligations will be considered non-responsive.

A. Property Insurance. Insurance on all buildings, fixtures and equipment provided or used in providing the System or service must be maintained in the amount of actual replacement cost thereof. This policy must insure real and personal property including contents, equipment, and mobile items for all risk coverage including fire, collision, flood, etc. Lottery retailers are not responsible for assuming or maintaining any terminal or equipment insurance.
B. General Liability Insurance. Commercial General Liability and Property Damages Insurance with limits not less than $5,000,000 for any one person and $10,000,000 for any one occurrence for personal injury, and $5,000,000 for any one occurrence for property damages.
C. Errors and Omissions Insurance. Amount: $20,000,000.
D. Automobile Bodily Injury Liability Insurance. Insurance with a combined single limit not less than $1,000,000.
E. Worker's Compensation Insurance. To cover all of Successful Bidder's employees during the term of the Contract in accordance with Vermont Statutes, or other applicable worker's compensation laws.

Errors and Omissions Insurance must indemnify the Lottery, its directors, officers and employees, and the State for direct loss due to any act or omission of the Successful Bidder and coverage must continue until one (1) year past the term of the Contract or any extension thereof.

All other insurances covered by this Section must be effective when performance commences under the Contract and continue through the term of the Contract or any extension thereof. The Lottery must receive thirty (30) days' advance written notice of cancellation, termination or failure to renew any policy.

The Lottery will be named as an additional insured on all policies described above, as allowable.

2.9.2 Certificates of Insurance

Certificates of insurance and any renewals thereof must be furnished to the Lottery Contracting Officer on the date of Contract execution, with the exception of the certificate for Errors and Omissions Insurance, which must be furnished no later than ten (10) business days prior to production start-up.

2.10 Performance Bond

Upon notification of receiving the Contract award, the Successful Bidder will be required to obtain a Performance Bond or other acceptable form of security in the amount of one million dollars ($1,000,000) for the first year of the contract and five hundred thousand dollars ($500,000) for every year thereafter. The Performance Bond may be paid in full or in part to the Lottery if the Successful Bidder defaults in the performance of the Contract or has occasioned uncompensated liquidated damages.

The Performance Bond may be assessed liquidated damages if these damages have not been received by the Lottery within thirty (30) calendar days of written notice to the Successful Bidder that they have been incurred.

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

2.11 Fidelity Bond

Prior to Contract execution, the Successful Bidder will be required to obtain a Fidelity Bond in the amount of five million dollars ($5,000,000) covering any loss to the Lottery due to any fraudulent or dishonest act on the part of the Successful Bidder's officers, employees, or substantial subcontractors. (If the Successful Bidder's substantial subcontractors cannot be covered under the Successful Bidder's bond, then the subcontractor must obtain equivalent coverage on its own.) Such an event, in the sole discretion of the Lottery, could be grounds for termination of the Contract, whether or not the losses arising as a result thereof were paid under the crime insurance policy.

2.12 Successful Bidder Error Liability

The Successful Bidder will be liable for any specific and definite financial obligations arising as a result of errors and faults by the Successful Bidder's staff, subcontractors and the System. These cases include, but are not limited to, errors in entry or posting of winning numbers by System operators, software and hardware errors that create retailer or payout liabilities, and apparent winning tickets issued by the Successful Bidder's System and presented for redemption which are not identified as valid, winning tickets in the transactions supplied by the Successful Bidder to the Internal Control System (ICS). The Successful Bidder will pay all prize costs for any such ticket, and shall pay any additional cost incurred by the Lottery under the indemnification provisions in Section 2.36 of this RFP.

2.13 Liquidated Damages Provisions

In the below-listed liquidated damages sections, the Lottery and the Successful Bidder agree that it will be extremely impractical and difficult to determine actual damages sustained by the Lottery. The goods and services to be provided under the Contract are not readily available on the open market. Further, any breach by the Successful Bidder will lead to damages. Therefore, the parties agree that the liquidated damages, as specified in all the sections below, are reasonable and are not to be construed as a penalty.

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

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

2.13.1 Notification of Liquidated Damages

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

2.13.2 Conditions for Termination of Liquidated Damages

As determined appropriate by the Lottery, the following are the conditions under which the Successful Bidder may obtain relief from the continued assessment of liquidated damages that have been imposed.

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

2.13.3 Severability of Individual Liquidated Damages

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

2.13.4 Waivers of Liquidated Damages

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

2.13.5 Payment of Liquidated Damages

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

2.13.6 Applicability of Liquidated Damages and Pro Rata Liquidated Damages

The Successful Bidder shall not be required to pay liquidated damages for delays solely due to matters as enumerated in the section entitled "Force Majeure," or for time delays specifically due to, or approved in writing by, the Lottery. In all the below liquidated damages sections, the damages shall be pro-rated for partial periods. For example, if liquidated damages are one hundred dollars ($100) per hour, and the period is six (6) minutes, the liquidated damages shall be one hundred dollars ($100) times 6/60 = $10.

2.13.7 Gaming System Installation

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

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

A. Successful Completion of Vendor Acceptance Testing. Up to one thousand dollars ($1,000) per day, beginning on the Contract-agreed date. The Successful Bidder must certify that the system is free of defects and ready for conversion and production. All issues must be resolved and test scripts and test results must be provided to the Lottery.
B. Successful Completion of Lottery Acceptance Testing. Up to five thousand dollars ($5,000) per day beginning twenty-eight (28) days prior to the Contract-agreed production start-up date, when such delay is caused by the Successful Bidder having not resolved errors and issues encountered in Lottery acceptance testing.
C. Successful Completion of Data Conversion. Up to ten thousand dollars ($10,000) per day for each day following an initial grace period of two days. All data required from existing systems must be converted to the new systems and balanced and the new system must be able to reprocess transactions from the existing systems on a nightly basis.
D. Successful Start of Operations. Up to fifty thousand dollars ($50,000) per day beginning with the Contract-agreed production start-up date. At start-up, all data must be successfully converted and balanced and all terminals, network, communications, system, and service elements must be ready to go live.
E. Missing Deliverables. Up to one hundred dollars ($100) per day for each and every failure to provide a deliverable or meet a requirement pursuant to the agreed-upon project schedule until such is provided or performed.

2.13.8 Terminal Provisioning: Moves, Adds, Deletions, Removals, Changes

Condition The Successful Bidder shall install, move and remove Retailer Terminals (including their associated retailer-site peripherals and communications equipment) in accordance with the provisioning schedules that are agreed to by the Successful Bidder and the Lottery.

Damages In the event that the Successful Bidder fails to install a new Retailer Terminal, delete or remove an existing Retailer Terminal, conduct an outside move for a retailer or conduct an inside move for a retailer on the agreed-upon schedule, the Lottery may impose liquidated damages of up to one hundred dollars ($100) per day per terminal, or pro-rated fraction thereof, until provisioning is complete. For this paragraph the Lottery shall assume that a Retailer Terminal includes all associated peripherals and communications equipment.

2.13.9 Central System Down

Condition The central system shall be defined to be "down" if any or all of the following conditions occur during scheduled operational sales periods: 1) Terminal game tickets cannot be sold, 2) scratch game tickets cannot be moved from one status to another, 3) Terminal game winning tickets cannot be validated, or 4) winning scratch game tickets cannot be validated. The total time during which the central system is down during the day shall be the sum of all time during such operational sales period when the central system is "down."

Damages In the event that the central system has been down, the Lottery may impose liquidated damages as a result of the total time during each daily operational sales period that the central system is down, except for the first five (5) minutes, according to the following schedule:

- Liquidated damages in an amount up to one thousand dollars ($1,000) may be assessed for each one (1) minute of system downtime, or fraction thereof.
- In the event that two (2) or more downtime incidents in excess of five (5) minutes each have

already occurred in a business week, the grace period of five (5) minutes shall be rescinded, and liquidated damages shall begin immediately with any subsequent outage in that week.

2.13.10 Central System Degraded Performance

Condition The central system shall evidence "degraded performance" of no more than one (1) hour during the operational sales period on any day. The central system shall be considered as having degraded performance under any of the following conditions:

A. Retailer Terminals exceed the average response time requirements. The Retailer Terminals average response time shall be measured by the Lottery or its representative sampling at least fifteen Retailer Terminals during an hour. The Contractor may observe the sampling.
B. The System cannot process all transaction types for all gaming products and retailer-related activities.
C. Critical functions of System management and administration including file transfers.

Damages In the event that the central system has "degraded performance" that collectively exceeds one (1) hour per day, the Lottery may impose liquidated damages as a result of the total time of degraded performance, except for the cure period of one (1) hour, according to the following schedule:

A. Liquidated damages in the amount of ten thousand dollars ($10,000) may be assessed for each hour of degraded time.
B. In the event that more than one degraded performance incidents in excess of one hour each have occurred in a business week, the grace period of one hour shall only apply to the first incident, and liquidated damages for subsequent events shall begin immediately.

2.13.11 Timely and Accurate Reports

Condition The Successful Bidder shall produce and deliver accurate reports within the specified timeframes, as categorized and approved in writing by the Lottery. The time schedule shall also determine a cure period for the delivery of late, incomplete, or incorrect reports. Reports are categorized into two groups (A and B) according to time criticality and schedules and the liquidated damages reflect that.

Group A will consist of critical reports needed to conduct a drawing, and without which a drawing will be delayed. Group A does not have a cure period.

Group B will consist of time-sensitive reports including, but not limited to, those needed for the Electronic Funds Transfer (EFT) process and Retailer Maintenance. Group B will have a cure period of two (2) hours.

Damages For each late or inaccurate report in Group A the Lottery may impose liquidated damages up to one thousand dollars ($1,000) per day, or pro-rated fraction thereof, per report, until an accurate version of the report is provided.

For each late or inaccurate report in Group B, once the approved cure period has passed, the Lottery may impose liquidated damages up to one hundred dollars ($100) per day, or pro-rated fraction thereof, per report, until an accurate version of the report is provided.

2.13.12 Timely and Accurate Files

Condition The Successful Bidder shall produce and deliver accurate files within the specified

timeframes, as categorized and approved in writing by the Lottery. The time schedule shall also determine a cure period for the delivery of late or inaccurate files. Files will be categorized into three groups (A, B, and C) according to time criticality, and schedules and liquidated damages will reflect that.

> **Group A** will consist of critical files needed to conduct a drawing, and without which a drawing will be delayed. Group A has a thirty (30) minute cure.
>
> **Group B** will consist of time-sensitive files including, but not limited to, those needed for the Electronic Funds Transfer (EFT) process and Retailer Maintenance. Group B will have a cure period of two (2) hours.
>
> **Group C** will include files including, but not limited to, those needed for IRS filings, and will have a twelve (12) hour cure period.

Damages For each late or inaccurate file in Group A, once the approved cure period has passed, the Lottery may impose liquidated damages up to one thousand dollars ($1,000) per hour, or pro-rated fraction thereof, until the accurate file is provided.

For each late or inaccurate file in Group B, once the approved cure period has passed, the Lottery may impose liquidated damages up to five hundred dollars ($500) per hour, or pro-rated fraction thereof, until the accurate file is provided.

For each late, insufficient, or inaccurate file in Group C, once the approved cure period has passed, the Lottery may impose liquidated damages up to one hundred dollars ($100) per hour, or pro-rated fraction thereof, until the accurate file is provided.

2.13.13 Retailer Terminals and Peripherals

NOTE: For this section, only the period falling within both the subject retailer's operating hours and the period from 8 am ET and 8 pm ET will be considered in determining the duration of time. This period shall be considered a "day" for the subject retailer if calculating liquidated damages per day.

Condition The Successful Bidder shall ensure that each Retailer Terminal that is reported as non-operational is verified as being operational within allowed timeframe as defined in section 3.7.5.1. A Retailer Terminal is considered non-operational if any normal operational function such as sales, validations, cancellations, reports, instant ticket processing, or entry method is not available or does not function as designed. For the purposes of this section, all input devices (i.e. touch screens, bill acceptors, and scanners), output devices (i.e. printers, bursters), and communication devices required to complete normal operational functions are considered part of the Retailer Terminal.

Condition The Successful Bidder shall ensure that Retailer Terminal peripherals (i.e. advertising display, ticket checker, jackpot signs) are repaired or replaced and properly functioning within allowed timeframe as defined in section 3.7.5.1.

Damages If there has been a maintenance delay beyond the allowed timeframe for non-operational terminals, the Lottery may impose liquidated damages up to fifty dollars ($50) per terminal per hour or pro-rated fraction thereof.

If there has been a maintenance delay beyond the allowed timeframe for Retailer Terminal peripherals

that are not functioning properly, the Lottery may impose liquidated damages up to one hundred dollars ($100) per day or pro-rated fraction thereof, until a repair has been completed.

For chronic Retailer Terminal failures applying to individual retailers, in which the Retailer Terminal has become non-operational and required three (3) or more dispatches in any one (1) month or 30-day period, the Lottery may impose liquidated damages up to five hundred dollars ($500). Chronic failure does not apply under tampering or abuse by the retailer or the retailer's customers.

For chronic peripheral failures applying to individual retailers, in which a peripheral of the same type has become non-operational and required three (3) or more dispatches in any one (1) month or 30-day period, the Lottery may impose liquidated damages up to one hundred dollars ($100). Chronic failure does not apply under tampering or abuse by the retailer or the retailer's customers.

2.13.14 Failure to Provide Timely Software Releases

Batch Releases

If the Bidder proposes to provide software releases based on a major batch release process, the following will apply:

Condition The Successful Bidder shall provide at least three major software releases per year if required by the Lottery. Major releases may include new games, modifications to existing games, and new functionality. Releases must be preceded by a complete acceptance test by the Successful Bidder and may not be installed prior to the Lottery's written approval. Each release must be installed on the agreed upon date.

Note: Software efforts to resolve production issues will not abdicate the Successful Bidder's requirement to meet major software release schedules.

Damages The Lottery may impose liquidated damages up to ten thousand dollars ($10,000) per day for each day the release is not installed beyond the agreed upon date. The Successful Bidder is not obligated to pay liquidated damages if the Lottery agrees to change the agreed upon date.

Rapid Releases

If the Bidder proposes to provide rapid software releases, the Bidder shall propose a method for measuring the Successful Bidder's timely delivery and a method for the Lottery to impose damages for failure to meet the delivery requirement.

2.13.15 Failure to Produce Report

Condition The Successful Bidder shall modify or add reports that do not require the creation of new data within sixty (60) days from delivery of approved specifications, unless an extension is authorized in writing by the Lottery.

Damages The Lottery may impose liquidated damages up to five hundred dollars ($500) per day that the modified or additional report is not available.

2.13.16 Unauthorized Software and/or Hardware Modifications

Condition The Successful Bidder shall not modify any software or hardware without the prior written approval of the Lottery.

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

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

2.13.17 Unauthorized Access

Condition The Successful Bidder shall preclude personnel not authorized by the Lottery from accessing the Vermont gaming system computer facilities, the computerized systems, and any gaming system data or software.

Damages If the Successful Bidder fails to preclude access by unauthorized personnel, the Lottery may impose liquidated damages up to five thousand dollars ($5,000) for each person and for each incident in violation. Each and every act that permits access by an unauthorized person is an incident.

2.13.18 Supply Shortage

The Successful Bidder shall furnish retailer supplies including, but not limited to, Retailer Terminal ticket stock, play slips, and any essential supplies and consumables for all games (not including scratch tickets or point-of-sale advertising materials).

Condition The Successful Bidder shall ensure that a retailer that has been reported as not having Retailer Terminal ticket stock for a Retailer Terminal is verified as having Retailer Terminal ticket stock for the subject Retailer Terminal within two (2) hours of the reported outage.

The Successful Bidder shall ensure that a retailer that has been reported as not having adequate play slips for all games is verified as having those missing items within one business day of the reported shortage.

Damages In the event that tickets cannot be sold from a specific Retailer Terminal because of lack of a Retailer Terminal ticket stock, the Retailer Terminal shall be considered non-operational. If there is a delay beyond the allowable two (2) hours, the Lottery may impose liquidated damages up to fifty dollars ($50) per terminal per hour or pro-rated fraction thereof.

In the event that the Successful Bidder has not verified that adequate supplies are available at the retailer, the Lottery may impose liquidated damages of one hundred dollars ($100) per retailer per day or on a pro-rated basis for any portion of a day.

2.13.19 Failure to Report Incidents

Condition It will be the responsibility of the Successful Bidder to immediately report all significant incidents related to the operation of the gaming System. The immediate reporting shall be delivered

personally or by telephone within one (1) hour of the discovery of the incident, followed by an email addressed to the Deputy Commissioner within twenty-four (24) hours of the incident. Written reports and notifications must be sent directly to the Deputy Commissioner. At a minimum, each of the following types of events shall require a written report:

A. System takeovers;
B. Major communications failures;
C. Significant operator errors;
D. Out of balance conditions;
E. Emergency software or hardware changes;
F. Security violations;
G. Other conditions as defined by a memorandum of understanding; or
H. Any situation that may cause the general public to become alarmed and/or that may damage the integrity, reputation or public image of the Lottery.

Damages In the event that the Successful Bidder fails to report incidents as defined in this Section and required by this RFP, the Lottery may impose liquidated damages up to ten thousand dollars ($10,000) per day or pro-rated fraction thereof, until an incident is correctly reported.

2.13.20 Communications Network Outages

The communication equipment and network provided by the Successful Bidder shall be subject to liquidated damages for outages and degraded performance (rendering retailers unable to conduct ordinary business). For purposes of this RFP, failure of communications equipment at the retailer's premises shall be considered part of a terminal repair. The remainder of this paragraph addresses other network elements that are the obligation of the Successful Bidder to provide or to arrange for, and to manage once installed. Failures may result in a systemic outage event affecting the network at large, or affecting individual retailers. Liquidated damages apply to chronic conditions as well as events.

Conditions The System loses connection to five percent (5%) or more of the retailer terminal network and there is a general outage of service for those retailers. This may be caused by failure of Successful Bidder staff to correctly carry out their established duties in supporting or administering the network or by failure of a Successful Bidder-specified protectively redundant network element to support a fail-over.

The network infrastructure fails to provide continuously reliable service to retailers.

Damages

In the event that five percent (5%) or more of the communications network is down, the Lottery may impose liquidated damages as a result of the total time during each daily operational sales period that the network is down, except for the first three (3) minutes, according to the following schedule:

- Liquidated damages in an amount up to two hundred dollars ($200) may be assessed for each one (1) minute of network outage, or fraction thereof.
- In the event that multiple network downtime incidents in excess of three (3) minutes occur in a business week, the grace period of three (3) minutes shall only apply to the first outage, and liquidated damages shall begin immediately with each subsequent outage in that week.
- In the event that network availability, as measured on a monthly basis from the retailer's perspective, is less than the Service Level Agreement cited by the Successful Bidder, liquidated

damages may be assessed for that month at the rate of sixty dollars ($60) per Retailer Terminal affected.

2.13.21 Failure to Remedy Audit Recommendations

Condition If the Successful Bidder fails to address recommendations made as a result of a System or operational audit as agreed to by the Lottery and within the agreed upon timeframe, there will be liquidated damages assessed.

Damages In the event that audit recommendations addressing any of the Successful Bidder's operational or system activities are not corrected within sixty (60) days of notification, unless specifically exempted by the Deputy Commissioner, the Successful Bidder may be charged liquidated damages of five thousand dollars ($5,000) at the end of the initial 60-day period and an additional five thousand dollars ($5,000) for each subsequent 30-day period or any portion thereof, for which the audit recommendation corrections have not been completed.

2.13.22 Failure to Provide Software Quality Assurance and Certification

Batch Releases

If the Bidder proposes to provide software releases based on a major batch release process, the following will apply:

Condition If the Successful Bidder fails to provide a quality assurance test plan at least four weeks prior to the scheduled software release schedule, provide quality assurance test results at least two weeks prior to the scheduled software release date, or fails to provide a certification that the quality tested software is ready for release at least two weeks prior to the scheduled software release data, liquidated damages may be assessed.

Damages In the event that a quality assurance test plan is not provided at least four weeks prior to the scheduled software release schedule, the Contractor may be assessed liquidated damages of one thousand dollars ($1,000) per day until the test plan is provided.

In the event that quality assurance test results are not provided at least two weeks prior to the scheduled software release schedule, the Contractor may be assessed liquidated damages of two thousand dollars ($2,000) per day until the test results are provided.

In the event the Successful Bidder fails to certify that the software is free of all defects and ready for release at least two weeks prior to the scheduled software release date, the Contractor may be assessed liquidated damages of ten thousand dollars ($10,000) per day.

Rapid Releases

If the Bidder proposes to provide rapid software releases, the Bidder shall propose a method for measuring the Successful Bidder's timely delivery of software assurance and a method for the Lottery to impose damages for failure to meet the delivery requirement.

2.13.23 Failure to Timely Respond to Retailer Calls

Condition The retailer call center must respond to all retailer calls in a professional and timely manner. Under ordinary operational circumstances, retailer calls must be answered within the agreed upon minimum service levels agreed upon.

Damages In the event that retailer calls are not serviced in a timely manner the Successful Bidder may be charged liquidated damages of five thousand dollars ($5,000) for any week during which the minimum service level is not met.

2.14 Ownership of Materials

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

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

2.15 Right of Use

If, for any reason other than a breach of the Contract by the Lottery, the Successful Bidder loses the ability or refuses to service the Lottery, as provided by this Contract, the Lottery shall acquire a usufruct in the source and object program instructions, and the documentation for those programs as owned by the Successful Bidder, in conjunction with any contract deliverables that are necessary to provide the central system, central facility, the communications network, Retailer Terminals, related equipment, procedures, and production gaming scripts.

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

If there has been a determination, in the sole discretion of the Lottery, that a discontinuity of the Successful Bidder's operations maybe anticipated and this provision may be exercised, the Successful Bidder shall provide training to the Lottery in the operation of the System, at the Lottery's request.

2.16 Force Majeure

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

Except as otherwise provided herein, neither the Successful Bidder nor the Lottery shall be liable to the

other for any delay in, or failure of performance of, any covenant contained herein nor shall any such delay or failure of performance constitute default hereunder, to the extent that such delay or failure is caused by Force Majeure The existence of such causes of delay or failure shall extend the schedule for performance to such extent as may be necessary to complete performance in the exercise of reasonable diligence after the causes of delay or failure have been removed.

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

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

2.17 Security Program Under the Contract

Prior to operations under the Contract, the Successful Bidder shall establish a security program for the entire System, subject to the written approval of the Lottery. This program must be updated, reviewed, and approved annually by the Lottery. As part of this the Successful Bidder must maintain an approved Operations Security Plan (see Section 3.9.11).

2.17.1 Vendor Personnel Background

The Lottery may initiate investigations into the backgrounds of any officers, principals, investors, owners, subcontractors, employees, or any other associates of such Vendor it deems appropriate. The Lottery reserves the right to remove any and all employees of such Vendor from any responsibility in the performance of services as provided for under this RFP, based upon the results of background checks, or if the Lottery finds that any such employee is not performing in the best interest of the Lottery.

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

A. A list of the names, addresses, dates of birth and Social Security numbers of all employees and subcontractors assigned to and associated with this Contract.
B. Authorizations signed by the employees and subcontractors to allow law enforcement agencies to release relevant background information. This may be extended to include officers, investors, owners, and associates.
C. Assurance to the Lottery that, as changes are processed throughout the Contract and any extension thereof for the aforementioned types of personnel, any changes in this requested data and authorization shall be reported to the Lottery within one (1) calendar month.
D. Notification in writing to the Lottery within ten (10) business days if an person, group of persons, partnership, corporation, associate group of investors, limited liability company or other legal entity acquires directly or indirectly the beneficial ownership (as defined by Securities and Exchange Commission Regulation §240.13d-3) in the amount of five percent (5%) or more of the ownership interest in, or any class of equity securities of, the Successful Bidder or the parent company of the Successful Bidder. 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 Bidder.
E. Unfettered and unannounced access, inspection and evaluation privileges for all phases of

performance and for all facilities and premises used by the Successful Bidder in fulfillment of this Contract and any extension thereof.

F. Immediate notification in writing to the Lottery's Security Director of all terminations and resignations of employees and staff assigned to and associated with this Contract.
G. Confirmation from all employees and/or subcontractors assigned to and associated with this Contract that they agree not to play the Lottery during the term of this Contract and any extension thereof.

2.17.2 Security Violation Reporting

The Successful Bidder shall immediately report any security procedural violation, violation of law (e.g., theft), or disappearance of any play slips, instant tickets, terminal ticket stock, validation files, or other equipment, software or material used or to be used in the performance of this Contract.

The Successful Bidder must immediately report the involvement of any of the Successful Bidder's employees, owners, or agents in any known criminal arrest (not including minor traffic violations) or investigation. The Successful Bidder will be required to follow-up with a written letter within five (5) days of the incident.

2.17.3 Security Breach Reporting

In case of an actual security breach that may have compromised Lottery data, the Successful Bidder must notify the Lottery verbally and in writing of the breach immediately and fully cooperate with the Lottery to mitigate the consequences of such a breach. This includes any use or disclosure of the Lottery data that is inconsistent with the terms of this Contract.

The Successful Bidder must give the Lottery full access to the details of the breach and assist the Lottery in making any notifications to potentially affected people and organizations that the Lottery deems are necessary or appropriate. The Successful Bidder must document all such incidents, including its response, and make that documentation available to the Lottery on request.

The Successful Bidder must report any change in, addition to, or deletion from, the information disclosed to the Lottery.

2.17.4 Security Information Updates

The Successful Bidder shall report any change in, addition to, or deletion from, the 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 Security Director within thirty (30) days of the effective date of the change, addition, or deletion. In particular, the Successful Bidder must report the involvement of any of the Successful Bidder's employees, owners, or agents in any known criminal arrest (exclusive of minor traffic violations) or investigation.

2.18 Production-Ready Acceptance Test Following Contract Award

The Lottery reserves the right to conduct a series of acceptance tests of the Successful Bidder's installation, in accordance with the specifications of this RFP, the Proposal, the Contract, and system specifications developed jointly by the Successful Bidder and the Lottery during the implementation project. The Successful Bidder's assistance in arranging these tests is obligatory.

The Lottery will not consider System components ready for Lottery acceptance testing while still under development by the Successful Bidder, or still subject to Quality Assurance verification by the

Successful Bidder. The Lottery may establish reasonable standards for readiness of the System for acceptance testing, known as "entry criteria."

Acceptance testing must include parallel testing, during which transaction log data from past business days is re-processed by the new System to show that all transactions have been handled properly, and that reports are correct and balance as appropriate.

All defects discovered during acceptance testing must be corrected and re-tested by the Successful Bidder in a timely manner. If the software is shown to contain such number of defects as to render the System un-testable in a practical sense and their remedy is untimely, the Lottery reserves the right to halt acceptance testing until the System is corrected and testable in a practical sense once again. Acceptance testing halts may lead to delays in System delivery and liquidated damage assessments for the Successful Bidder, as noted in Section 2.13.

The Lottery, at its sole discretion, will determine whether performance against the acceptance tests is adequate, and whether conversion can proceed to production as scheduled. Passing an acceptance test does not remove the obligation for the Successful Bidder to meet all documented specifications. Failure of the Successful Bidder to pass these tests may result in the Successful Bidder having to make corrections, delay conversion, pay liquidated damages, or pay up to the full amount of the Performance Bond.

2.19 End of Contract Conversion

It is contemplated that the Lottery, approximately eighteen (18) months prior to the expiration of the Contract resulting from this RFP, will award a new Contract for replacement of the System. The parties understand and agree that the Lottery may utilize part of the last year of the Contract resulting from this RFP or any renewal or extension thereof for conversion to the replacement gaming system.

The Successful Bidder for this RFP shall cooperate fully and in good faith during conversion to the next system. Cooperation may include, but is not limited to, sharing of game liability files and cross-validation of winning tickets until 100% of the network has been converted. The Lottery may determine in its sole discretion that cooperation by the Successful Bidder shall include providing information to allow ticket bar codes to be read by a third-party system for validation.

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

2.20 Equipment and Software Corrections and Upgrades

2.20.1 Corrections

The Successful Bidder must report any material deficiencies in hardware or software used in the System and is responsible for ensuring that corrections are incorporated in the configuration in a timely and responsible manner. At the time the Successful Bidder is notified by a supplier that a release is scheduled to have support dropped, it is the Successful Bidder's obligation to acquire and install an appropriate upgrade with the Lottery's prior approval.

2.20.2 Workload Accommodation

The Successful Bidder must provide any upgrades such that:

A. Increased volumes of gaming transactions shall be included in the Successful Bidder's base price for the System.
B. Increased volumes of instant product distribution and sales shall be included in the Successful Bidder's base price for the System.
C. Expanded requirements from multi-jurisdictional organizations in which the Lottery participates or elects to participate in the future shall be included in the Successful Bidder's base price for the System.

2.20.3 Management Information and Reporting Changes

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

2.20.4 Other Changes

Changes and enhancements to the equipment and software which exceed RFP-specified and current requirements and which are not otherwise accommodated in Part 5, such as additional terminal peripherals, game enhancements, game options, promotions, new games, new terminal types, new administrative reporting or changes to existing administrative reporting and new retailer user interface features, will be handled as follows:

A. Software changes are included in the base price, even if additional developments are required to create or adapt software for the Lottery's needs; and,
B. Capital equipment, facilities, royalty fees, third-party licenses, or substantive service additions or changes will have their pricing negotiated with the Lottery.

2.21 Approval of Hardware and Software Changes and Upgrades

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

2.22 Management of Software and Documentation

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

As System changes are implemented, both the change and change documentation shall be provided to

the Lottery (or escrow) to continue the Lottery's protection. Changes to Lottery's (escrow's) copy of these materials must occur within one (1) week of installation in production operations.

2.23 Compensation During Contract

The Successful Bidder for this RFP will receive no compensation from the Lottery until a complete conversion has been effected, production operations are fully supported by the Successful Bidder's systems, and the Lottery has formally accepted the System.

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

2.24 Title to, Use and Compensation for Intellectual Property

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

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

Intellectual Property fees for third-party products, logos, trademarks, brands or labels that the Successful Bidder deploys in the System under the Contract must be addressed prior to the introduction of the intellectual property or the Successful Bidder grants the Lottery perpetual use of such intellectual property without fees. The Successful Bidder may not separately charge the Lottery an Intellectual Property fee for any items owned by the Successful Bidder.

2.25 Exclusive Use of the Transaction Processing Systems

Use of the Successful Bidder's hardware and software configuration that processes ticket transactions for the Lottery must be exclusive to the Lottery. Transactions from other sources shall not be commingled with the gaming transactions of the Lottery.

2.26 Attachment of Third Party Systems, Terminals or Products

The Lottery reserves the right to attach to the System or otherwise install: terminals, terminal peripherals, games, software, products, or systems other than those required by this RFP.

The Successful Bidder shall be required to supply to the Lottery, interface specifications to permit other products to carry out all functions and capabilities desired by the Lottery. The Successful Bidder shall provide support to the Lottery in conducting future procurements for such products including providing facilities and support to allow other Vendors to attach or install and test products during the evaluation process. The Lottery will monitor progress to ensure full cooperation.

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

2.27 Ticket Purchase and Prize Payment Restrictions

Restrictions apply to the purchase of tickets and payment of prizes regarding individuals related to the Successful Bidder or the Successful Bidder's significant subcontractors. No officer, employee, or immediate supervisor of such employee, or relative living in the same household as these individuals shall purchase a Vermont Lottery ticket or be paid a prize in any Vermont Lottery game if (i) they conduct duties directly pursuant to the Contract; or (ii) they have access to information made Confidential by the Lottery. The Successful Bidder shall ensure that this requirement is made known to each affected individual.

2.28 Vendor Ethics and Integrity

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

A. Shall accept no pay, remuneration, or gratuity of any value for performance on or information derived from this project from any party other than the Lottery as described in this Contract, or from any party under contract to the Lottery or seeking to contract with the Lottery with respect to this project.
B. Shall not offer or give any gift, gratuity, favor, entertainment, loan or any other thing of material monetary value to any Lottery employee, member of the Board, or to any individual with the intent of unduly influencing the outcome of this project.
C. Shall not disclose any business sensitive or confidential information gained by virtue of this Contract to any party without the consent of the Lottery.
D. Shall take no action in the performance of this Contract to create an unfair, unethical or illegal competitive advantage for itself or others.
E. Shall not have any financial or personal interests relating to this project (other than the Contract itself) without the explicit written consent of the Lottery.

