State of Idaho

Request for Proposal

LOTTERY GAMING SYSTEM

JUNE 22, 2016
AMENDED 7/18/2016
AMENDED 8/15/2016

ISSUING OFFICE:

Idaho State Lottery
1199 Shoreline Lane
Boise, Idaho 83702

RFP COORDINATOR:

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INTRODUCTION TO THE IDAHO LOTTERY'S
GAMING SYSTEM RFP
June 22, 2016
Amended July 18, 2016
Amended August 15, 2016

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The following document is a Request for Proposal (RFP) issued by the Idaho State Lottery for a state-of-the-art online lottery gaming system. The body of the RFP is contained in 6 parts, which start on the following pages:

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Appendix B: Current Contract Fees

Appendix C: Current Equipment Distribution

Appendix D: Current Equipment and Vending Options

Appendix E: Idaho Lottery Marketing Plan - amended

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The entire text of this RFP can be found at the Idaho Lottery website at http://www.idaholottery.com/RFPamended

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PART 1-GENERAL INFORMATION

1.1 Introduction and Objectives

The Idaho State Lottery, (hereinafter "Lottery") is issuing this Request for Proposals (RFP) to solicit proposals from responsible, responsive and experienced online lottery gaming vendors for an up-to-date Lottery Gaming System. The system will replace and/or upgrade the system provided under contract with the Lottery's current online vendor.

The current Contract expires on September 30, 2017. The initial Contract of 10 years will commence from October 1, 2017, through September 30, 2027. The Lottery reserves the right to extend the Contract at its sole option up to a maximum of two (2) additional five (5) year options

The successful vendor will provide a fully-functioning Lottery Gaming System which will include Scratch Ticket inventory and Validation, full service back office, including Hardware, Software, communications, System installation, current and historical data conversion and System operation through the life of any subsequent Contract that may result from this solicitation. The Lottery's goal is to obtain a System that will provide the best value in technology available today that also will provide the greatest flexibility to adapt to changes in the future. This includes the ability to seamlessly connect with third party Software and Hardware.

The Lottery also includes as part of this RFP the provision and maintenance of all Peripheral Equipment. We desire to have these bid as a part of the Proposal. The Lottery requests recommendations from Vendors regarding the count and number of replacements of these vending solutions. For detailed information about Equipment and vending solutions currently utilized, see Appendix D~~E~~ – *Current Equipment & Vending Options.*

The successful Vendor must ensure that all systems are fully operational no later than October 1, 2017 and that there are no interruptions of existing Lottery games and/or sales during conversion.

We are looking for replacement of all status quo, traditional Lottery Equipment. Equipment designated for other, unauthorized play styles and forms of gaming should be proposed as options for the future, should they become authorized.

To obtain a complete copy of this RFP you may go to the Idaho State Lottery website at http://www.idaholottery.com/RFP and click on Idaho Lottery Gaming System RFP, June 22, 2016 and AMENDED 7/18/2016 and AMENDED 08/15/2016 or formally request, in writing, a hard copy from the Idaho State Lottery at P.O. Box 6537, Boise, ID 83707-6537.

1.2 Governing Law

The Lottery is statutorily exempt from Idaho state purchasing laws and regulations (section 67-7451, *Idaho Code).* Despite this exemption, it is the Lottery's policy to conduct its contracting affairs generally in accordance with the state's competitive bidding principles, reserving the right to use alternative contracting and procurement practices that take into account market realities. The Lottery's administrative rules governing contracting are set out in *Rules and Practices of the Idaho State Lottery Commission* IDAPA 52.01.03.200.

This procurement is deemed a "Major Procurement" under the provisions of sections 67-7404(11), 67-7420, *Idaho Code,* and IDAPA 52.01.03.200. As such, the Idaho State Lottery Commission approved the issuance of this RFP on May 26, 2016.

1.3 Glossary of Terms

GLOSSARY OF TERMS USED WITHIN THIS REQUEST FOR PROPOSALS (RFP)

Advanced Encryption Standard - The **Advanced Encryption Standard** (**AES**), also known as **Rijndael**[4][5] (its original name), is a specification for the encryption of electronic data established by the U.S. National Institute of Standards and Technology (NIST) in 2001.

Activation, Activate – The act of notifying the Lottery through a Retailer Terminal that the Lottery Retailer has begun selling a particular Pack of Scratch Tickets which then authorizes a Retailer and the Lottery to validate and pay a prize from a ticket within that Pack.

ADA – Americans with Disabilities Act

Ad Hoc Reports - Reports generated as needed as opposed to on a production schedule.

Apparent Successful Vendor – The Vendor recommended by the Evaluation Committee and Director and approved by the Commission, subject to the execution of the Contract.

Back Office System – Data processing systems used to support the central business operation of the Lottery, as distinct from gaming systems or systems employed by the Retailer at the point-of-sale. Typically includes, but not limited to: Customer Relationship (CRM) components, retailer accounting, winner claim validation and payment processes.

Back up Site – The designated secondary location where the Back up Computer System is located.

Back up System – The Back up/redundant environment that comprises the components of the System, taken as a single physical and/or logical group, that are designated as being redundant to the Primary System. The Back up system is primarily responsible for the accurate processing of a transaction in a secure manner if the Primary system is not functional.

Bar Code - The symbol on a Scratch Ticket, Draw Ticket or other item (e.g. coupon, lottery buck, lottery dollar or other type of promotional giveaway) which is used to uniquely identify each ticket or item. A code consisting of a group of printed and variously patterned bars and spaces and sometimes numerals that are designed to be scanned and read into computer memory as identification for the object it labels. The most common symbologies used in the retail environment are UPC-A for merchandise marking and Code 128 for shipping containers. Other symbologies include Plessey Code 39, Interleaved 2 of 5 and EAN/JAN, PDF 417.

Central Site - The location of the Contractor's central computer that, together with associated support Equipment, will be used to support the Gaming System and Back Office systems.

Claim Number - The unique serial number assigned by the System to a Transaction, receipt or Ticket.

Commission - The Idaho State Lottery Commission.

Communications Network (Network) – A statewide data transport configuration which could include Retailer premise wiring, radio, satellite, cellular or other approved configuration(s), required to connect equipment in the Retailer locations to the Primary, Back-up and ICS Sites.

Connectivity - A system's or device's ability to link with other systems or devices, including third party systems or devices.

Contract - The Contract entered into between the Lottery and the selected Vendor responding to this RFP. The Contract will include all State Mandatory Contractual Provisions and will incorporate the entire RFP, including any addenda/amendments, and all or indicated portions of the selected Vendor's Proposal, as well as any other provisions as indicated in the Contract.

Contractor - The Vendor with whom the Lottery executes a Contract pursuant to this RFP. Once the Lottery and the Apparent Successful Vendor sign the Contract, the latter becomes the Contractor.

Coronis Terminal – standard sized Terminal currently used in Retailer locations by the current vendor. They are full service online and InstaPlay selling Terminals. The Idaho Lottery currently has 938 of these in Retailer locations.

Customer Display - Hardware attachment to a Retailer Terminal for the display of Jackpot amounts and other information as designated by the Lottery.

DES - Data Encryption Standard of the United States Department of Defense which is a widely used method of data encryption using a private (secret) key.

Director - The Director of the Idaho State Lottery.

Drawing – The selection of winning numbers, to include live Drawings as well as Drawings conducted via computer random number generation.

Effective Date – The date upon which the Contract has commenced as identified in the Contract.

Equipment – All of the machines and devices used to transport, process and display Lottery information (see also Hardware).

Evaluation Committee – A committee established by the Lottery to oversee the activities of the Proposal Evaluation process. The Evaluation Committee manages and is responsible for determining the Proposals that best meet the combined criteria of the RFP and making a Contract award recommendation to the Lottery Director.

Facilities - The locations required to provide and support the Retailer network, including data centers, warehouses, repair depots, and any others designated by the Lottery.

File - A related collection of records containing a consistent set of data fields that describe an entity. A file can be processed by Software representing an authorized user to add, modify or delete records, or to generate a Report or display of useful information. A file can be operated on as an object itself, for example to move it from one location to another, or to delete it.

Full Service Vending Machine (FSVM) – A customer operated Scratch and Draw Ticket vending machine. A dispensing device that can sell/vend/burst, at a minimum, twenty five (25) Scratch games and accommodate all Online/ Draw games. A FSVM must contain a currency acceptor for payment; dispense Tickets of variable lengths; provide connectivity to the System to record the sale of Tickets at the time of purchase and provide various accounting Reports for the Retailer.

Hardware - Equipment to be provided by the Contractor, including all associated central computers, Terminals, control channels, monitoring Equipment, communications Equipment and peripheral Equipment.

InstaPlay Games – Pool-based instant tickets generated by the Terminal with predetermined odds and outcomes. The play style is similar to a Scratch Game, as there is no Drawing and prizes are won instantly. These games are sold from the Coronis, MicroLot, FSVM and MP Terminals.

Internal Control System (ICS) – The audit system and its associated processes that performs auditing of the gaming system components to ensure the integrity, security and accuracy of gaming Transactions.

Jurisdiction – State of Idaho.

Letter of Transmittal – A written notification from a Vendor to a Lottery that accompanies each Proposal volume in response to an RFP published by the Lottery.

Liquidated Damages - Liquidated damages are damages whose amount the parties designate during the formation of a contract for the injured party to collect as compensation upon a specific breach (e.g., late performance or degraded system performance).

Lottery - The Idaho State Lottery.

Lottery Gaming System (System) - The computer system, both Hardware and Software, office, Terminals, Equipment, parts, supplies, commodities, personnel and services necessary to implement, conduct and provide the Vendor provided online related products and services for Lottery games. This includes all of the Online/Draw and Scratch Games, all products and operations which enables the Lottery to sell and redeem all variations of Tickets, all Online/Draw Game Tickets, and to validate Scratch Tickets. A Lottery Gaming System can alternately be called an Online Gaming System.

Management Terminal – Terminal or personal computer used by the Lottery for inquiry, Report preparation, and/or managing game parameters for the Lottery Gaming System. Also used to validate winning tickets not redeemed at Retailer locations and to produce Terminal Reports for all Retailer or chain accounts.

MicroLot Terminal – Smaller footprint full service selling Terminal in retail locations for clerk facing sales. The MicroLot has the same selling capabilities as the Coronis, selling all Online/Draw Games and InstaPlay Games. These are currently in 122 locations.

MultiPurpose (MP) Vending Machine – Player self-service vending machine which sells Online/Draw Games, InstaPlay Games and in age controlled locations, TAP Scratch Games. Like all other Terminals, the MP also validates Scratch Tickets, and scans VIP Cards.

Multi-State Lottery Association (MUSL) – The association of lotteries based in Des Moines, Iowa that currently conducts a number of Online/Draw Games, including Powerball®.

NASPL - The North American Association of State and Provincial Lotteries, www.naspl.org

Net Income – Net Sales less expenses (both gaming and operational) incurred by the Lottery.

Net Sales - Equal to all Online/Draw Game Tickets sold, Scratch Game Packs and PullTab/TouchTab Game books or sleeves sold during the period less returns. (Free replays as prizes or promotional free Tickets are not considered a Ticket sold).

Online/Draw Game - Game sold and redeemed through a computer network at Retailer locations. This is older terminology but still used within the Lottery industry and in Idaho these are referred to as "Draw" games. The "online" reference does not indicate anything related to the Internet or Internet based games.

Online Terminal (or Retailer Terminal) - Terminal installed at a Retailer's location: a) for the purpose of selling and redeeming Online Tickets, validating Scratch Tickets and performing Pack management and accounting functions; b) that allows connection to the System either directly or indirectly; and c) that prints Reports.

Online Ticket - A hard-copy bearer instrument that is a player's record of a wager transaction for an Online/Draw Game.

Operational Sales Period - The specific daily hours designated by the Lottery during which Retailers can sell, cancel, validate, deliver, activate, settle, return, transfer, and perform other operations on Retailer Terminals.

Pack – A quantity of Scratch Game Tickets that are shrink wrapped and inventoried to be distributed to Lottery Retailers.

Pari-mutuel - A prize payout method for Lottery games in which an available prize pool is split equally between the number of winning entries entitled to claim it. For example, in a Draw game, if three players hold the winning combination for a specific drawing, the grand prize would be split in three equal portions, one portion going to each player.

Peripheral Equipment – includes, but is not limited to, devices used for Ticket checking, advertising displays, jackpot signs, LED signs, etc.

Play - A single set of numbers for a Lottery Drawing. A Ticket may contain multiple Plays, depending on the game.

Playslip – A paper form provided by the Vendor to interface between the player and Terminal, used to allow players to choose their own numbers, or quick pick to create an Online/Draw Game Transaction for a current draw or for multiple draws. Also referred to as a bet slip.

Point of Sale (POS) - Depending on context: (a) the location where a product is purchased; (b) the device with which a Retailer records a sale and collects money; (c) promotional, advertising or display pieces (e.g. stickers and signs) or updateable wireless message signs that are placed where a product is sold used to increase public awareness of Lottery products and services in order to increase sales.

Primary Site, Main Site - The designated location of the Primary Computer System.

Primary Computer System or Primary Data Center (PDC) - The components of the System, taken as a single physical and/or logical group, that are designated as being primarily responsible for the accurate processing of a Transaction on a real-time basis and all functions related to the Lottery Gaming System in a secure manner.

Proposal – All materials included in the response by a Vendor to the RFP.

Proposal Clarification – A process used by the Evaluation Committee to resolve ambiguities and improve the understanding of an individual Vendor's Proposal. The responses of individual Vendors to Lottery requests for clarification are considered part of the deliberative process of clarifying the offerings in a Proposal.

PullTab Game/Tickets (Paper PullTabs) - PullTab Tickets, also known as break-open tickets, have one or more perforated window tabs that can be opened to reveal whether the player has winning numbers or symbols. PullTab Games may be sold at any licensed Retailer location, but are typically played in age-controlled environments.

Quick Pick - A function that allows the System to automatically and randomly select player's wager numbers or symbols.

Random - To have no discernible pattern under any type of testing. No characteristic or set of characteristics or prior elements or a set of values or sequence of values shall allow prediction of the next value.

Report - Information produced by the System that is viewed via display, printed, or saved to a File depending on the needs of the Lottery.

Retailer - A business entity that is authorized by the Lottery to sell Lottery products.

RFP - This Request for Proposal for a Lottery Gaming System, dated ~~June 22, 2016~~, AMENDED 7/18/2016 including any addenda/amendments.

SSAE16 – Statement on Standards for Attestation Engagements (SSAE) No. 16, short SSAE16 (formerly known as SAS70) producing a "Service Organization Controls (SOC) 1 Report" as output. US equivalent to ISAE 3402.

Secondary Computer System – a second set of computers, located at the Primary Site which records all of the transactions on a real-time basis from the Primary Computer System in the event of a failure of the Primary Computer System with identical performance and capabilities as the Primary Computer System.

Scratch Game™ – A game in which tickets have a concealed prize structure and playing area. The player removes the material concealing the playing area on the game ticket (e.g. latex coating or flap) in accordance with the game instructions, or any game wherein the player receives an immediate result without waiting for a Drawing.

Scratch Ticket – A physical product sold by the Lottery, belonging to the instant products. To play, the player must scratch off the latex to reveal Ticket symbols to determine if it is a winning Ticket.

Settlement - The act of billing the Retailer, in the System, for Scratch Tickets for which it is liable but has not yet paid.

Software - System, Retailer Terminal, Management Terminal and player activated Terminal machine Software, firmware, programs, subroutines, source code instructions, all documentation relating to these items and any other descriptive materials or related items that may be required to enable the gaming system(s) to perform their functions.

Start-up - The date and time that live gaming operations commence under the Contract resulting from this solicitation.

Subcontractor – any person or firm having an agreement with a contractor to perform all or some of the contractor's work under the Contract. Subcontractor does not include an employee with an employment contract, or an employee organization with a collective bargaining agreement.

TAP Scratch Games – Pool based instant games generated by the Terminal with predetermined odds and outcomes. The play style is touch screen and interactive with no drawing and prizes are won instantly. These games are just like Scratch Games but are played on an MP Terminal touch screen. Per Idaho Lottery policy, these are offered only in age controlled retail locations.

Terminal – A computerized unit specifically designed for issuing and processing Tickets and for printing of Reports.

Ticket – Tangible evidence issued by the Lottery to provide participation in a Lottery game.

Ticket Checker – A player activated Terminal where a player can check to see if their Online/Draw Games or Scratch Ticket is a winner. The Terminal simply replies with an appropriate message.

TouchTab Game/Tickets (Electronic PullTabs/Touch Tabs) – Touch Tabs are the electronic version of a paper PullTab Ticket. They are dispensed via a touchscreen monitor where players touch to slide open windows to reveal winning and non-winning combinations. TouchTab Games are, by Lottery policy, only played in age-controlled environments. These games are provided by a full service third party vendor, International Gamco.

Transaction – A game activity that must be processed by the Central Site System(s). Transactions include but are not limited to wagers, cancels, validations, rejections, deliveries, activations, settlements, returns, transfers, Reports, sign-ons and sign-offs.

Validation - Process by which winning Tickets, both Draw and Scratch are checked against computer files to ensure that the Ticket presented is valid and that it has not been redeemed previously.

Vendor - Any entity that has expressed interest in the RFP and may wish to respond or has responded to the RFP, up to the point in time when the Lottery announces the Contract award.

Voucher – Ticket or Transaction number on a Ticket that will be used for entry for contests conducted over the internet or telephone.

1.4 Procurement Schedule

The anticipated procurement schedule is as follows:

EVENT	DATE	YEAR
Publish RFP	June 22	2016
Vendors Submit Letters of Intent to Bid	July 11	2016
Vendors Submit Questions – Round 1	July 11	2016
Lottery Responds to Questions – Round 1	July 18	2016
Vendors Submit Questions – Round 2	Aug 8	2016
Lottery Responds to Questions – Round 2	Aug 15	2016
Pre-Bid Conference – NO PRE BID CONFERENCE		
Proposals Submission Deadline	**September 9**	**2016**
Evaluation Period - including site visits	Sept 9 – Nov 11	2016
Idaho State Lottery Commission Approval - Notification of Successful Vendor	November 18	2016
Finalize Contract	Nov 19 – Jan 1	2017
Begin Software Development	January 3	2017
Complete Software Development - Begin Customer Acceptance Testing	July 3	2017
Complete System Upgrades - Begin Retailer Transition	August 2	2017
Complete Retailer Transition - End of Current Contract	September 30	2017
Complete Transition-Go Live - New System On Line	October 1	2017

The Lottery reserves the right to amend this schedule as necessary.

1.5 Issuing Office

This RFP is issued through the Idaho State Lottery. The RFP Coordinator is the sole point of contact for this procurement. Any other communication that isn't directed to the RFP Coordinator will be considered unofficial and non-binding on the Lottery. The RFP Coordinator shall be solely responsible for the clarification, amendment, modification or withdrawal of specifications, requirements, terms and conditions of the RFP.