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

2.29 Compliance with Association Standards

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

2.30 Termination For Cause

The Lottery may immediately terminate any contract issued as a result of this RFP for any of the following reasons by providing written notice to the Successful Bidder:

A. If the Successful Bidder furnished any statement, representation, warranty, or certification in connection with this RFP or the resultant Contract which is materially false, incorrect, or incomplete.
B. If the Successful Bidder fails to perform any material requirement of the Contract or is in violation of a specific provision.

C. If the Successful Bidder or a subcontractor commits a fraudulent act or other criminal act in its contractual performance of this Contract or any other contract with another agency during the terms of this Contract.
D. If any officer or employee of the Successful Bidder or of any subcontractor purchases a Vermont Lottery ticket or attempts to claim a prize in any Vermont Lottery game.

The State and the Lottery will not be liable for any costs incurred if termination is for any of the causes stated above. In the case of default by the Successful Bidder, the Lottery may cancel the contract immediately and procure the articles and/or services from other sources and hold the Successful Bidder responsible for any excess costs or lost revenue occasioned thereby.

2.31 Termination Without Cause or For Convenience

The Contract shall be terminable by the Lottery without cause, at the sole discretion of the Lottery, upon thirty (30) days written notice.

When it has been determined that a Contract shall be terminated without cause or for the convenience of the Lottery, the Deputy Commissioner or his/her designee shall be authorized to negotiate a settlement with the Successful Bidder.

Compensation to a Successful Bidder for a Contract terminated without cause for the convenience of the Lottery shall be limited to reasonable expenses for products, materials, and supplies, and for services rendered, and not yet, or not fully compensated. The Lottery will make no payments for furnished work, work in progress, or raw materials acquired unnecessarily in advance or in excess of Lottery's delivery requirements.

Upon written notification, the Contract shall be null and void as of that date, and each party shall be relieved of any obligation or liability to the other, except with respect to any clauses specifically stated in the contract to survive termination.

2.32 Default

The Lottery reserves the right to cancel the Contract and to pursue any and all legal remedies provided at law, in equity, in this RFP or in the Contract for breach or nonperformance of a Contract or other infractions, whether or not such default results in the cancellation of a Contract executed pursuant to this RFP.

In addition to the remedy of Contract cancellation and all other remedies available to the Lottery hereunder, in the Contract, at law or in equity, the Lottery may in its sole discretion accept partial, incomplete or otherwise non-complying performance, and may deduct from the price to be paid under the Contract a sum which in the Lottery's determination reasonably reflects the difference in value between the contract as it was to have been performed and as it was actually performed. The Lottery shall be entitled to collect costs incurred as the result of any breach, including court costs and reasonable attorneys' fees.

2.33 Disputes Under the Contract

In the event that any dispute arises between the parties with respect to the performance required of the Successful Bidder under the Contract, the Deputy Commissioner shall make a determination in writing and dispatch to the Successful Bidder. That interpretation shall be final, conclusive and not subject to

review in all respects unless the Successful Bidder, within thirty (30) days of receipt of said writings, delivers a written appeal to the Deputy Commissioner or his duly authorized designee. The decision of the Deputy Commissioner on any such appeal shall be made within thirty (30) days and shall be final and conclusive and the Successful Bidder shall thereafter in good faith and due diligence render such performance as the Deputy Commissioner has determined is required of it. The Successful Bidder's options with respect to any such decision on appeal shall be whether 1) to accept the determination of the Deputy Commissioner as a correct and binding interpretation of the Contract, or 2) to make such claims as it may desire before the Vermont Superior Court, Civil Division, Washington Unit requesting recoupment.

Pending a final judicial resolution of any such claim, the Successful Bidder shall proceed diligently and in good faith with the performance of the Contract as interpreted by the Deputy Commissioner and the Lottery shall compensate the Successful Bidder pursuant to the terms of the Contract.

2.34 Equal Employment Opportunity

Any person or firm awarded a contract pursuant to this RFP agrees that they will comply with all provisions on Equal Employment Opportunity created by applicable state, federal or local laws, rules and regulations.

2.35 Right to Audit Successful Bidder's Operations

The Lottery reserves the right to audit the Successful Bidder's records and operations as they relate to Vermont Lottery operation. Said audits may be conducted by the Lottery's own auditors, or by an independent firm specified by the Lottery. The Successful Bidder shall agree to cooperate fully with any and all audits.

2.36 Indemnification

The Successful Bidder will act in an independent capacity and not as officers or employees of the State.

The Successful Bidder shall defend the State and its officers, employees, contractors, and retail licensees against all claims or suits arising in whole or in part from any act or omission of the Successful Bidder or of any subcontractor or any other agent of the Successful Bidder. The State shall notify the Successful Bidder in the event of any such claim or suit, and the Successful Bidder shall immediately retain counsel and otherwise provide a complete defense against the entire claim or suit.

After final judgment or settlement the Successful Bidder may request recoupment of specific defense costs and may file suit in Vermont Superior Court, Civil Division, Washington Unit) requesting recoupment. The Successful Bidder shall be entitled to recoup costs only upon a showing that such costs were entirely unrelated to the defense of any claim arising from and act or omission of the Successful Bidder.

The Successful Bidder shall indemnify the State and its officers, employees, contractors, and retail licensees in the event that the State, its officers, employees, contractors, or retail licensees become legally obligated to pay any damages or losses arising from any act or omission of the Successful Bidder. All obligations of the indemnification shall survive the termination of the Contract.

2.37 Taxes, Fees and Assessments

The Successful Bidder shall pay all taxes, fees and assessments upon the System, however designated, levied or based. The Lottery is exempt from Federal, State and Local sales and use taxes on the services

provided pursuant to this Contract. Such taxes must not be included in the Proposal prices.

2.38 News Releases

The Successful Bidder shall not issue any news releases pertaining to the performance of the Contract without prior approval by the Lottery, and then only in cooperation with the Lottery.

2.39 Advertising

The Successful Bidder agrees not to use the Lottery name, logos, images, nor any data or results arising from this procurement process or contract as a part of any commercial advertising without prior written approval by the Lottery.

2.40 Sufficiency of Operational Staff

The Lottery will conduct periodic reviews with the Successful Bidder regarding the adequacy of Successful Bidder staff skills, service practices, and headcount. The Successful Bidder is obliged to provide quality service and failure to do so must be reflected in additions and improvements. Inadequate staffing and performance may be reflected in liquidated damages and other remedies available to the Lottery. The Lottery will provide formal notice of inadequacy and will determine whether a cure period is reasonable prior to initiating any actions against the Successful Bidder.

2.41 Loss of Statutory Authority

If statutory authority to operate is lost for the Vermont Lottery, then the contract shall be null and void. In the event of such an occurrence, neither party shall have any remaining obligation or liability thereafter.

2.42 Approval of Staffing

The Lottery reserves the right to review and if perceived necessary, disapprove any employee of the Successful Bidder who is assigned to the Lottery Contract, either at Contract inception or during the term or any extension thereof.

2.43 Successful Bidder Responsibilities as Primary Contractor

The Successful Bidder will assume sole responsibility and liability for delivery, installation and maintenance of all equipment, software and support services offered in its Proposal and for the provision of all other goods and services offered in or acquired by its Proposal.

The Successful Bidder may have subcontractors; however, the Successful Bidder must accept full responsibility for and will be strictly liable to the Lottery for any such subcontractor's performance. The Lottery will consider the Successful Bidder to be the sole point of contact with regard to all contractual matters.

2.44 Subcontract Approval

Any proposed subcontracts shall be subject to the prior written approval of the Lottery. Subcontractors are subject to background checks of personnel and principals as described in previous paragraphs of this RFP section.

2.45 Authority of Lottery

On all questions concerning the interpretation of specifications, the acceptability and quality of material

furnished and/or work performed, the classification of material, the execution of the work, the assessment of liquidated damages, and the determination of payment due or to become due, the decision of the Lottery shall be final and binding.

2.46 Opportunity to Compete

The State of Vermont recognizes the important contribution and vital impact which small businesses have on Vermont's economy. In this regard, the State prescribes to a free and open bidding process that affords all businesses equal access and opportunity to compete for State contracts for goods and services. The State also recognizes the existence of businesses owned by minorities and women and encourages these firms to compete for State contracts.

2.47 Fair Employment Practices and Americans with Disabilities Act

The Successful Bidder will agree to comply with the requirements of Title 21 V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. The Successful Bidder will also ensure, to the full extent required by the Americans with Disabilities Act of 1990, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Successful Bidder under the Contract. The Successful Bidder will further agree to include this provision in all subcontracts.

2.48 Cooperation with Multi-Jurisdiction Installations

As a member of a multi-jurisdiction gaming association (e.g., MUSL, Tri-State), the Lottery has obligations to make game changes and add features to be employed in common with other lotteries in the association. The Successful Bidder shall agree to cooperate in any reasonable manner with other jurisdictions, other gaming vendors, and third parties representing other jurisdictions to accomplish planning, development, programming, and implementation of association-related gaming applications. Such an installation must comply with all multi-jurisdiction standards. The Lottery will monitor progress to ensure full and timely cooperation. Failure of the Successful Bidder to comply may result in liquidated damages as defined in Section 2.13.

2.49 Non-Disclosure Agreement

The successful bidder may be required to complete a non-disclosure agreement in a form acceptable to the State.

2.50 Specification Change

Any changes or variations in the requirements or specifications set forth in this RFP will result in the issuance of an Addendum to this RFP in writing from the Office of Purchasing & Contracting. Verbal instructions or written instructions from any other source are not to be considered.

2.51 Business Registration

To be awarded a contract by the State of Vermont a Vendor (except an individual doing business in his/her own name) must be registered with the Vermont Secretary of State's office http://www.sec.state.vt.us/tutor/dobiz/forms/fcregist.htm and must obtain a Contractor's Business Account Number issued by the Vermont Department of Taxes http://tax.vermont.gov/ .

2.52 Vendor Not Indemnified by State

The State has no legal authority to indemnify a vendor and this condition is not negotiable. Further, all

contract terms and conditions, including a Vendor license will be subject to the laws of the State of Vermont and any action or proceeding brought by either the State or a Contractor in connection with a Contract shall be brought and enforced in the Superior Court of the State of Vermont, Civil Division, Washington Unit. Vendors who are not able to enter into a contract under these conditions should not submit a bid.

PART 3 – SPECIFICATIONS AND BUSINESS REQUIREMENTS

The Bidder must propose a comprehensive set of services and solutions that will ensure the sustained, long-term growth for the Vermont Lottery. The solutions must be flexible and able to expand and meet the business needs of the Vermont Lottery as the gaming environment evolves over the course of the Contract.

All systems, retailer devices, and other equipment must be new and unused. Proposed equipment must meet all applicable state and federal standards. All hardware models and software versions installed at start-up must represent the then-current equivalent or better version, in case a proposed offering is phased out or superseded, or a proposed product has been upgraded to a newer model at an equivalent or better price.

The Bidder should provide a summary of the services and solutions being offered and highlight why and how the Bidder expects its solution to enhance the Vermont Lottery's short-term and long-term performance. Summary should specifically address how the offering will increase Lottery profitability.

3.1 Gaming System Configuration

The Vermont Lottery requires Systems designed, sized and configured to support the current and future gaming in Vermont at a high performance level for the term of the contract. Systems must be provided at a primary data center and backup data center.

At any given time, one data center must have one system serving as the primary system and at least two additional systems (one of which must be at the other data center) processing transactions and available to serve as the primary system in the event of a primary system failure.

3.1.1 Gaming System Configuration at the Primary Data Center (PDC)

All game, database, back office system, peripheral systems and games administration functions for mission-critical Terminal and instant gaming processing and support must be supported by a configuration that will assure 99.98% availability. The configuration must consist of at least two (2) separate systems, networked or coupled for high availability processing and storage redundancy. A component failure in one PDC system must not cause a failure in other PDC system(s).

All systems in the configuration must have a time-synchronizing mechanism to ensure consistent time recording and reporting for events and transactions. Synchronization with an external time standard is required.

The Bidder must fully describe its proposed solution and provide a System diagram(s). The Bidder must identify physical and virtual servers.

3.1.2 Gaming System Configuration at the Backup Data Center (BDC)

The configuration at the Backup Data Center must have the same processing capability and reliability as the configuration at the PDC.

All systems in the configuration must have a time-synchronizing mechanism to ensure consistent time recording and reporting for events and transactions. Synchronization with an external time standard is required.

The Bidder must fully describe its proposed solution and provide a System diagram(s). The Bidder

must identify physical and virtual servers.

3.1.3 Lottery, Instant Ticket Warehouse and Acceptance Testing System

The Successful Bidder must supply a high speed printer for printing system and sales reports at the Lottery headquarters. A pressure seal, print-to-mail capability machine must also be included. The Successful Bidder must also supply all hardware necessary for claims processing and three pick and pack stations with associated printers. Claims processing printer must include a MICR encoding enabled printer.

The Successful Bidder must supply Sales Force Automation hardware including keyboards and cases for the sales staff and designated lottery staff (7 people).

The Successful Bidder must provide a dedicated system for Lottery acceptance testing. Components of the testing system must be identical in architecture to the production systems and must include all database and transaction processing features of the production systems. The Successful Bidder must provide at least two (2) management terminals and a two (2) printers for testing—one of which can be used to emulate prize check printing (a MICR encoding enabled printer is not necessary). In addition, the testing configuration must include at least one (1) pick-and pack station as employed in the instant ticket warehouse and one sales force automation device.

The Successful Bidder must supply all printer cartridges/toner supplies for printers throughout the contract.

3.1.4 Internal Control System Configuration

The Successful Bidder must provide at least three Internal Control Systems (ICS) including one system that can be used for testing. Each system shall include a printer and workstation.

The ICS systems shall have a time synchronizing mechanism to ensure consistent time recording and reporting for events and transactions. Bidder must define such mechanism to be utilized in the proposed configuration.

3.1.5 Gaming Quantitative Performance Criteria

3.1.5.1 Capacity

A. The System must initially support a network of at least eight hundred (800) Retailer Terminals.
B. The ability to expand the System to accommodate up to one thousand (1,000) active Retailer Terminals must be available, should such an expansion opportunity be desired by the Lottery.
C. The System must have the capacity to accommodate three hundred (300) concurrent Instant Games being in any status (e.g. loaded, distributed, settled, activated, disabled, returned), Terminal Game sales day of at least five million dollars ($5,000,000) and a Terminal Game jackpot over ten billion dollars ($10,000,000,000).

3.1.5.2 Throughput Performance

A. The System as delivered must be capable of handling up to fifteen thousand (15,000) sales transactions per minute on a continuous basis.
B. The System as delivered must be capable of processing up to one thousand (1,000) combined cash (validations) and cancel transactions per minute, while selling at the rate above.
C. Each single play (single panel) Terminal Game ticket shall be produced in no more than four (4)

seconds from completion of data entry ("Send" is pressed or play slip is inserted) to availability of the ticket for the retailer.

D. All other transactions (e.g. instant pack transactions, winning ticket validations, cancels, and brief terminal and instant ticket reports, etc.) shall be produced in no more than five (5) seconds after completion of data entry ("Send" is pressed) to availability of the ticket or report to the retailer.

3.1.5.3 Recovery Speed

Note: "Primary site" refers to the data center where the system serving as the Primary system is operating. Hence, in cases where the Primary system is being operated in the BDC, the BDC would be the primary site."

A. **Intra-Site Recovery**. Primary Site system recovery in auto-failover mode from a one-system failure must be accomplished in no more than two (2) minutes while still maintaining current transactions. This includes the ability to fully service the communications network supporting the Retailer Terminals, the ICS systems, and management functions, as well as the ability to exchange transactions with any other connected systems.

B. **Inter-site Recovery**. A system recovery at the Secondary Site from a Primary Site failure in manual or auto failover mode must be accomplished in no more than ten (10) minutes without loss of any transactions. This includes the ability to fully service the communications network supporting the Retailer Terminals, the ICS systems, and management functions, as well as the ability to exchange transactions with any other connected systems. Faster recovery time is **desirable**.

C. **Inter-site Takeover**. A Secondary Site system takeover from the complete loss of the Primary Site and all Primary Site resources must be accomplished in no more than thirty (30) minutes without loss of any transactions. This includes the ability to fully service the communications network supporting the Retailer Terminals, the ICS systems, and management functions, as well as the ability to exchange transactions with any other connected systems. Faster recovery time is **desirable**.

D. The Bidder shall describe how it will demonstrate system recovery results during acceptance testing.

3.1.6 Operating Hours

The System as designed and delivered must support the ability to accommodate near twenty-four (24) hour-a-day operations. The Lottery defines this as a minimum of 23½ hours of sales and validations, including instant ticket processing. Current operating hours are 12:01 a.m. until 12:00 a.m. Eastern Time.

3.1.7 Service Level Reporting Requirements

The Bidder must propose a method of monitoring and reporting on the service levels delivered by the system. System performance reports shall be provided as mutually agreed upon by the Lottery and the Successful Bidder. The performance reports shall provide measurement and analysis of performance against defined service targets. Samples of the reports must be included with the Proposal.

3.1.8 Service Level Agreement

The Bidder must propose a Service Level Agreement for the system. The Service Level Agreement shall provide the Bidder's target performance levels and the Bidder's minimum guaranteed service levels. Performance levels must address, at a minimum, the performance criteria and measurements discussed in section 3.1.5.2 through 3.1.5.3.

Bidders committing to higher levels of system availability than those stated by the Lottery will be evaluated accordingly and will be held to that commitment for the corresponding Liquidated Damages.

3.2 Retailer and Consumer Interfaces and Peripherals

The Lottery desires the modernization of retailer and player-facing elements through the rollout of state-of-the-art point-of-sale (POS) equipment and other sales channel solutions. The Bidder must propose a portfolio of sales and distribution channels and devices. The Bidder must specify the quantity of devices being proposed.

SPECIAL NOTE: There are several Invited Options included in this section. The Bidder should clearly and specifically identify any options, including quantities and deployment schedule. Proposals committing the Bidder to delivery of options as part of its base bid will receive appropriate evaluation consideration regarding revenue generation, cost savings, or both.

3.2.1 Retailer Terminals

This section defines specific requirements and minimum quantities for Retailer Terminals. This includes requirements for both clerk activated retailer terminals (CARTs) and full-service vending machines (FSVMs). The section also includes options.

The Bidder is invited to evaluate and propose various Retailer Terminals for each retailer or group of retailers. For Bidder reference, the Lottery has provided a listing of all current retailers including locations and sales volume. In addition, the Lottery has provided a listing of all current retailers showing their lottery equipment and communication type.

The following specifications apply to CARTs and FSVMs:

a) **Identification.** Manufacturer‘s logo or Successful Bidders logo or identification shall not be attached to the Retailer Terminal. The Retailer Terminal must bear a serial number and bar code for maintenance and logistics. Space should be allotted for a permanent informational piece that displays system support phone numbers for the Lottery, Problem Gambling Hotline, and Successful Bidder.
b) **Casework Color.** The casework of the Retailer Terminal must be provided in a color selected by the Lottery. The Lottery requires a durable and uniform color. The Bidder must identify whether the color is a coating painted on or otherwise applied to the surface or molded throughout the casework.
c) **Ticket and Report Printer.**
    1) The printer must provide high resolution images, suitable for rendering logos, messages, and symbols, as well as play data. Printed tickets must have a high first read rate and a long life under ordinary consumer use (e.g., ticket folding, fade resistant, UV resistance, hot and cold weather, and rain.) At all times, the ticket and report printer and its stock must be in compliance with multi-jurisdictional security standards that apply to the Lottery (e.g., MUSL rules).
    2) The printer must be capable of producing tickets and reports using a variety of fonts as approved by the Lottery. Graphics, such as the Lottery or game logo or a promotional coupon, must be producible.
    3) The printer must be capable of issuing tickets, receipts, vouchers, coupons, reports, and other documents having uniform size or variable length as determined by the Lottery.

Tear off tickets are not acceptable. Each ticket, regardless of length, must contain a pre-printed stock number on the back.

d) **Self-Diagnostics.** The Terminal must be equipped with self-diagnostics and indicators that enable the Retailer and service technicians to monitor the operating status of the Terminal. Terminal diagnostics and internal status conditions must be capable of being initiated and observed remotely by technicians or hotline operators. Bidders must submit a listing of all such indicators and operator messages available.

e) **Environmental Fitness**. Retailer Terminals must be suitable for the climate conditions in retailer locations including such as heat, cold, moisture, dust, grease, spilled liquids and operator abuse.

f) **Power Cord.** Retailer Terminals must have power cord lengths that meet various retailer requirements.

g) Memory and Storage.

1) The Lottery requires the ability to add games and promotions that may consume memory and storage. The Bidder shall describe any practical limitations for adding games and promotions given the quantity of memory proposed.

2) The Retailer Terminals must have sufficient memory to support at least one hundred and fifty (150) concurrent Instant Games using up to five (5) different bar code algorithms without an upgrade of Terminal resources.

h) **Sound Generator**. The Retailer Terminal must be capable of producing musical tones and audio when certain transactions or functions are performed or specified events occur. This should be a feature that can be enabled or disabled at any time from the central system. The Bidder must describe which features are customizable by the Lottery. The Lottery will specify which functions shall trigger this feature and which features are over-rideable. The volume must be able to be adjusted (louder or softer) by the Retailer but volume for certain functions must be able to be overridden by the Lottery. The Retailer must not be able to disable the sound. The Bidder must describe the process and time required to override features. It is required that the CART be capable of supporting auxiliary speakers as a peripheral.

3.2.1.1 Clerk Activate Retailer Terminals (CARTs)

The retail network will begin with approximately six hundred and fifty (650) full function clerk activated retailer terminals (CARTs) used by retailers to process lottery transactions. In addition to the CARTs for the retailer network, the Successful Bidder must supply additional CARTs for retailer network expansion, training, and testing.

The Successful Bidder is responsible for any additional CARTs required for its own QA testing, field services, and other purposes.

CART features and functions must include, but not be limited to the following:

A. **Size(s):** The Bidder must propose a CART(s) and the associated component solution that best addresses the needs of each retailer, including high-volume locations. More than one configuration and size CART may be proposed. The Bidder shall list the dimensions and weight of all proposed terminals and their components, as appropriate.

B. **Terminal Touch Screen**: The retailer input screen must incorporate current technology and ensure speed, flexibility and ease of operation. The screen must be a touch screen and must provide the capability to display a wide range of data, graphics, and video.

C. **Document Scanner(s):** The CART must be equipped with a document scanner(s) collectively capable of at a minimum:
    a. Reading Play Slips with various colors and graphics. Special markers shall not be needed for the Play Slips.
    b. Providing flexibility in the manner documents can be inserted or held, for example, top or bottom first, at various angles.
    c. Allowing a Retailer to quickly process a stack of Play Slips. Bidders shall describe the speed and manner for which the reader is capable of processing Play Slips.
    d. Accommodating documents/forms used for the purpose of collecting information at the Retailer location from Retailers, players, field service, or maintenance personnel.
    e. Recognizing Terminal Game ticket barcodes or matrix codes for validating or canceling a ticket. First Read rate is a key factor. A first read rate exceeding ninety five percent (95%) is mandatory. The Bidder must describe what conditions, if any, must be met to achieve the ninety five percent (95%) read rate.
    f. Accommodating Instant Ticket barcodes or matrix codes for validating and processing. A first read rate exceeding ninety five percent (95%) is mandatory. The Bidder must describe what conditions, if any, must be met to achieve the ninety five percent (95%) read rate.
    g. Processing coupons and vouchers. Characteristics of the coupon barcodes or matrix codes shall be similar to that for Instant Tickets.
    h. The Bidder shall describe the printer's ability to stack tickets. The response shall include the number of tickets each printer being proposed is capable of stacking.

D. **Peripherals Slot/Ports**: The Lottery anticipates the possibility of using various peripheral attachments for the CARTs. In addition to interfaces for CARTs features and peripherals identified in this RFP as required upon delivery, Bidder shall describe the capabilities available to expand ports and the methodology that would be used.

The Bidder must describe the reliability statistics that it captures for its existing U.S. lottery customers on the proposed CARTS and address any components subject to failure.

3.2.1.2 Full Service Vending Machines (FSVM)

The Bidder must propose a full-service vending solution that provides for player self-service. The FSVMs must be designed to maximize the sale of lottery products. Bidder must describe the flexibility of the devices to sell and dispense Terminal Game and Instant Game products.

The Lottery currently has one hundred (100) full service vending machines (FSVM) across the retailer network. <u>The Lottery is requiring a minimum one hundred and twenty-five (125) FSVMs to be included in the base price.</u>

Functional requirements include:

A. The FSVMs must be able to simultaneously handle the sale of at least twenty-four (24) Instant Games and ten (10) Terminal Games.
B. The FSVMs must have ticket checkers.
C. Validate Instant and Terminal Games
D. The FSVMs must be designed for safety and security. The Bidder shall describe safety features and access controls. If the FSVM is designed to allow the dispensing of Instant Games when it is not communicating to the System, the Bidder must describe the security and accounting features in place to ensure the integrity of Instant Game inventory.

E. The FSVMs must be equipped with a remote control that may be used by a clerk to prevent use by a customer.
F. The FSVMs should communicate conditions that may impact the sale of lottery products. At a minimum, the conditions should include ticket stock level, bill acceptor level, Instant Game inventory level by bin, and component errors and failures.
G. The FSVMs must be capable of producing reports as required by the Lottery. Bidder should provide report samples.
H. All FSVMs must comply with the requirements of the American Disabilities Act.
I. Bidders shall propose signage for the FSVMs. The Lottery's current FSVMs have scrolling LED signs. The Lottery desires more robust signage such as an advertising display.

The Bidder must describe the reliability statistics that it captures for its existing U.S. lottery customers on the proposed FSVMs and address any components subject to failure.

3.2.1.3 INVITED OPTION - Compact Full Function or Limited Function Vending Machines
The Lottery will consider the deployment of compact self-service sales devices. These devices may be able to sell some, but not all games.

A. **Increased Functionality for Full Service Vending Machines**: Bidders are encouraged to offer any or all of the following functions for the FSVMs:
    a. Print voucher
    b. Acceptance vouchers into machines as credit
    c. Process debit cards
    d. Process credit cards
    e. Accept other electronic payment types (such as Apple Pay, prepaid gift cards)
    f. Verify consumer's age by reading government-issued ID card

B. **Compact Full Function Service Vending Machines**: Bidders are encouraged to offer devices that can sell both Instant Games and Terminal Game tickets but have a smaller footprint than the FSVM. These devices may offer fewer games than a FSVM.

C. **Limited Function Vending Machines**: Bidders are encouraged to offer devices that would be may also have less functionality than a FSVM.

3.2.1.4 INVITED OPTION - Other Player Channels in Retailer Establishments
The Bidder is invited to offer devices that would fulfill the Lottery's desire to deploy the following sales devices.

A. **Kiosk Full Service Vending Machine (KFSVM)**: Bidders are encouraged to propose a version of the FSVM that can be placed as a standalone device without being monitored. This will require the device or system to verify the age of the purchaser. The Bidder must describe all features that vary from the FSVM described above.

B. **Mobile-to-Terminal:** Purchase made from player's mobile device communicating via wireless or Bluetooth with Lottery Terminal.

C. **Multi-Lane Terminals:** Bidders shall describe their ability to provide multi-lane terminals designed for use in stores such as supermarkets, with a simplified set of features compared to the conventional Retailer Terminal. The Bidder must describe all features.

D. **Other devices:** The Bidder may provide information on other player devices that they believe will align with the Lottery stated objectives. Proposed devices can be capable of selling current games or games or wager-types the Lottery could sell in the future.

3.2.2 Privileged Validation Terminals

The Successful Bidder must provide two (2) privileged retailer terminals or management workstations for certain retailers and for the Lottery Headquarters. These terminals must be able to cash tickets according to limits set by the Lottery. The high tier validation function must be capable of being performed either by terminals similar to the CARTs, or by software on authorized management workstations provided by the Contractor. These devices shall not be considered part of the base allocation of CARTs.

3.2.3 INVITED OPTIONS-Non-Selling Player Interfaces Not in Retail Establishments

3.2.3.1 Mobile App

The Successful Bidder is encouraged to offer a mobile app. The app should provide the following functionality:

A. Access to Lottery Players' Club
B. Dynamic updating of jackpot amounts
C. Jackpot or other alerts configurable by user
D. Winning numbers
E. Retailer locator
F. Determine winning status of Instant tickets and Terminal Game tickets
G. Digital Play Slip

In addition to the above features, the following features are desired by the Lottery:

A. Ability to cash tickets
B. Ability to respond to survey questions

3.2.3.2 Lottery Player Website

The Successful Bidder is encouraged to provide a Lottery website for players. The website should provide the following functionality:

A. Live draws for future monitor games
B. Access to Lottery Players' Club
C. Dynamic updating of jackpot amounts
D. Winning numbers
E. Retailer locator

In addition to the above features, the following features are desired by the Lottery:

1) Determine winning status of Instant tickets and Terminal Game tickets
2) Ability to cash tickets
3) Ability to respond to survey questions

3.2.4 Retailer Portal

The Bidder shall propose a Retailer Portal that provides retailers with on-demand and scheduled reporting of metrics related to their Lottery product category. This includes both Terminal Game and Instant Game sales, inventory tracking, financial statements and other reporting in flexible formats that facilitate import to retailer's back office accounting and reporting systems.

Additional functionality is strongly desired.

3.2.5 INVITED OPTION - Mobile Sales Channels

The Lottery must be prepared to meet future requirements of its stakeholders to provide its current games through modern distribution methods and provide new and exciting games as its player base evolves. Bidders are invited to offer various solutions for the future.

3.2.5.1 Sales-Enabled Mobile App

The Lottery anticipates that during the life of the Contract period it may be required to the sell lottery tickets and new games and other types of wagers through a mobile app(s). Bidders are invited to offer an option should this occur.

3.2.5.2 Sales-Enabled Website

The Lottery anticipates that during the life of the Contract period the sale of lottery tickets and new games and other types of wagers through a website may be required under specific conditions. The Bidders are invited to offer an option should this occur.

3.2.6 Variable Location Sales Channels

3.2.6.1 Mobile Terminals

The Bidder must propose a minimum of three (3) Retailer terminals for use at pop-up kiosks and promotional events throughout the State. Terminals must be equipped with the necessary communications equipment and service to wirelessly connect to the gaming system. The mobile terminals do not have to meet the network throughput requirements defined in Section 3.3. The Bidder must define the network performance parameters of the mobile terminals.

3.2.6.2 INVITED OPTION - Handheld Mobile Sales Devices

The Bidder is encouraged to propose a minimum of four (4) handheld terminals which have wireless connections for use by individuals moving through crowds such as at experiential events or on sidewalks throughout the State. Devices must be equipped with the necessary communications equipment and service to connect to the gaming system. The handheld terminals do not have to meet all of the requirements defined in 2.3.2 above or the network throughput requirements defined in section 2.2. The Bidder must define the performance parameters of the handheld terminals.

3.2.7 Peripherals

3.2.7.1 Self Service Ticket Checker

The Bidder must propose devices that allow players to self-check their own Terminal and Instant Tickets for winning status and amount. Units will be located as determine by the Lottery. The Proposal must include one unit for each Retailer and necessary spares for replacing faulty units. The Proposal must describe all the various types of ticket checkers that would be available to the Lottery. It is desirable that the winning ticket checker provide advanced features such as wireless functionality within the store.

3.2.7.2 Advertising Display

The Bidder must propose advertising displays for each Retailer location. The Lottery's intent is to

employ such devices to display graphics and messages, which will change intra-day, daily or weekly and must be downloadable. The purpose of these displays is to gain the attention of the players and to provide potential players with product and jackpot information. The quantities and sizes of displays must be appropriate for the retail environment for which they are proposed. Content for the units must be programmable from the Lottery management terminals. The Bidder may also propose additional methods for creating and promoting content to take full advantage of this new medium.

Information should be downloaded in the background over the Retailer Terminal network, as well as being loadable at the Retailer location. Bidder must fully describe the capabilities of all types of displays proposed. Bidder must describe the methods available for mounting the display.

Note: Bidder must fully describe the process for updating the signs; description must include the user interface and any limitations to frequently changing the graphics and messages.

3.2.7.3 Jackpot Signs

The Bidder must propose seven hundred and fifty (750) Jackpot signs that will display Powerball and Mega Millions logos and display jackpot amounts sent from the gaming system. The Proposal must include at least one unit for each Retailer and necessary spares to replace faulty and damaged units. The Bidder may offer more than one type of sign and must fully describe all proposed signs.

The Bidders are encouraged to offer signs that also include Tri-State Megabucks logo and jackpot as a third game.

3.2.7.4 Player Transaction Display for Consumer

The Bidder must provide a solution that provides player transaction data at points of purchase.

3.2.8 INVITED OPTION - Retailer Accounting:

A. **Cash Register Accounting Interface**: The Bidder may propose a solution to automate tracking sales of Lottery products through a standard cash register. The solution may allow any of its Terminal versions (hardware or software) to communicate to a standard cash register allowing for Retailer accountability of Lottery products.

B. **Accounting and Point of Sale Integration:** The Bidders may propose an interface for Lottery terminals and the Retailer‘s own Point of Sale terminals. As part of this Invited Option, Bidders may also propose a means to integrate Lottery applications on the Retailer‘s Point of Sale terminals, which would eliminate the need for a separate Lottery Terminal.

C. **Ticket Game Ticket Accounting:** The Bidders may propose a solution to provide the retailers and the Lottery the ability to capture instant ticket sales on an individual ticket basis.

3.2.9 Optional Sales Channels, Device, and Peripherals

The Lottery must be prepared to meet future requirements of its stakeholders to provide new or current games through modern distribution channels. Bidders are encouraged to provide channels and solutions for gaming opportunities offered by other lotteries but not yet required by the Vermont Lottery stakeholders.

3.2.10 Sales Channel Equipment for Lottery Acceptance Testing

The Successful Bidder must provide adequate terminals, equipment, and peripherals for the Lottery to perform acceptance testing throughout the contract. At least five (5) CARTs and one FSVM must be permanently installed for testing by the Lottery. The testing terminals must support testing of all features and options available on the production System, thus the test terminals must be configured in all logical configurations (e.g., retailer, privileged retailer) with all peripherals that represent configurations at retailer locations.

3.3 Communications Network Requirements

The Successful Bidder is responsible for seeing that the design is implemented and operated in compliance with RFP specifications, including the responsibility for network management, monitoring, and reporting. The Successful Bidder will be responsible for all network costs and network management functions. The Lottery places no restrictions on Bidders contacting communications carriers with any network questions.

The Lottery Retailer network currently utilizes 3G wireless, DSL, and VSAT—the approximate quantity of retailers on each type of communications are 120, 479, and 29, respectively. There are two high volume retailers with three lottery terminals (including clerk activated and self-service devices).

3.3.1 Communications Network Requirements

The Bidder must propose a communications network solution that meets the Lottery's requirements. The entire network must meet a set of general requirements. The retailer portion of the network must meet additional requirements.

3.3.1.1 General Network Requirements

Network availability and throughput shall be given a high priority. Communications network must be designed with monitoring, redundancy, and diversity features to reduce the possibility that a disruption could impact the network and the Lottery Gaming Systems. The general requirements for the overall network include:

A. **Fault Tolerance:** The network must provide sufficient redundancy and diversity to virtually eliminate a single failure removing service from critical infrastructure or a large percentage of the Retailer network. Proposal must contain an analysis of the proposed configuration with regard to single points of failure, major points of failure afflicting a large proportion of the network, and bottlenecks.

B. **Communication Routing:** The entire communications network must be routable on-demand between the BDC, PDC and all ICS systems. This feature should allow the System to be primary at one site while having the communications controlled at the other.

C. **Network Monitoring System:** Communications testing and monitoring capability must be available at two geographically diverse locations. Network monitoring tools must be able to interface and analyze protocols, view transaction data for analysis, and create visual and/or audible alarms to provide warning of problems. Communications testing and monitoring equipment must have recording and recall/reporting capability. The capability must be included to determine whether failure has occurred in the equipment at the PDC or BDC, within the wide area communications network, or at the Retailer Terminal level.

D. **Firewalls:** Must be placed between any Data Center and external communications networks as well as any transmission that occurs between systems of different providers, even if they reside in the same data center. Example would be a Gaming system interfacing to an ICS not operated by the Bidder.

E. **Connection to Systems and Networks Not Dedicated/Private:** Any connection made between the System that processes games transactions and any other systems or networks that are not private and/or dedicated to Lottery gaming transaction processing (such as the Lottery administrative systems and the Successful Bidder's administrative support system and development/QA system), must be effected through devices that detect and block or filter out unnecessary and unauthorized traffic and consistent with standards adopted by multi-jurisdictional associations, of which the Lottery may be a part, and approved by Lottery.

F. **Hardware Fault Notification:** The Bidder must describe which gaming system components, network components, Retailer Terminal, and/or diagnostic equipment will be able to notify the network monitors or System monitor of significant transmission failures or outages soon after occurrence.

G. **Communications Outages:** In the event of a communications disruption between central and any Retailer Terminal, the System shall continue to attempt to service the Retailer Terminal until the problem is resolved or the System is shut down for end-of-day processing.

3.3.1.2 Retailer Network Requirements

The Successful Bidder must be able to monitor the network and, whenever possible, pro-actively route data traffic to avoid outages or slowdowns in the data traffic.

The retailer network should utilize the Internet protocol (IP) standard. No proprietary protocols are permitted for OSI Model Network Layers 1-4. The vendor is encouraged to use established industry protocols for OSI Model Network Layers 5-7.

The Lottery requires a communications network that provides sufficient bandwidth to meet the gaming and multimedia requirements of modern Lottery distribution channels. In addition to the general requirements listed above, the proposed Retailer network must meet the following requirements:

A. **Availability.** The network design must achieve a Minimum Monthly Availability Performance (MMAP) of 99.8%. This metric is to be calculated over the entire retailer network over a 1-month period. This equates to an average down-time of 8.6 minutes per terminal per month.

   The Minimum Daily Availability Performance (MDAP) must exceed 99.8% calculated over the entire retailer network over a 1-day period. This equates to an average down-time of 2.9 minutes per terminal per day.

   Bidders who wish to propose VSAT as a solution must show how the system will meet or exceed the Minimum Daily Availability Performance of 99.8% availability in all weather conditions.

B. **Throughput.** The network must be designed and implemented to achieve a four (4) Second

"send to cut" response time for a one (1) board lotto wager. For larger transactions the "send to cut" time should only increase by the additional time required to print larger tickets. This means that the 'Time for Communications' may only increase in proportion to the message size based on the data transmission rate (bit-rate). This 'Time for Communications' metric is to be achieved for a minimum of 95% of transactions; increase of two (2) seconds for <4% of transactions; increase of four (4) seconds of <1% of transactions.

Note: The "Time for Communication" does not include the Retailer Terminal printing time. 'Send-key' to print-cut time is specified in the terminal requirements section and will include any processing time prior to message transmission, message transmission, host processing, reception back at the terminal, plus the time to print and cut the ticket.

C. **Bandwidth:** The Lottery anticipates a high bandwidth Retailer network that will support rapid software and data downloads as well as transaction processing. There must be adequate aggregate bandwidth at all points in the network so that Retailers can typically obtain the nominal bandwidth. Although different communications media may have different bandwidth properties, each type must have adequate bandwidth such that no subset of Retailers is unable to receive services available to the remainder of the network.

D. **Cellular.** If the proposed Retailer network includes cellular technology, the proposed cellular data modems must be 4G LTE Cat-1 or greater. Bidders may propose 5G solutions where coverage is available, provided the service will meet the availability performance requirements outlined below.

E. **Non-Responding or Failing Terminals:** If the central system finds a Retailer Terminal that is not responding within a reasonable time, the Retailer Terminal shall be logged as not responding. Non-responding/failing terminals shall be apparent to a network monitoring application.

F. **Lottery-Initiated Network Monitoring**: The Lottery desires the ability to monitor the network using a management workstation software application, or with specialized workstation(s) as supplied by the Successful Bidder.

G. **Measurement tool for terminal availability:** The Retailer Terminal must communicate with the host system on a periodic basis in order to assess the connection status. This may be accomplished by using transaction activity (e.g., ticket sales) or by transmitting a "heartbeat" message. This message must be transmitted frequently enough to provide adequate granularity to establish the state of connectivity, but no less frequent than once per minute. The host system must detect and report when a terminal has not 'checked in' within two or more 1-minute intervals. This data will be made available to the lottery monthly to establish terminal availability.

H. **Strongly desirable - Statistics collection by Retailer Terminal:** Every transaction request from the terminal will include the number of milliseconds it took for the previous transaction to process through the retailer network, i.e., message transmission of the transaction by the Retailer Terminal to the PDC/BDC to the complete reception of the host response message(s) required to complete the ticket sale. This timer should have a minimum resolution accuracy of 50mS and a maximum value of 65,535 milliseconds (65.56 seconds). This data will be logged in the supplier's network management system and presented in a chart depicting response times

quarterly to the lottery, and as frequently as daily during acceptance testing.

3.3.2 Network Design

The Bidder is provided wide latitude as to the topology and technologies proposed for the network. If multiple technologies are employed in the design the Bidder's Proposal must make clear the distribution of different technologies across the Retailer population.

The Bidder must provide a description and diagram of the network to be implemented. This includes the Retailer connectivity, data center connectivity, and connectivity to all other facilities requiring connectivity.

The design requires the following items at a minimum, but may include other connections relevant to the network's topology and purpose:

A. **Retailer Network:** The retailer network must provide connectivity for Retailer Terminals, vending machines, and other devices installed in the Retailer environment that require communications with the Bidder's gaming systems. The network must be able to accommodate multiple Terminal types and multiple terminals at retailer locations. The retailer network must be designed to ensure connectivity to both the primary and backup data centers. It is the Successful Bidder's responsibility to provide any inside wiring or other communications medium required to connect terminals and other devices to the network. This connection must be maintained or reestablished if the Retailer adjusts the in-store design.

B. **Inter-Site Connections: T**he Successful Bidder must provide inter-site links for control and data flow.

C. **Games Management Network:** The design must provide connectivity for games management. This includes connections from the Successful Bidder's primary and backup data centers to the Lottery for access to the games management application.

D. **Data Transfer.** Network must provide connectivity for data transfer between the Successful Bidder and Lottery systems.

E. **ICS Connectivity.** The Successful Bidder must provide Lottery connectivity to all ICS systems. The Successful Bidder must also provide connectivity between the ICS systems and the gaming systems.

F. **Internet Access for Internal Control System Maintenance and Open Internet**. The Successful Bidder must provide a connectivity solution that will provide the Lottery with wireless Internet access and provide connectivity the Lottery staff can establish on-demand for the ICS subcontractor to perform ICS system maintenance. This requirement is currently met by a DSL line connected to a DSL modem and a Linksys router.

G. **Instant Ticket Warehouse:** The Successful Bidder must provide connectivity from the Bidder's data centers to the Instant Ticket warehouse located in Vermont to support pick and pack and distribution operations.

H. **Claims Center:** The Successful Bidder must provide connectivity from the Bidder's data centers to the Lottery's claim center located in Vermont to support the validation and cashing of tickets.

I. **Mobile Terminal Connectivity:** The Bidder must provide a solution for connecting terminals used in remote and temporary situations. Typical locations would be the promotional events. This solution should provide secure and high speed connectivity for Retailer Terminals with all the functionality of a standard Retailer installed Terminal. The solution should provide for more than one type of connection or technology that can be used depending on the event, site and available technologies.

J. **Hand-held Mobile Device Connectivity:** The Bidder must propose a solution for connecting hand-held mobile devices to the network. The solution should provide secure connectivity.

K. **Lottery Acceptance Testing Environment:** The Successful Bidder must provide the necessary network to support testing environments for the Successful Bidder and the Lottery. Connectivity must include System, Retailer Terminals, and ICS. The testing environment provided for the Lottery must include every type of communications mechanism planned for or deployed in the field, and provide sufficient connections for every type of Retailer Terminal and peripheral.

3.3.3 Network Administration Services

The Successful Bidder will be responsible for network monitoring and management. Network administrative services must include:

A. **Installations/Removals:** Under the Contract the Lottery will be responsible for identifying new Retailer Terminal locations. Once the information is passed on to the Successful Bidder it will become the Successful Bidder's responsibility for coordinating order placement, installations, removals, and moves.

B. **Configuration Management:** Configuration changes and asset records must be managed. This includes an inventory of Lottery network resources and their operating parameters. Change management control procedures and online storage of network component configuration files are required.

C. **Fault Management:** Fault management consists of actions toward detection, isolation, and correction of faults in the network.

D. **Performance and Capacity Management:** Performance management includes monitoring network utilization and managing resources to maximize capacity and minimize contention. Capacity management should be utilized to plan for expansion of the network or re-alignment of the network to ensure sufficient capacity is available.

E. **Interface:** The Successful Bidder must interface with the communications providers, Retailers, and the Lottery to maximize uptime. The Proposal must describe this process, including escalation procedures.

3.3.4 Service Level Reporting Requirements

The Successful Bidder must propose a method of reporting on the service levels delivered by the communications networks supporting the Retailers. The performance reports should provide measurement and analysis of performance against defined service targets. Sample reports must be

included with the Proposal.

3.3.5 Service Level Agreement

The Bidder must propose a Service Level Agreement for the communications network. The network Service Level Agreement is for all communications provided by the Bidder and any Sub-contractors it may use to provide the network. Included in the network are the connections to provide the data exchange from any devices located in the Retailer environment to any host system as well as the connections for data exchange between the Bidder and the Lottery's systems.

The Service Level Agreement shall provide the Bidder's target performance levels and the Bidder's minimum guaranteed service levels. Bidders committing to higher levels of network availability than those stated by the Lottery will be evaluated accordingly and will be held to that commitment for the corresponding Liquidated Damages.

3.4 Software Application and Data Management

In addition to selling and cashing tickets, the System must provide the features and functions necessary to meet requirements for secure and efficient operation. The System, including security features, files, and related processes, must conform to existing or future NASPL and MUSL standards and requirements.

3.4.1 Gaming Application Security and Control Features

The Contractor must support the current set of Lottery game offerings and provide flexibility for growth into new games, game features and play types required to meet the Lottery's sales and profitability objectives. The Successful Bidder must include a raffle game and all games being offered by the Lottery at the time the new Lottery Gaming System is to be implemented. Throughout the term of the Contract, the Successful Bidder shall provide enhancements/ improvements to games currently offered by the Lottery including software development for add-on games developed by third-parties.

3.4.1.1 General Features and Controls

A. **Multiple Sales Channels:** The system shall support the processing and accounting of transactions offered from a variety of sales channels.

B. **Multiple Terminals per Retailer.** The system shall support multiple terminals and terminal devices at a retailer location. The System shall be able to account for individual terminals and multiple terminals as part of a single retailer location.

C. **System Monitoring:** Real-time monitoring of gaming transaction traffic and system utilization must be provided. The System must display and report any conditions that may indicate operational problems. The Lottery shall receive immediate notification of abnormal System operations and their causes, such as validation problems, communication difficulties and computer downtime.

D. **Operational Commands:** All manual and automated operational commands executed by the System and any System warnings or problem messages shall be placed on a nonvolatile medium (for example, on a write-once medium). This log must be provided daily on electronic media or as an electronically-transmitted file to the Lottery, which the Lottery may

at its option process and review for auditing purposes.

E. **Unique Transaction Number**: Each transaction must be assigned a unique serial number. The serial number assignment methodology must ensure serial numbers will be unique over the term of the Contract and all extensions.

F. **Gaming Transaction Serial Numbers:** Gaming transactions produced by Retailer Terminals must bear a unique serial number in Arabic numerals and in a code that is readable by the Retailer Terminals. The serial number must allow tickets to be unambiguously identified for the term of the Contract and all extensions. Gaming transactions produced or captured through other sales channels must also ensure the transactions can be unambiguously identified.

G. **Unique Number Not Logged:** The Retailer Terminal must generate a unique number, aside from the System-logged transaction serial number, that can be used to link winning tickets to selling terminals. This "dual security" approach must be acceptable to any multi-jurisdictional associations of which the Lottery is a member or becomes a member. This application must be under the physical and operational control of the Lottery. The Successful Bidder must provide any hardware and software necessary for the Lottery to decrypt dual security numbers. The methodology must avoid Retailers having to save sign-on slips or other materials and must preclude Successful Bidder staff from decrypting the dual security number. The use of public key encryption techniques is required. The Bidder must describe how the System eliminates the requirement to pick up ticket stock and sign-on slips from the Retailer.

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

I. **Transactions Protected:** The System must ensure that no part of any transactions can be corrupted, altered or manipulated, including but not limited to the log files and validation files. The Proposal must provide evidence of the Bidder's methods and procedures to prevent tampering with transactions.

J. **Transactions Delivery Assured**: All transactions between systems must have assured delivery. Any transactions not delivered must be processed as an error.

K. **Transaction Storage Redundancy:** Every transaction processed must be received in at least three (3) systems before authorization to print a ticket, including the gaming transaction system handling the transaction, a backup gaming system capable of automatic recovery in the event of a failure of primary gaming system and a remote transaction processing host.

L. **System Recovery:** System recovery can be supported using log files for reprocessing, if necessary.

M. **System Audit:** The Gaming System, including outages and recovery events, can be audited and checked for appropriate usage and freedom from error. There must be a strict relationship between tickets printed, tickets registered in the log files and ticket transactions sent to the Internal Control System (ICS) and Back Office Systems.

N. **Transaction Research**: Authorized Lottery personnel shall be able to research transactions and operations when required. The transaction log will include all detailed records including but not limited to sales, validations, canceled Terminal tickets, rejected validation inquiries, Terminal outages, system events (e.g., takeovers by the backup system). Reports on transaction log entries must allow standard queries and sorts. The Lottery must be able to research all transactions generated throughout the life of the Contract.

O. **Terminal Identification and Integrity**: The System must ensure integrity wherein no action, either by external agents or insiders, can permit duplicate or unauthorized terminals to be established. In all cases correct Terminal identification must be ensured.

P. **Software Checksums:** Checksums are required for executable programs on the gaming host systems, front-end processors, network equipment, administrative systems and Retailer Terminals for auditing purposes. This requirement applies also to the development and quality assurance systems. Checksum information will be provided to the Lottery upon request. The Successful Bidder must maintain control of software distribution such that systems and terminals are not able, inadvertently, to run inappropriate versions of the software.

Q. **Secure On-Site and Off-Site Storage:** The Successful Bidder must provide secure on-site and off-site storage of critical files, software, and back-up data, subject to approval of the Lottery. Stored materials retention shall follow a schedule agreed to by the Lottery. Media stored in archives must be checked and/or exercised periodically, as agreed upon, to ensure usability. At the Lottery‘s direction, the Successful Bidder may be directed to restore a backup file to a test system to ensure viability.

R. **Restoration of Files and Configurations:** The Successful Bidder must use operational practices through report balancing and reconciliation to ensure that current data files and archived backup copies are valid. This is particularly important for validation files and future plays files where recovery, by reprocessing large volumes of aged transactions, may be impractical. The Successful Bidder must also maintain configuration management files that allow System configurations to be restored. The Successful Bidder must describe controls which prevent the unauthorized use of production data on test systems.

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

3.4.1.2 Games Management and Monitoring

A. **Game Control**. The games management application must support the ability (for an authorized user) to shut off and resume sales and validations on each game independently.

B. **Game Monitoring**. Authorized games management application users must have the ability to observe real-time statistics on the operation of the System by game, retailer, or group of retailers. (For example, up-to-date statistics on sales by game.)

C. **Liability Limits:** The system shall support the setting of liability limits for non-pari-mutuel Terminal Games. Lottery shall be alerted immediately when sales of a number in a fixed payout game reach a warning level and then reach a specified liability limit. The System, through a games management application, must provide a payoff figure and a payoff liability, whenever requested by the Lottery. The System shall automatically suspend sales of any number when the liability limit is reached, although the Lottery shall have the ability to override the suspension. Liability limits should be easily configurable to enable the Lottery to respond to market trends.

D. **Retailer Terminal Control.** Authorized games management application users must have the ability to enable and/or disable any Retailer Terminal, partially or fully. Actions taken toward retailer management must be effective immediately and must create an audit trail of the changes made, the date of the change, and the user who made the change to a Retailer Terminal record.

E. **Retailer Disablement Codes.** The games management application must support a coding scheme for differentiating various retailer "disabling" reasons. For example, if a retailer is disabled for a collection-related problem, for EFT sweeps, and for a disciplinary problem, this multiple-cause disabling must be recorded in the retailer record and clearly displayed upon inquiry. The coding scheme must be able to accommodate up to twenty (20) total disablement conditions with up to five (5) concurrently. The application must be capable of reporting a retailer's history of disablement conditions.

F. **Ticket Messaging.** The games management application must support the ability (for an authorized user) to create and send messages to all or selected groups of Retailer Terminals to be printed in "banner" spaces on the tickets. These messages would be triggered by situation, for example by the game, bet type, or price point. One application will be a unique, by game, marketing message to display on the tickets. The Lottery may also utilize this functionality to send messages such as "Amber Alerts" for printing on tickets.

G. **Retailer Messages.** The games management application must support the ability (for an authorized user) to send messages to a specific retailer, or to any group of retailers such as, but not limited to, all retailers, retailers in the same county, zip code, business type, corporate account, or sales level. The System must provide wide latitude to the Lottery in establishing groupings of retailers.

H. **Message Size.** Retailer informational messages up to five hundred twelve (512) characters shall be supported.

I. **Immediate and Deferrable Messages.** The games management application must support the ability for an authorized user to define any retailer message as immediate or deferrable. Immediate messages must be accessed and acknowledged by the Retailer Terminal right away. For a deferrable message, the Retailer Terminal is notified to take a specified message within a certain time, but the message can be taken by the retailer when it is more suitable to player traffic.

J. **Player Display Messages.** The games management application must support the ability for an authorized user to create and send graphics and messages to the player display units associated with the Retailer Terminals. The System must provide wide latitude to the Lottery in

establishing groupings of retailers. The player display message functionality may be used to provide a variety of messages, including but not limited to Amber Alerts, road conditions, storm information, and evacuation advisories.

K. **Management Reports**. The games management application must be capable of producing on-line and off-line management reports as required by the Lottery. The Lottery will determine final specifications with the Successful Bidder.

L. **Sales Research and Reporting.** The Lottery requires the ability for authorized games management application users to request, process, and print portions of the Gaming System's sales history and transaction history. At least seven (7) days of sales detail must be on-line.

M. **Retailer Report Review.** The System must be able to generate reports in the same formatting as the Retailer Terminal reports to allow Lottery staff to review results with retailers.

3.4.1.3 Games Draw Controls

A. **Operator Games Control:** The System must provide game status changes (Open, Closed and Pay) by manual operator intervention within a prescribed window of entry. The System shall also allow for game closure and reopening outside the prescribed window of entry by authorized Lottery personnel.

B. **Automatic Close:** At a specified time before the drawing, the System shall automatically close sales for a draw without operator intervention. There must be a manual override capability available for this function.

C. **Transactions at Close:** The System must maintain control of transactions underway at draw close time so that all transactions before the draw close transaction apply to the forthcoming drawing and all transactions after the draw close transaction apply to the subsequent drawing.

D. **Drawing Information:** At draw cut-off for any game, the System must display the following information for the game:
   a. Date and Time of day
   b. Net draw pool (sales minus cancels)
   c. Hash total of plays (including cancels)
   d. Pool status
   e. Draw Identifier

E. **Manual Dual Entry:** The application must provide the ability to enter critical data such as the entry of winning numbers, prize amounts and jackpot amounts through two (2) different application user sessions to verify results before allowing the process to continue. All attempts, successful or not, must be logged. Unsuccessful attempts will require restarting from the beginning.

F. **Multiple Winning Numbers for a Draw:** The System must be capable of allowing the entry of multiple winning numbers at the discretion of the Lottery for every terminal based game.

G. **Suspend Sales After Last Drawing:** The System must be capable of suspending sales of a

game for the remainder of the sales day, after the last drawing of the day.

H. **Closing, Drawing and Cashing Time Window:** The Lottery considers it mandatory to minimize the time window between close of the games, drawings and the ability to pay winning tickets. The Bidder shall identify its proposed time window for closing games, conducting game drawings, entry of winning numbers, and readiness to pay winning tickets. All game types must be addressed. Fixed payout validations must be supported within ten (10) minutes of the drawing time. The time window between the close of a game and that game's drawing shall not exceed the current time windows, which are nine (9) minutes for Megabucks, ten (10) minutes for the Pick 3 and Pick 4 day draw, fourteen (14) minutes for Pick3 and Pick 4 evening draw, fifteen (15) minutes for Gimme 5, one (1) hour and eight (8) minutes for Lucky For Life, one (1) hour and ten (10) minutes for Mega Millions, and one (1) hour and nine (9) minutes for Powerball.

I. **Roll to Next Drawing after a Problematic Drawing:** The System shall allow the Lottery to resume ticket sales and operations for Retailers and customers for future sales without necessarily finalizing and declaring official a problematic drawing.

J. **Advance Play Step-down Feature:** The system shall allow for a step down on wagers placed for advance play on future drawings for Terminal Games. This will facilitate matrix changes and changes in the number of plays allowed in a week.

3.4.1.4 Ticket Validation and Query Controls

A. **Ticket Validation**: The System must validate winning tickets presented within the validation period as determined by the Lottery.

B. **One-Time Cashing**: A winning ticket must not be able to be validated more than once.

C. **Cashing Limits**: Winning tickets must be validated based on prize levels in accordance with the Lottery's business rules and the Retailer's cashing requirements. Cashing rules must be configurable by Retailer or Retailer Terminal.

D. **Prompt for Pay Verification:** There must be a feature by which the Retailer can verify that they have the funds to pay the prize or back out of the validation transaction. This feature must be configurable by Terminal.

E. **Ticket Status Query**: The winning status of a ticket must be able to be queried without the ticket being validated. All queries shall be logged.

F. **Control of Validations:** The System must be able to turn off cashing at the Terminal for a specific game and specific draw.

G. **Debt off-set:** The System must support debt set-off processing and handle any necessary adjustment to the prize payment.

H. **Validation / Wager Reference**: Validation transactions for winning Terminal Game tickets must include reference to the original wager transaction.

I. **Multi-draw winning tickets with remaining draws**: An exchange ticket created when a

multi-draw ticket is validated prior to the last draw on the ticket must have a distinct serial number from the original ticket but the System must be capable to relate the two.

J. **Winning Ticket Data on Availability**: For Terminal Games, the System must allow validated winning ticket data to be retained for one year after the drawing. The exact specifications will be established during implementation.

3.4.1.5 Other Retailer Terminal Functionality

In addition to functionality included in the above sections, Retailer Terminals shall have the following functionality.

A. **Retailer Terminal Software Updates**: Retailer Terminals must be capable of automatically receiving software and data downloads from the gaming system or manually receiving downloads from a service technician. Downloads from the gaming system may be requested by the Retailer Terminal or forced by the gaming system. The Retailer Terminals must be able to store multiple versions of software and activate the correct version as appropriate.

B. **Secure Sign-On:** Retailer Terminals must prohibit unauthorized use through a coded sign-on procedure. The System must permit changing of the code without a service call to the Terminal. A password, for security purposes, is not to be displayed, printed or visible in any manner whatsoever at the Terminal. The Bidder must identify the methods for clerk identification it employs, such as but not limited to, scanning an ID card, multiple sign-ons, and entry by touch screen. The Bidder shall describe the capabilities to limit invalid password attempts.

   The password facility must permit multiple levels of secure access, including Lottery Representative, Successful Bidder representative, store manager/owner and multiple clerks. This capability must allow restricted privileged transaction types to authorized users; for example, store managers (but not clerks) may be able to display Retailer financial reports and transactions by individual clerks. Retailer system access levels and passwords are to be controlled by the individual Retailer, or by the chain/group for multiple stores.

C. **User Interface Design:** The user interface must minimize keystrokes and minimize navigation through levels of nested screens to ensure utility and productivity for the user. The final user interface design shall be developed jointly with the Lottery.

D. **Random Number Generator:** The Retailer Terminals must have a mechanism for generating random play numbers (quick pick numbers) for any game as requested by the Retailer or via Play Slip. The random number generator mechanism must be certified by a Lottery-designated testing agency at the Successful Bidder's expense.

E. **Large Dollar Transaction Verification:** The Terminal screen must display a message for each large dollar transaction that provides an option to the Retailer to stop or take other appropriate action before completing the transaction. The Lottery will define the default amount of a large dollar transaction and must approve the Terminal messages. The Bidder must propose a feature whereby a specific Retailer can select a default amount different, but not greater than the amount, defined by the Lottery.

F. **Large Volume Quick Picks:** The terminals must have the ability to sell a multiple single play quick pick tickets without requiring operator re-entry. The quantity must be configurable by the lottery.

G. **Play It Again:** Tickets produced by the terminals must bear a Terminal readable barcode allowing the Terminal to reproduce the customer selected numbers previously used for a wager for the next draw or upcoming draw.

H. **Last Transaction Display:** The Retailer Terminal must be able to display the last transaction of each type, including last wager, last cancel, last winner validation, last report, etc., as selected by the Retailer.

I. **Previous Transaction Listing:** Upon request by the Retailer, the Retailer Terminal must be able to display and print the last fifty (50) transactions accepted by the System in order to compare printed tickets with registered tickets. In display mode, all the past transactions need to be available as a scroll and must not appear on the same screen at once.

J. **Cancellations:** The Terminal must support ticket cancellations for those games that permit it. Cancellations must be governed by a set of parameter-driven rules as established by the Lottery and must require the use of the actual ticket that is being cancelled. Rules may include the requirement to use barcode to cancel tickets.

K. **Lottery Initiated Messages:** Broadcast and Retailer messages from the gaming system must be received and displayed at the CARTs. If the CART is not powered on or communicating with the central System at the time of broadcast, the central System will ensure that the CART receives the message immediately upon sign on. The CART must have the ability to print messages. Messages must be able to be sent to Retailer or Terminal groupings as determined by the Lottery. The Lottery must be able to specify whether a retailer must read a message prior to continuing use of the CART.

L. **Retailer Initiated Messaging:** The Retailer Terminal application must support Retailer initiated messages such as product orders or supply requests, as well, as confirmation of the receipt of messages sent from the System. Bidder must describe the user interface for Retailer Initiated Messages.

M. **Subscription Form:** The Terminal must allow the Retailer to print a blank subscription form.

N. **Survey Form:** The Terminal must have the capability to allow electronic capture utilizing Specialty Play Slips or other types of surveys and a set of questions for players or Retailers. The system may reward survey participants through the Retailer Terminal. System would report survey results as requested by the Lottery.

O. **Clerk-Associated Transaction Reporting:** The System must provide a mechanism that associates a specific clerk with a set of transactions produced by a Retailer Terminal. The System must produce reports summarizing activities by specific clerks.

P. **Training Modes:** The CART must be capable of operating in a training mode. The Bidder shall describe the proposed training mode(s).
   a. **Training mode must be clearly evident**
   b. Training mode transactions that generate any printed materials shall be marked "TRAINING - VOID - DEMO - NOT FOR SALE" or equivalent in the body of the

printed item.

c. Training mode at Retailer locations must be controllable from the central System and create a transaction for the central System advising that the Terminal has entered/exited training mode.
d. Training mode must be capable of simulating all transactions allowed without updating production files such as the winner file, etc.
e. Training mode must be evident to the Retailer – i.e. different color screen.

Q. Transaction Integrity with Consumables Fault:

a. The Terminal must provide a method of preserving the integrity of the transaction when a reader fault, printer fault, misprint, jam or end-of ticket- stock condition occurs.
b. The Terminal must return to service after fault resolution without notable delay or disruption for the Retailer.

R. **Language Agility:** The Bidder's Retailer Terminal should be able to support foreign languages. The Bidder shall provide a listing of all languages that would be available on the Terminal if requested.

S. **Remote Activation/Deactivation:** The system must have the ability to deactivate or reactivate Retailer Terminals from specified management terminals.

3.4.1.6 Promotions and Promotional Features

The System must include a promotions function that will allow authorized Lottery staff to setup, implement, and shutoff promotions and promotional features on demand. The System must be capable of providing a broad range of promotions and promotional features. At a minimum are as follows:

A. **Free Play** Free play when several plays are purchased or other conditions specified by the Lottery.

B. **Cross Promotion** Promotions between products that allow for discounts (e.g. buy "x" amount of Game A and get "y" amount of Game B free). Both terminal and instant products may be cross promoted in combinations, namely terminal to terminal, terminal to instant, etc.

C. **Multiple Drawings per Day** Multiple drawings for the same game within one day, including Day/Night feature with the same play for the day and night drawings of a game.