1.6 RFP & Contract Coordinators

The RFP Coordinator is:

Amber French, Deputy Director
Security and Enforcement Division
1199 Shoreline Lane, Suite 100
Boise, ID 83702
T: 208.780.2551
F: 208.334.2391
E: afrench@lottery.idaho.gov

1.7 Term of Contract

The initial period of Contract performance will be from October 1, 2017, through September 30, 2027, for 10 years with an extension option for two additional option periods of five (5) years. The Lottery will notify the Vendor in writing of its intent to extend the Contract not later than five hundred forty (540) days before the beginning of any extension period.

1.8 Information from Other Sources

The Lottery reserves the right to obtain information from outsides sources concerning a Vendor.

1.9 Contact With Vendors

During this procurement process no interested Vendor, and no employee or agent of any interested Vendor, may initiate any unsolicited contact with Lottery employees, managers, officers or commissioners regarding this procurement. All contact regarding this procurement should be directed through the RFP Coordinator. Any false or misleading representations made by any interested Vendor, their employees or agents, to any Lottery employee or Lottery Retailer shall be grounds for disqualification. Likewise, any Vendor currently doing business with the Lottery may continue to do so and communicate with Lottery employees, however, any communication regarding this RFP, other than through the RFP Coordinator, is prohibited.

1.10 Proposal Clarification Process

The Lottery reserves the right to request clarification or resolving ambiguities on one or more statements made by a Vendor in its Proposal at any point during the Proposal Evaluation. All clarification will be requested in writing and will be sent to the contact person representing the Vendor. Any such communication may be made by e-mail, fax, mail, overnight courier or hand-delivered. Vendor will be given a specific deadline to submit a response. The Vendor will make every effort to respond within the time frame indicated. If it proves unfeasible, the Lottery and the Vendor may discuss modification of the deadline.

The Vendor's response must address only the information requested. It must be submitted in writing, as directed by the Lottery. Any response should not address any cost information unless it specifically addresses the clarification the Lottery is seeking. The clarification process will not allow revision or supplementation of the Vendor's offering. **Clarification is not a negotiating process.**

1.11 Late Proposals

Any Proposals received after 5:00 p.m. MST on September 9, 2016 will be automatically disqualified from further consideration.

1.12 RFP Clarification Questions

Written questions relevant to the RFP must be submitted to Issuing Office by e-mail, fax, mail, overnight courier or hand-delivered to the RFP Coordinator no later than 5:00 p.m. MST on July 11, 2016. These will be considered during Round One clarification questions. All inquiries should be written in generic terms and contain no pricing information. A copy of all written questions and the Lottery's responses to these questions will be provided on the Idaho Lottery's website: http://www.idaholottery.com/RFP by close of business, July 18, 2016. Clarification questions for Round Two must be submitted by no later than 5:00 p.m. MST on August 8, 2016 and answers will be posted on the website by close of business August 15, 2016.

The Lottery will not identify the Vendor posing the question. Answers to questions that materially impact the requirements of the RFP will be formalized as amendments to the RFP.

1.13 Pre-Proposal Conference

There will be no pre-proposal conference.

1.14 Amendments to RFP

If it becomes necessary to revise any part of this RFP for any reason, amendments will be posted on the Idaho State Lottery's website at https://www.idaholottery.com/RFP.

Amendments may result in postponing of deadline dates. The Lottery reserves the right to cancel or to reissue the RFP, in whole or in part.

1.15 Letter of Intent to Bid

All Vendors intending to respond to this RFP must submit a letter of intent to bid to:

Idaho Lottery
1199 Shoreline Lane, Suite 100
Boise, ID 83702

Attn: Amber French, Deputy Director
Security and Enforcement Division

All letters must be received at the Lottery office no later than 5:00 p.m. MST on July 11, 2016.

1.16 Responsive Proposal Submission Criteria

Vendors must submit their Proposal as two (2) volumes in separate packages. The two (2) volumes must be identified as follows:

1. Volume 1 – Technical Proposal. The Technical Proposal must include:
   - Corporate information – see Section 1.28 (Vendor Corporate Information) of the RFP
2. Volume 2 – Price Proposal. The Price Proposal must include:
   - Bid Bond – see Section 1.17 (Bid Bond) of the RFP
   - Litigation Bond – see Section 1.18 (Litigation Bond) of the RFP

Each of the separate volumes listed above must:

- Be submitted in three-ring binders
- Allow approximately one-inch margins on all sides
- Use a font type no smaller than 12 point or the metric standard format that most closely approximates the described standard.
- The Bid Bond and Litigation Bond should be submitted in a separately sealed envelope with the Price Proposal.
- Both packages must be sent to and received by the Issuing Office by the time and date specified in Section 1.4 (Schedule) of the RFP.
- Both packages must be separately sealed and specifically addressed to the Issuing Office.
- Both packages must have the vendor's name and address clearly written on the outside and indicate the type of Proposal contained therein.
- Vendors must submit one (1) original of each document, and the original of each document must be signed in ink by an officer or agent of the vendor with authority to contractually bind the vendor.
- Vendors must submit six (6) hard copies of each document.
- Vendors must submit six (6) electronic copies of their entire Technical Proposal on CD-ROM/DVD/USB-stick in a read-only format - PDF.

1.17 Bid Bond

The Vendor shall provide a Bid Bond guaranteeing the availability of the products and services offered by the Vendor for a period of one-hundred-eighty (180) days

following the submission date of the Vendor's Proposal. The Bid Bond in the amount of one million dollars ($1,000,000) shall be made payable to the Idaho Lottery. The Bid Bonds for all vendors shall be returned one-hundred-eighty (180) days after the submission of the Proposal or upon execution of a Contract with the Apparent Successful Vendor, whichever occurs first.

In lieu of a surety bid bond, Vendors may cause to be issued an irrevocable Letter of Credit in the amount of one million dollars ($1,000,000) guaranteeing the availability of the products and services offered by the Vendor for a period of one-hundred-eighty (180) days and naming the Lottery as beneficiary. Prior to acceptance of the Letter of Credit, the Lottery reserves the right to review the Letter of Credit and require the Vendor to substitute an acceptable Letter of Credit in such form and underwritten by an issuer as the Lottery may require.

1.18 Litigation Bond

The purpose of the litigation bond is to discourage frivolous legal actions by permitting the Lottery to recover damages resulting from a Vendor initiating a frivolous lawsuit. A claim upon the Litigation Bond may be made if:

- The Vendor brings any legal action against The State of Idaho, the Lottery, any employee of the Lottery, or any consultant or employee of a consultant under contract with the Lottery over the issuance of the RFP, the selection of the Apparent Successful Vendor, or execution of a Contract with the Apparent Successful Vendor.
- The State of Idaho, the Lottery, or such other party is the prevailing party at the conclusion of the legal action.
- A court determines that the action or any portion thereof was frivolous or was brought in bad faith, or was brought without a reasonable basis in fact or law. A litigation bond in the amount of One Million Dollars ($1,000,000) shall be made payable to the Idaho Lottery and contain the conditions set out above. The litigation bond shall be returned to the Vendor within 180 days of the signing of a Contract with the Apparent Successful Vendor, in return for a written statement from the Vendor not to bring any legal action against the State of Idaho, the Lottery, any employee of the Lottery, or any consultant or employee of a consultant under contract with the Lottery over the issuance of the RFP, the selection of the Apparent Successful Vendor, or execution of a Contract with the Apparent Successful Vendor.
- In lieu of a litigation bond, Vendors may cause to be issued an irrevocable Letter of Credit in the amount of one million dollars ($1,000,000) containing the conditions set out above and naming the Lottery as beneficiary. Prior to acceptance of the Letter of Credit, the Lottery reserves the right to review the Letter of Credit and require the Vendor to

substitute an acceptable Letter of Credit in such form and underwritten by an issuer as the Lottery may require.

1.19 Public Records and Requests for Confidentiality

All Proposals received shall remain confidential until the Commission chooses an Apparent Successful Vendor and written notice of the same is provided to the Vendors. Thereafter, the Proposals shall be deemed public records as defined in Idaho Code, Title 74, Chapter 1.

The Public Records Law contains certain exemptions. One exemption potentially applicable to parts of Vendor Proposals may be for trade secrets. Trade secrets include a formula, pattern, compilation, program, computer program, device, method, technique or process that derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by other persons and is subject to the efforts that are reasonable under the circumstances to maintain its secrecy.

If Vendors consider any material provided in its Proposal to be a trade secret, or otherwise protected from disclosure, Vendor MUST so indicate by marking as "exempt" EACH PAGE containing such information. Marking the entire Proposal as exempt is not acceptable or in accordance with the RFP or the Public Records Law and WILL NOT BE HONORED. In addition, a legend or statement on one (1) page that all or substantially all of the response is exempt from disclosure is not acceptable or in accordance with the Public Records Law and WILL NOT BE HONORED. Prices provided in the Proposal are not a trade secret.

The Lottery, to the extent allowed by law and in accordance with the RFP, will honor a designation of nondisclosure. Any questions regarding the applicability of the Public Records Law should be addressed to your own legal counsel PRIOR TO SUBMISSION of the Proposal.

If a Vendor's Proposal contains information that Vendor considers to be exempt, Vendor must also submit an electronic redacted copy of the Proposal with all exempt information removed or blacked out. The Lottery will provide this redacted Proposal to requestors under the Public Records Law. Submitting Vendors must also:

* Identify with particularity the precise text, illustration, or other information contained within each page marked "exempt" (it is not sufficient to simply mark the entire page). The specific information Vendor deems "exempt" within each noted page must be highlighted, italicized, identified by asterisks, contained within a text border, or otherwise be clearly distinguished from other text or other information and be specifically identified as "exempt."

* Provide a separate document with the Proposal entitled "List of Redacted Exempt Information," which provides a succinct list of all exempt material noted in the Proposal. The list must be in the order in which the material appears in the Proposal, identified by Page#, Section#/Paragraph#, Title of Section/Paragraph, specific portions of text or other information; or in a manner otherwise sufficient to allow the Lottery to determine the precise material subject to the notation. Additionally, this list must identify with each notation the specific basis for your position that the material be treated as exempt from disclosure.

Vendor shall indemnify and defend the Lottery and the State of Idaho against all liability, claims, damages, losses, expenses, actions, attorney fees and suits whatsoever for honoring a designation of exempt or for the Vendor's failure to designate individual documents as exempt. The Vendor's failure to designate as exempt any document or portion of a document that is released by the Lottery shall constitute a complete waiver of any and all claims for damages caused by any such release. If the Lottery receives a request for materials claimed exempt by the Vendor, the Vendor shall provide the legal defense for such claim.

1.20 Property of the Lottery

Materials submitted in response to this RFP will become the property of the Lottery and will not be returned.

The Lottery may use any ideas or adaptations of the ideas contained in any Proposal received in response to the RFP subject to the intellectual property rights of the Vendor. The Lottery reserves the right to use any and all information contained in a Proposal to the extent permitted by law.

1.21 Affirmative Action

Idaho is an equal opportunity employer. No person shall be discriminated against in regards to appointments, promotions, demotions, separations, transfers, compensation, or other terms, conditions, or privileges of employment because of race, national origin, color, sex, age, religion, disability, or veteran status (unless under other than honorable conditions). All Vendors must comply with all federal and state nondiscrimination laws, rules, policies and applicable Executive Orders during the performance of this Contract, and must ensure that any Subcontractors also comply with those requirements.

1.22 Incurred Costs Associated with Proposals

It is recommended that each Proposal be prepared simply and economically, thus providing a straightforward, concise description of the Vendor's ability to meet the requirements of the RFP. Emphasis should be on completeness and clarity of content.

The Vendor must not hold the Lottery liable for any of the costs incurred by a Vendor in preparing or submitting a Proposal including, but not limited to,

preparation, copying, postage and delivery fees, and expenses associated with any demonstrations and/or presentations, which may be required by the RFP.

1.23 Litigation and Investigations

Vendors must list and summarize, as part of their Technical Proposal, all pending litigation, administrative or regulatory proceedings, or similar matters that may affect the ability to produce and/or deliver the desired product or services. Vendors must also state whether owners, officers, employees, primary partners or Vendors working on their account have ever been convicted of a felony for a criminal offense, state or federal. Failure to disclose such matters may result in rejection of the Proposal or in termination of any subsequent Contract.

This is a continuing disclosure requirement; any such matter commencing after submission of a Proposal and, with respect to the Contractor after the execution of a Contract, must be disclosed.

1.24 Proposal Content and Format

Vendors should provide the Lottery with information, evidence, and demonstrations in a manner that best serves the interests of the Lottery.

Vendors will be given wide latitude in the degree of detail they offer or the extent to which they reveal plans, designs, systems, processes, and procedures, but at a minimum, Proposals must be fully responsive to the specific requirements stated in the RFP.

Proposals must be submitted in the format described in Section 1.16 (Responsive Proposal Submission Criteria), Section 1.25 (Response to Technical and Non-Price Requirements), and Section 1.29 (Price Proposal) of the RFP.

All proposed Hardware, Software, and services must be included in the final delivered system upon conversion unless otherwise specified (with the exception of options not selected by the Lottery).

Each Proposal must identify any requirement of the published RFP that the vendor cannot satisfy.

1.25 Response to Technical and Non-Price Requirements

The Technical Proposal must contain and respond to all of the information required in Part IV (Technical Specifications) of the RFP. Cost information must not appear in any portion of the Technical Proposal. The inclusion of cost information in the Technical Proposal may result in disqualification of the Vendor.

All pages of the Technical Proposal must be numbered. Conciseness and clarity of content are essential. The Technical Proposal must be complete. A Technical Proposal not providing all of the information requested may be rejected. The Technical Proposal must provide all of the information concerning the particular

subject area that the Vendor believes would be helpful to the Lottery in determining its ability to meet the specifications or perform the requirements in the Vendor's description of its system or related services. The Vendor must state whether any of the critical deliverables and/or services will be provided by a subcontractor or consultant.

If any of the critical deliverables and/or services will be provided by a subcontractor or consultant, the Vendor must state the name of the subcontractor or consultant and state the function or service that will be performed by that subcontractor or consultant.

1.26 Specified and Invited Options

Any options included in the base price should be so noted in the Technical Proposal.

The definition and policy associated with each of the option classes should be included as follows:

- ~~Specified Options~~ Mandatory Features must be identified in the RFP as "~~Specified~~Mandatory".
- ~~Specified Options~~ Mandatory Features must be proposed by the Vendor – a Proposal may be rejected if a ~~Specified Option~~ Mandatory Feature is not included.
- The Lottery does not commit to any quantity or timing for acquisition of a ~~Specified Option~~ Mandatory Feature.
- Invited Options are identified in the RFP as "Highly Desirable" or "Desirable System Requirements."
- Invited Options are items of specific interest to the Lottery.
- Vendors are not obligated to include Invited Options in their Proposals; however, if specifications are presented, corresponding pricing must also be presented.
- "To be determined" or an equivalent non-response must not be used.
- The Proposal may be evaluated more favorably in general if at least some Invited Options are available.
- The Lottery makes no commitment to any quantity or timing for acquisition of Invited Options.

1.27 Mandatory Requirements

This RFP solicits Proposals that describe three types of Lottery Gaming System features. A *Mandatory* feature is a feature that must be included in any Proposal, the absence of which will result in rejection of the Proposal as non-responsive

and/or inadequate to the Lottery's needs. *Highly Desirable* or *Desirable* features are options that a Vendor is not required to offer. A Proposal may be evaluated more favorably if highly desirable or desirable features are available or included. With regard to any service, product or technical feature that is designated as a highly desirable or desirable feature, the Lottery makes no commitment to acquiring that feature in any particular quantity or at any particular time.

Vendors are not obligated to include any highly desirable or desirable features in their Proposals. However, if a Vendor elects to present specifications relating to a highly desirable or desirable feature, that feature must be available as described in the RFP and the Vendor must also present corresponding pricing, if applicable, for each such feature. A notation to the effect that this information is "to be determined" or "to be provided" is not acceptable.

1.28 Vendor Corporate Information

Vendors must provide the following general information in the Proposal:

1. The name and address of the Vendor submitting the Proposal.
2. Type of business entity (e.g., corporation, partnership, etc.).
3. Place of incorporation, or other form of organization, if applicable.
4. The name, address, telephone number, and email address of the Vendor's contact regarding its corporate information.
5. The name, address, telephone number, and email address of the Vendor's contact regarding its Technical Proposal.
6. The name, address, telephone number, and email address of the Vendor's contact regarding its Price Proposal.
7. The name, address, telephone number, and email address of the Vendor's contact regarding any Contract resulting from the RFP.
8. The locations of the major offices and other facilities that relate to the Vendor's performance as proposed in its Proposal.
9. The names, addresses, and functions of any and all Vendors, associated companies, or consultants that will be involved in any phase of the project.
10. The name, address, telephone number, and email address (if available) of the Vendor's accounting or auditing firm.
11. The name(s) of any and all law firms and/or individuals representing the Vendor within the Lottery's jurisdiction.
12. The names, addresses, and dates of birth of all persons or entities who own over five percent (5%) of the shares of the Vendor, and the names,

addresses, and dates of birth of all officers and directors. If the Vendor is a subsidiary, the Vendor must disclose the information required above for its parent and/or holding company.

13. To extent not included in information set forth above, all applicable disclosure requirements set forth in Idaho Code § 67-7421.

Any substantial change of ownership in the Vendor or the parent and/or holding company of the Vendor that occurred within the last year should be noted.
Any pending changes should be disclosed to the extent permitted by law and by regulatory agencies.

1.29 Price Proposal

The Price Proposal must contain all of the information required in pricing portion of the RFP. A Price Proposal must be complete. A Price Proposal that does not provide all information requested may be rejected.

Base Price: The base price stated by the Vendor must be for new, unused Equipment. The base price must include all items and/or features required by the RFP and designated as *Mandatory*. *Highly Desirable* and *Desirable* features must be priced separately. The Lottery encourages the Vendor to include any and all offerings, whether allowable now in the State of Idaho by law or otherwise.

~~Specified Options: The Vendor must submit a price for providing Specified Options as required by the RFP. The Lottery may select Specified Options at its sole discretion.~~

Invited Options: The Vendor may submit prices for Invited Options. The Vendor may propose a price for any other option not specified in the RFP including, but not limited to, any other feature/function available with its gaming system products and related services. The Lottery may select an option at its sole discretion, which may be implemented at the discretion of the Lottery over the term of the Contract.

1.30 Multiple Proposals from a Single Vendor

Each Vendor must submit one (1) Proposal only.

1.31 Modification/Withdrawal of a Proposal

A Vendor may modify or withdraw a Proposal by written notice or in person prior to the Proposal Submission Deadline and time specified in Section 1.4 and 1.11 of the RFP. The Lottery will not consider verbal telephone requests to withdraw or modify a Proposal.

After the Proposal Submission Deadline, a Proposal must not be modified, except to the extent of a Vendor's response to a request for clarification.

1.32 Acceptance Period

Proposals will remain valid and subject to acceptance by the Lottery for a period of 180 days from the Proposal due date of September 9, 2016. Failure to adhere to this requirement may result in Proposal disqualification. Vendors will be strictly held to the terms in their Proposals. The contents of the RFP and the Proposal will become contractual obligations in the event of Contract award.

1.33 Disclosure Prohibition

Information provided in a Proposal must be held in confidence by the Vendor and not be revealed or discussed with competitors except as required by jurisdictional law. Disclosure by a Vendor of the contents of a Proposal, prior to the execution of the Contract with the Apparent Successful Vendor, may result in the Vendor's disqualification.