D. **Bonus Draw** Drawing of more than one (1) winning number (set of winning numbers) at the Lottery's option.

E. **Bonus Payoff** A specified increase in the payoff for specified winning plays at the Lottery's option.

F. **Drawing Events** Varying the number of drawings per game per week and/or the days the drawings are conducted.

G. **"Regional" Marketing** Sale of specified games/products/features (e.g. couponing, discounting) through selected retailers, retailer groups, and/or selected geographical areas.

H. **Sampler Ticket** A multi-game quick pick where the System will automatically generate more plays--possibly one for each game on the market--either with or without a premium.

I. **Variable Commission Rates**. For certain terminal and instant products, commission rates may be set differently from the default value. For certain retailers or retailer subsets, commission rates may temporarily or permanently be set differently from the default. Commission rates may be set for one (1) or more days, or any portion of a day.

J. **Vouchers.** The System must support vouchers used in a promotion where a ticket purchase could result in a certificate worth a certain dollar amount or exchangeable for a commodity item. The System must be able to add a bar code, UPC code, or other appropriate identifier to the certificate generated. The System must track liability for prizes due to issuance of vouchers.

K. **Entry Forms.** The System must support entry forms issued upon ticket purchase to create an entry for a prize drawing.

PROPOSAL CONTENT:

- The Bidder must provide sample screen(s) indicative of the screen Lottery staff would use to create and manage a promotion on the system. The Bidder must also describe the process that would be used.
- The Bidder must describe any limitations regarding the number of concurrent promotions that can be running on the system and the number of concurrent retailer groups that can be running unique promotions.
- The Bidder is encouraged to identify current lottery customers who frequently run promotions and take advantage of many of the promotions and promotional features being offered.

3.4.2 Instant Ticket Application and Control

The Successful Bidder will supply and maintain the instant ticket accounting system and the Lottery will be a system user. The instant ticket accounting and management software component of the System will include, but not be limited to, the following functionality.

3.4.2.1 General Instant Ticket Controls

A. **Game load and Configuration**. The System must allow new Instant Games to be loaded, configured and verified.

B. **Book and Ticket Status.** The system must allow book and ticket statuses to change in accordance with the Lottery's business rules. Book and ticket status must be tracked throughout the life of a game. Monitoring must include assigned location (i.e. Warehouse *X*, Retailer *YYYYYY*).

C. **Queries**. The System must support a wide variety of instant ticket inquiries including full book history, shipped and pending orders, Instant Game book lookup, retailer inventory, game definition, instant ticket research, sales activity, returned inventory, settled inventory, ended games and LSR inventory.

D. **Game Volumes:** The system must accommodate large game volumes. Based on current practice, the Lottery may have two hundred (200) Instant Game active at one time, ranging from approximately one hundred and eighty thousand (180,000) to three million (3,000,000) tickets per game, inclusive of ticket re-orders. Approximately fifty (50) to seventy (70) new games may be introduced annually.

E. **Winning Ticket Validation Methods:** The System must be able to accommodate the validation of Instant Tickets using the validation number, validation barcode only (PDF417 or data matrix), and inventory barcode plus PIN.

F. **Validating Winners Duration:** Winning Instant Game Tickets may be validated up to one calendar year following the announced official close of the game.

G. **Game Book Ticket Numbers:** The System must be able to accommodate standard game, book and ticket numbers. .

H. **Flexibility in Instant Game Products:** The System must accommodate new Instant Game Ticket products that may be of different sizes and shapes, bar code qualities, book quantities, prize structures and price points, from those described as current products and those that are required to meet NASPL standards.

I. **Reports.** The system must produce all reports necessary for managing Instant Ticket business processes.

3.4.2.2 Retailer Allocation and Ordering

A. **Initial Allocation of New Games**. The System must be able to develop and generate initial allocations of Instant Games for retailers based on various parameters. The system should allow flexibility in allocating new Instant Games that are different from current products (such as a new *family suite*).

B. **Auto-replenishment**. The System must be able to develop and generate orders for shipment based on rates of sales and inventory levels at the retailer locations. Reorders must be set up to allow usage only on certain games. Auto-order parameters must be able to be canceled or adjusted by lottery employees. The Bidder must fully describe their process and the parameters that can be included.

C. **Retailer ordering.** The System must allow for Retailer ordering through the terminal that creates an order reviewed by Lottery staff, with release to the warehouse as appropriate. Retailers must be able to be enabled or disabled for this feature.

D. **Special Orders.** The System must accommodate special orders, such as walk-in orders from retailers and orders from Lottery Sales Representatives. Such orders must be noted as “walk-in” or “LSR” so that the warehouse staff will know not to include them for courier delivery.

3.4.2.3 Warehousing and Distribution

A. **Warehouse User Interface for Distribution**. The user interface for administering instant ticket inventory must facilitate warehouse staff efficiency and accuracy. No specific technology is required but the bidder may propose such mechanisms as bar code controls, RFID controls, wireless readers, audible cues, color coded screens, and others. The Successful Bidder must provide at least three fully functioning pick and pack stations for fulfilling orders. The Bidder must fully describe the proposed functionality and flexibility for picking and packing new games, inventory replenishments, and special orders.

B. **Order Fulfillment Functions.** The order fulfillment function must be able to close all daily shipments and generate necessary courier files and manifests. The System must be capable of handling multiple couriers

C. **Return Processing**. The System must accommodate return of full books and partial books and allow full books to be placed back into available inventory.

D. **Handling Special Transactions**. The System must accommodate the processing of stolen tickets, lost or delayed shipments, damaged, misprinted, or mis-packaged books of tickets.

E. **Inventory, Game Close and Ticket Destruction.** The System shall support the inventory audits, game close, and ticket destruction by providing various reports and status changes.

3.4.2.4 Instant Tickets Retailer Transactions

The System will be required to support Instant Games through the Retailer Terminal. Support from the Successful Bidder shall include but not be limited to the features and transactions noted below.

A. **Lottery Sales Representative Transactions.** The System must support retailer inventory management transactions and messages for Lottery Sales Representatives. For each retailer where an LSR conducts book management transactions the system must produce reports of all activity that will preclude the use of manual forms processes.

B. **Book Delivery and Returns**. Books delivered to retailers must be registered in the System. The System must support receipt of bulk shipments by the retailer with one bar code read. Books may be returned by the retailer.

C. **Book Activation.** The System must allow a transaction to activate a book of tickets for sales and validation.

D. **Settlement.** The terminal must support settlement of books that have been distributed to, and sold by, the retailers. Books must be able to be manually settled, and the System must also support automatic settlement based on Lottery-established parameters such as the time since the book was activated, the percentage of low-tier validations, or settling the oldest book with a new activation. The System must accommodate settlement of a partial book.

E. **Retailer Status and Reporting.** The retailer must be able to obtain, through the terminal, an appropriate collection of reports summarizing instant ticket status, transaction activity and weekly settlement. These include, but are not limited to, (the retailer's own) inventory information by book status, summary of validations, instant sales and adjustments, and news messages. The gaming system must provide combined business reports incorporating both instant and terminal product results.

F. **Suspended Validation for Activated Tickets in Retailer Inventory:** The System must allow retailers to suspended validation for instant tickets that have been activated and unsuspend on demand. Currently, retailers can press a button on the Retailer Terminal and then scan the next ticket to be sold in each book and then confirm the transaction. The retailer can unsuspend all books at once. This feature provides inventory protection to retailer during non-selling hours.

G. **INVITED OPTION - Real-Time Accounting for Instant Tickets.** As an Invited Option, the Bidder may propose technologies and/or methods that would provide accounting for instant ticket sales as they happen.

3.4.3 Retailer Accounting

3.4.3.1 Retailer Accounting Functionality

The System must support retailer accounting operations to ensure that all transactions from the retail environment are accurately processed in order to invoice each retailer on a weekly basis (or as retailers are terminated). Functionality shall provide for retailer commissions, bonuses, incentives, credits for prizes, adjustments and reimbursements as specified by the Lottery.

The System must allow the Lottery to set the retailer accounting period. The Successful Bidder's system must provide flexibility to allow for daily or other periods in the event a business need arises for this. The Lottery reserves the right to change the accounting period during the term of the Contract. The Successful Bidder may be responsible for the creation and transmission of the bank files at the Lottery's discretion.

The System must provide the Lottery the ability to execute and review manual accounting adjustments to retailer accounts and the software must contain adequate internal features and provide a complete audit trail. There must be the ability to make adjusting entries either based upon parameters within the system and/or a file provided by the Lottery (i.e. mass adjustments). Based on the type of adjustment being made, the System must permit an authorized user to set up the adjustment to impact the retailer's 1099-MISC.

The Successful Bidder must produce weekly files, consistent with current Lottery invoicing file formats. The Successful Bidder may upload bank files to the Lottery's bank for processing and collection of the amounts invoiced. The system shall allow for the creation and uploading of ad-hoc bank files.

The software must capture all 1099-MISC information based on retailer activity and allow the Lottery to make adjustments. The system must produce the IRS Form 1099-MISCs and all files necessary for submission to the IRS and required State entities. The System must allow multiple stores to roll-up to one EIN. The Lottery must be able to pull reports prior to the end of the year; reports must show year to date totals. Form 1099-MISC files for the IRS and State entities must be created by the Successful Bidder prior to January 24th of each year. The Successful Bidder may be responsible for printing/mailing the 1099-MISC to retailers at the Lottery's discretion.

Some Vermont retailers have multiple Retailer Terminals in one location, and these must be accounted for using one retailer account.

The software must generate all reports and files required by the Lottery.

The Contractor must be available on an on-going basis to advise the Lottery on how to fully utilize the software features or controls available to ensure the integrity of Lottery accounting operations through segregation of duty features and/or other means.

3.4.3.2 Retailer Incentive Payments

The System must have the ability to create retailer incentive payments for cashing tickets, selling winning tickets, and meeting sales objectives. Payment must be able to be made by account credit,

check or the creation of a bank file.

- Import data from a Lottery-generated file, identifying the chain designation, retailer number, business name, incentive amount, assigned territory, and route.
- Produce a Cash Requirement Report to ascertain accuracy of incentive amounts prior to the checks being produced or the creation of a bank file.
- Roll multiple incentives up to a single check/payment for corporate accounts while maintaining individual store information.
- Recognize franchise locations.
- Automatically connect incentive payments to retailer tax file.
- Print checks, if required, and sort by chain and/or territory route and stop designation.
- Print checks, if required, on laser printer stock.
- Create bank file, if required.
- As needed, cancel any check/payment and remove the incentive amount from the tax file.
- No income tax withholding is necessary for incentives, but the information must be available and reported separately for 1099-MISC detail reporting.
- The system should have changeable parameters for bonus payments for the sale of winning tickets and cashing of winning tickets.

3.4.3.3 Retailer Accounting Security and Integrity

The software must have internal controls, security features, auditing tools, and other measures to prevent and/or detect changes to retailer banking or other account information (e.g. PII) through fraudulent means or attempts at executing other improper transactions. In addition, the software must provide alerts for thresholds and activity as required by the Lottery.

Such internal control features must include the periodic reporting of all file maintenance transactions involving Lottery retailer information. The software must be user-friendly, robust, and have multiple layers of security with the capability for customizable and extensive data mining.

3.4.4. Retailer Application, Contract, and Data Management

The System must support processes for capturing, managing and maintaining information on Lottery Retailers. Processes include Retailer application processing, Retailer set-up and activation, ongoing maintenance (including data updates and reactivations), and discontinuation, suspension, and termination.

3.4.4.1 Applications:

The System shall facilitate Lottery staff efforts to enroll applicants as new Retailers.

A. The System shall support the application process for: adding a new independent location, adding a new chain, adding a new location to an existing chain, changing ownership of an independent, changing ownership of a chain head, changing ownership of a chain subordinate, and adding a new NPO.

B. The System may securely interface with other State agencies to determine whether the business entity and the owners are State debtors (e.g., child support, delinquent State taxes, etc.).

C. The System shall allow the Lottery to assign a Retailer number and provide automated methods

for entering data from Retailer application forms.

D. The System shall generate Files used to produce mailing labels and location labels for Retailers along with a listing of new Retailer applications.

E. The System shall maintain for each initial Retailer application the following information including, but not limited to:
   a. Owner or officer names, phone numbers, and dates of birth (including the ability to update the officer information, add new officers, or delete existing officers).
   b. Corporate name and phone number.
   c. Retailer name and phone number.
   d. Tax reporting information.
   e. Ownership type.
   f. Email address associated with the business and its principals.
   g. Ownership type.
   h. Social Security Numbers (SSN) or Federal Employer Identification Number (FEIN).
   i. Physical location address, billing address, shipping address, and mailing address.
   j. Financial/Bank Information

F. The System shall provide a status code (e.g., active, inactive, approved, suspended, terminated, pending, etc.) and reason code (e.g., ownership change, security risk, probation, etc.) structure.

G. The System shall provide chain types such as groupings of independent locations and corporate chains. The chain structure shall allow for multiple level rollup (e.g., Retailer locations, regional headquarters, and corporate headquarters). The Lottery shall be able to group existing Retailer locations into a chain or ungroup existing locations to eliminate a chain. Changes in chain structure shall not affect Retailer location identifiers or sales history. The System shall retain history on previous chain structures.

H. The System shall automatically generate a License to Sell Lottery Tickets upon completion of the application process.

I. The System shall allow for the retrieval of pending applications.

J. Only Authorized Users shall have access to Sensitive Information.

K. The System shall be capable generating standard form letters with the capability to modify text.

3.4.4.2 Set-Up and Activation Process:

The System shall facilitate Lottery staff efforts in assigning equipment and establishing the ability to sell tickets for new Retailers.

A. The System shall support the set-up and activation process for assigning equipment to new Retailers.

B. The System shall record an approval date for the Retailer contract.

C. The System shall record when an Authorized User receives a signed contract and only then allow the Retailer to be activated.

D. The System shall schedule and track all Retailer training.

E. The System shall generate orders for all equipment for approved Retailer locations.

F. The System shall provide a status code (e.g., active, inactive, approved, suspended, terminated, pending, etc.) and reason code (e.g., ownership change, security risk, probation, etc.) structure.

G. The System shall automatically generate, at the time of contract approval for all independent locations, a Report to be attached to the contract containing Retailer specific information, as specified by the Lottery. Chain applications shall list all locations in that chain in addition to all information provided for independent locations.

3.4.4.3 Retailer Maintenance:

The System shall facilitate Lottery staff efforts to maintain Retailer information.

A. The System shall support automated methods for entering data from Retailer forms.

B. The System shall allow only Authorized Users to view and change Retailer data.

C. The System shall maintain, in real time, for each Retailer the following information including, but not limited to:

   a. Retailer number.
   b. Retailer name and phone number.
   c. Location address, including county.
   d. Mailing address with a unique contact person name.
   e. Delivery or shipping addresses with unique contact person name for each address.
   f. Email address
   g. Order contact person and phone number.
   h. Store hours.
   i. Lottery representative assignments.
   j. Billing information including address and unique contact person name.
   k. Bank account information.
   l. Number and types of terminals and equipment installed.
   m. Terminal communication type
   n. North American Industry Classification System (NAICS) codes.
   o. Identification of Lottery product types being sold.
   p. Dates of application approval or denial, contract renewal, and contract expiration.

D. The System shall reference previous Retailer numbers and track location history when a change of ownership requires a new application by a Retailer.

E. The System shall provide a status code (e.g., active, inactive, approved, suspended, terminated, pending, etc.) and reason code (e.g., ownership change, security risk, probation, etc.) structure. Separate status and reason code structures shall be maintained for each type of Lottery game

(i.e., Instant and Terminal). The status and reason code structure shall control the functions a Retailer is permitted to perform. The Lottery will define the codes and functions permitted.

F. The System shall allow the Lottery to group existing Retailer locations into a chain or ungroup existing locations to eliminate a chain. Changes in chain structure shall not affect Retailer location identifiers or sales history. The System shall retain history on previous chain structures.

G. The System shall maintain a transactional history log of all changes made to the Retailer master and reference File information, accessible to Authorized Users on the System for at least twelve (12) months following the change. The information shall be retrievable for the Life of the Contract. The transactional history log shall identify the user that made the change.

H. The System shall support and track movement of equipment between old and new locations.

I. The System must track location history across multiple Retailers. This information will be used to track sales and order histories.

3.4.4.4 Retailer Suspension and Termination:
The System shall facilitate suspension and termination (voluntary and involuntary) of Retailer accounts.

A. The System shall provide processes for Authorized Users to suspend and terminate Retailer accounts.

B. The System shall provide a status code (e.g., active, inactive, approved, suspended, terminated, pending, etc.) and reason code (e.g., ownership change, security risk, probation, etc.) structure. Separate status and reason code structures shall be maintained for each type of Lottery game (i.e., Instant and Terminal Games). The status and reason code structure shall control the functions a Retailer is permitted to perform. The Lottery will define the codes and functions permitted.

C. The System shall generate orders for the removal of all equipment for approved Retailer locations. The System shall generate instructions for removal of terminals and all other Retailer site equipment.

3.4.5 Claim Center Processing

Claim center processing includes the accurate processing and the recording of all activities necessary to issue a paper check or other payment methods, or execute an electronic funds transfer as well as process non-cash, merchandize prizes. The System must provide the following functionality:

A. Capture complete claimant information required for IRS reporting at the time payment is made. Claimant information will also include Lottery defined demographic information. This system must include the ability to automatically calculate and withhold taxes and withhold other Lottery designated amounts from the prize on an ad hoc basis. The Lottery must be able to maintain multiple tax rates for these calculations and be able to update them as needed without development intervention.
B. Properly capture the prize amount from the validation process and mark the ticket as validated/paid.

C. Allow prizes to be split between multiple claimants as well as capture IRS reporting requirements (W2-G and 1042) for those claimants. IRS reporting information shall be captured based on total prize won, not amount of each payment.
D. Provide the ability to process child support and other set-offs, which would automatically generate check payment(s) to the appropriate set-off agency(s). The system must allow multiple set-offs for a single prize.
E. Provide the ability to void and re-issue checks.
F. Print Vermont Lottery checks _ utilizing MICR capable laser printer located at Vermont Lottery Headquarters (utilizing hardware and toner provided by the Successful Bidder).
G. Allow a prize payment process, via keyboard entry, for prizes not included in the validation system.
H. Allow printing of miscellaneous non-prize checks with ability to designate proper accounting and complete name and address for mailing.
I. Allow accounting for non-cash prizes including tax withholding payments and capture of IRS reporting requirements.
J. Support the payment of winners through authorized claim centers, where prizes are paid to winners directly by a claim center. Processing of these claims is no different than payments via check except that no check to the claimant is issued. System shall maintain list of authorized claim centers by branch number. Branch number may be used in place of a check number for tracking purposes. Detail and summary reports of claim center payments by branch is required.
K. Provide a database for record keeping of claimants. Once a claimant's basic information is entered, this record will be available for future claims and for Lottery reporting.
L. Provide checkbook style tracking to allow the data entry of deposits, interest, fees, payments, and any other miscellaneous debits or credits. Maintain a current running balance for the account on the system. Generate displays and reports that show checks and payments, summarizes deposits, interest and fees, and displays beginning and ending balances. Allow the marking of items as cleared through the bank. Entry of bank balance for reconciling purposes in order to generate displays and reports reconciling the account balance with the bank balance detailing outstanding items and any variance.
M. The system must also allow for interim reporting of check printing, including claim center payments summarizing the type (game) of payment.
N. Provide detail for interface to Lottery's financial accounting system.
O. Capability to export data to common platforms.
P. The software must capture all W2-G and 1042 information based on claims activity and allow the Lottery to make adjustments. The system must produce the W2-G and 1042 Forms and all files necessary for submission to the IRS and required State entities. The Lottery must be able to pull reports for ranges of user defined dates; reports must show totals. Forms W2-G and 1042 files for the IRS and State entities must be created by the Successful Bidder prior to January 24th of each year. The Successful Bidder may be responsible for printing/mailing the W2-G and 1042 forms to claimants at the Lottery's discretion.

The Vermont Lottery strongly desires that the Bidders provide an automated claims solution that negates the need for customers to manually complete claim forms. For example, the automation solution could use a duplex document scanner to scan player IDs and tickets. The scanner would process both documents and populate claimant and ticket information into the system and the claim form. The claims staff would check the data and print a claim form for the player to sign. The captured images, including the front and back of both documents, would be available to the Lottery as claim evidence.

3.4.6 Internal Control System

The Successful Bidder must obtain an ICS solution from a third-party that has significant experience providing lottery ICS systems to U.S. lotteries offering Powerball. The ICS provider must meet the security requirements of the Lottery and the Lottery reserves the right to select the ICS provider.

The ICS must include application software, operating system, and any requisite middleware. The ICS will check the System independently by securely processing all relevant transactions, auditing transactions and summary data, selecting and verifying winners, and automatically balance against the gaming system. The ICS systems must meet all MUSL requirements.

The ICS servers must process System transactions in a near real time. The ICS servers must independently receive transactions from the System and be available for processing (i.e., no ICS system is higher functioning than the others).

A. **Availability.** The ICS will be available during all times the System is available.

B. **ICS Reports**. Reports will be automatically generated and can be configured to automatically print. Reports must be organized and formatted identically to their gaming system counterparts for efficient review and balancing.

C. **User Interface**. A user friendly GUI will be provided to the Lottery for monitoring daily activity and providing a mechanism for retrieving historical reports. Access to the GUI must be configurable and logged.

D. **ICS Suppliers**. The ICS application will be supplied by an independent, third party software contractor. The Lottery reserves the right to require the Contractor to submit documentation verifying the ICS contractor's' independence from the contractor and for any of its affiliates. The Lottery reserves the right to require the Contractor to provide a list of current domestic lotteries supported by the ICS subcontractor. The Lottery reserves the right to specify the ICS subcontractor that conducts the work. The software subcontractor shall maintain the ICS for the term of the Contract.

E. **ICS Operations by the Lottery**. ICS operations should be as automated as possible and require little, if any human interaction on a daily basis. The Contractor and the selected subcontractor must provide operating instructions and ongoing training to the Lottery. The ICS subcontractor will be responsible for system administration functions such as operating system updates, game purging, backup and recovery, file maintenance and software upgrades.

F. **ICS Expenses**. Costs for all hardware, network equipment, and software elements of the ICSs, including 24x7 support, and all hardware and software changes required to support current and future gaming requirements, will be the responsibility of the Contractor.

3.4.7 Data Management and Reporting

The following requirements pertain to data on the gaming system and not to data that may reside on reporting systems.

A. **Data Access**: The Lottery requires access to gaming information collected by the System, including retailer data, sales records, terminal maintenance data, and daily transactions. Queries and reports must be viewable and printable from the Lottery's management workstations. The

System shall be designed to ensure there is no negative impact on production operations or gaming response time while obtaining reports on retailers, inventory, and sales.

B. **Transaction Reporting Tool Set.** The Contractor must provide software tools for accessing, reporting on, and downloading gaming information.

C. **Lottery access to data through File Transfers.** The Lottery requires various forms of data to feed Lottery administrative and gaming support systems. Data files must be supplied in a format and frequency specified by the Lottery.

3.4.8 Reports and Business Intelligence

The System must produce a wide assortment of timely management and administrative reports for use by the Lottery. The Lottery reserves the right to adjust its reporting requirements and schedules during the Contract.

3.4.8.1 Reports

The Lottery requires accurate and timely information to manage its business. Standard reports will be defined by the Lottery during the software specification process. All of these reports must be available on a file server for historical purposes. Reports must be exportable to Excel and other common data management tools. The Successful Bidder must provide examples of reports typically provided to customers.

At a minimum, the Successful Bidder must include the following types of reports:

A. **System Reports:** Financial liability, sales, validations and system balancing reports must be provided on a daily, weekly, and drawing basis as appropriate.

B. **Sales Reports**: Sales reports typically show static information with details, summaries, or both depending on purpose of reports. Sales reports assist LSRs, corporate account professionals, and sales management staff to understand the composition of sales.

C. **Retailer Reports**: Reports shall be provided to the Retailers through the Terminal for sales, and transaction information. The Successful Bidder's solution should allow for reports from the Lottery system to be passed through to the Terminal.

D. **Operations Reports**: Operations reports provide a management and technology staff with snap shots of operational performance and will assist the Lottery and the Successful Bidder to identify issues and trends that need to be addressed.

E. **Reporting by Retailer Website.** The Successful Bidder must provide a retailer website where retailers, especially corporate retailers, can access and download their own sales and accounting information. Corporate retailers must be able to see all retailers within the chain. Retailers may not see the private information of other retailers. The retailer website may also be used for retailer announcements and for retailer training information.

F. **NASPL and NACS XML Project.** The Lottery expects to participate in certain standards-based industry activities, such as a NASPL and NACS (National Association of Convenience Stores) Extended Markup Language (XML) project. The Successful Bidder will be required to

support this and any such industry standard project.

3.4.8.2 Business Intelligence

The Lottery strongly desires a business intelligence system and associated services that would allow the Lottery to transform data into information that could be used to make better and more profitable business decisions. In the Lottery's desired scenario, the Successful Bidder would administer, manage, and coordinate the development, design, implementation, and on-going operation of the BI system using Successful Bidder provided hardware, software, and staff.

3.4.9 Terminal Games Subscription System

The Bidder must propose a Subscription System with at least the following functionality:

A. **Entries:** New subscriptions and updates would be processed by completion of a form by a range of methods.

B. **Subscription Length:** Subscriptions may be less than, but can extend up to twelve (12) months.

C. **Merging Subscription Plays:** Subscriber plays would be merged with the ordinary game pools for determination of winners and payouts.

D. **Winner Payments:** Winners would be paid automatically through the subscription management system. Low-tier winners may accumulate until a Lottery specified threshold is met or the end of the subscription period, whichever comes first. Winners may be paid electronically or by check. The winner payments capability must interface with claim center processing.

E. **Confirmation Notices:** The system must be able to generate confirmation notices for subscriptions. Confirmations can be sent by mail or email.

F. **Renewal Notices:** The System must generate renewal notices automatically for subscriptions nearing the lapse date, beginning with the next drawing after the original subscription expires. Renewal notices can be sent by mail or email. Renewal notices will not be generated for addresses outside of Vermont.

G. **Subscription Account Management:** The Lottery must have the ability to generate mailings and provide player services to subscribers.

H. **Email Messaging**: The system must be able to issue standard messages to subscription players notifying them of an account status change, renewal notice, winning payment deposit, or other useful player information.

I. **Cancellations and Refunds**: The system shall allow the ability for multiple subscriptions to be cancelled by the Lottery due to matrix changes, game termination, or other such situations the Lottery deems appropriate. The mass cancellation of subscriptions will generate either a check or electronic payment for the remaining draws on the subscriptions affected.

3.4.10 Ticket Stock Tracking and Security:

Ticket stock is currently delivered to Retailers in cartons having a bill of lading. Each roll inside is to have a unique bar code allowing the ticket stock to be received at the Retailer Terminal. Ticket stock tracking shall permit returns, re-issues, and destruction of stock, as appropriate, by authorized users. Stock activity reports will be required. The ticket stock tracking information shall be delivered from the ticket stock printer directly to the Lottery, using a method of secure electronic delivery as prescribed by the Lottery. The Bidder must describe in detail its ticket stock tracking system. The proposed system must be compliant with multi-jurisdictional security standards that apply to the Lottery (e.g., MUSL rules). The Successful Bidder must provide any hardware and software necessary to store, maintain, inquire of or interpret this information. There must be a backup for this capability at the backup data center.

3.4.11 Advertising Content Management System

The Bidder must propose an application that facilitates management and distribution of text, audio, image, and video materials delivered to Retailer Terminals and peripherals. The Lottery will manage a library of these objects that may be sent and activated for display at retailer locations. These objects will be subject to frequent refinement and replacement. They will need to be sent under certain promotional programs to diverse sets of retailers (e.g. a particular chain) and their timely appearance will require a scheduling mechanism.

3.4.12 Point of Sale Inventory System at the Warehouse

At its warehouse the Lottery will store certain items to be delivered by Sales Representatives to retailers. These objects will include, but not be limited to, advertising signs and instant ticket dispensers. The Bidder must propose an application that supports management of these point of sale items. The application must allow for items to be added to or returned to inventory, and then removed from inventory for transport to retailers. Items that are obsolete must be marked for removal from inventory. The items will be bar coded for identification.

3.4.13 Sales Force Automation (SFA)

The Successful Bidder must provide a Sales Force Automation (SFA) System with an application suitable for operation on mobile equipment. The SFA System shall be integrated with other systems where possible.

The Successful Bidder shall provide sales staff and designated lottery staff with SFA devices that will allow them to access all relevant information for a Retailer at the time of a Retailer contact or visit. The devices and system should be capable of:

- Wireless connectivity
- Access to real-time data
- Ability to update information
- Access to sales, promotion, and financial statistics and data
- Access to complaints and issues
- Access to call and contact history
- Access to benchmark and performance information
- Efficiency tools to reduce paperwork
- Access to retailer master record information and inventory data
- Sales tools such as Planograms, Retailer goal setting and tracking

The solution must be easy to maintain and adapt for creating changes as needed. The Successful Bidder must provide Software support and security services to ensure ongoing availability and security of the application and provide the required hardware.

3.4.14 INVITED OPTION - Customer Relationship Management System

Bidders are encouraged to offer a customer relationship management system that could log customer contact data and Retailer contact data and be visible on-demand for all approved users.

The system could be used to track Retailer contacts and calls (by Successful Bidder and Lottery staff) and have the capability to report and evaluate frequency, purpose, problems etc. to be able to react adequately. Decision trees could be defined that cover the subject/reason of the contact.

The System could also serve as a marketing tool to include player information from loyalty and potential subscription programs to permit a full single player view and all related activities with the Lottery.

In addition, the offered solution should be capable of (automatically, manually or through import interfaces) integrating data from other platforms or Systems, such as:

- Facebook, Twitter, and Instagram
- Text promotions
- Mobile app users
- Players' Club members
- 2nd chance contest entries -which ones and how many

This data should be accessible (with Business Intelligence tools) to be able at all times to extract the necessary information needed.

3.4.15 INVITED OPTION - Player Registration System

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

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

A. **Player Database**. Player information would be stored in a database that permits ad hoc inquiry and reporting activities in addition to routine, scheduled reporting.

B. **Player Account Management by the Lottery**. The Lottery at management workstations supported by the System would provide for all mailings and services to registered players.

3.5 Revenue Generation Services and Support

The Bidder must propose a defined and measurable level of service applying its best efforts to support the Lottery's objectives to generate new revenue and maximize profits.

3.5.1 Comprehensive Marketing Plans

The Bidder must submit two comprehensive marketing plans with its Proposal.

3.5.1.1 Comprehensive 18-Month Plan Excluding Expansion of Gaming

The Bidder must submit an 18-month marketing plan covering the period from July 1, 2020 through December 31, 2021.The plan must include recommendations for new products, new marketing initiatives, and new opportunities to maximize Vermont Lottery profits. It will be sole responsibility of the Successful Bidder to ensure that the product delivery requirements in the plan can be met by the technical resources. The plan must not include the introduction of games or sales channels that would be considered an expansion of gaming. The plan should also include the estimated impact on Lottery's sales and profits if the plan is implemented.

3.5.1.2 Five-year Scenario Including Potential Expansion of Gaming

The Bidder must submit at least one scenario that includes potential path the Lottery could adopt if it were required to take a more aggressive approach to increasing profits for education. The scenario(s) submitted should provide sales and profit estimates associated with new games and sales channels.

3.5.2 Actionable Business Analytics Support

The Successful Bidder must provide resource(s) with expertise in business intelligence and data analysis that can provide both requested and unsolicited actionable business intelligence.

3.5.3 Marketing Services

The Bidder is encouraged to propose a defined and measurable level of service applying its best efforts to support the Lottery's objective to maximize profits. At a minimum, the following services are of interest; however, the Bidders are encouraged to provide additional offerings:

A. Lottery Industry Update and Vermont Lottery Performance Review. On at least an annual basis, the Successful Bidder would provide the Lottery with an industry update that would include recent and upcoming new games, game features, promotions, marketing practices, and innovations. The update would also include an analysis of the Lottery's performance relative to the industry and its peers.

B. Strategic Planning. On at least an annual basis, the Successful Bidder would participate in the Lottery's strategic planning process. As a full participant in the process, the Successful Bidder would be invited to submit ideas and supporting business cases for product, promotion, sales, and marketing elements that could increase the Lottery's profitability.

C. Market Surveys, Market Research, Focus Groups. The Bidder is encouraged to propose a portfolio of research services that includes player analysis, potential new game and game enhancement research, and public perception. Efforts may include Vermont-specific research, regional research, and general research.

D. Retailer Network Optimization. The Bidder is encouraged to propose periodic retailer optimization services. Services could include a multitude of efforts such as network density analyses, merchandising effectiveness, identification of potential retailers, and retailer recruitment.

E. Message Content. The Bidder is encouraged to propose providing message content (dynamic and static) for inclusion in marketing assets that can be updated (i.e. social media, web page, retailer messages, advertising displays, Terminal Game ticket messages, etc.)

PROPOSAL CONTENT:

For sections 3.5.2 and 3.5.3, the Bidder should:

- Clearly identify the services being offered, the frequency with which they will be provided, and the rationale for the frequency. If specific staff positions are being proposed, the Bidder should include the job requirements and the physical location for each position
- Provide case studies demonstrating the effect and lessons learned from implementing the services in similar jurisdictions.

3.6 Facilities

The Successful Bidder must provide a Primary Data Center, a Backup Data Center, and additional Successful Bidder service facilities as needed. All site specifications must be consistent with standards of any multi-jurisdictional associations that the Lottery is, or may become a part.

3.6.1 Primary Data Center

The Successful Bidder must provide a Primary Data Center within the United States.

The Successful Bidder's facility must include all necessary safety, security, and environmental controls to meet the service levels required by this RFP. The facilities and furnishings must comply with all ADA codes, state and local building codes, laws, rules and regulations for facilities of this type. Any upgrades, servicing, or replacement required to maintain compliance with such codes shall be the Successful Bidder's obligation for the term of the contract.

3.6.2 Backup Data Center

The Successful Bidder must provide a Backup Data Center within the United States and at least two hundred (200) miles from the PDC. The facilities and furnishings must comply with all ADA codes, state and local building codes, laws, rules and regulations for facilities of this type. Any upgrades, servicing, or replacement required to maintain compliance with such codes shall be the Successful Bidder's obligation for the term of the contract.

3.6.3 Service Centers

The Successful Bidder shall provide and operate maintenance centers to fully support the terminal maintenance and repair program, and consumables warehousing and distribution (but not instant tickets). Neither facilities for storage of consumables nor terminal repair facilities are required to be within the boundaries of Vermont.

3.6.4 Local Administrative Offices

The Bidder must describe its plan for local administrative offices within Vermont to house its Vermont staff.

3.6.5 Lottery Business Continuity Site

The Lottery is not requesting permanent occupancy at local space provided by the Successful Bidder; however, the Lottery does desire to have space that is planned, designed, constructed and furnished to accommodate a Business Continuity Site for the Lottery. The Lottery would seek temporary use of the space as an alternate facility under conditions where access to Vermont Lottery Headquarters is denied or not possible due to a range of circumstances, from a short-term, localized event to a long-enduring regional emergency. This includes natural disasters as well as man-made threats.

A. Readiness. The Successful Bidder must be willing to make their facilities available to a Lottery Go Team, as soon as necessary. Critical functions, as determined by the Vermont Lottery, must be operational within twelve (12) hours after activation of use of the alternative facility.
B. Scope. The alternate facility must be able to support the full complement of critical Lottery staff assigned to it, and provide communications, information technology support, supplies and materials, and a secure environment, for up to thirty (30) days. Critical staff is to be determined by the Lottery and may include up to ten (10) people.
C. Security. The Successful Bidder will maintain the security of their facility. The Successful Bidder will utilize the existing security checkpoint at the entrance of the facility, or other appropriate location, to monitor and record staff and visitors entering and exiting the facility by utilizing a sign in/out sheet or by electronic access control with tracking.
D. Telephone Communications. It is expected that the Successful Bidder will supply the Lottery with at least two phone lines, already in place, and phones that the Lottery's main line and toll-free line can be re-routed to. The Lottery will incur any costs associated with rerouting these lines and the cost of calls during its use of this alternate facility.
E. Winner Cashing. The Successful Bidder will provide the Lottery with a terminal and a check printer to facilitate the cashing of winning tickets. Cashing capability would not include walk-in customers.
F. Gaming System Access. The Lottery will provide laptop computers for Lottery employees, to be connected by the Successful Bidder to its network for Internet and games management access.
G. Office Equipment and Supplies. The Lottery may require the use of the Successful Bidder's existing office equipment including, but not limited to, printers, fax machine, and copier. The Lottery will replace or reimburse the Successful Bidder for office supplies used by Lottery staff during the use of the facility as a Business Continuity site.
H. Testing for Preparedness. At least annually, the Successful Bidder will make the alternative facility available for testing the Lottery's continuity plan.

3.6.6 INVITED OPTION – Instant Ticket Warehouse

If the Bidder offers an option to provide Instant Ticket warehousing and distribution services in response to section 3.7.12, the Bidder must describe the instant ticket warehouse that would be provided to support those efforts. The warehouse location shall be located in the United States. The location of the warehouse shall not interfere with the successful bidder's ability to make next day deliveries everywhere in the State.

For consistency, "warehouse" refers to the entire Successful Bidder's facility, and "instant ticket storage space" refers to the space within the warehouse for exclusive storage of the instant ticket, Terminal Game or any other ticket stocks.

3.6.6.1 General Requirements

The Successful Bidder's instant ticket warehouse and instant ticket storage space must include all necessary safety, security, and environmental controls to meet the requirements of this RFP. The facilities and furnishings must comply with all ADA codes, state and local building codes, laws, rules and regulations for facilities of this type. Any upgrades, servicing, or replacement required to maintain compliance with such codes shall be the Successful Bidder's obligation for the term of the contract

The warehouse must include a designated, separate and secure storage space for instant tickets and an area designated for packing.

Tickets for fifty (50) or more active instant ticket games may be required to be stored and segregated at any one time in the warehouse. The Bidder shall describe how it will accommodate all instant ticket inventory physical storage needs of games awaiting shipment, returned, awaiting destruction or any other inventory status other than when Instant Game are at retail.

3.6.6.2 Security Requirements

A description of the physical access and security controls and procedures that will be employed by the Successful Bidder and how those controls and procedures will be monitored shall be submitted with the proposal and the Successful Bidder will properly maintain such plans and processes for the term of the contract.

The warehouse facility must meet any security specifications promulgated by any multi-jurisdiction affiliations the Lottery may be a part of or join.

Access to the warehouse shall be granted only to Authorized Users. Controls shall be in place to prevent unauthorized persons from accessing both the warehouse and the ticket storage space.

All visitors shall be logged in and out of the ticket storage space(s) and escorted while inside. Visitor logs shall be available for review by Lottery Security staff upon request. Visitor logs shall be kept for the Life of the Contract plus one (1) year.

Access controls and intrusion detection devices at the ticket storage space that shall sound alarms at staffed locations both on and off premises.

Bidder shall describe if and how entrances to ticket storage space(s) and the warehouse would employ Two-Factor Authentication.

3.6.6.3 Environmental Controls

Describe the environmental controls that will be implemented at the warehouse. Address compliance with local codes, provision of fire and safety protection, provision of HVAC system, including redundant measures, and inspection and monitoring of the controls during the life of the contract.

3.7 Operational Services

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

The Bidder must provide information, as specified below, that documents its organizational structure and the staffing with which Lottery operations will be implemented and run. The Bidder must identify substantial subcontractor staff and consultants by name, where such are anticipated to be part of the implementation and ongoing operational support efforts. The Proposal must make clear which staff proposed for this Contract are Bidder employees and which are subcontractors or consultants.

3.7.1 Management and Operations Staff

The Successful Bidder's ability to assist the Lottery in achieving its long-term profitability and operational objectives will be greatly influenced by Successful Bidder's staffing plan and the quality of the staff. The Bidder shall provide the following:

A. **Organization Description:** If the services provided under the Bidder's Proposal are comprised of two or more organizations, the Bidder must identify which organization will perform which

functions and explain the lines of authority between the organizations.

B. **Organization Chart(s):** The Bidder shall provide an organization chart(s) showing names of all management, supervisory, and key technical personnel and the titles and quantities of additional support staff.

C. **Chain-of-Command and Authority:** The Bidder shall describe the reporting structure(s) between the individuals at the top of the organization chart requested above and the Bidder's Chief Executive Officer. The Bidder shall describe the limits of authority for the Successful Bidder's ongoing, onsite senior support staff.

D. **Functions and Qualifications**: The Bidder shall provide a table that includes the following information for each proposed staff position:
   a. Brief description of job functions
   b. Experience required
   c. Educational required
   d. Certifications required
   e. Office location

E. **Training and Development**: Bidder shall briefly describe the ongoing training and development program for the proposed staff.

F. **Resumes:** The Bidder shall provide resumes for all management, supervisory, and key technical personnel. At a minimum the resumes shall include a description of relevant experience, including Lottery experience, education, certifications, and additional information that may be helpful in determining the proposed individual's ability to successfully perform the work involved in a Contract resulting from this RFP. The Bidder must identify the personnel and qualifications for the following required functions.

   a. **General Manager**. The General Manager will be the primary point-of- contact for the Lottery regarding the overall operation and the performance against the defined objectives and contractual requirements. The General Manager must be exclusively assigned to the Lottery account and operate out of a facility located within driving distance of the Lottery's headquarters.
   b. **Technology Services Manager**. The Technology Manager will be the primary point-of-contact for the Lottery regarding the System. It is expected that the Technology Manager will be assigned as the liaison between the Lottery and the Successful Bidder's technology services including systems engineering, software services, and network services. The Technology Manager must be assigned to the Lottery account and be available onsite as needed.
   c. **Retailer Services Manager:** The Retailer Services Manager will be the primary point-of-contact for the Lottery regarding the quality of service provided to the Retailers and the Successful Bidder's performance against expected service levels. The Retailer Services Manager should be available for reviewing Field Service, Network, and Call Center performance reports with Lottery staff. The Retailer Services Manager must be assigned to the Lottery account and operate out of a facility within driving distance of the Lottery.
   d. **Business Intelligence and Reporting Analyst:** The Bidder shall provide a Business Intelligence and Reporting Analyst who shall be assigned to the Lottery. The Business Intelligence Analyst will work the Lottery staff to uncover new selling opportunities and new marketing strategies for current and future products. They will also design reports, make presentations to Lottery's management, and work closely with the Lottery staff. The Business Intelligence Analyst will provide expertise in creating reports to track trends of sales and revenue and assist the Lottery in making business decisions based on

this data.

e. **Network Support Specialist:** The Successful Bidder must provide a Network Support Specialist to consult with the Lottery regarding LAN/WAN, firewall, router, gateway, and other connectivity issues. The Network Support Specialist must maintain industry standard certifications on the installed equipment as agreed upon between the Successful Bidder and the Lottery. The Network Support Specialist does not have to be assigned to the Lottery account on a full-time basis, but must be available to consult with the Lottery onsite when requested.

The Bidder must provide details of staffing to address the market research needs of the Lottery. The resources may be shared and need not be located in Vermont but will be required to meet with Lottery staff regularly either on-site or by conference calls.

The Bidder's operations staff must be completely and thoroughly trained with regard to operating, recovering and transferring the System with extreme proficiency during times of System duress to appropriately address the respective situation.

The Bidder must provide a sufficient number of experienced field service personnel to meet the service requirements identified in the Contract. The field personnel must be adequately trained to perform such duties provided in the Proposal.

3.7.2 System Support, Enhancement Services, and Integration Services

The Successful Bidder must provide changes and enhancements to the System as requested by the Lottery.

3.7.2.1 System Support and Enhancement Services

Timely fulfillment of Lottery requests for system support and changes is strongly desired. The Bidder must describe the processes that will be used to address the Lottery's changing business requirements. If the Bidder proposes that changes be released in batches and the number of batches will be limited to four or fewer per year, the Bidder must describe what if any change components can be made outside of the batch process or can be included in concurrently developed batches. Change components may include various items such as maintenance, Retailer Terminal enhancements, game modifications, new games, report changes, additional reporting requirements, etc. The Proposal must identify how systems and software engineering support services for Systems management, System error correction, support for changes to the Lottery's business rules and requirements and game changes will be delivered to the Lottery. At a minimum, Bidders shall address the following:

A. **System Releases:** The Successful Bidder must support software, configuration, and report enhancements. Bidder must describe the process, timeline, and approach for the periodic batches. The Successful Bidder must also support emergency software releases.

B. **Software Support:** The Successful Bidder must provide software and systems engineering support for System changes including application enhancements, operating system upgrades, vulnerability patches, and updates and upgrades.

C. **Security in Development:** The Bidder must describe the security policies and practices that will be used to protect the System against the introduction of intentional or unintentional malicious code.

D. **Software Checksums:** Checksums are required for software at the time it is released for Lottery testing and must be available at any time for testing applications and for the production systems.

E. **Documentation:** The Successful Bidder must provide and maintain comprehensive System documentation for the Lottery including but not limited to: network diagrams, security standards and processes, multi-jurisdictional security standards compliance documents, change control processes and procedures, data dictionaries, third-party licensing documentation, etc.

3.7.2.2 Integration Services

Given the length of the initial term and possible extensions, the Successful Bidder must be able to integrate third-party solutions into the gaming system if required by the Lottery. The Lottery expects the integration services to be an additional fee. The Bidder must describe its ability and experience in integrating third-party games, software, and equipment.

The Bidder should provide specific examples that demonstrate its willingness and ability to integrate third-party solutions for its facility management customers. Of particular interest are examples of integrating third-party solutions such as games, gaming platforms, sales channels and point-of-sale devices, mobile apps, automated draw solutions, and web-applications.

3.7.3 System Quality Assurance Testing

The Successful Bidder is completely responsible for the quality of the System and software provided. Software delivered to the Lottery for approval must be completely tested, error free, and certified as being ready for installation. Certification for readiness must include all components (i.e. gaming system, ICS system, all Retailer Terminals, and peripherals). The Lottery may approve software installation based on the Successful Bidder's certification of quality.

3.7.3.1 System Quality Assurance Testing for Batch Releases

If the Bidder proposes that software changes be released in batches and the number of batches be limited to four or fewer per year, this section applies.

Successful Bidder's acceptance testing and certification that any new software or System enhancements are ready for installation shall be delivered no later than twenty-one (21) days prior to the scheduled installation date.

The Bidder must fully describe its quality assurance testing process for software changes.

All new programs and any changes to existing programs may be subjected to additional testing by the Lottery. The Lottery reserves the right to reject any software that does not pass Lottery Acceptance Testing. The Successful Bidder must provide the following:

A. **Staff Support:** Dedicated staff, knowledgeable of the software being tested, to assist the Lottery in identifying effective testing strategies, procedures for evaluation, software/hardware environments and resources required, and acceptance criteria.

B. **System Availability:** Test System must be available and configured to meet the Lottery's Acceptance Test Plan and operational resources must be available to support Lottery

acceptance testing.

a. Acceptance testing systems must be the identical System used to run the Lottery games.

b. The encryption scheme must be in effect during all tests unless otherwise specified by the Lottery.

c. The test system must communicate with other test systems to provide testing of Retailer database transfers, prize verification and ICS.

d. The test system must include all Retailer Terminal types using all communication methods applicable in the live environment.

C. **Transaction Simulation:** A transaction simulator program shall be supplied by the Successful Bidder to generate all types and volumes of transactions (Terminal and System) in optional percentages for use in testing software quality and performance and System fault tolerance. The program must allow manually entered transactions to mix with the program generated transactions. The simulator must be able to inject transactions external to the transaction processing hosts, front-end processors, firewalls, and switches of the System. Simulator will be used to test system throughput, communications throughput and system failover.

3.7.3.2 System Quality Assurance Testing for Rapid Releases

If the Bidder proposes that software changes be released on a more frequent basis, the Bidder must fully describe its quality assurance testing process for releases and describe the Lottery's role, if any, in the quality assurance process.

The Bidder must also describe the proposed process the Lottery could utilize to obtain the necessary assurances for major releases.

3.7.4 Data Center Operations

The Successful Bidder shall provide operations services for the production, backup and test systems, including the operation of two data centers. The Successful Bidder must also operate the networks servicing the Lottery.

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

B. **System Monitoring:** The Successful Bidder's staff shall continuously monitor the systems and networks and must be trained in the System's monitoring tools for this purpose. The backup gaming system must be monitored in real-time by the primary Gaming System staff. Any System faults must be detected, diagnosed and corrected. System capacity must be monitored and managed. The Proposal shall indicate what monitoring tools are proposed for operators and communications technicians.

C. **Maintenance:** The Bidder must provide maintenance covering all aspects of the System and communications network, including but not limited to, hardware, firmware, and software.

D. **Supplies:** The Successful Bidder shall supply all magnetic media, printer paper, ink cartridges, and supplies needed to operate the Gaming System, Acceptance Testing System, Lottery testing terminals and games management systems

3.7.5 Retailer Equipment Maintenance and Service Requirements

3.7.5.1 Maintenance and Service Program

The Lottery's objective is to build and maintain a reputation as a quality supplier to the retailer community. A key performance indicator for this objective is the reliability of retailer equipment and retailer service. Retailer complaints must be quickly resolved and inoperable equipment must be returned to service on a timely basis.

The Bidder shall describe in their Proposal how they plan to address the overall staffing and mechanisms employed to ensure that the maximum possible uptime is maintained. The Proposal shall include potential service level agreements that may be used to measure performance and expectations.

The Proposal shall describe the maintenance plan for all proposed equipment. The term "equipment" shall include all Retailer Terminals (CARTS, FSVMs, etc.), attachments, peripherals, communication equipment, and other devices provided or serviced by the Successful Bidder.

Note: Unless otherwise specified, "hour" as used in the following paragraphs refers to sixty (60) minute periods (or fraction thereof) during the affected retailer's hours of operation occurring between 8 am and 8 pm Eastern Time.

On a monthly basis, retailers shall be classified as Class A or Class B. Retailers. Class A will consist of the top 20% of retailers based on total sales for the previous quarter. Class B will consist of all other retailers.

At a minimum, all CARTS, FSVMs and other Retailer Terminals (including printers and input devices) must be returned to full functionality within the allowed timeframe of a problem being reported to the call center. All communications issues, including slowness, must be resolved within allowed timeframe of the problem being reported to the call center. The allowed timeframe for this paragraph is two (2) hours for Class A retailers and four (4) hours for Class B retailers.

At a minimum, all equipment other than CARTS, FSVMs, other Retailer Terminals and communication devices must be returned to full functionality within the allowed timeframe of a problem being reported to the call center. The allowed timeframe for this paragraph is eight (8) hours for Class A retailers and twelve (12) hours for Class B retailers; however, regardless of a retailer's hours of operation (excluding full days the retailer is closed), the allowed timeframe cannot exceed 24 actual clock hours.

3.7.5.2 Installation and Removal of Retailer Equipment and Supplies

New retailers must be installed within 3 days of written notification by the Lottery unless communication network requires a longer interval by a DSL or cable communications provider, in which case the installation shall be completed within 24 hours of the communications installation. Installation shall include all equipment and necessary supplies.

All equipment and supplies shall be removed within 24 hours of Successful Bidder receiving written notice from the Lottery.

3.7.5.3 Maintenance and Service Program Reporting

The Successful Bidder must provide a system for capturing all information related to Retailer service calls, dispatches, maintenance, and resolutions. The Successful Bidder shall propose and describe a mechanism that the Lottery can interface with via a browser based solution. That system shall at a minimum fulfill the following criteria:

A. **Tracking Reporting:** These reports shall include, at a minimum tracking and reporting of Retailer equipment, network and other reported problems whether or not actual problem(s) are found. Data must be kept on all equipment including those in reserve or returned to a depot for maintenance. Sample reports must be included with the Proposal.

B. **Maintenance Information:** The Successful Bidder is required to maintain maintenance data for the Contract term. As well as to repair or replace the equipment, its peripherals, or network equipment, the Successful Bidder's technicians will be required during any service call to routinely check the mechanical security, safety and general operation of any mechanisms or attachments provided or serviced by the Successful Bidder.

3.7.5.4 Retailer Partnership Support

The Lottery's goal is to achieve and maintain a strong relationship with its retailers in order to optimize lottery ticket sales. The Lottery currently employs its own LSR staff who develop a strong retailer partnership and are responsible for prospecting new retailer locations; recommending new retailer locations; responding to retailer concerns, questions or problems relating to the Lottery program, its games, policies, and procedures; notifying retailers of new game features, modifications to current games, addition of new games, changes in Lottery policy, and delivery of retailer Point of Sale marketing materials.

The Bidder must propose mechanisms such as meetings, messaging, and data interfaces to facilitate LSR services and resolve retailer concerns or problems with Successful Bidder-provided services such as terminal functions, terminal repair, retailer training, and quality and timely delivery of consumables.

3.7.6 Retailer Call Center

The Successful Bidder must operate a call center with a toll free hotline to support the Retailers and handle Retailer trouble calls. The call center shall be manned 24 hours per day.

The Lottery must be able to monitor and review, preferably through an interface that can be accessed via a web browser, the calls received by the call center. At a minimum, the available data must include 1) date and time the calls were received, 2) time on in queue/on hold, 3) average and longest answer times, 4) number of calls abandoned and average abandon time, and 5) average and longest talk times. The call management system must provide reports as approved by the Lottery.

All conversations with retailers must be recorded; recording of telephone conversations must adhere to all applicable Federal, state, and local laws. Recorded conversations must be available for at least one hundred twenty (120) days. Conversation files must be electronically available to the Lottery upon request.

The Bidder shall describe how it proposes to support the Lottery's call center requirements if the primary call center becomes inoperable. The Bidder shall describe its proposed quality assurance programs and training programs for call center operators.

The Bidder shall describe how they plan to address the overall staffing and mechanisms employed to ensure timely, professional and accurate response to Retailers. The Bidder shall also propose the performance measures and values it deems are appropriate.

3.7.7 Retailer Training and Support Tools

The Successful Bidder shall develop and provide Retailer training on the use of Retailer Terminals and peripherals. Bidders must describe their process to meet the following requirements:

3.7.7.1 Retailer Training for System Conversion/Startup:

The Successful Bidder will be responsible for providing hands-on Retailer Terminal and peripheral training. The Successful Bidder shall provide initial hands-on group instruction at locations convenient to retailers and shall provide training on-site at retailer locations when appropriate.

The Successful Bidder is responsible for providing Retailer Terminals, terminal connectivity, peripherals, adequate system functionality, qualified trainers, training material, and all items required to conduct training. The training program must address not only the technical aspects of operating the Terminal and account management (e.g., inventory, accounting, settlements, and adjustments), but also approaches for interacting successfully with the players. The training must include instruction on using the retailer website.

The Bidder shall describe the proposed training program in terms of proposed content, materials, facilities, sessions, and schedules. The program description shall also address the Bidder's capability of providing for the specific training needs of corporate accounts.

3.7.7.2 Retailer Training Security

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

3.7.7.3 Ongoing Retailer Training

During the life of the Contract, the Successful Bidder will provide training to retailers on the use of the Retailer Terminals and peripherals. Note: The Lottery will provide retailer account training.

3.7.7.4 Retailer Support Tools

The Bidder shall propose a portfolio of tools to support retailers on the use of equipment and Lottery processes. The portfolio may include tools such as:

- Retailer website
- Retailer app
- Quick reference guide
- Retailer Terminal based documentation or training

Proposal should include a description of the proposed tool, contents, and frequency and method for updating content.

3.7.8 Retailer Consumable Supplies and Shipping

The Successful Bidder shall provide and deliver adequate supplies to Retailers and check inventory levels in play centers. The supplies to be provided and replenished include but are not limited to:

A. Secure ticket stock.

B. Play Slips for all games that can be processed by the Terminal reader.

C. Other consumables proposed by the Bidder.

Consumables Designs: Consumables designs and wording shall be jointly developed by the Successful Bidder and the Lottery and must be approved by the Lottery prior to production and distribution. The Successful Bidder will be responsible for consumables production, storage and delivery.

3.7.9 Lottery Staff and Third-Party Training

The Successful Bidder must provide training for Lottery and proposed staff, on site at the Lottery offices, as appropriate and as approved by the Lottery. The Bidder shall describe the general and customized training that will be provided to Lottery and proposed staff regarding concepts of the Lottery Gaming System(s), the management terminals, administrative reports, market analysis, Bidder-supplied services, System security features and controls, and any other relevant aspects of the proposed package of systems and services.

Training must be customized to meet the unique needs of Lottery employees performing specific primary and support activities. At times during the Contract, additional training may be needed as System features evolve or as new employees are hired. Customized quick reference cards, operating manuals, and training programs must be provided if required for the following functions:

A. **Lottery Sales Representatives**: Individuals who interface with Retailers in the field on a daily basis. This can include simple troubleshooting of the Successful Bidder's equipment, if desired.

B. **Draw Management:** Individuals who operate Games Management terminals during the drawing process and perform such functions as verifying pool closure, entering winning numbers, confirming or entering share amounts, and making appropriate reports.

C. **Transaction Inquiries:** Individuals who perform research into specific transactions, groups of transactions, or transaction types.

D. **Security Features:** Individuals involved in performing security-related activities. Training should include areas such as retrieving and analyzing system logs, audit logs, and network logs. Specialized security activities such as using special security processes to verify ticket validity, control or audit system access, retrieving and reviewing system reports for abnormal behavior, and reviewing output from Successful Bidder-provided security monitoring devices such as access logs and CCTV output.

E. Sales and Marketing Reports: Executives and other individuals who review retailer and product performance or need to analyze financial data.

F. **Operations and System Reports:** IT staff, auditors, security, and other individuals who need to review operations and system reports.

3.7.10 INVITED OPTION - Player Support

Bidders are invited to propose a player hotline for purposes of receiving and responding to inquiries and requests from players.

The Proposal should address the overall staffing and mechanisms employed to ensure timely, professional and accurate response to Players. The Proposal should include call logging, reporting abilities, call escalation, training programs for call center operators, and performance measures and values that would be included.

3.7.11 INVITED OPTION – Instant Ticket Warehousing and Distribution

Bidders are encouraged to propose an Instant Ticket Warehousing and distribution solution. The solution should include:

A. Receiving, storing, picking, packing, shipping and inventorying of tickets, ticket stocks and other materials from the time they are received until they are distributed to Retailers.

B. Inventory control systems, methods and processes to adequately control Instant tickets, ticket stocks, marketing materials from point of delivery to point of distribution to the Retailer.

C. Instant Ticket destruction at end of game.

3.7.12 Service Level Reporting Requirements

The Successful Bidder must propose specific methods for reporting on the service levels required by sections 3.7.2, 3.7.5, and 3.7.6. The performance reports should provide measurement and analysis of performance against defined service targets. Sample reports must be included with the Proposal.

3.7.13 Service Level Agreement

The Bidder must propose Service Level Agreements for sections 3.7.2, 3.7.5, 3.7.6, 3.7.7, and 3.7.8. The Service Level Agreement shall provide the Bidder's target performance levels and the Bidder's minimum guaranteed service levels. Sample

		Minimum	**Target**
3.7.2	Software release frequency		
3.7.5.1	Field service staffing		
3.7.5.1	Time to repair Retailer Terminal		
3.7.5.1	Time to repair Retailer Terminal Peripheral		
3.7.5.1	% of Retailers included in Class A		
3.7.5.2	Installation time		
3.7.6	Longest time on hold/in queue		
3.7.6	Average time on hold/in queue		
3.7.6	% calls abandoned		

3.8 Project Management, Implementation and System Conversion

The successful implementation of the gaming System, its components and functions is critically important to the short and long term success of the Lottery. The Bidder must describe the overall project strategy, project plan, project resources and processes that will be utilized to assure a low-risk system conversion.

The Bidder shall identify and describe all similar implementations and conversions in the U.S. within the last five years.

3.8.1 Project Management Practices

The Successful Bidder must follow sound project management practices in all aspects of managing the implementation of the System and services required by the Contract. Furthermore, the Successful Bidder must follow sound software and system engineering processes in all facets of System delivery.

3.8.2 Implementation Staffing

The Bidder must provide an organization chart showing names of all management, supervisory, and key technical personnel who will be active in the implementation and conversion of the System. Further, the Bidder must indicate what specific function(s) staff will perform and how long it is anticipated they will be engaged. For staff not yet identified, the Proposal shall identify positions, quantify them by title, and state what qualifications they require.

The Bidder should identify the personnel and qualifications for the following required functions. Resumes should be included.

A. **Project Manager:** The Project Manager will be the primary point-of-contact for the Lottery regarding the overall implementation and conversion. Unless otherwise agreed upon by the Lottery, the Project Manager will be required to be on-site during the majority of the project and several weeks following conversion.

B. **Systems Project Manager**: The Systems Project Manager will be the primary point-of-contact for the Lottery regarding the implementation of the System. It is expected that the Systems Project Manager will be assigned exclusively to this implementation and will be onsite during Lottery Acceptance Testing, conversion, and several weeks following conversion.

C. **Field Project Manager:** The Field Project Manager will be the primary point- of-contact for the Lottery regarding the conversion of the Retailers including installation of the Retailer communications network and all Retailer devices. It is expected that the Field Project Manager will be assigned exclusively to this implementation and will be onsite during network installation, deployment of Retailer devices, and several weeks following conversion.

D. **Retailer Training Coordinator:** The Retailer Training Coordinator will be the primary point-of-contact for the Lottery regarding the training of the Retailers prior to conversion. It is expected that the Retailer Training Coordinator will be onsite beginning a few weeks prior to the start of Retailer training through the end of Retailer training.

E. **Acceptance Testing Coordinator:** The Acceptance Testing Coordinator will be the primary point-of-contact for the Lottery regarding the coordination, support, and execution of the

Lottery‘s acceptance testing. During the Lottery‘s acceptance testing, the Acceptance Testing Coordinator must be assigned exclusively to support the Lottery‘s acceptance testing efforts.

3.8.3 Conversion Strategy

The Lottery‘s implementation and conversion goals include:

A. Ensure the integrity of all gaming and financial data at conversion.
B. Minimize or avoid disruption in selling tickets and paying winners.
C. Smooth, uninterrupted transition from the Lottery’s existing warehouse to the proposed warehouse.
D. Avoid conversion-related System failures and outages.
E. Maintain good Retailer relations and address Retailer issues during conversion (such as convenient training opportunities, getting all Retailers trained and demand for counter space when installing a new Terminal).
F. Minimize losses or limitations during conversion (i.e. temporary loss of reports or System functionality; missing Retailers; late start on conversion day).
G. Provide support at retail and on premise.

The Bidder must propose a conversion strategy that best meets the Lottery‘s conversion and implementation goals.

The Bidder must describe the strategy it will employ to that addresses each of the following:

A. **Requirements Definition Process**: The Bidder must describe the process it will use to capture System requirements. The description should address how the RFP requirements, business process requirements, and business process improvement requirements will be captured and reflected in the requirements documentation. The Bidder should be mindful of the Lottery’s limited resources in developing its plan.

B. **Data Conversion:** The Successful Bidder must ensure absolute data integrity during conversion. All gaming, financial, prize payment, tax, operational data, Retailer or any other data identified jointly with the Lottery existing at the time of conversion must be migrated to the Successful Bidder’s systems. The Bidder must describe the process and proposed timing used for migrating data and the proposed method of testing the migration process prior to conversion, and testing the data after conversion.

C. **Validating and Paying Winners:** The Successful Bidder must validate winning Terminal Game tickets sold prior to the conversion by electronically reading the barcode and by accepting manual entry of the ticket’s serial number. The Successful Bidder must also validate Instant Game tickets distributed and activated prior to conversion by electronically reading the barcode and by accepting manual entry.

D. **Management Information and Historical Data:** The Successful Bidder must convert a minimum of thirty-six (36) months of sales, financial, prize payment, tax, Retailer and operating data so the Lottery and the Retailers will see a continuity of data in displays and reports from before, during and after the start-up day. A minimum of five years of historical data must be converted.

E. **Retailer Communication Network**. The Successful Bidder must ensure that all Retailer Terminals are communicating with the gaming system upon conversion. For each Retailer communication method proposed, the Bidder must describe the process and resources that will be used to ensure the each retailer will have communications at system conversion.

F. **Retailer Terminal and Peripheral Installation**. The Successful Bidder must ensure that all Retailer Terminals and peripherals are installed upon conversion. The Bidder must describe the process and resources that will be used to ensure each retailer's equipment is installed and what alternative methods will be used for retailer locations that pose particular issues.

3.8.4 Project Plan

The Bidder must submit an initial project plan and timeline that addresses procurement, delivery, installation, testing, data conversion, training, and implementation of all components and services required for a successful, low-risk implementation. The plan must highlight the responsibilities of the Lottery, Lottery contractors, and retailers.