The Proposals must remain confidential while the Evaluation Committee reviews all of the Proposals submitted in response to the RFP.

The Proposals will be available for inspection according to Lottery policy and jurisdictional law after the Notice of Intent to award a Contract is announced by the Lottery Director. All matters set forth in a Vendor's Proposal including, without limitation, technical and price information, may be subject to disclosure after Contract. Once again, the Lottery will base its disclosure decision on existing Idaho law.

1.34 Material and Non-Material Deviations

The Lottery reserves the right, at its sole discretion and subject to no penalty, to waive minor administrative irregularities in Proposals, and to permit Vendors to correct non-material errors or omissions in their Proposals.

The materiality of a deviation is at the sole discretion of the Lottery.

A Proposal may be rejected for a material deviation.

1.35 Disqualification for Business Incapability

Financial and business stability of the Vendor and wherewithal to perform and support the Lottery are required.

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

If, at any time after Contract execution, the Lottery reasonably determines that the successful Vendor does not possess adequate financial ability or business stability to continue to carry out the obligations of the Contract, the Contract may be terminated.

1.36 Rejection/Selection of Proposals

The Lottery may reject any or all Proposals or any portion thereof, advertise for new Proposals, arrange to receive or itself perform and obtain the services and goods requested in the RFP, abandon the need for such requested goods and services or award in whole or in part a Contract deemed to be in the best interests of the Lottery.

Vendors will be held to the terms submitted in their Proposals but may be required to reduce costs depending upon aspects of the proposed program that may be determined by the Lottery to be unnecessary.

The Lottery will notify in writing those Vendors who submit a Proposal in response to the RFP, but who are not considered the Apparent Successful Vendor. The acceptance of a Proposal will not diminish the Lottery's right to negotiate specific contract terms, including price, with the Apparent Successful Vendor.

1.37 Tested and Certified Equipment

The Vendor must submit proof with the Proposal that the proposed Equipment has been inspected for safety and approved by a reputable testing laboratory; for example, Underwriter's Laboratories.

The Vendor must document that all proposed Equipment is in compliance with FCC regulations suitable for devices of the class proposed.

Certification under Canadian, European, or other International Standards that correspond to the above is acceptable.

Alternatively, if the devices proposed are new, and not yet certified, the Vendor must commit in the Proposal that it will submit a document showing certification (which may vary based upon the type of Equipment) as of the Contract signing.

1.38 Independent Price Determination

By submission of a Proposal, the Vendor must certify – and in the case of a joint Proposal, each party thereto must certify as to its own organization – that in connection with the Proposal the prices in the Proposal have been arrived at independently, without consultation, communication, or contract for the purpose of restricting competition as to any matter relating to such prices with any other Vendor or with any competitor.

Unless otherwise required by law, the prices, which have been quoted in the Proposal have not been knowingly disclosed by the Vendor and will not knowingly be disclosed by the Vendor prior to Contract award directly or indirectly to any other Vendor or to any competitor. No attempt has been made or will be made by the Vendor to induce any other person or entity to submit or not submit a Proposal for the purpose of restricting competition.

1.39 Change of Ownership/Financial Condition

If a Vendor (including the parent or holding company of the Vendor) experiences a substantial change in its ownership or financial condition after its Proposal has been submitted and prior to the execution of the Contract with the Apparent Successful Vendor, the Vendor must notify the Issuing Office in writing at the time the change occurs or is identified.

A “substantial change” in ownership or financial condition is defined as an event which following generally accepted accounting principles or International Accounting Standards (IAS), would require a notation in the Annual Report of a publicly traded United States or Canadian corporation, or equivalent standard.

Failure to notify the Issuing Office of such a substantial change may result in the disqualification of the Vendor.

1.40 News Releases

News releases pertaining to the RFP or the services, study, data, or project to which it relates must not be made without prior written Lottery approval, and then only in accordance with explicit written instructions from the Lottery.

The results of the RFP process must not be released without prior approval of the Lottery, and then only to designated persons and/or media organizations.

1.41 Demonstrability and Field Experience of Proposed System

The Lottery requires that all Equipment, Software, and manufacturing capabilities proposed by the Vendor, at a minimum, be capable of a demonstration that indicates the Vendor's ability to meet the Lottery's requirements.

While functions and features demonstrated or benchmarked at the request of the Evaluation Committee need not be identical to those of the RFP, common functionality and operations are expected.

A Vendor submitting a Proposal must be able to provide a site(s) to demonstrate its proposed system and its ability to meet the requirements of the RFP.

Failure to propose products capable of demonstration may subject the Vendor's Proposal to rejection.

If requested, demonstrations may consist of any or all of the following: a simulation at Lottery headquarters or the Vendor's facilities; the observation of operations at another lottery; or a presentation at some other appropriate venue.

The Lottery may require field experience. Field experience means that a version of the lottery gaming system Software forming the core of the proposed system has been placed into production and is being deployed at other lottery site(s) at the time of the Proposal.

It is not required that every Software and Hardware item in the proposed configuration already be operational in some lottery setting; however, the Lottery does not intend to acquire configuration items which are at the specifications or concept stage only, early in development, or announced but not ready for delivery.

1.42 Hiring of Lottery Staff

During the period from RFP Publication until Contract award, Vendors must not make any employment offer (officially or unofficially) or propose any business arrangement whatsoever to any Lottery employee.

A Vendor making such an offer or proposition may be disqualified from further consideration, or the Contract signed pursuant to the RFP may be terminated.

These conditions should continue for the successful Vendor for a period of one (1) year following the Contract Award.

PART 2 – LOTTERY BACKGROUND

2.1 History

In 1986, by initiative, the people of Idaho voted on the lottery issue for the first time. The initiative, which resulted in a 60% favorable vote, was later declared unconstitutional by the Idaho Supreme Court. In 1988 the Idaho Legislature authorized another vote and later that year the Idaho Lottery Act became law when 51% of the voters approved a constitutional amendment repealing the state's constitutional ban on lotteries.

The first ticket was sold in 1989. Dividends from the Idaho Lottery are dedicated to Public Schools and the Permanent Building Fund. In 2009, Idaho Code was modified to include funds going to the Bond Levy Equalization Fund. Once 2008 dividend levels of $17M are realized, distributions are as follows: 3/8 designated to Public Schools, 3/8 to the Permanent Building Fund and 1/4 to the Bond Levy Equalization Fund. Since 1989, the Lottery has contributed more than $730 million dollars to Public Schools and the Permanent Building Fund on sales of nearly $3.2 billion.

2.2 General Information

The Idaho State Lottery is a dedicated fund agency that receives no general fund dollars. However, certain operational expenses require Legislative approval for spending authority. The Lottery Director is appointed by, and serves at the pleasure of, the Idaho Governor. The Lottery Commission consists of five members who are appointed by the Governor to serve staggered six-year terms.

The mission of the Idaho State Lottery is to responsibly provide entertaining games with a high degree of integrity to maximize the dividend for Idaho Public Schools and the Permanent Building Fund. The primary operation of the Lottery is governed by Idaho Code, Title 67, Chapter 74. All information regarding Idaho Lottery can be found:

Idaho Code: https://legislature.idaho.gov/idstat/Title67/T67CH74.htm
Administrative Rule: http://adminrules.idaho.gov/rules/current/52/0101.pdf
http://adminrules.idaho.gov/rules/current/52/0103.pdf

There are currently 43 full-time employees working for the Lottery, with 14 Sales Representatives across the state servicing approximately 1,150 retailers. The Idaho State Lottery's goal is develop a Contract that allows the Lottery to increase the number of Online Terminals proportionally with population growth.

As a state agency, the Idaho State Lottery is subject to most of the same administrative controls as other state agencies, including budgetary controls. The agency is authorized to expend funds in the following areas; administration, advertising/promotion, prize expense and retailer commissions and gaming

services. There are spending limitations in some areas. For instance, the Lottery can spend no more than 3.5% of sales on advertising/promotion and no more than 15% of sales can be spent on administration. Historically, the Lottery has stayed well within these mandates. Retailer commissions cannot exceed 6% of sales and the Lottery is obligated to pay at least 45% of sales to the players in the form of prizes.

Current Lottery Operations

The Lottery's current Lottery Gaming System is supplied and operated by Intralot, Inc. The System was originally implemented in 2007 and the Contract was extended until 2017. The Intralot System is processing all Game Transactions through 939 Coronis Terminals, 121 smaller MicroLot Terminals, 68 MultiPurpose (MP) self-service kiosks and 318 Winstations. The Lottery pays Intralot 1.98% of total Net Sales for Online/Draw and Scratch Games, not inclusive of certain peripherals. Current costs incurred for all types of Equipment is detailed in Appendix B – *Current Contract Fees.*

Electronic PullTabs (TouchTabs) are currently sold in approximately 150 age-controlled locations. Approximately 249 locations sell Paper PullTabs. These Retailers are supported through a full service contract held with International Gamco. This contract period is June 20, 2011 through June 30, 2017 with single year options to 2019. Accounting information for sales of both products are provided by International Gamco to Intralot via File transfer. The Lottery pays Intralot the following for receiving and processing this information: PullTabs – 1.98% of Net Paper Ticket revenue (sales less free/promotional tickets) and TouchTabs – 1.125% of Net Machine Revenue (sales less free/promotional tickets).

All systems currently feed sales, financial Transactions and other relevant information into the Intralot-provided Back Office System as well as independently into redundant Internal Control Systems, contractually provided by Intralot with Software provided by and supported by Spectra Systems Corporation.

The Intralot host is based on a triple server configuration, with redundant Oracle systems within the State of Idaho and one remote system designated for Disaster Recovery at a data center located in Montana.

Intralot provides an order fulfillment system for the Idaho Lottery warehouse. This interfaces with UPS World Ship for uploaded shipping data, manifest Reports and real time printed shipping labels during packing.

The Lottery uses United Parcel Service (+/- 12% of shipments) and Boise based shipper Hot Shots (+/- 88% of shipments) to provide delivery services for Scratch Game tickets and other materials sent to Lottery Retailers.

Intralot provides related services such as System operations 24/7, maintenance, field services, consumables, the Communications Network, Retail Terminals, training and marketing support.

Intralot is currently responsible for:

- Back office and accounting system and data with a file pass through for GL transactions to the Lottery and a third party Software application
- Scratch Ticket system data and Validations
- Retailer accounting web site - RetailZone
- Feeding data via various interfaces (billboards, web pages, etc.)
- Retailer hotline staffing
- Marketing Manager – full time
- Web Developer – part time
- Field Services, implementation, support and customer service
- Retailer electronic signage installation and support
- Miscellaneous POS delivery as requested
- Pass through employment/expenses of the Wooh! Crew – our ~~XX~~8 person event team
- Special Events Coordinator – full time with a vehicle provided to facilitate transporting the Lottery's two event trailers and Wooh! Crew staff to events

The Idaho Lottery is currently responsible for:

- Back office and retailer accounting management, weekly settlement/billing
- Balancing
- ICS operation and support
- Scratch Ticket product management and distribution
- Warehousing for Scratch Tickets, promotional and merchandizing materials
- Retailer licensing
- Acceptance testing
- Field sales, education, trunk stock delivery/transfer
- Monitoring and auditing of security controls

2.3 Current Online/Draw Games

The Idaho State Lottery currently conducts seven (7) Online/Draw Games. These games are:

- Powerball PowerPlay® – a multi-state game
- Mega Millions with Megaplier® - a multi-state game
- Hot Lotto Sizzler® - a multi-state game
- Lucky for Life™ - a multi-state game
- Weekly Grand - an in-state, Idaho only game
- Pick 3 - Sum it up! – an in-state, Idaho only game

- Raffle Games – in-state, Idaho only games

2.4 Terminal Based Instant Games

InstaPlay Games – Pool-based instant tickets generated by the Terminal with predetermined odds and outcomes. The play style is similar to a Scratch Game, as there is no Drawing and prizes are won instantly. These games are sold from the Coronis, MicroLot, FSVM and MP Terminals. At the time of this RFP, the following InstaPlay Games are in the marketplace:

- Fabulous 5 - $5.00
- Bank Buster - $1.00
- Idaho Jackpot - $5.00
- TicTac Twenty-One - $5.00
- Bingo - $5.00
- Zombie Hunter - $3.00
- Big Money Jackpot - $10.00

TAP Scratch Games – Pool based instant games generated by the Terminal with predetermined odds and outcomes. The play style is touch screen and interactive with no drawing and prizes are won instantly. These games are just like Scratch Games but are played on an MP Terminal touch screen. Per Idaho Lottery policy, these are offered only in age controlled retail locations. Current TAP Scratch games on the market are:

- Idaho Outdoors - $1.00
- Bank Busters - $1.00
- Fruit Chase - $1.00
- Shake'Em - $1.00
- Ancient Riches - $1.00
- Gem Swipe - $2.00
- Cash Spots - $2.00
- Cheers - $2.00
- Bingo District - $3.00

The Lottery is always looking for new options utilizing our authorized and legal sales channels. Current offerings are always analyzed and modified as new opportunities are realized that will be more beneficial to the portfolio and to the beneficiaries of the Lottery.

2.5 Scratch Games

The Idaho State Lottery launches, on average +/- 50 Scratch Games a year, or about one a week. Current scratch price point offerings are $1, $2, $3, $5, $10, $20 and $25.

Last fiscal year, Scratch Ticket sales made up about 68.5% of total sales.

2.6 Retailer Configuration – as of May 25, 2016

Retailer Network by Trade	FY15 Total Retailers	% of Network	FY15 Total Retailer Sales	% of Sales	FY15 Draw Retailer Sales	% of Draw Sales	FY15 Scratch Retailer Sales	% of Scratch Sales	FY 15 TouchTab & PullTab Sales	% of TouchTab & PullTab Sales	FY 15 TAP Scratch Sales	% of TAP Scratch Sales
Grocery	184	14.5%	33,072,401	15.7%	10,967,705	19.1%	22,070,489	17.4%	33,924	0.1%	283	0.1%
Convenience Store	40	3.1%	4,770,508	2.3%	1,581,340	2.8%	2,675,640	2.1%	507,241	2.0%	6,287	2.1%
C Store/Gas	629	49.5%	131,428,273	62.5%	39,994,171	69.6%	91,049,525	71.8%	383,274	1.5%	1,304	0.4%
Restaurant/Bar	194	15.3%	23,341,603	11.1%	610,528	1.1%	888,259	0.7%	21,610,904	84.5%	231,912	78.9%
Drug Stores	29	2.3%	1,186,096	0.6%	211,961	0.4%	974,135	0.8%	-	0.0%	-	0.0%
Liquor Stores	74	5.8%	1,953,608	0.9%	887,933	1.5%	1,065,675	0.8%	-	0.0%	-	0.0%
Merchandise Store	0		-		-		-		-		-	
Service Business	0		-		-		-		-		-	
Newsstand/Smoke	58	4.6%	5,764,752	2.7%	1,689,513	2.9%	4,062,929	3.2%	9,045	0.0%	3,265	1.1%
Miscellaneous	62	4.9%	8,615,158	4.1%	1,539,531	2.7%	3,998,433	3.2%	3,026,346	11.8%	50,847	17.3%
Totals	**1270**	**100.00%**	**$210,132,399**	**100.00%**	**$57,482,682**	**100.00%**	**$126,785,085**	**100.00%**	**$25,570,734**	**100.00%**	**$293,898**	**100.00%**

2.7 Lottery Internal Network

The Lottery supports a LAN/WAN running Microsoft Outlook and Microsoft Office for office functions.

The Lottery's current gaming Internal Control Systems (ICS) and database are at the Lottery headquarters building in Boise, Idaho. These currently operate on three Dell PowerEdge R320 Servers provided by Spectra Systems. The current vendor is fiscally responsible for this service, with the Lottery as the customer.

The ICS is used for online sales verification and uses live feed for real time transaction processing with the Vendor, Draw processing, Vendor auditing and Reporting.

2.8 Jurisdictional Game Groups

The Idaho State Lottery is a member of the Multi-State Lottery Association (MUSL) and current a member of the Lucky for Life multijurisdictional game group.

2.9 Marketing

The Idaho State Lottery currently contracts with local advertising agencies Mitchell Palmer for creative marketing services and CLM for strategy and media buying and placement services. The Lottery currently contracts with IGT Printing and Pollard Banknote for Scratch Ticket printing.

The Lottery participates in, and sells at, a number of special events throughout the year and the Lottery typically has a presence at five of the State's largest fairs.

The Idaho Lottery's most current Marketing Plan can be found in Appendix ~~F~~E.

PART 3 – TERMS AND CONDITIONS

DEFINITIONS – For purposes of these General Contract Terms and Conditions, the following terms have the specific meanings associated with them:

Contract – Means any Lottery written Contract that may result from this RFP, said Contract incorporating and including any purchase order, this RFP, and the Contractor's Proposal.

Contractor – A Vendor (as referred to in the RFP) who has been awarded a contract as a result of the RFP and includes all employees of the Contractor.

Lottery – The Idaho State Lottery Commission and its officials, officers and employees.

3.1 Contract Terms and Priority of Contract Documents

3.1.1 Terms and Conditions and Priority of Documents

The terms and conditions of the Contract between the Lottery and the Contractor consist of and precedence is established by the order of the following documents: 1) any Amendment executed as provided in section 3.32, Amendment; 2) if the Lottery exercises its right, described in subsection ~~3.1.4~~3.1.3, Right to Memorialize Final Agreement below, to memorialize the agreement between the parties, the final contract documents memorializing the agreement; 3) the Terms and Conditions set forth in this Part 3 to the RFP; 4) the RFP, excluding the Terms and Conditions set forth in this Part 3 to the RFP; and, 5) the Contractor's Proposal. The above numbered documents are, collectively, the "Contract". These documents are complementary and what is required by one shall be binding as if required by all. In the case of any conflict or inconsistency arising under the Contract documents, a document identified with a lower number in this section shall supersede a higher numbered document to the extent necessary to resolve any such conflict or inconsistency. No conflict or inconsistency shall be deemed to occur in the event an issue is addressed in one of the above mentioned Contract documents but is not addressed in another of such documents. No conflict or inconsistency shall be deemed to occur in the event an issue addressed in one of the above-mentioned Contract documents is an additional or supplemental requirement to an issue addressed in another of such documents.

3.1.2 Contractor's Conflicting and Supplemental Terms

Where terms and conditions specified in the Contractor's Proposal differ from the terms in this RFP, the terms and conditions of this RFP shall apply. Where terms and conditions specified in the Contractor's Proposal supplement the terms and

conditions in this RFP, the supplemental terms and conditions shall apply only if specifically accepted by the Lottery in writing.

3.1.3 Right to Memorialize Final Agreement

The Lottery reserves the right to determine the form of the final Contract. At its option, the Lottery may memorialize the agreement between the Lottery and the Contractor in one or more final Contract documents.

3.2 Term

The Contract will be for an initial term beginning October 1, 2017 and run through September 30, 2027. The Contract may be extended at the option of the Lottery for two (2) ~~an~~ additional five (5) year periods, not to exceed a total Contract term of ~~fifteen (15)~~ twenty (20) years. The Lottery will notify Contractor in writing of its intent to extend the Contract not later than ~~one hundred eighty (180)~~ five hundred forty (540) days before the end of the current Contract period.