The plan must clearly identify tasks and major milestones on the critical path. The Bidder may use separate project plans for functionally separate areas of conversion (e.g. project plans for facilities, hardware and a separate project plan for software). However, the plans submitted must clearly identify inter-plan dependencies on the critical path. The Proposal should include a Work Breakdown Structure (WBS) to the level at which control will be exercised. A final project plan must be submitted to the Lottery for approval within 30 days of contract execution.

At a minimum, the plan must be addressed the following elements:

A. Requirements definition-including identifying, drafting, documenting, review, and approval process.

B. Acquisition and readying facilities. If the Bidder proposes any interim facilities, the plan shall include how the interim facility satisfies the same requirements of the proposed final facility.

C. Hardware deployment.

D. Software development.

E. Installation and testing of communications network.

F. Acceptance testing—including testing process, plan development, documentation and reporting of results.

G. Converting and testing existing data.

H. Training and supporting all Retailer types.

I. Installation and testing Retailer and other sales and consumer communications channels and devices.

J. Fully training and supporting Lottery, Successful Bidder and Bidder's contracted staff including necessary knowledge transfer of Lottery staff to Successful Bidder and vice versa.

K. If the implementation plan involves interim configurations or business procedures, the Bidder must explicitly describe them and place their development and use within the schedule.

L. Transition from the Lottery's warehouse to the Successful Bidder's warehouse if the invited option is exercised. The Successful Bidder shall be responsible for securely moving tickets, ticket stocks and warehoused materials to its warehouse.

M. Transition from the existing gaming system to the Bidder's gaming system.

3.8.5 Project Management Issues

The Bidder shall describe the process that will be employed to monitor project progress relative to plan. The Bidder must describe the escalation procedures for addressing issues that arise during the project. The Bidder should also describe conditions that will result in escalation.

The Bidder shall describe the contingencies for the most critical aspects of the Implementation Plan, including appropriate measurements that will help determine when contingencies will be adopted, how any lost time will be recovered, and any potential implications associated with adopting an alternate approach.

3.8.6 Acceptance Testing

NOTE: The Successful Bidder must not depend on the results of Lottery user acceptance testing prior to go live of system or future software changes. The Successful Bidder will be solely responsible for damages occurring as the result of software deficiencies.

3.8.6.1 Successful Bidder Acceptance Testing

The Successful Bidder must complete its acceptance testing within 90 days of the conversion date. The Successful Bidder will have successfully completed testing when all components of the System have been tested and all relevant issues identified during testing are resolved by the Successful Bidder. It is mandatory that the Successful Bidder provide completely tested, install ready software and Systems. The Bidder should describe any Lottery resources it will require or desire to assist with its acceptance testing.

Samples from the Successful Bidder's randomizer software in the Retailer Terminals and drawing services for lottery products and games must be submitted for quality testing. The Successful Bidder will be responsible for the cost of third-party testing and certification by a Lottery-approved laboratory of any randomizers utilized by the Successful Bidder.

3.8.6.2 Lottery Acceptance Testing

After the Successful Bidder has completed its acceptance testing and declares the system ready for installation, the Lottery will conduct a series of acceptance tests. The Successful Bidder must fully support the Lottery's acceptance testing. Lottery acceptance testing will be conducted at the Lottery's test lab in Vermont.

Some of the elements that shall be included in the plan are:

A. **Lottery Acceptance Testing Support:** To support acceptance testing, the Successful Bidder must have the system that will be the initial primary solution and network hardware and software installed, configured and operational ninety (90) days prior to the scheduled conversion. The Retailer devices and peripherals for testing must be installed, configured, and operational in the Lottery Acceptance Test Lab one hundred (100) days prior to the scheduled conversion. The Bidder should describe the level of support it will provide Lottery during acceptance testing.

B. **Successful Bidder Test Plans:** The Successful Bidder must provide System test documentation to include use cases, test scripts, test conditions, test criteria, etc. one hundred twenty days (120) days prior to conversion. Test scripts should map to the requirement documents.

C. **Ticket stock:** The Successful Bidder shall provide production-quality ticket stock for Acceptance Testing to ensure that it is manufactured in accordance with all RFP Requirements and is consistent with any multi-jurisdictional security requirements.

D. **Successful Bidder Acceptance Test Results:** The Successful Bidder must provide the results of its acceptance testing ninety (90) days prior to conversion in a format approved by the Lottery. The acceptance testing results must map back to the system requirements document and Contract.

E. **Documentation and Support:** Training and written procedure manuals specific to the Lottery must be delivered to the Lottery upon availability of the System for Lottery acceptance testing. During the testing period, the Successful Bidder must provide technical staff on-site as a resource to collaborate and support the Lottery‘s acceptance testing.

F. **Release Notes:** Each release of the software for testing by the Lottery must be accompanied by release notes at the time of release for Lottery testing. The release notes must evidence good configuration management practices, namely each release must be identified by a version number and the changes must be succinctly defined. This requirement shall extend throughout the Contract.

G. **Concerns:** The Successful Bidder shall report to the Lottery any issue of concern regarding effective and timely testing.

H. **Acceptance Test Failures:** Should any System hardware or software failure not be resolved within five weeks of notification by the Lottery, the Lottery, notwithstanding any other provision of the Contract, may immediately terminate the Contract and pursue remedies for breach of the Contract including, but not limited to, Liquidated Damages.

I. **Entry and Exit Criteria:** The Lottery will consider the System ready for acceptance testing once all hardware and software items are installed and configured to operate in the Lottery’s environment and in accordance with the Lottery’s requirements. The Bidder shall agree to comply with the Lottery‘s statements of entry and exit criteria for Lottery quality assurance/acceptance testing and identify any issues that may concern the Bidder regarding effective and timely testing.

Security Review: The Successful Bidder shall make available the entire system(s) used to

operate the Bidder's solution to a Third party security firm chosen by the Lottery.

3.8.7 Project Reporting and Monitoring

The Bidder shall describe the project management processes it will utilize to facilitate the Lottery's oversight of project progress. At a minimum, project reporting must include:

- Current state of the project relating to schedule and quality metrics
- Problem areas that need to be addressed
- Major tasks completed and milestones met
- Critical tasks and milestones at risk
- Prediction of future status of the project.

At a minimum, the Successful Bidder must provide project reports on a bi-weekly basis for the first five (5) months. Project reports shall be provided weekly thereafter. Project presentations shall be provided upon request; presentations will not be required more than once a month.

Since there will be a significant amount of System integration work, the Bidder must describe the tools the Bidder will provide to assist in collaboration between the various groups. Potential groups may include but not be limited to the Successful Bidder, Lottery, current System Vendor, existing Instant Ticket Vendor(s) and others as needed.

3.8.8 Conversion Support

Retailer Terminals and peripheral devices currently installed and in use by Retailers under the current Contract(s) will be removed by the current Vendor.

The Successful Bidder shall provide and retain sufficient staffing as determined by the Lottery, to address Conversion-related issues after the Conversion date.

3.9 Security

The Lottery expects the systems and services provided by the Successful Bidder to meet or exceed the ongoing security requirements of a Lottery. This requires the Successful Bidder to maintain a comprehensive approach to security controls aligned with NIST 800-53 and other applicable NIST standards and frameworks. In addition, based on the likelihood that the gaming system provided will grow in complexity and connectivity over the duration of the contract, the Successful Bidder must be prepared to meet cyber security threats to the System throughout the life of the contract.

Sensitive Information that the Successful Bidder must protect includes all sensitive data that could cause the Lottery, its retailers, players, or contractors harm if released. This includes, but is not limited to personal identifiable information, all game-related transactions and data, security codes, reports, security controls, retailer data, and player data.

The Bidder must describe its corporate security organization and approach to managing all aspects of security and information security pertaining to its lottery operations and its Gaming System development.

The Bidder must address security standards and practices, and in particular whether the Bidder's gaming solutions and practices are compliant with recognized information security standards. Such compliance and certifications are **desirable**.

3.9.1 Personnel Security

The Bidder shall describe its personnel security practices as it relates to individuals in positions of trust that belong to the following groups and entities. If high concentrations of individuals exist in specific countries, the Bidder should detail any differences associated with those countries.

A. U.S. or Canadian-based employees.
B. Non-U.S. or Canadian-based employees.
C. U.S. or Canadian-based contractor/subcontractor employees
D. Non-U.S. or Canadian-based contractor/subcontractor employees

3.9.2 Physical Security

The Successful Bidder must implement stringent security measures to prevent unauthorized entry and activity at each site as well as support any applicable federal, state and local fire and safety regulations. The Successful Bidder is responsible for making sure policies and procedures are communicated and adhered to with its staff.

The Bidders must describe their process to meet the requirements below: At a minimum, the physical security program must:

A. Prevent unauthorized persons from accessing the facilities.

B. Provide a record of all entries and exits from each facility and be available to the Lottery upon demand.

C. Provide a system to monitor all activities at entrances/exits, the computer rooms and all other high security/sensitive areas. System monitoring must meet all MUSL requirements.

D. Provide for Lottery personnel (as specified in writing by the Lottery) to have complete access at all times to the Successful Bidder's facilities, including, but not limited to, office,

computer, warehouse, offsite storage, and maintenance facilities.

3.9.3 System Security

The following security requirements apply to all Successful Bidder provided Systems (including test systems) that support games or containing Sensitive Information.

A. **Compliance with Security Requirements**: The Systems must be compliant with all systems security and fault tolerance requirements promulgated by any multi-jurisdictional associations (e.g., MUSL, WLA) the Lottery is or may become a member.

B. **Data Security**: The Successful Bidder must ensure computer and communications systems and services involved in storing, using, or transmitting Lottery Sensitive Information are secure and will protect that data from unauthorized disclosure, modification, or destruction. The Bidder must list what data will be encrypted when at rest and what encryption technique(s) will be employed.

C. **Vulnerability Management:** Vulnerability management controls must be performed to ensure known vulnerability are evaluated and mitigated in a timely manner. The Bidder must describe the practices it will employ for network enumeration, vulnerability scanning and vulnerability patching for Systems and networks must be described. The Bidder must also describe any limitations it will place on the Lottery or its agent performing network enumeration or vulnerability scanning.

D. **Operating System Hardening**: The Bidder must provide information on operating system hardening for System components.

E. **Protection against Internal Software Threats:** The Successful Bidder must ensure System software and applications are not vulnerable to unauthorized manipulation or access. The Bidder must specify the methods that will be used to protect against internal System software.

F. **Intrusion Detection/Prevention System:** The Successful Bidder must employ appropriate intrusion prevention and detection capabilities. Those capabilities must track unauthorized access and attempts to access the Lottery‘s data, as well as attacks on the Successful Bidder’s infrastructure that supports the Lottery‘s data.

G. **External Threats:** The Successful Bidder must ensure systems are not vulnerable to external threats. The Bidder must specify the methods by which Systems will be protected against malware, spyware, denial of service, and other external attacks.

H. **Systems Access:** System access and user access rights must be approved by the Lottery.

I. **Audit and System Logs:** Systems and networks must support controls and procedures allowing the Lottery to audit all access. Logs must be auditable and readily available to the Vermont Lottery. The Bidder must describe its log management program.

J. **Mobile Computing Devices and Removable Media:** The Successful Bidder must not allow the Lottery‘s data to be loaded onto portable computing devices or portable storage components or media unless necessary to perform its obligations under this Contract. With Lottery approval, the Successful Bidder may allow such loading if adequate security measures are in place (i.e.,

policy on physical security for such devices, anti-virus software, personal firewalls, and system password protection, and encryption). The Successful Bidder must maintain an accurate inventory of all such devices and the individuals to whom they are assigned.

3.9.4 Network Security:

The Bidder must include a detailed network security and transaction integrity plan. The plan must provide for potential devices and networks to be connected to the gaming system outside of the traditional Retailer Terminal devices.

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

B. **Principle of Least Privilege:** All networks related to gaming operations must adhere to the principle of least privilege. Network access controls must be utilized to allow only the required network services needed by specific systems or networks to be routed. Unneeded administrative protocols shall be unavailable. The Bidder must state what TCP logical ports are open on the Retailer Terminal and what application layer protocols are accepted.

C. **Strong Security:** The Bidder must provide any additional information on network security components and controls including firewall and intrusion detection\prevention systems, network access controls, network device hardening, login and password controls, network device log management and other relevant factors.

D. **Secure External Transmissions:** All data communications external to secured facilities must be encrypted. All data must be encrypted from point of transmission to point of receipt.

E. **Retailer Network:** Terminal communications must be compliant with all security requirements of any multi-jurisdictional game organization of which the Lottery is a member.

F. **Incomplete Transaction Protocol:** On incomplete or unresolved transactions between the Systems and the Retailer Terminals, there must be mechanisms for reconciliation. These may include retries, logging for reporting, and error messages to the Retailer, System operators, and Lottery.

G. **Software transfers must be secured:** Software transfers to gaming system and to Retailer Terminals must be secure.

3.9.5 Retailer Terminal Security

All Retailer Terminals must exhibit a high degree of security as a device in a location with public access. The local operating system and applications must be hardened so that they cannot be co-opted for unintended uses.

The Successful Bidder will ensure that Terminal operating systems are not vulnerable to unauthorized access. The Proposal must specify the methods by which these systems will be protected.

The Proposal must provide any additional information on any Terminal security components and

controls that will be proposed.

3.9.6 Retailer Fraud and Internal Fraud

The Bidder must provide a solution for mitigating Retailer fraud and potential Lottery/Vendor fraud at retailer locations. Bidder must describe features included in the solution being proposed to the Lottery. Features should include prevention, monitoring, and detection.

The System must include reporting to help the Lottery monitor for and detect fraud. The solution should include alert capability to notify Lottery Security or other authorized individuals that suspicious or abnormal activity has occurred. The solution should include areas such as:

- excessive transactions such as sales, cancels, validations, and log-in attempts)
- excessive failures entering instant ticket validation or PIN numbers
- excessive failures entering Terminal ticket validation number
- attempted cashing of stolen tickets or flagged tickets
- unusual console log entries,
- unusual transaction journal entries
- systemic events such as no sales for a game scheduled to be operational
- unusual book activations
- unusual ticket validation activity (inquiries or cashes)
- retailer or player behavior regarding abnormal winner claim frequency or activity

3.9.7 Unclaimed Prize Security

The Bidder must describe its approach to protect the Lottery from the fraudulent cashing of unclaimed prizes.

3.9.8 Ticket Security

The Successful Bidder must provide methods to investigate and verify damaged and altered tickets and shall include security features of the ticket stock. Security features of the Bidder's ticket stock and methods to investigate and verify damaged and altered tickets must be addressed. Bidders must include one (1) case of sample ticket stock with the Proposal. Bidders must include one hundred (100) printed sample tickets printed on the proposed stock per proposed printer type. All ticket stock must meet MUSL requirements.

Successful Bidder must provide a secure storage space for all Lottery ticket stock being warehoused. A complete description of the management process from printing through the distribution to the Retailer must be provided in the response.

3.9.9 Incident Response Plan

The Successful Bidder must describe its incident response program for security breaches. This should include a description of procedures that will be used to detect, evaluate, report and respond to adverse events that may indicate a breach or attempt to attack or access Lottery data or the infrastructure associated with Lottery data.

3.9.10 Business Continuity and Recovery Plan

The Successful Bidder must provide a business continuity and disaster recovery plan that addresses its Vermont-related operations regardless of where they are located. The plan must be provided for Lottery review and approval at least forty-five (45) days prior to the start-up date.

The plan must be updated every twelve (12) months. Such plan shall take into account disasters caused by weather, water, fire, earthquakes, environmental spills and accidents, malicious destruction, acts of terrorism and contingencies such as strikes and epidemics. The plan must ensure continuity of the System and the Lottery‘s games. Provision shall also be made for the safe, secure off-site storage of all scheduled backup data and programs. Should implementation of any portion of the plan become necessary, all costs associated with the plan shall be borne by the Successful Bidder. The Proposal must contain an outline for, or sample of, business continuity and disaster recovery plan.

The Successful Bidder’s plan must provide contact information and detailed System recovery procedures and documentation. The Successful Bidder must coordinate with the Lottery‘s production of its own business continuity and disaster recovery plan.

3.9.11 Operations Security Plan

The Successful Bidder must present an Operations Security Plan, no later than forty-five (45) days of contract award, for approval by the Lottery. At a minimum, the security plan must include the following sections:

A. **Risk assessment and treatment**: identifying, quantifying, and prioritizing risks against criteria for risk mitigation or acceptance.
B. **Security policy**: provides management‘s direction and articulates management‘s support for security.
C. **Organization of internal security**: framework used to initiate, control, and monitor the implementation of security within the Bidder’s organization.
D. **Organization of external security**: controls used to maintain the security of information that is accessed, processed, or managed by external parties on behalf of the Bidder.
E. **Asset management**: controls used to maintain protection of the Successful Bidder’s assets.
F. **Human resources security**: controls and practices used to reduce the risk that employees, contractors, and third party users will cause intentional or unintentional security incidents. Should include controls and practices used prior to employment, during employment (including training and awareness programs), and upon termination or change of employment.
G. **Physical security**: controls used to prevent unauthorized physical access, damage, or interference to the Successful Bidder’s premises.
H. **Equipment security**: controls used to prevent loss or damage of assets and to prevent interruptions caused by power failures.
I. **Communications and operations management**: includes requirements for documented operating procedures, segregation of duties, change management, information backups, controls used to protect information in networks, and monitoring and log management.
J. **Access control**: includes user access management, user responsibilities, network access control, operating system access control, and application access control.
K. **Systems security**: includes cryptographic controls, security of system files, and application controls designed to ensure correct processing (i.e. validation of input data)
L. **Technical vulnerability management**: includes network enumeration, vulnerability scanning, patch management process and other controls implemented to reduce the risks from published technical vulnerabilities.
M. **Unclaimed prizes**: includes access control to unclaimed prize information, monitoring for suspicious activity, access reporting, and escalation process.
N. **Security incident management**: controls and processes used to ensure security events and weaknesses are communicated in a timely manner and are managed effectively

O. **Compliance:** controls and processes used to avoid breaches of law, regulatory or contractual obligations, and security requirements.
P. **Operations Security Plan evaluation and maintenance**: process used to periodically evaluate and update the plan.

The final Operations Security Plan must be approved by the Lottery and must comply with any associated multi-jurisdictional security requirements. There shall be periodic audits for compliance with the security plan; and periodic meetings with Lottery staff to review security controls.

3.10 Value Added Offerings

The Lottery desires the Bidders to submit Proposals that will add the most value to the Vermont Lottery. This section provides an opportunity for the Bidders to recap the value-added solutions included in other sections of the Proposal and an additional opportunity to offer solutions that were not included elsewhere. Specifically, this section provides an opportunity for the Bidders to list significant enhancements to the required products and services that were discussed elsewhere and offer additional products and services that the Bidder believes would enhance the Vermont Lottery's profitability.

3.10.1 Value-Added Enhancements

If the Bidder's Proposal includes no-cost options, enhancements or alternative solutions that the Bidder believes will add significant value to the Vermont Lottery, the Bidder is encouraged to list the enhancement or solutions and estimate the value (in terms of reduced costs or increased revenue) it would provide to the Lottery.

3.10.2 Estimated Value-Added for *Offered Options*

Bidders should list any *Offered Options* that were included elsewhere in its Proposal at an additional cost. Bidders are encouraged to estimate the value (in terms of reduced costs or increased revenue) each solution would provide to the Lottery if exercised.

3.10.3 ADDITIONAL OFFERED OPTIONS

Bidders are encouraged to offer additional offered options that were not included in prior sections and estimate the value (in terms of reduced costs or increased revenue) each solution would provide to the Lottery if exercised.

PART 4 BIDDER EXPERIENCE AND CAPABILITY

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

4.1 Corporate Background Review

The Bidder shall provide the following information:

A. Name and address of the business entity making the Proposal.
B. Type of business entity (e.g., corporation, partnership, etc.)
C. Place of incorporation, or other form of organization, if applicable.
D. Name and location of major offices, plants and other facilities that relate to performance under the terms of this RFP.
E. Name, address, and function of substantial subcontractors, associated companies, or consultants that will be involved in any phase of this project.

4.2 Lottery Services and Gaming Systems Experience

It is required as a minimum that the Bidder has one or more current U.S. clients to whom it has supplied Lottery Services and Gaming Systems of the nature defined by this RFP.

The Bidder shall describe its experience providing lottery services and gaming systems that are comparable in size, complexity, and composition to this opportunity. In addition, the Bidder must provide the following information for all North American lottery industry engagements of comparable complexity and sensitivity that have been conducted by the Bidder over the past five years:

A. Name of lottery
B. Estimated annual contract value
C. Description of services provided
D. Lottery sales by product category by year
E. Number of CARTs and FSVMs provided
F. Telecommunications technologies employed
G. The term of the contract including effective dates

The descriptions must include names, titles, addresses and telephone numbers that may be contacted to verify qualifying experience. If the experience is provided by a teaming partner or a subcontractor that will provide a major part of the products and services, then experience information for that entity must be included.

4.3 Pending Workload

The Bidder may have other project commitments at the time of the Vermont Lottery implementation and must be able to conduct any such multiple implementations without schedule delays and quality issues for the Vermont Lottery due to resource overload. **Response Note:** The Bidder must provide a timeline of other lottery project commitments that may be concurrent with the implementation for Vermont and must provide evidence that such will not interfere with a Vermont Lottery project.

4.4 Manufacturing Capabilities for Terminals

The Bidder shall describe its plans for procuring or producing the retailer equipment proposed to meet the requirements of the RFP. The Bidder must address whether the manufacturer is

certified to ISO quality standards.

4.5 Research and Development Program

The success of the Lottery depends on the availability of new and enhanced sales channels, products, games, and services. The Successful Bidder must be capable of supporting the Lottery in this mission.

The Bidder shall describe new and enhanced services and products that it has introduced to its facility management Lottery customers in the past five years. Identify the customer and date of first implementation.

4.6 Financial Viability

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

An original and one (1) copy of this information must be provided and must be submitted with the original Proposal (not with copies).

A. **Submission of Financial Statements**. All Bidders and substantial subcontractors must submit certified financial statements, or federal income tax returns if the Bidder or substantial subcontractor does not have certified financial statements prepared for the last two (2) fiscal years. Certified financial statements must be the result of an audit of the entity's records, prepared in accordance with Generally Accepted Auditing Standards (GAAS) by a certified public accountant. The certified financial statements shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP), and must include balance sheets, income statements, statements of cash flows, statements of retained earnings, notes to the financial statements for both years, and any management letters that have been received for those years. For non-U.S. entities the equivalent non-U.S. accounting standards apply.

B. **Subsidiaries.** If a Bidder or substantial subcontractor is a subsidiary of a parent entity and the Bidder or substantial subcontractor does not have its own, separate financial statements, the Bidder 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 Bidder or substantial subcontractor. If a Bidder or substantial subcontractor submits the consolidated financial statements of its parent, the parent must serve as financial guarantor of the Bidder or substantial subcontractor.

C. **Parent Corporation Resources**. If the Bidder 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 Bidder. 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.

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

PART 5 - PRICING

5.0 Introduction

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

5.1 Separately-Sealed Price Proposal

The Bidder is required to provide pricing in a separately sealed Proposal. The price Proposal must include a submittal letter signed by an individual authorized to obligate the company to the Proposal**.**

5.2 Duration of the Price Proposal

The Price Proposal must be valid for eighteen (18) months.

5.3 Form of the Price Proposal

The Bidder must submit pricing on the Price Quotation Sheet. Base Price must be submitted based on total Net Sales and Gross Gaming Revenue. The Lottery will determine which method will be used for compensating the Successful Bidder prior to contract award.

The Bidder does not have to include options in its Proposal, but must submit pricing for all Invited Options that it includes in its technical response.

1. **Price as a percentage of Total Net Sales.** The price must be given in the format X.dddd where X represents the whole number value and d represents decimal digits. The Bidder is not restricted on the number of significant digits that can be included. **Note that Lottery net Terminal Game and Instant Game sales will be included in Total Net Sales.** Example: 1.0000 percent or $10,000 compensation per one million dollars of net sales.

2. Price as a percentage of Gross Gaming Revenue (GGR). The price must be given in the format X.dddd where X represents the whole number value and d represents decimal digits. The Bidder is not restricted on the number of significant digits that can be included.

Gross Gaming Revenue will be calculated by multiplying the net sales for each game by the Gaming Revenue Percentage. Gaming Revenue Percentage will be calculated by subtracting the Prize Structure Percentage for the game from 1. For all current Terminal Games and all current and future Instant Games, the Prize Structure Percentage and Gaming Revenue Percentage are shown in Table 5-1.

	Prize Structure Percentage	**Gaming Revenue Percentage**
Instant Games	70%	30%
Powerball Megabucks, Pick 3, Pick 4	50%	50%
Mega Millions	52%	48%
Gimme 5	53%	47%
Lucky For Life	60%	40%
Fast Play	73%	27%
Table 5-1		

The values in Table 5-1 will remain constant throughout the contract unless amended by mutual agreement of the Lottery and the Successful Bidder. The Gaming Revenue Percentage for future Terminal Games will be based on the prize structures of those games.

3. Pricing for Invited Options.

Pricing must be submitted for each Invited Option that the Bidder included in its Proposal. The inclusion of an Invited Option can increase a Bidder's final score but cannot decrease the Bidder's score.

Bidders may include pricing based on net sales/GGR, price per unit per month, or both. If Bidder submits pricing based on net sales/GGR, the Bidder must include pricing for both Percentage of Net Sales and Percentage of Gross Gaming Revenue.

For comparison and evaluation, the Lottery has designated the pricing format and for Invited Options. Although the Lottery may choose to order under these options, the Lottery is not obligated to acquire such options according to the stated format and terms. If the Bidder's option pricing is restricted by quantities, the Bidder must clearly state the restrictions (i.e., minimum of 50 units).

4. Pricing for Offered Options.

Although the Lottery may choose to order under these options, the Lottery is not obligated to acquire such options according to the stated format and terms. If the Bidder's option pricing is restricted by quantities, the Bidder must clearly state the restrictions (i.e., minimum of 50 units).

Any item for which there is no additional fee must be shown as No Charge (N/C). The Bidder should also include a statement in its Technical Proposal that the Offered Option is being provided at No Charge. To Be Determined (TBD) pricing is permitted for Offered Options and will not be considered as N/C.

5.4 Pricing and Scoring of Options

The Bidder is encouraged to propose options regarding innovative functions, features, services, and solutions. After completing the Technical Evaluation and prior to opening the Pricing, the Evaluation Committee will formally determine which, if any, Invited Options will be included in the Pricing Evaluation.

Those options that are included within the baseline price may favorably influence the Bidder's proposal score in the relevant technical section (See PART 6 – PROPOSAL EVALUATION).

5.5 Price Quotation Sheet

The Bidder must submit its pricing using the Price Quotation Sheet attached herein referred to as Attachment B.

PART 6 – BID EVALUATION AND SELECTION

6.1 Worker Classification Compliance Requirements

In accordance with Section 32 of The Vermont Recovery and Reinvestment Act of 2009 (Act No. 54),

Bidders must comply with the following provisions and requirements.

6.1.1 Self Reporting: For bid amounts exceeding $250,000.00, Bidder shall complete the appropriate section in the attached Certificate of Compliance for purposes of self-reporting information relating to past violations, convictions, suspensions, and any other information related to past performance relative to coding and classification of workers. The State is requiring information on any violations that occurred in the previous 12 months.

6.1.2 Subcontractor Reporting: For bid amounts exceeding $250,000.00, Bidders are hereby notified that upon award of contract, and prior to contract execution, the State shall be provided with a list of all proposed subcontractors and subcontractors' subcontractors, together with the identity of those subcontractors' workers compensation insurance providers, and additional required or requested information, as applicable, in accordance with Section 32 of The Vermont Recovery and Reinvestment Act of 2009 (Act No. 54). This requirement does not apply to subcontractors providing supplies only and no labor to the overall contract or project. This list MUST be updated and provided to the State as additional subcontractors are hired. A sample form is available online Section – Standard RFP Attachments - http://bgs.vermont.gov/purchasing-contracting/forms . The subcontractor reporting form is not required to be submitted with the bid response (Reference Exhibit B).

6.2 Executive Order 05-16: Climate Change Considerations in State Procurements

For bid amounts exceeding $25,000.00 Bidders are requested to complete the Climate Change Considerations in State Procurements Certification, which is included in the Certificate of Compliance for this RFP.

After consideration of all relevant factors, a bidder that demonstrates business practices that promote clean energy and address climate change as identified in the Certification, shall be given favorable consideration in the competitive bidding process. Such favorable consideration shall be consistent with and not supersede any preference given to resident bidders of the State and/or products raised or manufactured in the State, as explained in the Method of Award section. But, such favorable consideration shall not be employed if prohibited by law or other relevant authority or agreement.

6.3 Executive Order 2-18 Internet Neutrality in State Procurement

If the scope of work for this RFP includes the provision of services for accessing the internet, Bidders are requested to certify compliance with Executive Order No. 2-18 where indicated in the Certificate of Compliance for this RFP. All state agency contracts with internet service providers shall include net neutrality protections and specifically state that internet providers shall not, with respect to any customer in the State of Vermont, including the State:

A. Block lawful content, applications, services, or nonharmful devices, subject to reasonable network management that is disclosed to its customers;
B. Throttle, impair or degrade lawful Internet traffic on the basis of Internet content, application, or service, or use of a non-harmful device, subject to reasonable network management that is disclosed to its customers;
C. Engage in paid prioritization or providing preferential treatment of some Internet traffic to any Internet customer;

D. Unreasonably interfere with or unreasonably disadvantage either:
   i. A customer's ability to select, access, and use broadband Internet access service or the lawful Internet content, applications, services, or devices of their choice; or
   ii. An edge providers' ability to make lawful content, applications, services, or devices available to a customer;

Exceptions to this requirement shall only be considered in accordance with State law and policy.

A complete copy of the Executive Order can be found at: http://governor.vermont.gov/content/internet-neutrality-state-procurement-executive-order-02-18

6.4 Method of Award

Awards will be made in the best interest of the State. The State may award one or more contracts and reserves the right to make additional awards to other compliant bidders at any time if such award is deemed to be in the best interest of the State. All other considerations being equal, preference will be given first to resident bidders of the state and/or to products raised or manufactured in the state, and then to bidders who have practices that promote clean energy and address climate change, as identified in the applicable Certificate of Compliance.

Evaluation Criteria

The State shall have the authority to evaluate Responses and select the Bidder(s) determined to be in the best interest of the State and consistent with the goals and performance requirements outlined in this RFP.

Consideration shall be given to the Bidder's project approach and methodology, qualifications and experience, ability to provide the services within the defined timeline, cost, and/or success in completing similar projects, as applicable, and to the extent specified below. In general, bids are awarded based on "the best interest of the State of Vermont".

The scoring system will provide numerical scores for technical, experience and capability, and price.

Technical Points

The total technical points available for each of the evaluation criteria are:

Section		Base Points	Base Bonus Points Available	Total Possible Points for Base Proposal
3.1	Gaming System Configuration	50	10	60
3.2	Retailer and Consumer Interface	140	100	240
3.3	Communications	50	50	100
3.4	Software Application and Data Management	100	100	200
3.5	Revenue Generation Services and Support	40	120	160

3.6	Facilities	20	5	25
3.7	Operational Services	200	140	340
3.8	Implementation and Conversion	100	25	125
3.9	Security	100	50	150
3.10	Value Added Offerings	0	0	0
		800	**600**	**1400**

The Evaluation Committee will evaluate each Proposal submitted by a Bidder. Each Bidder will be awarded technical points in the following manner for each Proposal:

- Base technical points have been allocated among the component parts based upon the relative importance to the Lottery of each component.
- Proposals which substantially meet all the requirements for each category will be given the total base technical points for that category.
- Proposals which the Evaluation Committee deems to have deficiencies or risks in a category will be reduced at the rate of one point for each ten thousand ($10,000) of lost value or added cost related to the deficiency. Point reductions shall not exceed the points available for each category.
- Base Bonus points can be awarded for value added items included in the Bidder's Base Proposal. Bonus points will be awarded at the rate of one point per ten thousand ($10,000) of estimated annual added value as determined by the Evaluation Committee. Bonus points may not exceed the bonus points available for the category.
- Option Points will be assigned for each Invited Option and Offered Option proposed by a Bidder that the Evaluation Committee determines to potentially add value. Option Points will be awarded at the rate of one point per ten thousand ($10,000) of estimated annual added value as determined by the Evaluation Committee. There is no limit on Option Points.