3.3 Terms of Payment

3.3.1 Fixed Pricing and Payment

As full and complete compensation for all work performed for the Lottery under the Contract, the Lottery shall pay the Contractor the expenses, charges and costs, as ultimately determined in accordance with Part 5, RFP-compliant Price Proposal, the successful Contractor's Proposal and any negotiations thereafter memorialized. The Contractor's Price Proposal may be modified from time to time pursuant to the provisions of section 3.32, Amendment. The Lottery shall not be liable for any expenses the Contractor pays or incurs or any charges or costs billed to the Lottery under the Contract unless set forth in the Contract. Except as set forth in the Contract, the Contractor shall supply, at its sole expense, all staff, equipment, tools, materials or supplies to accomplish the work to be performed pursuant to the Contract.

3.3.2 Payment Remedies

The Lottery's payment of expenses, charges and costs is subject to all remedies afforded to the Lottery under law and pursuant to the provisions of section 3.21, Remedies.

3.4 Warranties

3.4.1 Contractor Warranties

For the term of the Contract and for a period of one (1) year following the termination or expiration of the Contract, the Contractor warrants that:

a. The design, development, quality and execution of all deliverables to be provided under the terms of this Contract are fully and fairly consistent with the representations stated in the Contractor's Proposal, as that Proposal may be supplemented or amended in compliance with all applicable procurement or Contract requirements;

b. The games provided under this Contract, must in all respects conform to, and function in accordance with, the approved game specifications and designs. Without limiting the generality of the foregoing, the Contractor specifically warrants that the Lottery Gaming System will permit the generation of Tickets only pursuant to, and in accordance with, legitimate plays from authorized Terminals, that the Lottery Gaming System will authorize payment only on legitimate winning Tickets, if a game design so provides, that the Lottery Gaming System will correctly and consistently limit Plays on any given number or numbers and that prize payments on Tickets that are printed as winning Tickets on their face must be uniformly consistent with the approved prize structure.

c. The Online Game Tickets and all information technology equipment and Hardware associated with the Lottery Gaming System to be delivered pursuant to this Contract are required for the particular purpose of issuance, distribution and sale to the public in a Lottery program supervised by the Lottery. The Contractor acknowledges that the Lottery is relying on the Vendor's skill and judgment to furnish Lottery Gaming System Equipment and Hardware that is fit, in all respects, for that purpose. The Vendor warrants that the Online Game Tickets and Lottery Gaming System Equipment and Hardware will be fit for such purpose.

d. Any Software used pursuant to this Contract that is created to meet the requirements of the Lottery for the Lottery Gaming System or to perform the Contract and all modifications to Software to meet the requirements of the Lottery or to perform the Contract (collectively, "Customized Software") is fit for the particular purpose for which the Customized Software is created or modified and the Customized Software will operate and perform in

accordance with the functions and Specifications set forth in the Contract. The Lottery hereby notifies the Contractor that the Lottery is relying upon the Contractor's skill and judgment to create and modify suitable Customized Software for the Lottery's particular purpose.

e. Any Software developed by or owned by the Contractor prior to the award of the Contract and used to perform the Contract ("Proprietary Software") and any Software developed or owned by the Contractor's Subcontractors and used to perform the Contract ("Subcontractor Proprietary Software") is fit for the particular purpose for which it is used under the Contract (operation and maintenance of Lottery Gaming System) and the Proprietary Software and Subcontractor Proprietary Software will operate and perform in accordance with the functions and Specifications set forth in the Contract. The Lottery hereby notifies the Contractor that the Lottery is relying upon the Contractor's skill and judgment to select and furnish suitable Proprietary Software and Subcontractor Proprietary Software for the Lottery's particular purpose.

f. Any commercial off-the-shelf Software acquired from a third party and used without modification to perform the Contract ("Commercial Software") is merchantable.

g. All Software used to perform the Contract is not incompatible with the Software and hardware currently used by the Lottery and more particularly described in the RFP or with any Software or Hardware used or required by the Contractor or its Subcontractors to perform the Contract. "Incompatibility" shall include, but is not limited to: the creation of errors in data; the loss of data; the inability to access data or to perform work under the Contract; and delays and stoppages in the performance of work under the Contract.

3.4.2 Warranty Work

Contractor shall repair or replace, within a commercially reasonable time and at its sole cost and expense, all Equipment, Hardware and Software failing to comply with the warranties granted in this section. If the Contractor fails to repair or replace such Equipment, Hardware or Software within a commercially reasonable time, the Lottery may, in its sole discretion, act to repair or replace the faulty Equipment, Hardware or Software and the Contractor shall reimburse the Lottery for all costs incurred by the Lottery to repair or replace the same.

3.4.3 Manufacturer's Warranties

The Contractor shall ensure that the manufacturer's warranty for Commercial Software is given directly to the Lottery by the manufacturer or is assigned to the Lottery in accordance with the requirements of the manufacturer.

3.5 Software Licensing and Ownership

3.5.1 Customized Software

Contractor grants the Lottery a perpetual, non-transferable, irrevocable, non-exclusive and nonsublicenseable license to use, maintain and enhance all Customized Software and associated documentation within the State and for the purposes of the Lottery. The Lottery's license includes the right to all updates, upgrades, or other enhancements produced by or for the Contractor. The payments paid by the Lottery, as stated in the Contractor's Price Proposal as ultimately determined in accordance with Part 5, RFP- compliant Price Proposal, the Contractor's Proposal and any negotiations thereafter memorialized shall be the sole source of payment for the cost of such updates, upgrades, or other enhancements during the term of the Contract. Contractor may charge a commercially reasonable additional license fee for updates, upgrades, or other enhancements following the expiration or termination of the Contract, if the Lottery continues use thereof.

3.5.2 Proprietary Software

Contractor grants the Lottery a perpetual, nontransferable, and non-exclusive license to use, maintain and enhance all Proprietary Software and related documentation. The Lottery's license includes the right to all updates, upgrades, or other enhancements produced by or for the Contractor. The payments paid by the Lottery, as ultimately determined in accordance with Part 5, RFP-compliant Price Proposal, the successful Contractor's Proposal and any negotiations thereafter memorialized shall be the sole source of payment for the cost of such updates, upgrades, or other enhancements during the term of the Contract. The Contractor may charge a commercially reasonable additional license fee for updates, upgrades, or other enhancements following the expiration or termination of the Contract.

3.5.3 Subcontractor Proprietary Software

The Contractor shall obtain, at no additional cost to the Lottery, a perpetual, non-transferable, and non-exclusive license to use, maintain and enhance all Subcontractor Proprietary Software and related documentation. The Lottery's license shall include the right to updates, upgrades, or other enhancements produced by or for the Subcontractor. The payments paid by the Lottery, as ultimately determined in accordance with Part 5, RFP-compliant Price Proposal, the successful Contractor's proposal and any negotiations thereafter memorialized, shall be the sole source of payment for the cost of such updates, upgrades, or other enhancements during the term of the Contract.

- **3.5.4 Commercial Software**

Contractor shall procure all Commercial Software and related documentation in the Lottery's name. All licensing, rights or remedies granted by the Commercial Software manufacturer to consumers of its Software shall be granted directly to the Lottery. The Contractor shall obtain all maintenance and all updates, upgrades, or other enhancements to Commercial Software during the term of the Contract. The payments paid by the Lottery, as ultimately determined in accordance with Part 5, RFP-compliant Price Proposal, the successful Contractor's Proposal and any negotiations thereafter memorialized, shall be the sole source of payment for the cost of such updates, upgrades, or other enhancements during the term of the Contract.

3.5.5 Delivery of Software to the Lottery

The Contractor shall promptly provide all Software and associated documentation to the Lottery upon request or upon termination or expiration of the Contract.

3.5.6 Inventory of Software

The Contractor shall provide an inventory of all Software and related documentation used or required to perform the RFP within thirty (30) days of the Start-up date of the Contract and no less than every six (6) months thereafter

3.6 Source Code Escrow

3.6.1 Escrow

Contractor shall escrow the following with an escrow agent acceptable to the Lottery: one (1) copy of all source code for Proprietary Software used in performance under the Contract; one (1) copy of all documentation related to the development and maintenance of the Proprietary Software; one (1) copy of all source code for Subcontractor Proprietary Software; and, one (1) copy of all documentation related to the development and maintenance of the Subcontractor Proprietary Software. Escrowed documentation shall include, but is not limited to, build instructions, programming documentation, configuration information, Software development tools, compilers, linkers, libraries and any other documentation or resources used by the Contractor or Subcontractor's programmers to understand the source code or to develop, compile, maintain, or update the escrowed Software. If any such documentation is reasonably available from a commercial source other than the Software owner, the Software owner may substitute in escrow a written identification of that particular documentation and its commercial source. Escrowed documentation shall further include a list of the primary programmers involved in the development and maintenance of the Software and their home addresses and telephone numbers. Contractor and Subcontractors shall update the source code and documentation every three (3) months or when a new version of the escrowed source code is used under this Contract.

3.6.2 Non-Encryption

Contractor and Subcontractors shall warrant in the escrow agreement that the escrowed source code and documentation is not encrypted and is accessible to the Lottery if released under the terms of the escrow agreement.

3.6.3 Verification

The Lottery may, in its discretion, require the verification of the escrow of source code and documentation by the escrow agent, a third party verification service or by other parties acceptable to the Lottery and the Software owner.

3.6.4 Transfer to Escrow Agent, Destruction of Escrowed Items and Termination

Contractor and all Subcontractors shall transfer all right, title and ownership to the escrowed source code and documentation, including updates, to the escrow agent, subject to the terms of the escrow instructions. The escrow instructions shall provide that the escrow agent will destroy the escrowed Software and documentation upon the termination of the escrow or return it to the Software owner in a specified manner. The escrow instructions shall authorize termination of the escrow by a mutual, written agreement of the parties or upon written notice from the Lottery.

3.6.5 Release from Escrow

The escrow instructions shall authorize the escrow agent to release the escrowed source code and documentation to the Lottery upon the Lottery's provision of evidence satisfactory to the escrow agent of any of the following:

a. The Software owner is no longer maintaining the Software and no successor is maintaining the Software. The parties stipulate that the Software owner's written refusal to maintain the escrowed Software and the failure of the Software owner to respond within two (2) weeks to a written request to maintain the escrowed Software with an affirmative, written promise to maintain the Software shall be satisfactory evidence that the Software owner is not maintaining the Software. The parties further stipulate that the failure of the promising party to maintain the Software within two (2) weeks of such affirmative, written promise shall be satisfactory evidence that the Software owner is not maintaining the Software.

b. The Contractor or Subcontractor owning the Software is the subject of a petition or proceeding under the U.S. Bankruptcy Code, either voluntary or involuntary, and such petition or proceeding is not dismissed within sixty (60) days after its initiation.

c. The Contractor or Subcontractor owning the Software becomes insolvent or admits either insolvency or a general inability to pay its debts as they become due.

d. The Lottery obtains a usufruct in the On-Line Gaming System, Equipment, Hardware and Software and all other deliverables provided under the Contract in accordance with Section 3.7.9, herein. In the event that the material placed in escrow is released to the Lottery in accordance with this section, the Lottery is thereby granted a non-exclusive, non-transferable right to use and modify such materials for the duration of the usufruct.

3.6.6 Lottery's Rights Upon Release

Upon release of the source code and documentation, the Lottery shall have all rights to use, maintain and enhance the Software as provided in the license granted pursuant to section 3.5, Software Licensing and Ownership. The Lottery may engage non-employees to assist in the exercise of such rights, including former employees or contractors of the Software owner.

3.6.7 Escrow Costs

The payments paid by the Lottery, as ultimately determined in accordance with Part 5, RFP-compliant Price Proposal, the successful Contractor's proposal and any negotiations thereafter memorialized, shall be the sole source of payment for the cost

of the escrow during the term of the Contract. The Lottery shall pay the costs of the escrow following termination or expiration of the Contract and all provisions of this section 3.6, Source Code Escrow shall continue to apply to the escrow. If the Lottery requires third party verification of the escrowed Software and documentation, the Lottery shall pay the costs of such verification.

3.6.8 Bankruptcy Provisions

This escrow agreement is an agreement supplementary to the licensing of the Proprietary Software and Subcontractor Proprietary Software as provided by 11 U.S.C. section 365(n). If this Contract, the escrow agreement or the license of the Proprietary Software or Subcontractor Proprietary Software is rejected by the Contractor or Subcontractor as a debtor in possession or a trustee or by any other person or entity under the U.S. Bankruptcy Code, the Lottery may elect to retain its rights as provided in 11 U.S.C. section 365(n). The source code and documentation deposited under this escrow agreement are an “embodiment” of “intellectual property” as those terms are used in 11 U.S.C. section 365(n).

3.7 Ownership and Right to Use of On-Line System, Equipment, Materials and Information

3.7.1 During the term of the Contract, Contractor will own the On-Line Gaming System, excluding the backbone and any other parts of the Communications Network that may be leased or contracted from public network carriers. Contractor grants to the Lottery the exclusive, royalty-free, nontransferable and irrevocable right to use said On-Line Gaming System in Idaho for the term of the Contract.

a. Any Lottery property furnished to Contractor shall, unless otherwise provided herein or approved by the Lottery, be used only for the performance of this Contract.

b. Contractor shall be responsible for any loss of, or damage to property of the Lottery that results from Contractor's negligence or from Contractor's failure to maintain and administer that property in accordance with sound management practices.

c. Upon loss of, destruction of, or damage to any Lottery property, Contractor shall immediately notify the Lottery thereof and shall take all reasonable steps to protect that property from further damage.

d. Contractor shall surrender all Lottery property to the Lottery before completion, termination or cancellation of this Contract.

e. The Lottery will not be responsible for damage or any other loss to the On-Line Gaming System, including the On-Line Terminals, that is caused by any Retailer or any other party or event, other than damage caused by the Lottery, its employees or agents.

f. All reference to Contractor under this section shall also include Contractor's employees, agents or Subcontractors.

3.7.2 During the term of the Contract, Contractor is prohibited from transferring, selling or otherwise granting, to any other entity besides the Lottery, the right to use the Software produced in providing the On-Line Gaming System under this Contract for intended use in Idaho.

3.7.3 Unless otherwise provided, all games and data originating from this Contract will be considered "works for hire" as defined by the U.S. Copyright Act of 1976 and will be owned by the Lottery. Data includes recorded sales, prize liabilities, payments, Reports, documents, pamphlets, advertisements, books, magazines, surveys, studies, films, tapes, sound reproductions and all information that supports the findings, conclusions, and recommendations of Contractor's Reports.

3.7.4 Insofar as a license under Contractor's intellectual property would be required at law in order for anyone other than Contractor to be able to use the games, data and materials created hereunder, the Lottery shall be deemed to have acquired a fully paid-up, personal and non-transferable license under such intellectual property to use the foregoing deliverables solely for the Lottery's own internal business purposes. Contractor shall execute all documents and perform such other proper acts as the Lottery may deem necessary to secure for the Lottery the rights granted by this section.

3.7.5 For materials that constitute deliverables under the Contract, but that incorporate any manner of pre-existing materials of Contractor that were not produced under the Contract, the Lottery will acquire a nonexclusive, fully paid-up, personal and non-transferable license under Contractor's copyrights to translate, reproduce, distribute, prepare derivative works, publicly perform and publicly display such materials, once payment of all monies due Contractor under the Contract for that Deliverable have been received. The Lottery agrees to identify and credit Contractor with being the author of such materials, as and if requested by Contractor. Contractor shall exert all reasonable efforts to advise the Lottery, at the time of delivery of materials furnished under this Contract, of any portion(s) of such materials that was not produced in the performance of this Contract. If and when either Party receives written notice that any materials delivered by Contractor hereunder infringe the copyright of any third party, the Party in receipt of the notice shall promptly advise the other Party in writing of any such allegation or claim. The Lottery shall not have the right to modify or remove any restrictive markings placed upon any portions of the data or any other materials that are the pre-existing data and materials of Contractor, and the Lottery shall be obligated to treat such pre-existing content in accordance with such markings. Accordingly and for example, but not by way of limitation, insofar as any portion of the data and materials contains Contractor's pre-existing copyrighted content, the Lottery shall be obligated to treat such content in accordance with the limitations of its copyright license from Contractor. However, insofar as any portion of the data or materials delivered hereunder is marked confidential by Contractor, the Lottery's right to use the same shall be subject to its obligation to maintain such content in confidence, and regardless of any copyright notice that may appear on or in close proximity thereto.

3.7.6 Ownership includes the right to copyright, patent and register and the ability to transfer these rights. Data that is delivered under this Contract, but does not originate there from, must be transferred to the Lottery with a non-exclusive, nontransferable, royalty-free, irrevocable license to publish, translate, reproduce, deliver, perform, dispose of and to authorize others to do so; Provided, however, that such license must be limited to the extent that the Contractor has a right to grant such a license.

3.7.7 Contractor agrees that at the Lottery's written request, it shall obtain a state and federal trademark search for the name selected for each On-Line Game provided by Contractor, if any, for use by the Lottery, and obtain an opinion from competent trademark counsel indicating that it is appropriate for the Lottery to use the name selected. The expense of the search and the associated counsel fees shall be the responsibility of Contractor. The Lottery agrees that it shall act reasonably with regard to the number of potential names for which trademark searches are requested.

3.7.8 Contractor must exert all reasonable effort to advise the Lottery, at the time of the delivery of data furnished under this Contract, of all known or potential invasions of privacy contained therein and of any portion of such data that was not produced in the performance of this Contract. The Lottery must receive prompt written notice of each notice or claim of copyright infringement received by Contractor with respect to any data delivered under this Contract. The Lottery has the right to modify or remove any restrictive markings placed upon the data by Contractor.

3.7.9 If, for any reason other than breach of contract by the Lottery or force majeure, Contractor should lose its ability to service this Contract, the Lottery shall acquire usufruct in all contractual items owned by Contractor and provided under this Contract and which are necessary to provide such service. Said usufruct shall be limited to the right of the Lottery to possess and make use of such contractual items solely for the use and benefit of the Lottery in operating and maintaining the On-Line Gaming System. Such usufruct shall be limited in time to the term of this Contract and any extensions thereof, or to the duration of Contractor's inability to service this Contract, whichever is shorter. Prior to acquiring usufruct on items owned by Contractor, the Lottery should provide a thirty (30) day cure period to Contractor and shall accompany such notice with reasonable and documented argumentation about Contractor's inability to service the Contract.

3.8 Patent and Copyright Infringement

3.8.1 Warranty and Indemnification

The Contractor warrants that it has all rights and permissions, including intellectual property rights and rights of publicity necessary to grant copyright, patent, trademark or intellectual property rights, including licenses, to the Lottery in performance under this Contract. The Contractor shall indemnify and hold the Lottery harmless and shall defend at its own expense any action brought against the Lottery based upon a claim of infringement of a United States patent, copyright, trade secret, or trademark or other intellectual property right for information technology Hardware or Software, materials, information products, and services used and performed under this Contract. Contractor will pay all damages and costs finally awarded and attributable to such claim, but such defense and payments are conditioned on the following: (i) that the Contractor shall be notified promptly in writing by the Lottery of any notice of such claim; (ii) that the Contractor shall have the sole control of the defense of any action on such claim and all negotiations for

its settlement or compromise, and the Lottery may select, at its own expense, advisory counsel; and (iii) that the Lottery shall cooperate with the Contractor in a reasonable way to facilitate settlement or defense of any claim or suit. Contractor shall have no liability to the Lottery under this section 3.8 for any claim of infringement that is based upon the Lottery's modification of Software without the knowledge of the Contractor or the Lottery's combination or utilization of Software without the knowledge of the Contractor, provided that the alleged infringement would not occur by for the combination.

3.8.2 Continued Right to Use or Replacement

Should Hardware or Software, materials, information, products or services provided under this Contract become, or in Contractor's opinion be likely to become, the subject of a claim of infringement of a United States patent copyright, trade secret, or trademark, the Lottery shall permit the Contractor, at its option and expense, either to procure for the Lottery the right to continue using the Hardware and Software, materials, information, products or services provided under the Contract or to replace or modify the same provided under the Contract so that it becomes non-infringing. In the event that the Contractor is unable or unwilling to secure a continued right to use the Hardware or Software, information, materials, products or services provided under the Contract within a reasonable time, the Lottery may, in its sole discretion, secure Hardware, Software, information, materials, products or services conforming to the requirements of the RFP and deduct the costs of such Hardware, Software, information, materials, products or services from payments to the Contractor or terminate the Contract upon written notice to the Contractor.

3.9 Contract Relationship

It is understood and agreed between the parties that the Lottery is in no way associated or otherwise connected with the performance of any service under this Contract on the part of the Contractor or with the employment of labor or the incurring of expenses by the Contractor. The Contractor is an independent contractor in the performance of each and every part of this Contract, and solely and personally liable for all labor, taxes, insurance, required bonding and other expenses, except as specifically stated herein, and for any and all damages in connection with the operation of this Contract, whether it may be for personal injuries or damages of any other kind. The Contractor shall exonerate, indemnify, defend, and hold the Lottery harmless from and against and assume full responsibility for payment of all federal, state, and local taxes or contributions imposed or required under unemployment insurance, social security, worker's compensation, and income tax laws with respect to the Contractor or Contractor's employees engaged in performance under this Contract. The Lottery does not assume liability as an employer.

3.10 Indemnification

The Contractor shall indemnify, defend and save harmless the Lottery, its officers, agents, and employees, from and against all liability, claims, damages, losses, expenses, actions, attorney fees, and suits whatsoever, including injury or death of others or any employee of the Contractor or Subcontractor caused in whole or in part or that arise from the negligent or wrongful acts or omissions of the Contractor, its employees, agents or Subcontractors under the Contract, including but not limited to unauthorized use or disclosure of Personal and Confidential Information under Section 3.17, herein, or that arise from a failure to comply with any state, federal or local statute, law, act, regulation, or rule. Contractor shall not have any indemnification liability for any damages arising out of the sole negligence or misconduct of the Lottery.

3.11 Insurance and Performance Bond

3.11.1 Insurance

a. The Contractor shall, for the duration of the Contract, maintain in effect all insurance as required herein and comply with all limits, terms and conditions stipulated therein. Policies shall provide, or be endorsed to provide, all required coverage. Prior to beginning any work, or within two (2) weeks after notification of award, whichever is earlier, the Contractor must provide certificate(s) or certified endorsement(s), as applicable, of the insurance required. Failure to provide the proof of insurance as required may, at the Lottery's option, result in termination of the Contract. The Contractor shall not commence work under this Contract until evidence of all required insurance is provided to the Lottery.

b. Insurance, except for Workers Compensation, Technology Errors and Omissions, and Cyber Risk, required by this section shall, as applicable, name the Lottery as an additional named insured, to the extent of the liabilities assumed by the Contractor, or loss payee, as the Lottery's interests may apply; provided, however, that the Lottery shall be named a loss payee as set forth in subsection d. Contractor shall provide endorsements from its insurer naming the Lottery as a named additional insured. All insurance shall be with insurers rated A-VII or better in the latest Bests Rating Guide and in good standing and authorized to transact business in Idaho. The coverage provided by such policies shall be primary to any coverage of the Lottery on or related to the Contract and shall provide that the insurance afforded applies separately to each insured against whom a claim is made, except with respect to the limitation of liability. All required policies shall require thirty (30) days' notice to the Lottery, by certified or registered mail, return receipt requested, prior to any cancellation, refusal to renew or any material change in the nature or extent of the coverage provided. If any of the liability insurance required under this Contract is arranged on a "claims

made" basis, "tail coverage" will be required at the completion of this Contract for a duration of twenty-four (24) months thereafter. Contractor shall be responsible for furnishing certification of "tail coverage" or continuous "claims made" liability coverage for twenty-four (24) months following contract completion. Continuous "claims made" coverage will be acceptable in lieu of "tail coverage" provided the retroactive date is on or before the effective date of this Contract or twenty-four (24) months "prior acts" coverage is provided. Contractor waives all rights against the Lottery and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by the required policies. Policies may contain deductibles but such deductibles shall not be deducted from any damages due to the Lottery.

c. By requiring insurance herein, the Lottery does not represent that coverage and limits will necessarily be adequate to protect the Contractor and such coverage and limits shall not be deemed as a limitation on the Contractor's liabilities under the indemnities granted to the Lottery.

d. Contractor shall maintain the following insurance in amounts not less than the following:

   i. Worker's Compensation Insurance in amounts as required by statute. Employer's liability with a liability limit of $500,000 per Accident, $500,000 Disease, $1,000,000 Disease, Policy Limit.

   ii. Automobile Liability including non-owned and hired with a liability limit of $5,000,000 per occurrence.

   iii. Commercial General Liability (CGL) and, if necessary, commercial umbrella or excess liability with a limit of not less than $5,000,000 each occurrence/$5,000,000 annual aggregate. The Schedule of Underlying Insurance in the Umbrella Policy shall include the CGL, the auto policy and the Employer's Liability Policy.

   iv. Comprehensive Crime with a liability limit of $10,000,000 per occurrence having at least the following coverages: dishonesty (blanket coverage), forgery, credit card forgery, theft (inside and outside), embezzlement, wire transfer fraud, computer fraud or theft and other dishonest acts of any employee or agent whose duties are to provide services under the Contract. The Lottery shall be named a loss payee on all Comprehensive Crime policies.

v. Property Insurance for all direct physical loss to computer Hardware and Software, including mechanical breakdown and extra expense. Limits should be consistent with valuation of Hardware, Software and time required to restore operations.

vi. Technology Errors and Omissions coverage with a liability limit of $10,000,000 per Claim/Annual Aggregate. Coverage shall indemnify the Contractor and pay on behalf of Contractor to the Lottery for loss which may be incurred due to computer error, machine error, any communication line problems caused by Contractor, its officers, employees, agents, subcontractors or assigns, regardless of negligence. The coverage shall include coverage for claims of copyright and trademark infringement and otherwise for claims related to the use of Contractor Equipment, Hardware, Software, and materials and services in providing the Lottery Gaming System and related to Contractor's performance under the Contract. To the extent acquisition of a separate insurance policy or rider is required for claims of copyright and trademark infringement, Contractor shall so acquire.

vii. Cyber Risk having the following coverages: information or identity theft, liability for misuse or disclosure of third party data, liability for loss of data, outages or spread of viruses, attacks, destruction or disclosure of data or electronic information with a liability limit of $10,000,000 per Event/Annual Aggregate.

3.11.2 Performance Bond

a. Within thirty (30) calendar days of the effective date of the Contract, the Contractor shall procure, at its own cost, and submit to the Lottery a performance bond payable to the Lottery in the amount of five million dollars ($5,000,000) for the initial period of performance and conditioned on Contractor's faithful performance. The Contractor shall pay the premiums on the performance bond. The performance bond shall provide coverage to the Lottery in the event that the Contractor or any officer, director, employee or agent of the Contractor or any subcontractor or any parent or subsidiary corporation of the Contractor or subcontractor fails to fully and faithfully perform each material requirement of this Contract, including without limitation the Contractor's obligation to indemnify the Lottery and pay damages to the Lottery. The bond shall be in a form customarily used in the lottery industry, and be acceptable to the Lottery, and shall be written by a

surety authorized to do business in Idaho and that is acceptable to the Lottery. The bond shall be in effect at all times during the term of the Contract and any extensions or renewals thereof and for ninety (90) days following the conclusion of the Contract. The Contractor warrants that it will maintain the required performance bond coverage as described herein without any lapse in coverage. Based upon Contractor's performance during the initial contract term, the Lottery reserves the right to discontinue performance bond requirements for any contract extensions.

b. Failure on the part of the Contractor to furnish such bond, or other proof of bond coverage acceptable to the Lottery within thirty (30) days of contract execution, or to maintain the bond in full force and effect during the term of the Contract and any extension or renewal thereof, unless Lottery discontinues performance bond requirements at its sole discretion, shall be a material breach of the Contract and shall be considered cause for the Lottery to declare the Contractor in default under this Contract. The Lottery's receipt of such bond or other proof of coverage does not constitute approval of the bond's coverage nor do the bonds relieve the Contractor from the faithful and honest performance of this Contract.

c. The bond must specifically refer to the Contract and shall bind the surety to all of the terms and conditions of the Contract. The bond may be renewed on an annual basis. The performance bond shall provide coverage to the Lottery if the Contract is terminated due to the Contractor's default, breach of the Contract by the Contractor, or the Contractor's bankruptcy, whether voluntary or involuntary.

d. In lieu of a surety performance bond, within thirty (30) calendar days of the effective date of the Contract, the Contractor may cause to be issued an irrevocable Letter of Credit in the amount of five million dollars ($5,000,000) guaranteeing Contractor's faithful performance of its obligations under the Contract and naming the Lottery as beneficiary. Prior to acceptance of the Letter of Credit, the Lottery reserves the right to review the Letter of Credit and require the vendor to substitute an acceptable Letter of Credit in such form and underwritten by an issuer as the Lottery may require. The Letter of Credit must be maintained in full force and effect during the term of the Contract and any extension or renewal thereof, and for ninety (90) days following conclusion of the Contract unless the Lottery discontinues its requirement at its sole discretion, and failure to so maintain shall be a material breach of the Contract and shall be considered cause for the Lottery to declare the Contractor in default under this Contract. The Letter of Credit shall be forfeited if the Contract is terminated due to the Contractor's default,

breach of the Contract by the Contractor, or the Contractor's bankruptcy, whether voluntary or involuntary."

3.12 Subcontracting and Assignment

Contractor shall not subcontract or assign its duties under the Contract without the prior written approval of the Lottery. The Lottery may, in its sole discretion, impose reasonable requirements upon the Contractor prior to the approval of any subcontract or assignment. Acceptance of the Contractor's proposal specifying subcontracts shall constitute the Lottery's acceptance of the specified Subcontractors. Notwithstanding the Lottery's approval of any subcontract, the Contractor shall be solely responsible for the satisfactory performance of all Subcontractors and subcontracted services and for the compensation of all Subcontractors. The Contractor shall be and shall remain liable for all costs and damages to the Lottery caused by negligent performance or non-performance of the subcontracted services. The Contractor shall ensure that each Subcontractor agrees to comply with the terms of the Contract applicable to its scope of performance.

The Contractor must provide a listing of all subcontractors the Contractor proposes to use that are directly related to his obligations under the Contract. In such case where the Contractor chooses to use subcontractors, the Lottery must have the right to communicate with the subcontractor in all matters related to the performance of the Contract. The Lottery will keep the Contractor informed in case of such direct communication.

3.13 Public Records

Pursuant to Idaho Code section 74-101 *et seq*., during the Contract term, information or documents received from the Contractor may be open to public inspection and copying unless exempt from disclosure. The Contractor shall clearly designate individual documents as "exempt" on each page of such documents and shall indicate the basis for such exemption. The Contractor shall indemnify and defend the Lottery against all liability, claims, damages, losses, expenses, actions, attorney fees and suits whatsoever for honoring such a designation or for the Contractor's failure to designate individual documents as exempt. The Contractor's failure to designate as exempt any document that is released by the Lottery shall constitute a complete waiver of any and all claims for damages caused by any such release. If the Lottery receives a request for materials claimed exempt by the Contractor, the Contractor shall provide the legal defense for such claim. The Lottery will not accept a legend or statement on one (1) page that all, or substantially all, of a document is exempt from disclosure.

3.14 Contractor Records and Audit Requirements

3.14.1 Maintenance of Records

The Contractor shall maintain all electronic and hardcopy books, records, documents and other evidence pertaining to the administrative costs and expenses of the Contract to the extent and in such detail as shall properly reflect all revenues, all net costs, direct and apportioned, and other costs and expenses of whatever nature for which reimbursement is claimed under provisions of the Contract. Contractor shall maintain all records and documents relevant to the Contract for three (3) years from the date of final payment to Contractor. If an audit, litigation or other action involving records is initiated before the three (3) year period has expired, Contractor shall maintain records until all issues arising out of such actions are resolved, or until an additional three (3) year period has passed, whichever is later. If the existence of Contractor is terminated by bankruptcy or any other cause, all records related to the Contract in Contractor's possession shall become the property of the Lottery and Contractor shall immediately deliver such records to the Lottery.

3.14.2 Availability of Records

All records and documents relevant to the Contract shall be available for and subject to inspection, review or audit, and copying by the Lottery and other personnel duly authorized by the State, such as the Office of the State Auditor and by federal inspectors or auditors. The Contractor shall make its records available to such parties at all reasonable times, at either the Contractor's principal place of business or upon premises designated by the Lottery. The Contractor shall include a provision granting the Lottery access to each Subcontractor's records to the same extent as if the records were the Contractor's in every subcontract relating to this Contract.

3.14.3 Audit of Electronic Data Processing Applications

The Contractor shall engage and pay for an independent certified public accounting firm to perform an audit of Contractor's services in accordance with the American Institute of Certified Public Accountants Statement on Auditing Standards for Attestation Engagements (SSAE) No. 16, short SSAE16 (formerly known as SAS70, producing a "Service Organization Controls (SOC) 1 Report as output. The audit shall be performed every two years and the Contractor shall submit a copy of the audit Report to the Lottery upon the completion of each audit. The Lottery reserves the right: (a) to specify the type of Report and the control objectives to be examined; (b) to approve the accounting firm chosen to perform the internal control audit; (c) to designate the period to be covered by the Report and the date by which the Report is due; and (d) to require that the first such internal control audit be conducted with in ninety (90) days of installing the Lottery Gaming System.

3.14.4 Annual Financial Audit

Contractor shall engage and pay for an Independent Certified Public Accounting (CPA) for an annual audit of its United States operations. Contractor shall submit a copy of the audit Report to the Lottery upon completion of each audit.

3.14.5 Inspection of Facilities

Contractor agrees that the Lottery shall have the right to inspect Contractor's facilities at any time. At Lottery's discretion, Contractor shall secure a right of inspection on the Lottery's behalf from any Subcontractors involved in the provision of Equipment, products and related services for On-Line/Draw Games.

3.15 Audit Exceptions

If a federal or state audit indicates that payments to the Contractor fail to comply with applicable federal or state laws, rules or regulations, or this Contract, the Contractor shall refund and pay to the Lottery any compensation paid to Contractor arising from such noncompliance, plus costs, including audit costs. In the event that any audit discloses evidence of the Contractor's non-compliance with any contract term, the Lottery expressly reserves the right to pursue any remedies available to it under law or contract, including the assessment of Liquidated Damages and termination of the Contract.

3.16 Compliance with Law

3.16.1 Compliance with Law, Licensing and Certifications

Contractor shall comply with all requirements of federal and state statutes, rules, and regulations applicable to Contractor or to the services performed by Contractor pursuant to this Agreement. For the duration of the Contract, the Contractor shall maintain in effect, and have in its possession, all licenses and certifications required by federal, state and local laws, rules and regulations, including, but not limited to business and professional licenses. None of the Contractor's officers, directors, key employees and/or principal owners shall have any connection to any person or organization recognized by law enforcement officers as being a habitual criminal or member of any criminal cartel.

3.16.2 Non-discrimination

The Contractor shall provide all services funded through or affected by the Contract without discrimination on the basis of race, color, national origin, religion, sex, age, or physical/mental impairment, and shall comply with all relevant sections of the following: Title VI of the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; The Age Discrimination in Employment Act of 1967; Title IX of the Education Amendments of 1972; The Age Discrimination Act of 1975; The American's With Disabilities Act of 1990; Executive Order 11246, as amended by Executive Order 11375; Department of Labor Regulations, codified at 41 CFR Part 60; Section 402 of the Vietnam Era Veterans Readjustment Assistance

Act of 1974; and, United States Department of the Interior Regulations, codified at 43 CFR Part 17. The Contractor shall comply with pertinent amendments to such laws made during the term of the Contract and with all federal and state rules and regulations implementing such laws. The Contractor must include this provision in every subcontract relating to this Contract.

3.16.3 Covenant Against Contingent Fees

The Contractor warrants that no person or selling agent has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except *bona fide* employees or *bona fide* established agents maintained by the Contractor for the purpose of securing business. The Lottery has the right, in the event of breach of this clause by the Contractor, to annul this contract without liability or, in its discretion, to deduct from the contract price or consideration or recover by other means the full amount of such commission, percentage, brokerage or contingent fee.

3.16.4 Ticket Purchase and Prize Payment Restrictions

Throughout its period of Contract performance, the Contractor must not purchase a Lottery Ticket, receive any portion of any Lottery prize payment or share any portion of any prize claimed by a holder of a winning Lottery Ticket. Throughout the period of Contract performance, the Contractor must make its best, ongoing efforts to monitor and enforce compliance with this provision. For the specific purposes of this provision, the term "Contractor" will be understood to mean the Contractor as a business entity, any and all agents, employees or subcontractors of the Contractor, and any person residing as a member of the same household in the principal place of residence of any agent, employee or Subcontractor of the Contractor.

3.16.5 No Conflict

The Contractor certifies and warrants that it presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of its services under the Contract. The Contractor shall not employ during the term of this Contract any person known to the Contractor to have any such conflicting interests.

3.17 Personal and Confidential Information

3.17.1 Personal and Confidential Information

The Contractor agrees to comply with all security and electronic data interchange of all personal information. "Personal Information" includes names, addresses, Social Security numbers, e-mail addresses, telephone numbers, financial profiles, credit card information, driver's license numbers, medical data, law enforcement records,

agency source code or object code, agency security data or information identifiable to an individual that relates to any of these types of information. The Contractor also acknowledges that during the performance of the Contract it will come into possession of material and information, financial, personnel, operations-related or otherwise that the Lottery regards as proprietary or confidential ("Confidential Information").

3.17.2 Strictest Confidence

The Contractor agrees to use and hold such Personal and Confidential Information in the strictest confidence and shall not make use of it for any purpose other than the performance of this Contract. The Contractor shall only release Personal or Confidential Information to authorized employees or approved Subcontractors requiring such information for purposes related to Contract performance, and shall not release, divulge, publish, transfer, sell, disclose or otherwise make Personal and Confidential Information known to any other party without the Lottery's express written consent or as provided by law.