Experience and Capability Points

Part 4 will be scored by the Evaluation Committee based on its best professional judgement considering all Proposal text, clarifications, reference checks, interviews, research, and qualified sources of information. Responsible Bidders that do not have deficiencies will be awarded 80 points; the Evaluation Committee may award an additional 20 points to Bidders based on experience and success of research and development programs. The maximum total points available for Part 4 is one hundred (100).

Final Non-Price Scores and Options Determination

After completing the scoring enumerated above, Lottery will determine which Invited Options and Offered Options recommended by the Evaluation Committee are likely to be exercised and, if so, in what time frame. Based on that determination, likely options will be included in the final

evaluation and their pricing will be evaluated.

The Evaluation Committee Non-Price Scoring Sheet will be completed and signed by all Evaluation Committee members prior to prices being opened.

Non-Price Scoring Sheet				
	Bidder A	**Bidder B**	**Bidder C**	**Bidder D**
Experience and Capability				
Technical Base				
Technical Base Bonus				
Total Non-Price				
Options included in Scoring	**Bidder A**	**Bidder B**	**Bidder C**	**Bidder D**
Option A (timeframe & units)				
Option B (timeframe & units)				
Option C (timeframe & units)				

Price Points

After the Non-Price Scoring Sheet has been completed, the Bidders' pricing will be opened.

Base Price Scoring

Base Price points will be determined using the following calculations:

- Bidder's %NS Price (NSP) = *% of Net Sales* X $130,000,000
- Bidder's %GGR Price (GGRP) = *% of Gross Gaming Revenue* X $43,233,000
- NSP Points = 400 – [(NSP/10000) – 400]
- GGRP Points = 400 – [(GGRP/10000) – 400]

Option Scoring

Only the options that were included on the signed Non-Price Scoring Sheet will be scored. Option points will be calculated and awarded for each option using the following calculations:

- Bidder's %NS Price (NSP) = *% of Net Sales* X $130,000,000
- Bidder's %GGR Price (GGRP) = *% of Gross Gaming Revenue* X $43,233,000
- Bidder's $/Unit/Week Price (UPWP) = *$/Unit/Week* X *# Units* X 52
- NSP Points = Option Points – (NSP/10,000)
- GGRP Points = Option Points – (GGRP/10,000)
- UPWP Points = Option Points – (UPWP/10,000)

Bidders will receive the highest positive point value for each option; if all point values for an option are negative, the Bidder will not receive points for that option.

NOTE: Bidders will not be penalized for negative option point values. All negative point values will be ignored.

Total Points

The Evaluation Committee will make its recommendation to award a contract based on its written determination of which Proposal is in the best interest of the state.

The Total Points for each Proposal will be calculated as:

Total Points = Total Non-Price Points + Total Price Points + Total Option Points

6.5 Demonstrations and Site Visits

An in-person or webinar demonstration by the Vendor may be required by the State if it will help the State's evaluation process. The State will factor information presented during demonstrations into the evaluation. Vendors will be responsible for all costs associated with the providing the demonstration.

6.6 Contract Negotiation

Upon completion of the evaluation process, the State may select one or more Vendors with which to negotiate a contract, based on the evaluation findings and other criteria deemed relevant for ensuring that the decision made is in the best interest of the State. In the event the State is successful in negotiating with a Vendor, the State will issue a notice of award. In the event State is not successful in negotiating a contract with a selected Vendor, the State reserves the option of negotiating with another Vendor, or to end the proposal process entirely

6.7 Independent Review

Per Vermont statute 3 V.S.A. 2222, the Secretary of Administration shall obtain independent expert review of any recommendation for any information technology initiated after July 1, 1996, as information technology activity is defined by subdivision (a)(10), when its total cost is $1,000,000 or greater or when required by the State Chief Information Officer. Documentation of this independent review shall be included when plans are submitted for review pursuant to subdivisions (a)(9) and (10) of this section. The independent review shall include:

- An acquisition cost assessment
- A technology architecture review
- An implementation plan assessment
- A cost analysis and model for benefit analysis
- A procurement negotiation advisory services contract
- An impact analysis on net operating costs for the agency carrying out the activity

PART 7 – EXHIBITS INCLUDE IN RFP

EXHIBIT A - CERTIFICATE OF COMPLIANCE

For a bid to be considered valid, this form must be completed in its entirety, executed by a duly authorized representative of the bidder, and submitted as part of the response to the proposal.

A. **NON COLLUSION:** Bidder hereby certifies that the prices quoted have been arrived at without collusion and that no prior information concerning these prices has been received from or given to a competitive company. If there is sufficient evidence to warrant investigation of the bid/contract process by the Office of the Attorney General, bidder understands that this paragraph might be used as a basis for litigation.

B. **CONTRACT TERMS:** Bidder hereby acknowledges that is has read, understands and agrees to the terms of this RFP, including Attachment C: Standard State Provisions for Contracts and Grants, and any other contract attachments included with this RFP.

C. **FORM OF PAYMENT:** Does Bidder accept the Visa Purchasing Card as a form of payment?

____ Yes ____ No

D. **WORKER CLASSIFICATION COMPLIANCE REQUIREMENT:** In accordance with Section 32 of The Vermont Recovery and Reinvestment Act of 2009 (Act No. 54), the following provisions and requirements apply to Bidder when the amount of its bid exceeds $250,000.00.

Self-Reporting. Bidder hereby self-reports the following information relating to past violations, convictions, suspensions, and any other information related to past performance relative to coding and classification of workers, that occurred in the previous 12 months.

Summary of Detailed Information	Date of Notification	Outcome

Subcontractor Reporting. Bidder hereby acknowledges and agrees that if it is a successful bidder, prior to execution of any contract resulting from this RFP, Bidder will provide to the State a list of all proposed subcontractors and subcontractors' subcontractors, together with the identity of those subcontractors' workers compensation insurance providers, and additional required or requested information, as applicable, in accordance with Section 32 of The Vermont Recovery and Reinvestment Act of 2009 (Act No. 54), and Bidder will provide any update of such list to the State as additional subcontractors are hired. Bidder further acknowledges and agrees that the failure to submit subcontractor reporting in accordance with Section 32 of The Vermont Recovery and Reinvestment Act of 2009 (Act No. 54) will constitute non-compliance and may result in cancellation of contract and/or restriction from bidding on future state contracts.

E. **Executive Order 05 – 16: Climate Change Considerations in State Procurements Certification**

Bidder certifies to the following (Bidder may attach any desired explanation or substantiation. Please also note that Bidder may be asked to provide documentation for any applicable claims):

1. Bidder owns, leases or utilizes, for business purposes, space that has received:
   - ❑ Energy Star® Certification
   - ❑ LEED®, Green Globes®, or Living Buildings Challenge℠ Certification
   - ❑ Other internationally recognized building certification:

   _____

2. Bidder has received incentives or rebates from an Energy Efficiency Utility or Energy Efficiency Program in the last five years for energy efficient improvements made at bidder's place of business. Please explain:

   _____

3. Please Check all that apply:

- ❑ Bidder can claim on-site renewable power or anaerobic-digester power ("cow-power"). Or bidder consumes renewable electricity through voluntary purchase or offset, provided no such claimed power can be double-claimed by another party.
- ❑ Bidder uses renewable biomass or bio-fuel for the purposes of thermal (heat) energy at its place of business.
- ❑ Bidder's heating system has modern, high-efficiency units (boilers, furnaces, stoves, etc.), having reduced emissions of particulate matter and other air pollutants.
- ❑ Bidder tracks its energy consumption and harmful greenhouse gas emissions. What tool is used to do this? _____
- ❑ Bidder promotes the use of plug-in electric vehicles by providing electric vehicle charging, electric fleet vehicles, preferred parking, designated parking, purchase or lease incentives, etc..
- ❑ Bidder offers employees an option for a fossil fuel divestment retirement account.
- ❑ Bidder offers products or services that reduce waste, conserve water, or promote energy efficiency and conservation. Please explain:

  _____

  _____

4. Please list any additional practices that promote clean energy and take action to address climate change:

   _____

   _____

   _____

F. Executive Order 2-18 Internet Neutrality in State Procurement: Bidders are to complete this section if the scope of work for this RFP includes the provision of services for accessing the Internet. All state agency contracts with Internet Service providers must include net neutrality provisions and shall include the following:

To the extent Contractor's performance under this Contract involves the provision of services for accessing the Internet, the following provisions shall apply:

Definitions. As used in this agreement, the following definitions apply:

1. "Broadband Internet Access Service" means a mass-market retail service by wire or radio that provides the capability to transmit data to and receive data from all or substantially all Internet endpoints, including any capabilities that are incidental to and enable the operation of the communications service, but excluding dial-up Internet access service. This term also encompasses any service that the State finds to be providing a functional equivalent of the service described in the previous sentence, or that is used to evade the protections set forth in this section.
2. "Reasonable Network Management" means a network management practice that has a primarily technical network management justification, but does not include other business practices. A network management practice is reasonable if it is primarily used for and tailored to achieving a legitimate network management purpose, taking into account the particular network architecture and technology of the broadband Internet access service.

Public Disclosure. Contractor shall publicly disclose to all of its customers in the State of Vermont (including but not limited to the State itself) accurate information regarding the network and transport management practices (including cellular data and wireless broadband transport), performance, and commercial terms of its broadband Internet access services sufficient for: a) consumers to make informed choices regarding use of such services and for content, application, service; and b) device providers to develop, market, and maintain Internet offerings. Compliance with the Federal Communications Commission's transparency rule, as amended by 83 Fed. Reg. 7852, 7922 (Feb. 22, 2018), satisfies Contractor's public disclosure requirements under this paragraph.

Provision of Services. Contractor shall not, with respect to any customer in the State of Vermont (including but not limited to the State itself):

A. Block lawful content, applications, services, or nonharmful devices, subject to reasonable network management that is disclosed to its customers;
B. Throttle, impair or degrade lawful Internet traffic on the basis of Internet content, application, or service, or use of a non-harmful device, subject to reasonable network management that is disclosed to its customers;
C. Engage in paid prioritization or providing preferential treatment of some Internet traffic to any Internet customer;
D. Unreasonably interfere with or unreasonably disadvantage either:
   i. A customer's ability to select, access, and use broadband Internet access service or the lawful Internet content, applications, services, or devices of their choice; or
   ii. An edge providers' ability to make lawful content, applications, services, or devices available to a customer;

Compliance. Contractor agrees to provide the State, upon request, at any time during the term of this contract, records, documentation, or any other information as required to demonstrate Contractor's compliance with the requirements of this section.

☐ Yes, I have read, understand, and will comply with the requirements for internet neutrality principles identified above and outlined in Executive Order 02-18.

☐ No, I have read, understand, and will not comply. I understand exceptions to this requirement shall only be considered in accordance with State law and policy.

G. Acknowledge receipt of the following Addenda:

Addendum No.:_____ Dated:_____

Addendum No.:_____ Dated:_____

Addendum No.:_____ Dated:_____

Bidder Name: _____ Contact Name: _____

Address: _____ Fax Number: _____

_____ Telephone: _____

_____ E-Mail: _____

By: _____ Name: _____
Signature of Bidder (or Representative) (Type or Print)

END OF CERTIFICATE OF COMPLIANCE

EXHIBIT B - SUBCONTRACTOR REPORTING FORM

This form must be completed in its entirety and submitted prior to contract execution and updated as necessary and provided to the State as additional subcontractors are hired.

The Department of Buildings and General Services in accordance with Act 54, Section 32 of the Acts of 2009 and for total project costs exceeding $250,000.00 requires bidders to comply with the following provisions and requirements.

Contractor is required to provide a list of subcontractors on the job along with lists of subcontractor's subcontractors and by whom those subcontractors are insured for workers' compensation purposes. Include additional pages if necessary. This is not a requirement for subcontractor's providing supplies only and no labor to the overall contract or project.

Subcontractor	Insured By		Subcontractor's Sub	Insured By

Date: _____

Name of Company: _____ Contact Name: _____

Address: _____ Title: _____

_____

_____ Phone Number: _____

E-mail: _____ Fax Number: _____

By: _____ Name: _____

Failure to adhere to Act 54, Section 32 of the Acts of 2009 and submit Subcontractor Reporting: Worker Classification Compliance Requirement will constitute non-compliance and may result in cancellation of contract and/or forfeiture of future bidding privileges until resolved.

Send Completed Form to: Office of Purchasing & Contracting
109 State Street
Montpelier, VT 05609-3001
Attention: Contract Administration

ATTACHMENT A - PROPOSAL SUBMISSION CHECKLIST

PACKAGE A – Required Documents and files	**Original**
Transmittal Letter	X
Agreement to Comply with all Terms and Conditions	X
Proposal Bond (see 1.27)	X
Litigation Bond or covenant not to sue (see 1.28)	X
Disclosure of Litigation and other Information (see 1.30)	X
Letter of ability to secure Performance Bond (see 2.10)	X
Acknowledgement of all RFP addenda and amendments	X
Exhibit A CERTIFICATE OF COMPLIANCE	X
Financial statements and information required by section 4.6.	X
USB or CD with searchable pdfs of all documents included in Package A	X
USB or CD/DVD with searchable pdfs of all documents included in Package B	X

PACKAGE B – Business Proposal and Capabilities	**Original**	**Copies**
Cover letter designating confidential and proprietary information (see 1.19).	X	6
Response to Part 3 - Specifications and Business Proposal in identical order as Part 3 subsections. The contents of this volume must employ divider pages with tabs to separate each major section	X	6
Responses to Bidder Experience and Capability sections 4.1 through 4.5 in identical order to Part 4 subsections. The contents of this volume must employ divider pages with tabs to separate each major section	X	6
Redacted response to Part 3 Specifications and Business Proposal (if applicable).	X	1
Redacted response to Bidder Experience and Capability sections 4.1 through 4.5 (if applicable)	X	1

PACKAGE C – Price Proposal	**Original**	**Copies**
Transmittal Letter	1	2
Price Quotation Sheet	1	2

PACKAGE D – Equipment
Two proposed CARTs working in stand-alone mode for assessment

ATTACHMENT B - PRICE QUOTATION SHEET

The Bidder may add additional rows as necessary to include additional options.

Price Quotation Sheet **BIDDER: _____**			
Component	**% of Net Sales**	**% Gross Gaming Revenue**	
BASE PRICE	X.dddd%	X.dddd%	
INVITED OPTIONS			
If implemented at Start up	**% of Net Sales**	**% Gross Gaming Revenue**	**$/Unit/Week**
3.2.1.3 Compact FSVMs	X.dddddd%	X.dddddd%	X.dddd
3.2.1.4 Other Player Channels			
3.2.3.1 Mobile App			
3.2.3.2 Lottery Player Website			
3.2.6.2 Hand-held Sales device			
3.2.7.A Cash Register Interface			
3.2.7.B POS Integration			
3.2.7.C Ticket Accounting			
3.7.10 Player Support			
3.7.11 Instant Ticket Services			
If implemented in Year 3	**% of Net Sales**	**% Gross Gaming Revenue**	**$/Unit/Week**
3.2.3.1 Mobile App	X.dddddd%	X.dddddd%	X.dddd
3.2.3.2 Lottery Player Website			
3.2.5.1 Sales-enabled App			
3.2.5.2 Sales-enabled Website			
3.2.6.2 Hand-held Sales device			
3.2.7.A Cash Register Interface			
3.2.7.B POS Integration			
3.2.7.C Ticket Accounting			
3.7.10 Player Support			
3.7.11 Instant Ticket Services			
OFFERED OPTIONS			
If implemented at Start up	**% of Net Sales**	**% Gross Gaming Revenue**	**$/Unit/Week**
	X.dddddd%	X.dddddd%	X.dddd
If implemented in Year 3	**% of Net Sales**	**% Gross Gaming Revenue**	**$/Unit/Week**

BIDDER: _____ DATE:_____

ATTACHMENT C - Standard State Provisions for Contracts and Grants

REVISED DECEMBER 15, 2017

1. Definitions: For purposes of this Attachment, "Party" shall mean the Contractor, Grantee or Subrecipient, with whom the State of Vermont is executing this Agreement and consistent with the form of the Agreement. "Agreement" shall mean the specific contract or grant to which this form is attached.

2. Entire Agreement: This Agreement, whether in the form of a contract, State-funded grant, or Federally-funded grant, represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.

3. Governing Law, Jurisdiction and Venue; No Waiver of Jury Trial: This Agreement will be governed by the laws of the State of Vermont. Any action or proceeding brought by either the State or the Party in connection with this Agreement shall be brought and enforced in the Superior Court of the State of Vermont, Civil Division, Washington Unit. The Party irrevocably submits to the jurisdiction of this court for any action or proceeding regarding this Agreement. The Party agrees that it must first exhaust any applicable administrative remedies with respect to any cause of action that it may have against the State with regard to its performance under this Agreement. Party agrees that the State shall not be required to submit to binding arbitration or waive its right to a jury trial.

4. Sovereign Immunity: The State reserves all immunities, defenses, rights or actions arising out of the State's sovereign status or under the Eleventh Amendment to the United States Constitution. No waiver of the State's immunities, defenses, rights or actions shall be implied or otherwise deemed to exist by reason of the State's entry into this Agreement.

5. No Employee Benefits For Party: The Party understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation or sick leave, workers compensation or other benefits or services available to State employees, nor will the State withhold any state or Federal taxes except as required under applicable tax laws, which shall be determined in advance of execution of the Agreement. The Party understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including but not limited to income, withholding, sales and use, and rooms and meals, must be filed by the Party, and information as to Agreement income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.

6. Independence: The Party will act in an independent capacity and not as officers or employees of the State.

7. Defense and Indemnity: The Party shall defend the State and its officers and employees against all third party claims or suits arising in whole or in part from any act or omission of the Party or of any agent of the Party in connection with the performance of this Agreement. The State shall notify the Party in the event of any such claim or suit, and the Party shall immediately retain counsel and otherwise provide a complete defense against the entire claim or suit. The State retains the right to participate at its own expense in the defense of any claim. The State shall have the right to approve all proposed settlements of such claims or suits.

After a final judgment or settlement, the Party may request recoupment of specific defense costs and may file suit in Washington Superior Court requesting recoupment. The Party shall be entitled to recoup costs only upon a showing that such costs were entirely unrelated to the defense of any claim arising from an act or omission of the Party in connection with the performance of this Agreement.

The Party shall indemnify the State and its officers and employees if the State, its officers or employees become legally obligated to pay any damages or losses arising from any act or omission of the Party or an agent of the Party in connection with the performance of this Agreement.

Notwithstanding any contrary language anywhere, in no event shall the terms of this Agreement or any document furnished by the Party in connection with its performance under this Agreement obligate the State to (1) defend or indemnify the Party or any third party, or (2) otherwise be liable for the expenses or reimbursement, including attorneys' fees, collection costs or other costs of the Party or any third party.

8. Insurance: Before commencing work on this Agreement the Party must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Party to maintain current certificates of insurance on file with the State through the term of this Agreement. No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the Party for the Party's operations. These are solely minimums that have been established to protect the interests of the State.

Workers Compensation: With respect to all operations performed, the Party shall carry workers' compensation insurance in accordance with the laws of the State of Vermont. Vermont will accept an out-of-state employer's workers' compensation coverage while operating in Vermont provided that the insurance carrier is licensed to write insurance in Vermont and an amendatory endorsement is added to the policy adding Vermont for coverage purposes. Otherwise, the party shall secure a Vermont workers' compensation policy, if necessary to comply with Vermont law.

General Liability and Property Damage: With respect to all operations performed under this Agreement, the Party shall carry general liability insurance having all major divisions of coverage including, but not limited to:

Premises - Operations

Products and Completed Operations

Personal Injury Liability

Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

$1,000,000 Each Occurrence

$2,000,000 General Aggregate

$1,000,000 Products/Completed Operations Aggregate

$1,000,000 Personal & Advertising Injury

Automotive Liability: The Party shall carry automotive liability insurance covering all motor vehicles, including hired and non-owned coverage, used in connection with the Agreement. Limits of coverage shall not be less than $500,000 combined single limit. If performance of this Agreement involves construction, or the transport of persons or hazardous materials, limits of coverage shall not be less than $1,000,000 combined single limit.

Additional Insured. The General Liability and Property Damage coverages required for performance of this Agreement shall include the State of Vermont and its agencies, departments, officers and employees as Additional Insureds. If performance of this Agreement involves construction, or the transport of persons or hazardous materials, then the required Automotive Liability coverage shall include the State of Vermont and its agencies, departments, officers and employees as Additional Insureds. Coverage shall be primary and non-contributory with any other insurance and self-insurance.

Notice of Cancellation or Change. There shall be no cancellation, change, potential exhaustion of aggregate limits or non-renewal of insurance coverage(s) without thirty (30) days written prior written notice to the State.

9. Reliance by the State on Representations: All payments by the State under this Agreement will be made in reliance upon the accuracy of all representations made by the Party in accordance with this Agreement, including but not limited to bills, invoices, progress reports and other proofs of work.

10. False Claims Act: The Party acknowledges that it is subject to the Vermont False Claims Act as set forth in 32 V.S.A. § 630 *et seq.* If the Party violates the Vermont False Claims Act it shall be liable to the State for civil penalties, treble damages and the costs of the investigation and prosecution of such violation, including attorney's fees, except as the same may be reduced by a court of competent jurisdiction. The Party's liability to the State under the False Claims Act shall not be limited notwithstanding any agreement of the State to otherwise limit Party's liability.

11. Whistleblower Protections: The Party shall not discriminate or retaliate against one of its employees or agents for disclosing information concerning a violation of law, fraud, waste, abuse of authority or acts threatening health or safety, including but not limited to allegations concerning the

False Claims Act. Further, the Party shall not require such employees or agents to forego monetary awards as a result of such disclosures, nor should they be required to report misconduct to the Party or its agents prior to reporting to any governmental entity and/or the public.

12. Location of State Data: No State data received, obtained, or generated by the Party in connection with performance under this Agreement shall be processed, transmitted, stored, or transferred by any means outside the continental United States, except with the express written permission of the State.

13. Records Available for Audit: The Party shall maintain all records pertaining to performance under this agreement. "Records" means any written or recorded information, regardless of physical form or characteristics, which is produced or acquired by the Party in the performance of this agreement. Records produced or acquired in a machine readable electronic format shall be maintained in that format. The records described shall be made available at reasonable times during the period of the Agreement and for three years thereafter or for any period required by law for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three-year period, the records shall be retained until all litigation, claims or audit findings involving the records have been resolved.

14. Fair Employment Practices and Americans with Disabilities Act: Party agrees to comply with the requirement of 21 V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Party shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990, as amended, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Party under this Agreement.

15. Set Off: The State may set off any sums which the Party owes the State against any sums due the Party under this Agreement; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.

16. Taxes Due to the State:

- **A.** Party understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, corporate and/or personal income tax on income earned within the State.
- **B.** Party certifies under the pains and penalties of perjury that, as of the date this Agreement is signed, the Party is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.
- **C.** Party understands that final payment under this Agreement may be withheld if the Commissioner of Taxes determines that the Party is not in good standing with respect to or in full compliance with a plan to pay any and all taxes due to the State of Vermont.
- **D.** Party also understands the State may set off taxes (and related penalties, interest and fees) due to the State of Vermont, but only if the Party has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Party has no further legal recourse to contest the amounts due.

17. Taxation of Purchases: All State purchases must be invoiced tax free. An exemption certificate will be furnished upon request with respect to otherwise taxable items.

18. Child Support: (Only applicable if the Party is a natural person, not a corporation or partnership.) Party states that, as of the date this Agreement is signed, he/she:

- **A.** is not under any obligation to pay child support; or
- **B.** is under such an obligation and is in good standing with respect to that obligation; or
- **C.** has agreed to a payment plan with the Vermont Office of Child Support Services and is in full compliance with that plan.

Party makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Party is a resident of Vermont, Party makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

19. Sub-Agreements: Party shall not assign, subcontract or subgrant the performance of this Agreement or any portion thereof to any other Party without the prior written approval of the State. Party shall be responsible and liable to the State for all acts or omissions of subcontractors and any other person performing work under this Agreement pursuant to an agreement with Party or any subcontractor.

In the case this Agreement is a contract with a total cost in excess of $250,000, the Party shall provide to the State a list of all proposed subcontractors and subcontractors' subcontractors, together with the identity of those subcontractors' workers compensation insurance providers, and additional required or requested information, as applicable, in accordance with Section 32 of The Vermont Recovery and Reinvestment Act of 2009 (Act No. 54).

Party shall include the following provisions of this Attachment C in all subcontracts for work performed solely for the State of Vermont and subcontracts for work performed in the State of Vermont: Section 10 ("False Claims Act"); Section 11 ("Whistleblower Protections"); Section 12 ("Location of State Data"); Section 14 ("Fair Employment Practices and Americans with Disabilities Act"); Section 16 ("Taxes Due the State"); Section 18 ("Child Support"); Section 20 ("No Gifts or Gratuities"); Section 22 ("Certification Regarding Debarment"); Section 30 ("State Facilities"); and Section 32.A ("Certification Regarding Use of State Funds").

20. No Gifts or Gratuities: Party shall not give title or possession of anything of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this Agreement.

21. Copies: Party shall use reasonable best efforts to ensure that all written reports prepared under this Agreement are printed using both sides of the paper.

22. Certification Regarding Debarment: Party certifies under pains and penalties of perjury that, as of the date that this Agreement is signed, neither Party nor Party's principals (officers, directors, owners, or partners) are presently debarred, suspended, proposed for debarment, declared ineligible or excluded from participation in Federal programs, or programs supported in whole or in part by Federal funds.

Party further certifies under pains and penalties of perjury that, as of the date that this Agreement is signed, Party is not presently debarred, suspended, nor named on the State's debarment list at: http://bgs.vermont.gov/purchasing/debarment

23. Conflict of Interest: Party shall fully disclose, in writing, any conflicts of interest or potential conflicts of interest.

24. Confidentiality: Party acknowledges and agrees that this Agreement and any and all information obtained by the State from the Party in connection with this Agreement are subject to the State of Vermont Access to Public Records Act, 1 V.S.A. § 315 et seq.

25. Force Majeure: Neither the State nor the Party shall be liable to the other for any failure or delay of performance of any obligations under this Agreement to the extent such failure or delay shall have been wholly or principally caused by acts or events beyond its reasonable control rendering performance illegal or impossible (excluding strikes or lock-outs) ("Force Majeure"). Where Force Majeure is asserted, the nonperforming party must prove that it made all reasonable efforts to remove, eliminate or minimize such cause of delay or damages, diligently pursued performance of its obligations under this Agreement, substantially fulfilled all non-excused obligations, and timely notified the other party of the likelihood or actual occurrence of an event described in this paragraph.

26. Marketing: Party shall not refer to the State in any publicity materials, information pamphlets,

press releases, research reports, advertising, sales promotions, trade shows, or marketing materials or similar communications to third parties except with the prior written consent of the State.

27. Termination:

A. Non-Appropriation: If this Agreement extends into more than one fiscal year of the State (July 1 to June 30), and if appropriations are insufficient to support this Agreement, the State may cancel at the end of the fiscal year, or otherwise upon the expiration of existing appropriation authority. In the case that this Agreement is a Grant that is funded in whole or in part by Federal funds, and in the event Federal funds become unavailable or reduced, the State may suspend or cancel this Grant immediately, and the State shall have no obligation to pay Subrecipient from State revenues.

B. Termination for Cause: Either party may terminate this Agreement if a party materially breaches its obligations under this Agreement, and such breach is not cured within thirty (30) days after delivery of the non-breaching party's notice or such longer time as the non-breaching party may specify in the notice.

C. Termination Assistance: Upon nearing the end of the final term or termination of this Agreement, without respect to cause, the Party shall take all reasonable and prudent measures to facilitate any transition required by the State. All State property, tangible and intangible, shall be returned to the State upon demand at no additional cost to the State in a format acceptable to the State.

28. Continuity of Performance: In the event of a dispute between the Party and the State, each party will continue to perform its obligations under this Agreement during the resolution of the dispute until this Agreement is terminated in accordance with its terms.

29. No Implied Waiver of Remedies: Either party's delay or failure to exercise any right, power or remedy under this Agreement shall not impair any such right, power or remedy, or be construed as a waiver of any such right, power or remedy. All waivers must be in writing.

30. State Facilities: If the State makes space available to the Party in any State facility during the term of this Agreement for purposes of the Party's performance under this Agreement, the Party shall only use the space in accordance with all policies and procedures governing access to and use of State facilities which shall be made available upon request. State facilities will be made available to Party on an "AS IS, WHERE IS" basis, with no warranties whatsoever.

31. Requirements Pertaining Only to Federal Grants and Subrecipient Agreements: If this Agreement is a grant that is funded in whole or in part by Federal funds:

A. Requirement to Have a Single Audit: The Subrecipient will complete the Subrecipient Annual Report annually within 45 days after its fiscal year end, informing the State of Vermont whether or not a Single Audit is required for the prior fiscal year. If a Single Audit is required, the Subrecipient will submit a copy of the audit report to the granting Party within 9 months. If a single audit is not required, only the Subrecipient Annual Report is required.

For fiscal years ending before December 25, 2015, a Single Audit is required if the subrecipient expends $500,000 or more in Federal assistance during its fiscal year and must be conducted in accordance with OMB Circular A-133. For fiscal years ending on or after December 25, 2015, a Single Audit is required if the subrecipient expends $750,000 or more in Federal assistance during its fiscal year and must be conducted in accordance with 2 CFR Chapter I, Chapter II, Part 200, Subpart F. The Subrecipient Annual Report is required to be submitted within 45 days, whether or not a Single Audit is required.

B. Internal Controls: In accordance with 2 CFR Part II, §200.303, the Party must establish and maintain effective internal control over the Federal award to provide reasonable assurance that the Party is

managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States and the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

C. Mandatory Disclosures: In accordance with 2 CFR Part II, §200.113, Party must disclose, in a timely manner, in writing to the State, all violations of Federal criminal law involving fraud, bribery, or gratuity violations potentially affecting the Federal award. Failure to make required disclosures may result in the imposition of sanctions which may include disallowance of costs incurred, withholding of payments, termination of the Agreement, suspension/debarment, etc.

32. Requirements Pertaining Only to State-Funded Grants:

A. Certification Regarding Use of State Funds: If Party is an employer and this Agreement is a State-funded grant in excess of $1,001, Party certifies that none of these State funds will be used to interfere with or restrain the exercise of Party's employee's rights with respect to unionization.

B. Good Standing Certification (Act 154 of 2016): If this Agreement is a State-funded grant, Party hereby represents: (i) that it has signed and provided to the State the form prescribed by the Secretary of Administration for purposes of certifying that it is in good standing (as provided in Section 13(a)(2) of Act 154) with the Agency of Natural Resources and the Agency of Agriculture, Food and Markets, or otherwise explaining the circumstances surrounding the inability to so certify, and (ii) that it will comply with the requirements stated therein.

(End of Standard Provisions)

ATTACHMENT D INFORMATION TECHNOLOGY SYSTEM IMPLEMENTATION

TERMS AND CONDITIONS (rev. 3/29/18)

1. MODIFICATIONS TO CONTRACTOR DOCUMENTS

The parties specifically agree that the Contractor Documents are hereby modified and superseded by Attachment C and this Attachment D.

"Contractor Documents" shall mean one or more document, agreement or other instrument required by Contractor in connection with the performance of the products and services being purchased by the State, regardless of format, including the license agreement, end user license agreement or similar document, any hyperlinks to documents contained in the Contractor Documents, agreement or other instrument and any other paper or "shrinkwrap," "clickwrap," "browsewrap" or other electronic version thereof.

2. NO SUBSEQUENT, UNILATERAL MODIFICATION OF TERMS BY CONTRACTOR

Notwithstanding any other provision or other unilateral license terms which may be issued by Contractor during the Term of this Contract, and irrespective of whether any such provisions have been proposed prior to or after the issuance of an order for the products and services being purchased by the State, as applicable, the components of which are licensed under the Contractor Documents, or the fact that such other agreement may be affixed to or accompany the products and services being purchased by the State, as applicable, upon delivery, the terms and conditions set forth herein shall supersede and govern licensing and delivery of all products and services hereunder.

3. TERM OF CONTRACTOR'S DOCUMENTS; PAYMENT TERMS

Contractor acknowledges and agrees that, to the extent a Contractor Document provides for alternate term or termination provisions, including automatic renewals, such sections shall be waived and shall have no force and effect. All Contractor Documents shall run concurrently with the term of this Contract; provided, however, to the extent the State has purchased a perpetual license to use the Contractor's software, hardware or other services, such license shall remain in place unless expressly terminated in accordance with the terms of this Contract. Contractor acknowledges and agrees that, to the extent a Contractor Document provides for payment terms which differ from the payment terms set forth in Attachment B, such sections shall be waived and shall have no force and effect and the terms in Attachment B shall govern.