3.17.3 Nondisclosure Agreement and Procedural Safeguards

The Contractor agrees to release Personal and Confidential Information required for purposes related to Contract performance only to employees or approved Subcontractors who have executed a nondisclosure agreement, the terms of which have been previously approved by the Lottery. The Contractor shall maintain a log documenting the Personal and Confidential Information received in performance of the Contract, the purposes for which the information was received, who received, maintained and used the information, and the final disposition of the information. The Contractor's records shall be subject to inspection, review and/or audit in accordance with Section 3.14, herein. The Contractor agrees to implement physical, electronic and managerial policies, procedures and safeguards to prevent unauthorized access, use or disclosure of Personal and Confidential Information in any form.

3.17.4 Action upon Termination of the Contract

Upon termination of this Contract, for any reason, Contractor shall return or destroy all Personal and Confidential Information received from Lottery, or created or received by Contractor on behalf of Lottery and Lottery shall return or destroy all Personal and Confidential Information received from the Contractor, or created or received by Lottery on behalf of Contractor, subject to Section 3.13, herein. In the event that Contractor or Lottery determines that returning or destroying the Personal and Confidential Information is infeasible, Contractor or Lottery shall notify the other of the conditions that make return or destruction infeasible. If the Contractor or Lottery agrees that return or destruction of Personal and Confidential Information is infeasible, Contractor or Lottery shall extend the protections of this Contract to such Personal and Confidential Information and limit further uses and

disclosures of such Personal and Confidential Information to those purposes that make the return or destruction infeasible, for so long as Contractor or Lottery maintains such Personal and Confidential Information.

3.18 Employment of Lottery Personnel

The Contractor shall not, without the prior written consent of the Lottery, knowingly employ or engage for work on any basis during the period of the Contract any Lottery personnel who are, or have been at any time during the period of the Contract, under the employment of the Lottery and engaged in the performance of work directly related to the Contract. Contractor shall not employ or engage for work, on any basis, immediate family members of the referenced Lottery personnel.

3.19 Removal of Contractor Personnel

The Lottery may, in its sole discretion, require that Contractor reassign or otherwise remove from performing services under the Contract, any staff member, Subcontractor, or Subcontractor staff member reasonably found unacceptable to the Lottery.

3.19.1 Background Investigations During Contract Term

The Lottery reserves the right to investigate personnel associated with the Contractor. The Contractor agrees to make its best efforts to cooperate with any such background investigation. In the event that any investigation discloses evidence of the Contractor's non-compliance with any Contract term, the Lottery expressly reserves the right to pursue any remedies available to it under law or contract, including the assessment of Liquidated Damages and termination of the Contract.

3.20 Resolution of Disputes

All disputes arising under or relating to this Contract shall be resolved in accordance with this section.

A "Dispute" means a material disagreement between the Lottery and the Contractor as to the required performance under the Contract, including a circumstances where a specification or deliverable requires the Lottery and Contractor to collaborate or cooperate to produce a plan, process, policy or procedure, and including a dispute as to the Lottery's liability for or amount due upon any claim by the Contractor arising under or relating to the Contract.

The parties shall endeavor in good faith to resolve all Disputes by mutual agreement.

The complaining party must commence the effort to resolve a dispute by giving written Notice of Dispute to the other party specifying the issue(s) for resolution in reasonable detail.

The responding party must reply in writing to the complaining party within five (5) working days of receiving a Notice of Dispute. If the responding party acknowledges responsibility, the reply must indicate the steps to be taken to resolve the issue(s) and a reasonable timeframe for resolution. If the responding party does not acknowledge responsibility, the parties must proceed with further efforts to resolve the Dispute as provided below.
The Lottery Director and the Contractor's site manager parties' Contract Managers must meet promptly, but in any event not later than ten (10) working days, following the complaining party's receipt of the responding party's reply, and exchange all relevant information reasonably necessary to resolve the issue(s). If the Dispute is not resolved during the meeting between the Lottery Director and the Contractor's site manager, or if an agreed resolution is not implemented within a reasonable timeframe thereafter, the complaining party may commence formal proceedings in a court of competent jurisdiction to resolve the Dispute, provided, however, that the complaining party must first have provided twenty (20) days written notice to the responding party of its intent to initiate such proceedings. Nothing to the contrary stated herein must preclude the parties from, alternatively, agreeing to attempt resolution of the Dispute by means of any type of alternative dispute resolution procedures, including mediation and arbitration.

Pending a final resolution of a Dispute, the Contractor must proceed diligently and in good faith with the performance of its obligations under the Contract, and the Lottery must compensate the Contractor pursuant to the terms of the Contract.

3.21 Remedies

3.21.1 Remedial Action

In addition to any remedies available to the Lottery under law or equity, the Lottery may at its sole discretion require one or more of the following remedial actions, taking into account the nature of the deficiency, if any of the services or products do not conform to Contract requirements: (1) require the Contractor to take corrective action to ensure that performance conforms to Contract requirements; (2) reduce payment to reflect the reduced value of services received; (3) require the Contractor to subcontract all or part of the service at no additional cost to the Lottery; (4) withhold payment or require payment of actual damages caused by the deficiency; (5) withhold payment or require payment of Liquidated Damages; (7) secure products or services and deduct the costs of products or services from payments to the contractor pursuant to section 3.8, Patent and Copyright Infringement; or (8) terminate the Contract pursuant to this section 3.21, Remedies, and sections 3.8, Patent and Copyright Infringement and 3.11, Insurance and Bonding.

3.21.2 Liquidated Damages

3.21.2.1 Liquidated Damages, Generally: The parties to this contract understand and agree that:

- The Equipment and services provided under this contract must be extremely reliable as described in sections 3 and 4 of this RFP;
- Any Contract breach by the Contractor will disrupt the Lottery's operations and will lead to damages;
- Proving those damages will be costly, difficult, time consuming and impractical;
- The parties will use established Liquidated Damages formulae to resolve issues that arise under certain specified damages categories; and
- The Liquidated Damages established by this section are fair and reasonable.

3.21.2.2 Rights Reserved to the Lottery: The Lottery reserves the right, at its sole discretion:

- To assess Liquidated Damages for non-specific damages;
- To determine the existence of any factors relevant to the assessment of Liquidated Damages (such as the fact or length of downtime or degraded performance);
- To waive any or all Liquidated Damages, without explanation; or to negotiate mutually agreed upon alternate remedies;
- To assess Liquidated Damages under each section applicable to any given incident~~, and to calculate any Liquidated Damages assessment based on the cumulative effect of two or more damages categories~~.

3.21.2.3 Assessment Procedure: The assessment of Liquidated Damages will be in addition to, and not in lieu of, such other remedies as may be available to the Lottery. All Liquidated Damages assessments will be made by and at the discretion of the Lottery Director within six months of the conclusion of the event upon which the assessment is based. Liquidated Damages not assessed within this period will be waived.

Upon determining that Liquidated Damages will (or may) be assessed, the Lottery must notify the Contractor of that fact. Within 15 days of receiving the Lottery's notice, the Contractor may submit to the Director a statement of any factors it believes the Lottery should take into consideration regarding the relevant facts and circumstances. The Lottery will fully and fairly consider those facts and circumstances in making any decision regarding the assessment of Liquidated Damages.

3.21.2.4 Severability of Liquidated Damages Clauses: If any clause of this provision is determined to be unenforceable, the remainder of the provision will remain in effect.

3.21.2.5 Definitions: For purposes of assessing Liquidated Damages, the following terms have the following meanings:

Average Retailer Weekly Sales means the average of the Retailer's total sales for the past 13 weeks. For purposes of this calculation, the Retailer's "weekly sales" amount derives from sales less cancellations.

Day means a consecutive 24-hour calendar day, or any fraction of that period.

Hour means a 60-minute time period, or any fraction of that period.

Minute means a 60-second time period, or any fraction of that period.

Non-Specific Damages means damages that are difficult to quantify because they derive from impairment of difficult-to-measure values or priorities, such as harm to the Lottery's integrity or business reputation. .

3.21.2.6 Assessment of Liquidated Damages – Categories and Standards: Liquidated Damages may be assessed as described in the following categories, and consistent with the standards below. The Contractor may not pass fault to a Subcontractor.

Downtime*:* Under this Contract, "Downtime" occurs when:

- A Ticket (of any kind) cannot be produced, sold or validated through a Terminal, vending machine or other device supported by the System.
- The Validation function is not operable;

During the daily Operational Sales Period, the System may be down for no more than 2 minutes per day.

Degraded Performance: Under this Contract, "Degraded Performance" occurs when:

- 5% or more of Retailer Terminal-based requests are not processed within 10 seconds from request input;
- The System cannot perform all Online/Draw Game functions (for example, the production of Retailer Reports or the broadcast of Terminal messages);
- Data is not recording on 2 media and remote logging before Ticket issuance; and/or

- Any System component (for example, a front end processor) is down or operating below required response times, even though the rest of the System is working.

  During the daily Operational Sales Period, the system may be degraded for no more than 2 minutes per day.

3.21.2.7 Reporting

Canned Reporting: The Contractor must produce and deliver timely, sufficient, accurate and unaltered Reports, including data transmissions, within the timeframes and descriptions agreed to by both the Lottery and the Contractor. Should the Contractor not deliver a Report, or deliver a Report deemed by the Lottery to be insufficient or inaccurate, the Lottery will immediately notify the Contractor and provide the Contractor the job name and the date and time the File should have been, or was, produced. The Contractor will have 2 hours in which to deliver a correct File to the Lottery.

Ad Hoc Reporting*:* The Contractor must ensure that *Ad Hoc* Reporting capabilities are consistently and continuously available to the Lottery. The System must allow non-technical users to create printable, usable web-based Reports quickly and easily, without relying on technical Report developers. *Ad Hoc* Reports must have access to all gaming information. Should the *Ad Hoc* Reporting system not respond with a Report as requested, the Lottery will inform the Contractor. The Contractor will have 2 hours in which to research and fix the problem.

Timely and Accurate Files: The Contractor must produce and deliver timely, sufficient, accurate and unaltered Files within timeframes and descriptions established by this Contract. Should the Contractor not deliver a File, or deliver a File deemed by the Lottery as insufficient or inaccurate, the Lottery will immediately notify the Contractor and provide the Contractor the job name and the date and time the File should have been, or was, produced. The Contractor will have 2 hours in which to deliver a correct File to the Lottery.

Game/Report Change*:* The Contractor will modify existing games, install additional games, remove existing games and/or generate additional Reports associated with those games in an error-free and timely manner. Liquidated Damages may be assessed when the Contractor fails to perform one or more of these actions, including acceptance testing, within 60 days of Lottery authorization, unless another timeframe is authorized in writing by the Lottery.

3.21.2.8 Online Terminal Field Service*:* The Contractor must ensure the timely repair or replacement of inoperable Online Terminals. The Lottery

will determine whether an Online Terminal is inoperable. Online Terminals will be considered inoperable if:

- There is no Ticket stock available at the Retailer location;
- The Online Terminal cannot perform, both mechanically and manually, any or all of the following functions: sell Tickets; validate Tickets, cancel and process claims (including Scratch Ticket Validations); and/or
- The Online Terminal cannot print Tickets that are legible to the machine and to the human eye.

~~Liquidated Damages may be assessed when the Contractor fails to repair/replace Online Terminals within two hours.~~ Liquidated damages will not be assessed if the Vendor technician fails to repair/replace a terminal within the two hour window, if the retailer location is more than a two hour drive (as defined by Rand McNally) under normal weather conditions from the technician's home or originating location.

3.21.2.9 Systems Integration*:* The Contractor must provide timely, sufficient and accurate File transfers, data and control Reports, consistent with the following standards:

- Retailer Daily Synchronization: The File transfer and control Report must be available by 5:00 a.m. (MST) every business day, for the previous business day.
- Online Game Transactions: Transactions must be available at intervals throughout the day. Final Transactions for each game Drawing must be transferred within 5 minutes of the close of the final matrix game. Control Reports for each File transfer must be available immediately after the File is received by the Lottery.
-
- Daily Retailer Account Financial Data: The file transfer must be available by 5:00 a.m. (MST) each business day, for the previous Operational Sales Period.

3.21.2.10 Game Cutoff: The Contractor must cutoff a game at the prescribed time before a Drawing.

3.21.2.11 Unauthorized Access: The Contractor must ensure that no person will have facility/data access unless that person is access-authorized by the Lottery, as required by RFP §4.4 Each and every Contractor action that permits unauthorized access will be considered an unauthorized access occurrence.

3.21.2.12 Access Failure: The Contractor must ensure that authorized Lottery personnel are allowed facility access as required by RFP §4.9. Each

and every Contractor action that improperly denies access will be considered an access failure occurrence.

3.21.2.13 Unauthorized Modification: The Contractor may not modify any Software or Hardware, suppress any System functions or features or use an old program test or test version as production Software without the Lottery's prior written consent.

3.21.2.14 Communications: The Contractor must ensure that the Contractor-supplied portion of the Communications Network is operational at all times. The Lottery is solely responsible for the determination as to whether a Contractor supplied portion of the Network is non-operational. The Contractor may not pass fault to a Subcontractor.

3.21.2.15 Project Implementation: The Contractor must comply with the Final Implementation Plan described in RFP §4.13. The major milestones listed in the Plan must be met to ensure on-time completion, adequate accountability and adequate internal controls. The Contractor must work with a Subcontractor or designee Project Manager if requested by the Lottery.

3.21.2.16 Startup: The Contractor must have all systems, Hardware, Software, Equipment, games, staffing and all other necessary requirements for the Lottery Gaming System tested, installed, selling and validating by the start of business on October 1, 2017. The Contractor may not pass fault to a Subcontractor.

3.21.2.17 Playslip Delivery: The Contractor must provide Playslips as required for all appropriate games and ensure that an adequate supply of Playslips is available at each retail location. The Contractor must deliver Playslips within 24 hours of notification that a Retailer has an inadequate supply.

3.21.2.18 Terminal Installation: The Contractor must ensure that Online Terminals and all Vending machines are installed within 10 working days of notification from the Lottery. The Contractor may not pass fault to a Subcontractor.

3.21.2.19 Retailer Quick Reference Cards and User Documentation Updates: The Contractor must ensure that the Retailer Quick Reference Card is updated and issued to all Retailers before any change or new game is introduced. The Contractor must also provide user documentation of the System with each Software change, before customer acceptance testing, all required by RFP §4.12.

3.21.2.20 Audit Compliance: The Contractor must comply with any audit recommendations, according to the schedule established by the Lottery. The Contractor and the Lottery may discuss audit recommendations and the Lottery may, after evaluating the associated risks and costs, elect to waive some recommendations.

3.21.2.21 System Restoration: The Contractor must restore the System for retrieval of the previous 18 months of Online Transactions and Scratch Ticket accounting system Transactions within 12 hours of the Lottery's written request.

3.21.2.22 Transaction Listing Delivery: The Contractor must provide a complete Transaction listing of all daily activity at any retail location that occurred during the previous 18 months within 2 hours of the Lottery's written request.

3.21.2.23 Network Conversion: During the new contract conversion/phase-in period, before October 1, 2017, the Contractor must not perform any Network-related activity that results in interruption of the normal operation of the Lottery's Online Terminals.

3.21.2.24 Insufficient Contractor Resources: The Contractor and the Lottery will agree to a set of criteria for the staffing of hotline, conversion, field service, marketing support, and training services based on performance measures, values and industry standards. The Lottery will notify the Contractor of its failure to meet performance standards. The Contractor will have 14 calendar days from its receipt of such notice to cure the failure.

3.21.2.25 Unapproved Claimed Tickets: The Lottery Gaming System must neither produce nor validate a Ticket that the Lottery does not determine to be a valid winning game Ticket according to its game rules and prize claim procedures.

3.21.2.26 Defective or Non-Conforming Ticket: The Lottery Gaming System must not produce defective or non-conforming Tickets due to any Terminal Equipment or printer malfunction or failure that causes loss of revenue or the inability to pay appropriate prizes.

3.21.2.27 Unavailability/Degradation of Telemarketing and Inventory Control System: The Contractor must ensure that no Lottery Gaming System malfunction results in the Lottery's inability to pack and ship all current day orders. In addition, the System must not become degraded to the point that System response times to requests from Pick and Pack or Telemarketing require more than 3 seconds from keystroke request to screen response. In the event that the System malfunctions or is otherwise unable to accept orders or assign packs during normal business hours as specified by

the Lottery, the Contractor must make every effort to correct the malfunction in the shortest possible period of time.

3.21.2.28 Unavailability of Acceptance Testing System: The Contractor's acceptance testing system must be available for scheduled testing periods.

3.21.2.29 Delayed Completion of Acceptance Testing: The Contractor must complete acceptance testing by the established completion date. The Contractor will be responsible for the development of test scripts, which must be approved by the Lottery before use or implementation.

3.21.2.30 Retailer Equipment Conversion Installations: The Contractor must install and make operational all Retailer Equipment in accordance with the established Final Implementation Plan and schedule. The Contractor may not pass fault to a Subcontractor. For purposes of this provision, Retailer Equipment will be considered installed and operational when:

- It has been installed at the designated location;
- It is in good running and working order;
- It is connected by communication circuits to the PDC;
- It is able to perform all functions specified in the Contract; and
- The Retailer has received training as verified by the Lottery.

3.21.2.31 Availability of Recorded Calls: The Contractor must make recorded hotline calls available to the Lottery within 24 hours of request, as required by RFP §4.12

3.21.2.32 Retailer Training: The Contractor must train Retailers within 10 working days of the Lottery's request, as required by RFP §4.12

3.21.2.33 Security Breaches: The Contractor must notify Lottery Security personnel, both verbally and in writing and within one hour, of any security incidents or breaches, as required by RFP §4.4

3.21.2.34 Testing of Disaster Recovery Plan: The Contractor must test and document the testing of the Disaster Recovery Plan at least every six months (per MUSL Rule)..

3.21.2.35 Late Incident Reports: The Contractor must report System incidents within the agreed-upon response times.

3.21.2.36 End of Contract Phase - Out: The Contractor must use its best effort and cooperation to furnish transition and phase-out services for up to 6 months before the expiration date of this contract.

3.21.2.37 Verifying Ticket Stock: The Contractor must provide any Retailer name, number, location and date of Ticket stock delivery within 15 minutes of the Lottery's request for this information in the Validation of a winning Online Ticket, as required by RFP §4.12

3.21.2.38 Replacing Touch Screens, Printers, Terminals and Peripherals: The Contractor must replace within five working days after notice from the Lottery any touch screens, printers, Terminals or peripherals that cease to look or perform like new.

3.21.2.39 Providing Connectivity: The Contractor must provide connectivity from its system to third party Software or Hardware at the Lottery's request. The inability or unwillingness to provide such connectivity may result in the assessment of Liquidated Damages.