4. OWNERSHIP AND LICENSE IN DELIVERABLES

4.1 Contractor Intellectual Property.

As between the parties, and subject to the terms and conditions of this Contract, Contractor and its third-party suppliers will retain ownership of all intellectual property rights in the [System], and any and all derivative works made to the [System] or any part thereof, as well as all Work Product provided to the State ("**Contractor Proprietary Technology**"). The State acquires no rights to Contractor Proprietary Technology except for the licensed interests granted under this Contract. The term "**Work Product**" means all other materials, reports, manuals, visual aids, documentation, ideas, concepts, techniques, inventions, processes, or works of authorship developed, provided or created by Contractor or its employees or contractors during the course of performing work for the State (excluding any State Data or derivative works thereof and excluding any output from the [System] generated by the State's use of the [System], including without limitation, reports, graphs, charts and modified State Data, but expressly including any form

templates of such reports, graphs or charts by themselves that do not include the State Data).

Title, ownership rights, and all Intellectual Property Rights in and to the [System] will remain the sole property of Contractor or its suppliers. The State acknowledges that the source code is not covered by any license hereunder and will not be provided by Contractor. Except as set forth in this Contract, no right or implied license or right of any kind is granted to the State regarding the [System] or any part thereof. Nothing in this Contract confers upon either party any right to use the other party's trade names and trademarks, except for permitted license use in accordance with this Contract. All use of such marks by either party will inure to the benefit of the owner of such marks, use of which will be subject to specifications controlled by the owner.

4.2 State Intellectual Property; User Name

The State shall retain all right, title and interest in and to (i) all content and all property, data and information furnished by or on behalf of the State or any agency, commission or board thereof, and to all information that is created under this Contract, including, but not limited to, all data that is generated under this Contract as a result of the use by Contractor, the State or any third party of any technology systems or knowledge bases that are developed for the State and used by Contractor hereunder, and all other rights, tangible or intangible; and (ii) all State trademarks, trade names, logos and other State identifiers, Internet uniform resource locators, State user name or names, Internet addresses and e-mail addresses obtained or developed pursuant to this Contract (collectively, "**State Intellectual Property**").

Contractor may not collect, access or use State Intellectual Property for any purpose other than as specified in this Contract. Upon expiration or termination of this Contract, Contractor shall return or destroy all State Intellectual Property and all copies thereof, and Contractor shall have no further right or license to such State Intellectual Property.

Contractor acquires no rights or licenses, including, without limitation, intellectual property rights or licenses, to use State Intellectual Property for its own purposes. In no event shall the Contractor claim any security interest in State Intellectual Property.

5. CONFIDENTIALITY AND NON-DISCLOSURE; SECURITY BREACH REPORTING

5.1 For purposes of this Contract, confidential information will not include information or material which (a) enters the public domain (other than as a result of a breach of this Contract); (b) was in the receiving party's possession prior to its receipt from the disclosing party; (c) is independently developed by the receiving party without the use of confidential information; (d) is obtained by the receiving party from a third party under no obligation of confidentiality to the disclosing party; or (e) is not exempt from disclosure under applicable State law.

5.2 Confidentiality of Contractor Information. The Contractor acknowledges and agrees that this Contract and any and all Contractor information obtained by the State in connection with this Contract are subject to the State of Vermont Access to Public Records Act, 1 V.S.A. § 315 et seq. The State will not disclose information for which a reasonable claim of exemption can be made pursuant to 1 V.S.A. § 317(c), including, but not limited to, trade secrets, proprietary information or financial information, including any formulae, plan, pattern, process, tool, mechanism, compound, procedure, production data, or compilation of information which is not patented, which is known only to the Contractor, and which gives the Contractor an opportunity to obtain business advantage over competitors who do not know it or use it.

The State shall immediately notify Contractor of any request made under the Access to Public Records Act, or any request or demand by any court, governmental agency or other person asserting a demand or request for Contractor information. Contractor may, in its discretion, seek an

appropriate protective order, or otherwise defend any right it may have to maintain the confidentiality of such information under applicable State law within three business days of the State's receipt of any such request. Contractor agrees that it will not make any claim against the State if the State makes available to the public any information in accordance with the Access to Public Records Act or in response to a binding order from a court or governmental body or agency compelling its production. Contractor shall indemnify the State for any costs or expenses incurred by the State, including, but not limited to, attorneys' fees awarded in accordance with 1 V.S.A. § 320, in connection with any action brought in connection with Contractor's attempts to prevent or unreasonably delay public disclosure of Contractor's information if a final decision of a court of competent jurisdiction determines that the State improperly withheld such information and that the improper withholding was based on Contractor's attempts to prevent public disclosure of Contractor's information.

The State agrees that (a) it will use the Contractor information only as may be necessary in the course of performing duties, receiving services or exercising rights under this Contract; (b) it will provide at a minimum the same care to avoid disclosure or unauthorized use of Contractor information as it provides to protect its own similar confidential and proprietary information; (c) except as required by the Access to Records Act, it will not disclose such information orally or in writing to any third party unless that third party is subject to a written confidentiality agreement that contains restrictions and safeguards at least as restrictive as those contained in this Contract; (d) it will take all reasonable precautions to protect the Contractor's information; and (e) it will not otherwise appropriate such information to its own use or to the use of any other person or entity.

Contractor may affix an appropriate legend to Contractor information that is provided under this Contract to reflect the Contractor's determination that any such information is a trade secret, proprietary information or financial information at time of delivery or disclosure.

5.3 Confidentiality of State Information. In performance of this Contract, and any exhibit or schedule hereunder, the Contractor acknowledges that certain State Data (as defined below), to which the Contractor may have access may contain individual federal tax information, personal protected health information and other individually identifiable information protected by State or federal law or otherwise exempt from disclosure under the State of Vermont Access to Public Records Act, 1 V.S.A. § 315 et seq. ("State Data").

State Data shall not be stored, accessed from, or transferred to any location outside the United States.

Unless otherwise instructed by the State, Contractor agrees to keep confidential all State Data. The Contractor agrees that (a) it will use the State Data only as may be necessary in the course of performing duties or exercising rights under this Contract; (b) it will provide at a minimum the same care to avoid disclosure or unauthorized use of State Data as it provides to protect its own similar confidential and proprietary information; (c) it will not publish, reproduce, or otherwise divulge any State Data in whole or in part, in any manner or form orally or in writing to any third party unless it has received written approval from the State and that third party is subject to a written confidentiality agreement that contains restrictions and safeguards at least as restrictive as those contained in this Contract; (d) it will take all reasonable precautions to protect the State's information; and (e) it will not otherwise appropriate such information to its own use or to the use of any other person or entity. Contractor will take reasonable measures as are necessary to restrict access to State Data in the Contractor's possession to only those employees on its staff who must have the information on a "need to know" basis. The Contractor shall not retain any State Data except to the extent required to perform the services under this Contract.

Contractor shall not access State user accounts or State Data, except in the course of data center operations, response to service or technical issues, as required by the express terms of this Contract, or at State's written request.

Contractor may not share State Data with its parent company or other affiliate without State's express written consent.

The Contractor shall promptly notify the State of any request or demand by any court, governmental agency or other person asserting a demand or request for State Data to which the Contractor or any third party hosting service of the Contractor may have access, so that the State may seek an appropriate protective order.

6. SECURITY OF STATE INFORMATION

6.1 Security Standards. To the extent the Contractor or its subcontractors, affiliates or agents handles, collects, stores, disseminates or otherwise deals with State Data, the Contractor represents and warrants that it has implemented and it shall maintain during the term of this Contract the highest industry standard administrative, technical, and physical safeguards and controls consistent with NIST *Special Publication 800-53* (version 4 or higher) and *Federal Information Processing Standards Publication* 200 and designed to (i) ensure the security and confidentiality of State Data; (ii) protect against any anticipated security threats or hazards to the security or integrity of the State Data; and (iii) protect against unauthorized access to or use of State Data. Such measures shall include at a minimum: (1) access controls on information systems, including controls to authenticate and permit access to State Data only to authorized individuals and controls to prevent the Contractor employees from providing State Data to unauthorized individuals who may seek to obtain this information (whether through fraudulent means or otherwise); (2) industry-standard firewall protection; (3) encryption of electronic State Data while in transit from the Contractor networks to external networks; (4) measures to store in a secure fashion all State Data which shall include, but not be limited to, encryption at rest and multiple levels of authentication; (5) dual control procedures, segregation of duties, and pre-employment criminal background checks for employees with responsibilities for or access to State Data; (6) measures to ensure that the State Data shall not be altered or corrupted without the prior written consent of the State; (7) measures to protect against destruction, loss or damage of State Data due to potential environmental hazards, such as fire and water damage; (8) staff training to implement the information security measures; and (9) monitoring of the security of any portions of the Contractor systems that are used in the provision of the services against intrusion on a twenty-four (24) hour a day basis.

6.2 Security Breach Notice and Reporting. The Contractor shall have policies and procedures in place for the effective management of Security Breaches, as defined below, which shall be made available to the State upon request.

In the event of any actual security breach or reasonable belief of an actual security breach the Contractor either suffers or learns of that either compromises or could compromise State Data (a "Security Breach"), the Contractor shall notify the State within 24 hours of its discovery. Contractor shall immediately determine the nature and extent of the Security Breach, contain the incident by stopping the unauthorized practice, recover records, shut down the system that was breached, revoke access and/or correct weaknesses in physical security. Contractor shall report to the State: (i) the nature of the Security Breach; (ii) the State Data used or disclosed; (iii) who made the unauthorized use or received the unauthorized disclosure; (iv) what the Contractor has done or shall do to mitigate any deleterious effect of the unauthorized use or disclosure; and (v) what corrective action the Contractor has taken or shall take to prevent future similar unauthorized use or disclosure. The Contractor shall provide such other information, including a written report, as

reasonably requested by the State. Contractor shall analyze and document the incident and provide all notices required by applicable law.

In accordance with Section 9 V.S.A. §2435(b)(3), the Contractor shall notify the Office of the Attorney General, or, if applicable, Vermont Department of Financial Regulation ("DFR"), within fourteen (14) business days of the Contractor's discovery of the Security Breach. The notice shall provide a preliminary description of the breach. The foregoing notice requirement shall be included in the subcontracts of any of Contractor's subcontractors, affiliates or agents which may be "data collectors" hereunder.

The Contractor agrees to fully cooperate with the State and assume responsibility at its own expense for the following, to be determined in the sole discretion of the State: (i) notice to affected consumers if the State determines it to be appropriate under the circumstances of any particular Security Breach, in a form recommended by the AGO; and (ii) investigation and remediation associated with a Security Breach, including but not limited to, outside investigation, forensics, counsel, crisis management and credit monitoring, in the sole determination of the State.

The Contractor agrees to comply with all applicable laws, as such laws may be amended from time to time (including, but not limited to, Chapter 62 of Title 9 of the Vermont Statutes and all applicable State and federal laws, rules or regulations) that require notification in the event of unauthorized release of personally-identifiable information or other event requiring notification.

In addition to any other indemnification obligations in this Contract, the Contractor shall fully indemnify and save harmless the State from any costs, loss or damage to the State resulting from a Security Breach or the unauthorized disclosure of State Data by the Contractor, its officers, agents, employees, and subcontractors.

6.3 Security Policies. To the extent the Contractor or its subcontractors, affiliates or agents handles, collects, stores, disseminates or otherwise deals with State Data, the Contractor will have an information security policy that protects its systems and processes and media that may contain State Data from internal and external security threats and State Data from unauthorized disclosure, and will have provided a copy of such policy to the State. The Contractor shall provide the State with not less than thirty (30) days advance written notice of any material amendment or modification of such policies.

6.4 Operations Security. To the extent the Contractor or its subcontractors, affiliates or agents handles, collects, stores, disseminates or otherwise deals with State Data, the Contractor shall cause an SSAE 18 SOC 2 Type 2 audit report to be conducted annually. The audit results and the Contractor's plan for addressing or resolution of the audit results shall be shared with the State within sixty (60) days of the Contractor's receipt of the audit results. Further, on an annual basis, within 90 days of the end of the Contractor's fiscal year, the Contractor shall transmit its annual audited financial statements to the State.

6.5 Redundant Back-Up. The Contractor shall maintain a fully redundant backup data center geographically separated from its main data center that maintains near realtime replication of data from the main data center. The Contractor's back-up policies shall be made available to the State upon request. The Contractor shall provide the State with not less than thirty (30) days advance written notice of any material amendment or modification of such policies.

6.6 Vulnerability Testing. The Contractor shall run quarterly vulnerability assessments and promptly report results to the State. Contractor shall remediate all critical issues within 90 days, all medium issues within 120 days and low issues within 180 days. Contractor shall obtain written State approval for any exceptions. Once remediation is complete, Contractor shall re-perform the test.

7. CONTRACTOR'S REPRESENTATIONS AND WARRANTIES

7.1 General Representations and Warranties. The Contractor represents, warrants and covenants that:

(i) The Contractor has all requisite power and authority to execute, deliver and perform its obligations under this Contract and the execution, delivery and performance of this Contract by the Contractor has been duly authorized by the Contractor.

(ii) There is no outstanding litigation, arbitrated matter or other dispute to which the Contractor is a party which, if decided unfavorably to the Contractor, would reasonably be expected to have a material adverse effect on the Contractor's ability to fulfill its obligations under this Contract.

(iii) The Contractor will comply with all laws applicable to its performance of the services and otherwise to the Contractor in connection with its obligations under this Contract.

(iv) The Contractor (a) owns, or has the right to use under valid and enforceable agreements, all intellectual property rights reasonably necessary for and related to delivery of the services and provision of the Deliverables as set forth in this Contract; (b) shall be responsible for and have full authority to license all proprietary and/or third party software modules, including algorithms and protocols, that Contractor incorporates into its product; and (c) none of the Deliverables or other materials or technology provided by the Contractor to the State will infringe upon or misappropriate the intellectual property rights of any third party.

(v) The Contractor has adequate resources to fulfill its obligations under this Contract.

(vi) Neither Contractor nor Contractor's subcontractors has past state or federal violations, convictions or suspensions relating to miscoding of employees in NCCI job codes for purposes of differentiating between independent contractors and employees.

7.2 Contractor's Performance Warranties. Contractor represents and warrants to the State that:

(i) All Deliverables will be free from material errors and shall perform in accordance with the specifications therefor for a period of at least one year.

(ii) Contractor will provide to the State commercially reasonable continuous and uninterrupted access to the Service, and will not interfere with the State's access to and use of the Service during the term of this Contract;

(iii) The Service is compatible with and will operate successfully with any environment (including web browser and operating system) specified by the Contractor in its documentation;

(iv) Each and all of the services shall be performed in a timely, diligent, professional and skillful manner, in accordance with the highest professional or technical standards applicable to such services, by qualified persons with the technical skills, training and experience to perform such services in the planned environment.

(v) All Deliverables supplied by the Contractor to the State shall be transferred free and clear of any and all restrictions on the conditions of transfer, modification, licensing, sublicensing and free and clear of any and all leins, claims, mortgages, security interests, liabilities and encumbrances or any kind.

(vi) Any time software is delivered to the State, whether delivered via electronic media or the internet, no portion of such software or the media upon which it is stored or

delivered will have any type of software routine or other element which is designed to facilitate unauthorized access to or intrusion upon; or unrequested disabling or erasure of; or unauthorized interference with the operation of any hardware, software, data or peripheral equipment of or utilized by the State. Without limiting the generality of the foregoing, if the State believes that harmful code may be present in any software delivered hereunder, Contractor will, upon State's request, provide a new or clean install of the software. Notwithstanding the foregoing, Contractor assumes no responsibility for the State's negligence or failure to protect data from viruses, or any unintended modification, destruction or disclosure.

(vii) To the extent Contractor resells commercial hardware or software it purchased from a third party, Contractor will, to the extent it is legally able to do so, pass through any such third party warranties to the State and will reasonably cooperate in enforcing them. Such warranty pass-through will not relieve the Contractor from Contractor's warranty obligations set forth herein.

7.3 Limitation on Disclaimer. The express warranties set forth in this Contract shall be in lieu of all other warranties, express or implied.

7.4 Effect of Breach of Warranty. If, at any time during the term of this Contract, software or the results of Contractor's work fail to perform according to any warranty of Contractor under this Contract, the State shall promptly notify Contractor in writing of such alleged nonconformance, and Contractor shall, at its own expense and without limiting any other rights or remedies of the State hereunder, re-perform or replace any services that the State has determined to be unsatisfactory in its reasonable discretion. Alternatively, with State consent, the Contractor may refund of all amounts paid by State for the nonconforming deliverable or service

8. PROFESSIONAL LIABILITY AND CYBER LIABILITY INSURANCE COVERAGE

In addition to the insurance required in Attachment C to this Contract, before commencing work on this Contract and throughout the term of this Contract, Contractor agrees to procure and maintain (a) Technology Professional Liability insurance for any and all services performed under this Contract, with minimum third party coverage of $20,000,000 per claim, $20,000,000 aggregate; and (b) first party Breach Notification Coverage of not less than $2,000,000.

Before commencing work on this Contract the Contractor must provide certificates of insurance to show that the foregoing minimum coverages are in effect.

With respect to the first party Breach Notification Coverage, Contractor shall name the State of Vermont and its officers and employees as additional insureds for liability arising out of this Contract.

9. LIMITATION OF LIABILITY.

CONTRACTOR'S LIABILITY FOR DAMAGES TO THE STATE ARISING OUT OF THE SUBJECT MATTER OF THIS CONTRACT SHALL NOT EXCEED THREE TIMES THE MAXIMUM AMOUNT PAYABLE UNDER THIS CONTRACT, OR $_____, WHICHEVER IS GREATER [TO BE NEGOTIATED WITH VENDOR]. LIMITS OF LIABILITY FOR STATE CLAIMS SHALL NOT APPLY TO STATE CLAIMS ARISING OUT OF: (A) CONTRACTOR'S OBLIGATION TO INDEMNIFY THE STATE; (B) CONTRACTOR'S CONFIDENTIALITY OBLIGATIONS TO THE STATE; (C) PERSONAL INJURY OR DAMAGE TO REAL OR PERSONAL PROPERTY; (D) CONTRACTOR'S GROSS NEGLIGENCE, FRAUD OR INTENTIONAL MISCONDUCT; OR (E) VIOLATIONS OF THE STATE OF VERMONT FRAUDULENT CLAIMS ACT. IN NO EVENT SHALL THIS LIMIT OF LIABILITY BE

CONSTRUED TO LIMIT CONTRACTOR'S LIABILITY FOR THIRD PARTY CLAIMS AGAINST THE CONTRACTOR WHICH MAY ARISE OUT OF CONTRACTOR'S ACTS OR OMISSIONS IN THE PERFORMANCE OF THIS CONTRACT.

NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY INDIRECT, INCIDENTAL OR SPECIAL DAMAGES, DAMAGES WHICH ARE UNFORESEEABLE TO THE PARTIES AT THE TIME OF CONTRACTING, DAMAGES WHICH ARE NOT PROXIMATELY CAUSED BY A PARTY, SUCH AS LOSS OF ANTICIPATED BUSINESS, OR LOST PROFITS, INCOME, GOODWILL, OR REVENUE IN CONNECTION WITH OR ARISING OUT OF THE SUBJECT MATTER OF THIS CONTRACT.

The provisions of this Section shall apply notwithstanding any other provisions of this Contract or any other agreement.

10. TRADE SECRET, PATENT AND COPYRIGHT INFRINGEMENT

The State shall not be deemed to waive any of its rights or remedies at law or in equity in the event of Contractor's trade secret, patent and/or copyright infringement.

11 REMEDIES FOR DEFAULT; NO WAIVER OF REMEDIES

In the event either party is in default under this Contract, the non-defaulting party may, at its option, pursue any or all of the remedies available to it under this Contract, including termination for cause, and at law or in equity.

No delay or failure to exercise any right, power or remedy accruing to either party upon breach or default by the other under this Contract shall impair any such right, power or remedy, or shall be construed as a waiver of any such right, power or remedy, nor shall any waiver of a single breach or default be deemed a waiver of any subsequent breach or default. All waivers must be in writing.

12 NO ASSUMPTION OF COSTS

Any requirement that the State defend or indemnify Contractor or otherwise be liable for the expenses or reimbursement, including attorneys' fees, collection costs or license verification costs of Contractor, is hereby deleted from the Contractor Documents.

13 TERMINATION

Upon termination of this Contract for any reason whatsoever, Contractor shall immediately deliver to the State all State information, State Intellectual Property or State Data (including without limitation any Deliverables for which State has made payment in whole or in part) ("State Materials"), that are in the possession or under the control of Contractor in whatever stage of development and form of recordation such State property is expressed or embodied at that time.

In the event the Contractor ceases conducting business in the normal course, becomes insolvent, makes a general assignment for the benefit of creditors, suffers or permits the appointment of a receiver for its business or assets or avails itself of or becomes subject to any proceeding under the Federal Bankruptcy Act or any statute of any state relating to insolvency or the protection of rights of creditors, the Contractor shall immediately return all State Materials to State control; including, but not limited to, making all necessary access to applicable remote systems available to the State for purposes of downloading all State Materials.

Contractor shall reasonably cooperate with other parties in connection with all services to be delivered under this Contract, including without limitation any successor provider to whom State Materials are to be transferred in connection with termination. Contractor shall assist the State in exporting and

extracting the State Materials, in a format usable without the use of the Services and as agreed to by State, at no additional cost.

Any transition services requested by State involving additional knowledge transfer and support may be subject to a contract amendment for a fixed fee or at rates to be mutually agreed upon by the parties.

If the State determines in its sole discretion that a documented transition plan is necessary, then no later than sixty (60) days prior to termination, Contractor and the State shall mutually prepare a Transition Plan identifying transition services to be provided.

14. ACCESS TO STATE DATA:

The State may import or export State Materials in part or in whole at its sole discretion at any time (24 hours a day, seven (7) days a week, 365 days a year), during the term of this Contract or for up to [three (3) months] after the Term (so long as the State Materials remain in the Contractor's possession) without interference from the Contractor in a format usable without the Service and in an agreed-upon file format and medium at no additional cost to the State.

The Contractor must allow the State access to information such as system logs and latency statistics that affect its State Materials and or processes.

The Contractor's policies regarding the retrieval of data upon the termination of services have been made available to the State upon execution of this Contract under separate cover. The Contractor shall provide the State with not less than thirty (30) days advance written notice of any material amendment or modification of such policies.

15. AUDIT RIGHTS

Contractor will maintain and cause its permitted contractors to maintain a complete audit trail of all transactions and activities, financial and non-financial, in connection with this Contract. Contractor will provide to the State, its internal or external auditors, clients, inspectors, regulators and other designated representatives, at reasonable times (and in the case of State or federal regulators, at any time required by such regulators) access to Contractor personnel and to any and all Contractor facilities or where the required information, data and records are maintained, for the purpose of performing audits and inspections (including unannounced and random audits) of Contractor and/or Contractor personnel and/or any or all of the records, data and information applicable to this Contract.

At a minimum, such audits, inspections and access shall be conducted to the extent permitted or required by any laws applicable to the State or Contractor (or such higher or more rigorous standards, if any, as State or Contractor applies to its own similar businesses, operations or activities), to (i) verify the accuracy of charges and invoices; (ii) verify the integrity of State Data and examine the systems that process, store, maintain, support and transmit that data; (iii) examine and verify Contractor's and/or its permitted contractors' operations and security procedures and controls; (iv) examine and verify Contractor's and/or its permitted contractors' disaster recovery planning and testing, business resumption and continuity planning and testing, contingency arrangements and insurance coverage; and (v) examine Contractor's and/or its permitted contractors' performance of the Services including audits of: (1) practices and procedures; (2) systems, communications and information technology; (3) general controls and physical and data/information security practices and procedures; (4) quality initiatives and quality assurance, (5) contingency and continuity planning, disaster recovery and back-up procedures for processes, resources and data; (6) Contractor's and/or its permitted contractors' efficiency and costs in performing Services; (7) compliance with the terms of this Contract and applicable laws, and (9) any other matters reasonably requested by the State. Contractor shall provide and cause its permitted contractors to provide full cooperation to such auditors, inspectors, regulators and representatives in

connection with audit functions and with regard to examinations by regulatory authorities, including the installation and operation of audit software.

16. DESTRUCTION OF STATE DATA

At any time during the term of this Contract within (i) thirty days of the State's written request or (ii) [three (3) months] of termination or expiration of this Contract for any reason, and in any event after the State has had an opportunity to export and recover the State Materials, Contractor shall at its own expense securely destroy and erase from all systems it directly or indirectly uses or controls all tangible or intangible forms of the State Materials, in whole or in part, and all copies thereof except such records as are required by law. The destruction of State Data and State Intellectual Property shall be performed according to National Institute of Standards and Technology (NIST) approved methods. Contractor shall certify in writing to the State that such State Data has been disposed of securely. To the extent that any applicable law prevents Contractor from destroying or erasing State Materials as set forth herein, Contractor shall retain, in its then current state, all such State Materials then within its right of control or possession in accordance with the confidentiality, security and other requirements of this Contract, and perform its obligations under this section as soon as such law no longer prevents it from doing so.

Further, upon the relocation of State Data, Contractor shall securely dispose of such copies from the former data location and certify in writing to the State that such State Data has been disposed of securely. Contractor shall comply with all reasonable directions provided by the State with respect to the disposal of State Data.

17 CONTRACTOR BANKRUPTCY.

Contractor acknowledges that if Contractor, as a debtor in possession, or a trustee in bankruptcy in a case under Section 365(n) of Title 11, United States Code (the "Bankruptcy Code"), rejects this Contract, the State may elect to retain its rights under this Contract as provided in Section 365(n) of the Bankruptcy Code. Upon written request of the State to Contractor or the Bankruptcy Trustee, Contractor or such Bankruptcy Trustee shall not interfere with the rights of the State as provided in this Contract, including the right to obtain the State Intellectual Property.

18 SOFTWARE LICENSEE COMPLIANCE REPORT.

In lieu of any requirement that may be in a Contractor Document that the State provide the Contractor with access to its System for the purpose of determining State compliance with the terms of the Contractor Document, upon request and not more frequently than annually, the State will provide Contractor with a certified report concerning the State's use of any software licensed for State use pursuant this Contract. The parties agree that any non-compliance indicated by the report shall not constitute infringement of the licensor's intellectual property rights, and that settlement payment mutually agreeable to the parties shall be the exclusive remedy for any such non-compliance.

19 IRS TERMS IF FEDERAL TAX INFO WILL BE PROCESSED OR STORED (Per IRS Publication 1075)

To the extent Contractor's performance under this Contract involves the processing or storage of Federal tax information, then, pursuant to IRS Publication 1075, the following provisions shall apply in addition to any other security standard or requirements set forth in this Contract:

A. PERFORMANCE

In performance of this Contract, the Contractor agrees to comply with and assume responsibility for

compliance by its employees with the following requirements:

1. All work will be done under the supervision of the Contractor or the Contractor's employees.
2. The Contractor and the Contractor's employees with access to or who use Federal tax information must meet the background check requirements defined in IRS Publication 1075.
3. Any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this Contract. Information contained in such material will be treated as confidential and will not be divulged or made known in any manner to any person except as may be necessary in the performance of this Contract. Disclosure to anyone other than an officer or employee of the Contractor will be prohibited.
4. All returns and return information will be accounted for upon receipt and properly stored before, during, and after processing. In addition, all related output will be given the same level of protection as required for the source material.
5. The Contractor certifies that the data processed during the performance of this Contract will be completely purged from all data storage components of his or her computer facility, and no output will be retained by the Contractor at the time the work is completed. If immediate purging of all data storage components is not possible, the Contractor certifies that any IRS data remaining in any storage component will be safeguarded to prevent unauthorized disclosures.
6. Any spoilage or any intermediate hard copy printout that may result during the processing of IRS data will be given to the State or his or her designee. When this is not possible, the Contractor will be responsible for the destruction of the spoilage or any intermediate hard copy printouts, and will provide the State or its designee with a statement containing the date of destruction, description of material destroyed, and the method used.
7. All computer systems processing, storing, or transmitting Federal tax information must meet the requirements defined in IRS Publication 1075. To meet functional and assurance requirements, the security features of the environment must provide for the managerial, operational, and technical controls. All security features must be available and activated to protect against unauthorized use of and access to Federal tax information.
8. No work involving Federal tax information furnished under this Contract will be subcontracted without prior written approval of the IRS.
9. The Contractor will maintain a list of employees authorized access. Such list will be provided to the State and, upon request, to the IRS reviewing office.
10. The State will have the right to void the Contract if the Contractor fails to provide the safeguards described above.

B. CRIMINAL/CIVIL SANCTIONS:

1. Each officer or employee of any person to whom returns or return information is or may be disclosed will be notified in writing by such person that returns or return information disclosed to such officer or employee can be used only for a purpose and to the extent authorized herein, and that further disclosure of any such returns or return information for a purpose or to an extent unauthorized herein constitutes a felony punishable upon conviction by a fine of as much as $5,000 or imprisonment for as long as 5 years, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized further disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount not less than $1,000 with respect to each instance of

unauthorized disclosure. These penalties are prescribed by IRC sections 7213 and 7431 and set forth at 26 CFR 301.6103(n)-1.

2. Each officer or employee of any person to whom returns or return information is or may be disclosed shall be notified in writing by such person that any return or return information made available in any format shall be used only for the purpose of carrying out the provisions of this Contract. Information contained in such material shall be treated as confidential and shall not be divulged or made known in any manner to any person except as may be necessary in the performance of the Contract. Inspection by or disclosure to anyone without an official need to know constitutes a criminal misdemeanor punishable upon conviction by a fine of as much as $1,000 or imprisonment for as long as 1 year, or both, together with the costs of prosecution. Such person shall also notify each such officer and employee that any such unauthorized inspection or disclosure of returns or return information may also result in an award of civil damages against the officer or employee in an amount equal to the sum of the greater of $1,000 for each act of unauthorized inspection or disclosure with respect to which such defendant is found liable or the sum of the actual damages sustained by the plaintiff as a result of such unauthorized inspection or disclosure plus in the case of a willful inspection or disclosure which is the result of gross negligence, punitive damages, plus the costs of the action. These penalties are prescribed by IRC section 7213A and 7431, and set forth at 26 CFR 301.6103(n)-1.

3. Additionally, it is incumbent upon the Contractor to inform its officers and employees of the penalties for improper disclosure imposed by the Privacy Act of 1974, 5 U.S.C. 552a. Specifically, 5 U.S.C. 552a(i)(1), which is made applicable to contractors by 5 U.S.C. 552a(m)(1), provides that any officer or employee of a contractor, who by virtue of his/her employment or official position, has possession of or access to State records which contain individually identifiable information, the disclosure of which is prohibited by the Privacy Act or regulations established thereunder, and who knowing that disclosure of the specific material is prohibited, willfully discloses the material in any manner to any person or agency not entitled to receive it, shall be guilty of a misdemeanor and fined not more than $5,000.

4. Prior to Contractor having access to Federal tax information, Contractor shall certify that each Contractor employee or other individual with access to or who use Federal tax information on Contractor's behalf pursuant to this Contract understands the State's security policy and procedures for safeguarding Federal tax information. Contractor's authorization to access Federal tax information hereunder shall be contingent upon annual recertification. The initial certification and recertification must be documented and placed in the State's files for review. As part of the certification, and at least annually afterwards, Contractor will be advised of the provisions of IRCs 7431, 7213, and 7213A (see IRS Publication 1075 *Exhibit 4, Sanctions for Unauthorized Disclosure*, and *Exhibit 5, Civil Damages for Unauthorized Disclosure*). The training provided before the initial certification and annually thereafter must also cover the incident response policy and procedure for reporting unauthorized disclosures and data breaches (See Publication 1075, Section 10). For both the initial certification and the annual certification, the Contractor must sign a confidentiality statement certifying its understanding of the security requirements.

C. INSPECTION:

The IRS and the State, with 24 hours' notice, shall have the right to send its officers, employees, and inspectors into the offices and plants of the Contractor for inspection of the facilities and operations provided for the performance of any work under this Contract for compliance with the requirements defined in IRS Publication 1075. The IRS's right of inspection shall include the use of manual and/or automated scanning tools to perform compliance and vulnerability assessments of

information technology assets that access, store, process or transmit Federal tax information. On the basis of such inspection, corrective actions may be required in cases where the Contractor is found to be noncompliant with Contract safeguards.