3.21.3 Assessment of Liquidated Damages – Amounts and Formulae: The Lottery may assess Liquidated Damages in the following damages categories, in maximum amounts that are calculated consistent with the following formulae:

DAMAGES CATEGORY	DAMAGES ASSESSMENT FORMULA & MAXIMUM DAMAGES
Downtime	$2,500 for each minute of downtime during the 8-hour period before any game Drawing. $1,000 for each minute of downtime at any other time.
Degraded Performance	$500 for each minute of degraded performance during the 8-hour period before any game Drawing. $250 for each minute of degraded performance at any other time.
Canned Reporting	$1,000 per day after the 2-hour response period, until the Report is functioning as required.
Ad Hoc Reporting	$1,000 per day after the 2-hour response period, until the Report is functioning as required.
Timely & Accurate Files	$100 per hour after the 2-hour response period, until the File is provided.
Game/Report Change	$150,000 per day of error or delay.
Field Service	An amount per hour, per Retailer, that equals each affected Retailer's average weekly sales amount, divided by 168 (the number of hours in a week).
System Integration	$2,500 per hour, until the File, data or Report is provided to the Lottery.
Game Cutoff	$50,000 for each incident.
Unauthorized Access	$25,000 for each occurrence.
Access Failure	$5,000 per day for each occurrence, until access is provided.
Unauthorized Modification	$10,000 per violation.
Communications	An amount per hour, per Retailer, that equals each affected Retailer's average weekly sales amount, divided by 168 (the number of hours in a week).
Project Implementation	$5,000 per day, for each day that any major milestone is not

	met.
Start-up – failure to have in place and full operational all systems, Hardware, Software, Equipment, games, field and management staff and other necessary requirements by designated Start-up date of October 1, 2017	$400,000 per day.
Playslip Delivery	$50 per day, after the first day.
Terminal Installation	$100 per day, for each affected Terminal.
Retailer Quick Reference Cards/User Documentation Updates	$5,000 for each failure to update and/or distribute the Retailer Quick Reference Cards or user documentation.
Audit Compliance	$10,000 per week for each recommendation with which the Contractor fails to demonstrate timely compliance.
System Restoration	$250 for each hour beyond the initial 12 hours.
Transaction Listing Delivery	$250 for each hour that a Transaction listing is delayed or is incomplete beyond the initial 2 hours.
Scratch Ticket Management	$100 for each minute of inoperative management functions beyond the 2-minute allowable down time period for each Operational Sales Period.
Scratch Ticket Retailer	$250 for each minute of inoperative management functions beyond the 2-minute allowable down time period for each Operational Sales Period.
Instant Ticket Validation	$1,000 for each incorrect identification of a Ticket as winning or non-winning, and for each incorrect prize level identification. In addition to this amount, the Contractor will be liable for the amount of any prize that is incorrectly validated.
Network Conversion	$250 per hour for each Terminal that is unable to sell Online Tickets due to the Contractor's conversion-related activity, until the Terminal is returned to normal operational status.
Insufficient Contractor Resources	$200 per day for each day after 14 days from notification.
Unapproved Claimed Tickets	The Contractor will be liable for the amount of the Ticket.
Defective or Non-Conforming Ticket	$10,000 for each incident.
Unavailability/Degradation of the Inventory Control System	$15,000 per day for each malfunction. $250 per hour for each incident of degraded response time.
Unavailability of Acceptance Testing System	$2,000 per day.
Delayed Completion of Acceptance Testing	$5,000 per day.

Retailer Equipment Conversion Installation	$500 per day for each piece of Equipment for the first 14 days until the Equipment is installed and operational. $1,000 per day for each piece of Equipment thereafter.
Availability of Recorded Calls	$100 per day for each day after the first 24 hours.
Retailer Training	$100 per day for each affected Retailer, for every day after the 10 working day standard.
Security Breaches	$500 per hour for each incident, after the first hour.
Disaster Recovery Plan Testing Delay	$100 per day.
Primary/Secondary/DR Systems Version Control/ Synch Failure	$10,000 per incident
Late Incident Reports	$500 per day.
End of Contract Phase-Out	$10,000 per day for each milestone delay in phase-out process.
Report on Ticket Stock	$100 per minute for each minute past the initial 15 minutes.
Replacing Touch Screens, Printers, Terminals and Peripherals	$100 per day, per unit, for each day after five working days after notice from the Lottery
Providing Connectivity	$1,000 per day per connectivity request, beginning from the implementation date set by the Lottery for that request.

3.21.4 Termination for Convenience

The Contract may be terminated, in whole or in part, if, because of legislative or other governmental changes, continuation of performance of the Contract, or any element or part thereof, is not in the Lottery or the State's best interest. Such termination shall be effected by written notice to Contractor at least thirty (30) days prior to termination date.

Upon one hundred eight (180) days prior written notice specifying date of termination, the Lottery may also terminate this Contract for its convenience, with or without cause, in whole or in part, if the Lottery determines it is in its best interest.

In the event of termination under this section, the Lottery shall pay to Contractor all monies due for Contractor's performance up to effective date of termination. The Contractor shall receive reimbursement for the cost of any materials, services, or other expenses (not including cost of Equipment), reasonably and actually incurred at the time of receipt of the notification of termination, and which are not otherwise usable or recoverable by the Contractor. The Contractor, upon receipt of the notice of termination, shall take all steps necessary to mitigate the costs and expenses payable under this paragraph.

3.21.5 Termination for Cause

Except as set forth in Section 3.21.1, either party may terminate the Contract for the bases set forth below when the other party has been provided written notice of default or non-compliance and has failed to cure the default or non-compliance within a reasonable time set forth in the written notice of default, not to exceed thirty (30) calendar days. If the nature of the default or non-compliance is such that the same cannot be reasonably be cured within thirty (30) calendar days, the party receiving notice shall not be in default or non-compliance if the party shall within thirty (30) calendar days commence cure under a reasonable written cure plan and thereafter diligently prosecute the cure to completion.

Either party may terminate the Contract immediately upon written notice, or upon such notice as such party, in its sole discretion, deems appropriate, if at any time: (a) the other party is in material breach of any warranty, term, condition, covenant or obligation under the Contract; (b) judicial interpretation of federal or state laws, regulations, or rules renders fulfillment of the Contract infeasible or impossible; (c) Contractor's license or certification required by law is suspended, not renewed, or is otherwise not in effect at the time service is provided; or (d) Contractor fails to comply with any applicable law, regulation, or rule.

3.21.6 Effect of Termination

Upon termination by the Lottery, Contractor shall: (a) promptly discontinue all work, unless the termination notice directs otherwise; (b) place no further orders or requests of Subcontractors, if any, for materials, services, or facilities; (c) terminate all orders and subcontracts to the extent that they relate to the performance of work terminated by the termination notice; (d) assign to the Lottery, in the manner and to the extent directed by the Lottery, all right, title, and interest of the Contractor under the orders or subcontracts so terminated, in which case the Lottery shall have the right, in its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts; (e) with the advance approval of the Lottery, settle all outstanding liabilities and all claims arising out of such termination of orders and subcontracts the cost of which would be reimbursable, in whole or in part, in accordance with the provisions of the Contract; (f) promptly return to the Lottery any property provided by the Lottery pursuant to the Contract; (g) deliver or otherwise make available to the Lottery all data, reports, estimates, summaries and such other information and materials, including Personal and Confidential Information, as may have been accumulated by the Contractor in performing the Contract, whether completed or in process; and, (h) complete all requirements and comply with all provisions of the transition plan, in accordance with Section 3.22, herein. Upon termination by the Lottery, the Lottery may take over the services and may award another party a contract to complete the services contemplated by the Contract. Upon termination for cause, the Lottery shall be entitled to reimbursement from Contractor for losses incurred as a result of the Contractor's breach, including, if applicable, all administrative costs directly related to the replacement of this Contract, such as costs of competitive bidding, mailing, advertising, applicable fees, charges, penalties and/or staff time costs.

3.22 End of Contract Conversion and Transition

The continuity of services to the Lottery customers is of utmost importance to the Lottery, especially during a conversion period from one contractor to another. The parties understand and agree that the Lottery may utilize part of the last year of any Contract resulting from this RFP or extension thereof for conversion of the Lottery Gaming System to the subsequent system. The Lottery shall be solely responsible for the identification of and time for conversions of the Lottery Gaming System, and the Contractor shall cooperate fully and in good faith, using its best efforts to effect an orderly and efficient transition to any successor contractor.

Cooperation may include, but is not limited to, sharing of Ticket data or Files, liability files, Retailer authority files and cross-Validation of winning Tickets, instructions how to use and access those as well as other support deemed necessary by the Lottery.

The Contractor must accommodate accessing and Validation of winning Online Tickets that have been sold prior to the conversion, either by reading the ticket/Bar Code or by accepting manual entry of the "old" winning Ticket's serial number. The Contractor must also convert any applicable Validation Files to permit Validation by Bar Code read (and manual entry). The goal, both during conversion and after, is to minimize confusion and effort for the players and Retailers. Therefore, the Contractor must provide a description of the Ticket's serial numbers including codes, encryption and decryption information, or an adequate, convenient method, tool, or source code object as well as full access to all relevant Ticket data to allow the Lottery and the new contractor proper continuation. Failure to agree with this requirement may result in disqualification.

The Contractor, if requested at the close of this Contract, shall remove all its Equipment and materials relating to the Lottery Gaming System from each POS location and from Lottery property on a Lottery-specified schedule of calendar days after conversion of the location to the new system. This schedule will be part of the conversion plan and communicated to the Contractor at least thirty (30) days in advance. Equipment and materials not so removed by the Contractor shall be considered abandoned and shall be disposed of at the Lottery's discretion at the Contractor's expense.

In the interest of an effective end of contract transition to any successor Contractor, the Lottery reserves the right, at its sole to extend this Contract for up to 180 days.

3.23 Notices

Any notice given in connection with the Contract shall be given in writing and shall be delivered either by hand or by certified mail, return receipt requested, to the other party at the address stated below. Either party may change its address by giving notice of the change in accordance with this section.

To the Lottery: Idaho Lottery
Post Office Box 6537
Boise, Idaho 83707-6537
Attention: Jeffrey R. Anderson, Lottery Director

To the Contractor at the address provided for the individual authorized to bind the Contractor as identified in Contractor's bid or otherwise provided upon award of the Contract.

3.24 Survival of Terms

Any termination, cancellation, or expiration of the Contract notwithstanding, provisions which are intended to survive and continue shall survive and continue, including, but not limited to, the provisions of sections 3.1, Contract Terms and Priority of Contract Documents, 3.4, Warranties, 3.5, Software Licensing and Ownership, 3.6, Source Code Escrow, 3.7, Ownership of Materials and Information, 3.8, Patent and Copyright Infringement, 3.9, Contract Relationship, 3.10, Indemnification, 3.13, Public Records, 3.14, Contractor Records and Audit Requirements, 3.15, Audit Exceptions, 3.21, Remedies, 3.25, Officials Not Personally Liable, 3.28, Governing Law, 3.29, Attorney Fees.

3.25 Officials Not Personally Liable

In no event shall any official, officer, employee or agent of the State of Idaho or the Lottery be liable or responsible for any representation, statement, covenant, warranty or obligation contained in, or made in connection with the Contract, express or implied.

3.26 Non-appropriation

It is understood and agreed that the Lottery is a governmental agency and this Contract shall in no way be construed so as to bind or obligate the Lottery or the State of Idaho beyond the term of any particular appropriation of funds by the State Legislature as may exist from time to time. The Lottery reserves the right to terminate this Contract, in whole or in part, if, in its sole judgment, the legislature of the State of Idaho fails, neglects or refuses to appropriate sufficient funds, or requires any return or "give-back" of funds required for the Lottery to perform under the Contract, or if the executive branch of the State of Idaho mandates any cuts or holdback in Lottery's spending. Any such termination shall take effect on no less than ten (10) days' notice.

All affected future rights and liabilities of the parties shall thereupon cease, either entirely if whole Contract is terminated, or if in part, with respect to that part of the Contract terminated. Further, in the event of termination under this section, the

Lottery shall not be liable for any penalty, expense, or liability, or for general, special, incidental, consequential or other damages resulting therefrom.

3.27 Taxes

The Lottery is generally exempt from payment of state sales and use taxes and from personal property tax for property purchased for its use. The Lottery is generally exempt from payment of federal excise tax under a permanent authority from the District Director of the Internal Revenue Service. The Lottery will furnish exemption certificates upon written request by the Contractor. If the Contractor is required to pay any taxes incurred as a result of doing business with the Lottery, the Contractor shall be solely and absolutely responsible for the payment of those taxes.

3.28 Governing Law

The Contract shall be governed by and construed under the laws of the State of Idaho and the parties hereto consent to the jurisdiction of the state courts of Ada County in the State of Idaho in the event of any dispute with respect to the Contract.

3.29 Attorney Fees

In the event of a legal proceeding of any kind instituted under the Contract or instituted to obtain performance or to remedy a default under the Contract, the prevailing party shall be awarded such additional sums as the court may adjudge for reasonable attorney fees and to pay all costs and disbursements incurred in connection therewith.

3.30 Advertising

The Contractor agrees to submit to the Lottery all advertising and publicity matters relating to this Contract in which the Lottery's name is mentioned or in which language is used from which the connection of the Lottery may, in the Lottery's judgment, be inferred or implied. The Contractor agrees not to publish or use such advertising and publicity matters without the prior written consent of the Lottery.

3.31 Entire Agreement

The Contract constitutes the entire agreement between the parties hereto and shall supersede all previous proposals, oral or written, negotiations, representations commitments, and all other communications between the parties.

3.32 Amendment

The Contract may not be released, discharged, changed, extended, modified, subcontracted or assigned in whole or in part (collectively, an "Amendment") except to the extent provided by an written instrument signed by the Contractor and

the party authorized to bind the Lottery as more particularly described in this section. The Lottery Director is authorized to execute Amendments consisting solely of any plans required by the RFP and working documents that further define the day-to-day responsibilities of the Contractor and the Lottery. The Lottery Director is not authorized to execute Amendments increasing monetary obligations of the Lottery or extending the Contract term absent Commission approval. An Amendment not executed in compliance with this section shall be void.

3.33 Severability

If any term, provision, covenant, or condition of the Contract, or the application thereof to any party or circumstance, shall be held to be illegal, invalid or unenforceable, in whole or in part or for any reason, the remaining terms, provisions, covenants and conditions of the Contract shall continue in full force and effect as if the Contract had been executed with the illegal, invalid or unenforceable portion eliminated, so long as the Contract as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of the Contract, and the deletion of such portion of the Contract will not substantially impair the respective benefits or expectations of the parties to the Contract.

3.34 Force Majeure

If the Contractor or Lottery is delayed, hindered, or prevented from performing any act required under the Contract by reason of delay beyond the reasonable control of the asserting party due to theft, fire, Act of God or public enemy, severe and unusual weather conditions, injunction, riot, strikes, lockouts, insurrection, war, or court order, then performance of the act shall be excused for the period of the delay. In that event, the period for the performance of the act shall be extended for a period equivalent to the period of the delay. Matters of the Contractor's finances shall not be considered a force majeure.

3.35 No Waiver

The failure of the Lottery to require strict performance of any term or condition of the Contract, or to exercise any option or discretion granted to it, in any one or all instances shall not be construed to be a waiver or relinquishment of any such term or condition. The same shall be and remain in full force and effect unless there is a prior written waiver by the Lottery.

3.36 Consent and Approvals

3.36.1 Not to Be Unreasonably Withheld or Delayed

Any consent or approval required to be given by the Contractor or the Lottery under the provisions of the Contract shall not be unreasonably withheld or delayed.

3.36.2 Extension of Contractor's Time to Perform

If the Contractor is delayed, hindered, or prevented from performing any act required under the Contract by reason of the unreasonable withholding of a consent or approval by the Lottery, the Contractor may request a revision to the Contract extending the Contractor's performance deadlines. The Contractor shall request a revision to the Contract within twenty-one (21) days of the Lottery's failure to provide consent or approval if a date for the consent or approval is provided in the Contract within a reasonable period if no such date is provided. The provisions of section 3.20, Resolution of Disputes and section 3.32, Amendment shall apply to the Contractor's request for a revision under this subsection. This subsection shall not apply to the Lottery's withholding of payment to the Contractor.

PART 4 – TECHNICAL SPECIFICATIONS

4.1 Introduction and Current Environment

The Lottery's primary business (Headquarters) site is located at 1199 Shoreline Lane, Suite 100, Boise, Idaho 83702. The Lottery operates a central warehouse for scratch Ticket shipping, receiving and distribution. The warehouse is located in Boise, Idaho.

The Lottery's current gaming Internal Control System ("ICS") is housed at Lottery Headquarters. The application, *Integrity*, is provided by Spectra Systems Corporation and resides on three Dell PowerEdge R320 Servers. Complete details are located at RFP §4.8.

All remaining non-gaming administrative systems run on HP DL380P Servers interconnected to an Ethernet, Microsoft-based Local Area Network (LAN)/Wide Area Network (WAN) that also facilitates file and print services.

The Lottery's current Gaming System is operated by Intralot, Inc. and is located in Boise, Idaho.

The Lottery currently works with a third party Vendor, International Gamco, to supply and service all PullTab/TouchTab accounts.

Currently, there are approximately 1,150 full service Retailers, selling all lottery products through 939 Coronis Terminals, 318 Full Service Ticket Vending Machines (Winstations) 68 MultiPurpose (MP) Vending machines, 535 Wireless Electronic Jackpot signs, 121 MicroLot Terminals located at Idaho retail outlets. See Appendix C for current retailer configuration.

The Vendor will be responsible for all host-to Retailer and host-to-Lottery office communications. Communications must be a part of the Proposal. Communications requirements are discussed in detail in RFP §4.4.

4.2 Central Systems for Games Support

<u>Host System</u> - Mandatory Feature:

The proposed Gaming System component must provide comprehensive functionality. This includes online gaming activities, sales, simple file integration for PullTab/TouchTab inventory invoicing, Validations, claims processing, scratch game management system and inventory controls, Retailer application management system, Customer Relationship Management, and Marketing Support.

At a minimum the proposed Gaming System must be able to support multiple types of Scratch and Online/Draw Games. The System must be able to handle 2,000 Retailer Terminals and be capable of processing at a sustained rate of at least 20,000 online wagers per minute while simultaneously processing up to 15,000 cashing Transactions per minute. Only those Terminals actively available for the sale of tickets will be counted toward the maximum quantity of Terminals to be provided. Terminals such as those used for testing, spare parts or those used in the Lottery Claim center are examples of Terminals that will not count toward the maximum number provided. Terminals will be required to process all gaming Transactions for a minimum of ~~23.5~~ 24 hours per day, 7 days a week, including all holidays.

Send to cut response time should meet industry standards and expectations.

The System must have the capacity for an online sales day of at least fifty million dollars ($50,000,000) and a multi-billion dollar ($9,999,999,999) online jackpot.

The System must be able to retain all files, records and data in usable/retrievable format for no less than 180 days after the draw date for Online/Draw games. The System must have fault-tolerant Software and Hardware providing for fail-safe operation. This provides for minimal service disruption, with no loss or corruption of data in the event of Hardware or Software problems or failures.

Both a Primary and Backup System are required and both must be time-synchronized, to ensure that both Systems have all Transaction data. All transactional data must be electronically transferred to the Lottery's Internal Control System (ICS) in real time utilizing a live feed.

The System must be compatible with third-party gaming Hardware and Software and/or games. A detailed description of System capability must be included in the Proposal.

The Vendor must explain how it will test and apply security patches to the host operating System in a timely manner, and must also explain how the host operating System Software version control will be administered.

Gaming System Software and Hardware must be available and upgradeable throughout the term of the contract, and throughout all possible Contract extensions. Firmware updates must be applied to follow industry best practices with good faith Hardware update discussions taking place between the Lottery and the Vendor. These discussions and updates should take place before Hardware and Software have been in place for five (5) years.

The Lottery must be able to activate, de-activate and re-activate a Retailer's ability to perform gaming functions (that is, to sell and validate all Lottery games). All

data entry and system -calculated fields must be Ad Hoc reportable for user report creation.

The System must have the ability to limit product lines, product line features, Scratch Ticket orders and promotions to certain Retailers based on specific criteria (such as, for example only, region, chain or trade style). If the proposed System can support other non-traditional gaming formats or environments, the Vendor is encouraged to describe that process.

Test/Development Systems – Mandatory Feature:

The Vendor must provide separate Test, Development, and Acceptance testing Systems. The Vendor must describe their test and development System configurations and explain how the testing configuration differs from the operational configuration.

The testing configuration must resemble the operational configuration to the greatest extent possible. This includes Management Terminals, drawing processes, winning numbers entry, current Retailer devices, and other interfaces with the Lottery (such as electronic data transfers). The vendor test System should allow for a mechanism to initialize Software dates at a start or flashpoint, date, draw number of the Lottery's choosing for each test run, to facilitate the ability to rapidly begin at a designated position, if required.

A test laboratory must be available to Lottery personnel for initial and continuing acceptance testing of Software and/or Hardware. As operational configurations, processes or devices change or upgrade, the Test/Development Systems must mirror those changes.

If the Test/Development System is not located in Idaho, the Vendor will be responsible for reimbursement of all reasonable travel expenses associated with Lottery staff required to work from that facility.

The Idaho Lottery requires that a play generator/simulator is available for testing large Transaction volumes.

Remote Host Systems and Failovers – Mandatory Feature:

The Vendor must describe where its proposed remote host System or Disaster Recovery site will be located. The Proposal must include a backup facility to provide "hot backup" to the Primary Site, with minimal disruption to the Retailer network and with no loss or corruption of data. Vendor must provide a site independent of the Primary Gaming System location and Vendor should explain how failovers to Disaster Recovery (DR) or Continuity of Operations host Systems will be performed, how often test failovers will be conducted and how those test results will be reported to the Lottery. Failover configuration must include the

ability to fully service the Communications Network supporting the Retailer Terminals and firewall controls to ensure DR site users cannot access Primary or Secondary CGS or ICS. The Lottery would like the ability to test this failover without extended notice or warning.

The Vendor's facility must be located in the continental United States. It is not required that the backup facility be located in the state of Idaho, or that the facility be dedicated to the Idaho Lottery.

At least twice each year, the Lottery will conduct facility audits to ensure compliance with contractual requirements. The Vendor will be responsible for transportation, lodging and subsistence expenses for Lottery personnel associated with the facility audits.

The proposed backup facility must be capable of occasionally functioning as the Primary Site, at the discretion of the Lottery. The Primary Site must serve as "hot backup" in this scenario. The backup facility must be capable of performing all management functions associated with all game Transactions, accounting and order fulfillment.

The Vendor will be responsible for travel expenses associated with Lottery staff being present at time of a discretionary switchover.

Operations – Mandatory Feature:

The Vendor must prohibit the use of shared user accounts on any gaming System, reporting or Communications Network or operating System. User accounts must be established based upon role.

Secure Connections – Mandatory Feature:

All data communications external to secured facilities, including but not limited to those between the Primary Data Center (PDC), Backup Data Center (BDC) and the Lottery, must be encrypted with an encryption level of no less than 128bit Triple DES, AES, or other appropriate encryption mechanisms. The Lottery's Information Security division must approve the proposed encryption mechanism.

The Vendor must describe how it will meet the required encryption standard and provide an example of where it has the proposed encryption level currently deployed. All applications and servers requiring authentication must support the ability to enforce complex passwords, minimum life of password, maximum life of password and minimum iterations of passwords.

Terminal Network Requirements – Mandatory Feature:

The Vendor must explain its solution to Terminal Network Requirements. The Lottery expects the Vendor to be creative in its Communications Network design, in order to allow for maximum flexibility, growth, traffic throughput, cost effectiveness and security.

The proposed communication network must support (link) all computer sites (PDC, BDC and Lottery Headquarters) and Retailer locations. The Vendor will be solely responsible for the cost of the Communications Network.

Host System Capacity – Mandatory Feature:

The Vendor must comprehensively and accurately explain the capacity and limitations of its host System. The Vendor must explain how the capacity of its host System will be flexible and expandable. The Vendor must describe the proposed System's ability to adapt to upgrades in operating Systems and System architecture.

Operating Hours – Mandatory Feature:

The proposed System must be capable of supporting all Lottery sales activity. Currently Lottery games are available for sales 24 hours per day, 7 days per week, Sunday through Saturday, 365 days each year (including holidays) (366 days for leap year). Maintenance windows will be negotiated with the Lottery, as required.

Equipment – Mandatory Feature:

The proposed System must not have a projected end-of-life before the initial contract and all extensions. The Vendor must certify that the computing Equipment, Terminals, monitors and PCs are new, and meet Underwriters Laboratories or equivalent certification. The Vendor must describe its approach to Equipment upgrades (e.g., under what circumstances it will upgrade Equipment and how often throughout the Contract). Best practices for Equipment updates and upgrades should be respected, as opposed to updating critical infrastructure Equipment only contingent upon extensions or other variations within the Contract. At no time should the primary/secondary or disaster recovery Systems be unsupported by the original Equipment manufacturer.

Required System Interfaces – Mandatory Feature:

The Vendor must provide all interfaces required for automated draw sales figure transfers and all draw required deliverables.

Post-Award Requirement – Disaster Recovery Plan – Mandatory Feature:

The Vendor must submit a detailed Disaster Recovery Plan to the Lottery for approval no later than June 30, 2017. Idaho Lottery Management Team must approve the Plan.

At a minimum, the Disaster Recovery and Continuity of Operations Plan must include testing twice a year (per MUSL Rule), an outline of business resumption critical functions and non-critical functions, a Business Impact Analysis, a Risk, Threat, and Vulnerability Analysis, a Recovery Strategy, an Emergency Response Strategy, a Problem Escalation Strategy, a Plan Activation Protocol, a description of Recovery Operations; and a description of Plan Validation, Testing and Maintenance.

4.3 Terminals

Size – Mandatory Feature:

The Retailer online Terminal must meet industry standard requirements for limited available counter space. The Terminals must be of size and dimension to take up minimal counter space at Retailer locations. Preference is for a compact size that will ensure Retailer acceptance; if the Terminal is modular, then it is important that the connecting data and power cables not be unwieldy or obtrusive. The Proposal must describe how the proposed Terminal will meet the needs of Lottery Retailers.

General Configuration – Mandatory Feature:

One standard Retailer Terminal Set-up shall include, but not be limited to, a Main unit, Touch screen, Customer Display, Image Scanner, Barcode Scanner, Printer, Advertising Display and Ticket Checker Terminal.

The Vendor shall describe the proposed operating solution, set-up and capability.

Terminal touch screens must be adjustable for users of different heights and for locations with strong sunlight. Vendors must describe how their screens meet this requirement. Terminal screens must withstand heavy use and continue looking and performing like new or be replaced at Vendor expense. The touch screen must indicate when Terminal is ready to use and accept input manual entry input and play slip wagers. It must provide functionality game selection, edit mode, quick pick, multiple draws, number of draws, number of tickets, days of the week, card symbols, a scratch menu which includes Validations, activations and settlements, play amounts to accommodate wagers, cash/pay (print receipt), print screen, print broadcast messages, repeat key, reports, reprint, history, subtotal and total, utilities (Terminal functions, i.e. training, volume control (which does not allow the Retailer to disable required Validation tune), diagnostics, game lock, etc.).

Vendor Terminals must scan Lottery provided coupons, VIP Club cards, MyPlayslip App barcoded Playslips to create game Transactions and print Quick Response (QR) codes.

The Idaho Lottery encourages and supports a Proposal which includes a combination of Terminal placement schemes or multiple Terminal configurations, which allow for a more robust Terminal to be placed at high volume Retailers, with more modestly configured Terminals at lower volume Retailers.

Vendor Terminals also must include help screens, to include Retailer help, functional and context-based player help. They must include ticket inquiry, Validation status/error messages, popup calendar for report selection, one-button functions for frequent ticket sales or Retailer selections, confirmation screen when (a) a play is entered more than once, (b) purchase exceeds a certain amount, or (c) Validation falls within a given range, order supplies, be easily updated and modified to accommodate new functionality and must display message when play for a given draw is stopped and that draw is closed.

Terminals must be highly reliable and robust to withstand various demanding Retailer environments to include heat, cold, moisture, dust, grease, spilled liquids and operator abuse, to ensure minimal onsite service action and Terminal downtime.

Terminals should offer flexibility to allow for future growth, to include:

- Development of new games, expansion of existing games and easy maintenance thereafter.
- Deployment of new games.
- Deployment of promotions
- Addition of new peripheral Equipment
- Addition of standard expansion boards (serial and parallel ports, video & sound boards, etc.)

Each Terminal should offer interfaces for standard Equipment, to include:

- External printer
- Customer graphic display
- Advertising graphic display
- Jackpot signs
- Scanners for reading coupons and barcodes from smart phones

<u>Printer</u> – Mandatory Feature:

Printers must be durable and meet the Retailers' needs regarding limited counter space. Vendor should describe how their printer meets the needs of lottery Retailers based on the following requirements.

Printers must withstand heavy use and continue looking and operating like new or be replaced at Vendor expense.

Printers must operate quietly, cut tickets so they do not fall to the ground, print a minimum of 50 quick pick tickets without operator intervention, neatly stack a minimum of 50 quick pick tickets in the ticket hopper, print variable length tickets, print UPC and Bar Codes including PDF417, Quick Reference (QR) Codes, print alphanumeric characters in up to 72-point font and print graphical symbols and pictures.

Printer must have the ability to print advertisements, cross promotions or applications the Lottery can use or sell.

Vendor must provide all Retailer paper stock required for functionality in the field and Playslips.

Bar Code Reader – Mandatory Feature:

Must scan and read multiple existing Bar Codes and UPC codes. The Vendor must provide read rates and codes that are currently supported. Bar Code reader must read Bar Codes (PDF417, Interleaved Two of Five) on the Lottery's existing tickets, have easy access for Retailers, read Bar Codes that conform to NASPL standards and have the ability to accept player loyalty/frequent number media.

Barcode reader should have a ticket repeat ability, to read a Draw ticket and print a ticket for the next Draw using the same numbers.

Proposed Terminal/Bar Code reader must provide a solution which allows a VIP Club Player to scan their own smart phone Bar Code without handing the device to the clerk.

Bar Code Reader – Highly Desirable Feature:

Be able to scan Bar Codes from drivers' licenses to perform age verification for purchase and have flexibility to read future Bar Codes. This is desired in the FSVM and any other peripheral vending options as well.

Scanner – Mandatory Feature:

Terminal must have a scanner that will read current and future play slips and must not require special marking utensils.

Peripheral Interfaces – Mandatory Feature:

Terminal must interface with multiple peripheral units, including third party units. Vendor must describe how their Terminal meets these requirements. Terminal must interface with player Ticket self-check units, player Transaction displays, and player advertising displays.

Diagnostics – Mandatory Feature:

Terminal must provide Retailers and technicians with helpful diagnostic information for troubleshooting purposes. Terminal must record and transmit all Terminal errors to the host.

Support staff from the control room for the CGS and Network infrastructure must be proactively notified of a down Terminal. The Vendor should describe how this will take place.

Environmental Fitness – Mandatory Feature:

Terminal must be Underwriter Laboratory (UL) listed or equivalent. Terminals must be tamper proof and grounded, with an 8-foot (minimum) AC power cord and ergonomically designed.

Terminals must operate without degraded performance, in environments where other electrical devices will share electrical circuits with the Terminal. Mandatory dedicated power is not realistic. Terminals must be protected from electrical surges that would damage the Terminal. The Vendor must certify Terminals and all other vending devices as ADA compliant.

Memory and Storage Requirements – Mandatory Feature:

Terminals must have sufficient memory to support all existing games and functionalities and must have the capacity to absorb 50% more additional games and functionalities.

Color Requirements – Mandatory Feature:

The Lottery will make the final decision on all color choices and/or wrap options for all Equipment.

Sign-On Requirements – Mandatory Feature:

Terminals must support a minimum of one level of password control for Retailer security needs when signing on. Vendors must describe how their Terminal meets the security needs of retailers with multiple staff accessing the Terminal.

Sign-On Requirements – Desirable Feature:

Multiple sign on feature for Retailer clerk shift tracking.

Software Download – Mandatory Feature:

Terminals must be able to download Software and be able to receive Software downloads at the same time other Terminals are receiving downloads. Vendor must describe the method by which its Terminals ensure that they always have the current Software version.

Software Download – Highly Desirable Feature:

The Terminal should be able to support background downloading and storage of new Software while still using the older version. This process would allow upgrades/patches and/or fixes to be sent to the Terminals without affecting the current Software version until a pre-determined time for upgrades.

Transaction History Display – Mandatory Feature:

Terminals must print the last fifty (50) historical Transactions upon Retailer request.

Random Number Generator – Mandatory Feature:

Vendors must describe how quick pick numbers are generated and how randomness is guaranteed. RGN solution must be certified by an industry laboratory.

Validations – Mandatory Feature:

Terminals must respond to System functionality identifying special prizes under $600 that requires a visit to the Lottery to claim. Terminals must print Validation receipts when successful Validations are performed. Terminals must prevent cashing or provide designated messaging for Tickets placed in various Security controlled statuses.

Broadcast Messaging – Mandatory Feature:

Terminals must be able to receive and print messages from the host, retain the messages and have the ability for numerous Retailer employees to have access and read the same message. Messages should be able to be marked urgent. Vendors must describe how their Terminals meet this requirement. Terminals must receive and display Amber Alert or other urgent public notices/messages or disaster notifications quickly and in a manner that conveys urgency. Terminals must then be able to print Amber Alert messages on tickets, real time, without significantly impacting production transactions.

Broadcast Messaging – Desirable Feature:

Terminals may have the ability to perform short interactive Retailer surveys.

Audio Capabilities – Mandatory Feature:

Terminals must be able to emit Software-controlled, audible tones and alarms with an adjustable volume. They must be able to emit simple musical sounds. Volume control must be set at a predetermined level with controlled access to prevent the Retailer from disabling required Validation tunes. Retailer Audio tones and tunes must be customizable by the Idaho Lottery.

Training/Help Mode – Mandatory Feature:

The Vendor must describe the features and functions of its Training/Help Mode. Terminals must be able to enter training mode without interfering with or accessing the live system. Terminals must display Help screens that also include Frequently Asked Questions and Answers. Terminals must display phone numbers that Retailers can call for help with their lottery Equipment or account.

Training/Help Mode – Desirable Feature:

Terminals may include interactive training that will track each employee so that, if they are interrupted during a training session, they can later pick up training where they left off.

Player Transaction Display – Mandatory Feature:

Player-oriented visual display that communicates to the player the amount of the current sale. An advertising message shall be displayed when not displaying player Transaction information.

Player Advertising Display – Mandatory Feature:

The Vendor will describe the size of the Advertising Display recommended for each location.

The Lottery's intent is to employ such devices to display graphics and messages, which will change constantly, daily or weekly and must be downloadable to the Terminal (or a media box if offered as part of the solution). The purpose of these displays is to gain the attention of the players and to inform potential players of the jackpot value, promotions, etc. Content for the units must be managed through the Lottery management Terminals or a Content Management solution. The Vendor may also propose additional methods for creating and promoting content to take full advantage of this medium. The Lottery requires the ability to cross promote on this medium and follow with tracking for number of impressions. The Lottery must be able to traffic content by region, city, zip, chain and any other addressable demographic. The Lottery would also schedule program content by demographic, parts of day or time and Retailer type.

The display must be suitable for displaying advertising, jackpot information, alerts, promotions, and game information to players within the store. Characteristics

should include: flat panel, flexibility of placement within the retail establishment, sufficient cord lengths (e.g. 15 ft.), good visibility and sound available through auxiliary speakers or through the Terminal. The display and Terminal should be capable of playing sound, static image files, animations, and full motion high resolution video and dynamic RSS fed slides. Vendor must fully describe the capabilities of all types of displays proposed. All installations are subject to the Lottery's acceptance and approval.

Due to the wide diversity of available space in Retailer locations, the advertising and jackpot display unit must be capable of mounting in multiple configurations (pole, saddle, wall, window, etc.). Vendor must describe the methods available for mounting the display.

Player Advertising Display – Extended size – Desirable Feature:

The Lottery has observed a trend among some of its Retailers to place larger display units in their locations where more space is available to accommodate such display units.

Vendor is invited to include pricing in increments of 100 units per order. If offered, technical specifications must be provided. Costs should only be included in the Pricing Proposal.

Player Self-Service Validator/Ticket Checker – Mandatory Feature:

Player Self-Service Validators must provide players with a method of checking their own tickets to see if they are winners. Player Self-Service Validators must read both Online and Scratch Tickets, including transitional tickets from the current vendor.

The Lottery anticipates placing one Player Self-Service Validator with each Retailer Terminal, but must be able to place multiple Ticket Checkers in some locations as required. Player Self-Service Validators must have a quick read rate, since players push their tickets through the units quickly. Vendors must describe their read rates.

Player Self-Service Validators must issue an audible beep when the unit has received the scan successfully. Player Self-Service Validators must display messages relating to the outcome of the Validation, as prescribed by the Lottery.

Alternative Sales Channels – In-Lane Sales – Desirable Feature:

The Vendor is invited to describe potential concepts or solutions, which may be suitable for Idaho, for in-lane sales or other distribution methods.

Player Activated Terminals/Full Service Vending Machines (FSVM) – Mandatory Feature:

The Vendor must propose player-activated Terminals to sell lottery products. Currently the Lottery has 68 MultiPurpose Player Activated Terminals locations which sell Draw, InstaPlay and TAP Scratch games. The Lottery also currently has 318 Full Service Vending Machines selling Draw, InstaPlay and Scratch games. The Vendor should propose solutions which will support these currently available vending devices.

These must include industry standard Retailer balancing and inventory reporting, cash box access alarms and reporting, for both general machine access and cash box access, inventory in and out reporting, VIP Club Card integration. All reporting available on Terminals and vending solutions must be retrievable by Lottery employees from Lottery headquarters.

The Lottery is interested in all available vending solutions to include those offering a dynamic touch screen and also mechanical 'button' type machine options.

Player Activated Terminals/Smaller Footprint Full Service Vending Machines (FSVM) – Desirable Feature:

The Lottery is interested in smaller footprint full service vending solutions for emerging or non-traditional locations where space is at a premium or unavailable.

Spare Terminals – Mandatory Feature:

The Vendor must supply all spare Terminals, peripherals, parts and other components needed to maintain an efficient, complete Lottery Gaming System at no cost to the Lottery. The Vendor must supply all Terminals, peripherals and communications to conduct Retailer training around the state. The Vendor must supply Terminals, peripherals and communications to support ten special event locations around the state at any one time.

Reports – Mandatory Feature:

Terminals must provide a robust series of reports for Retailers that meet all their needs. The Vendor must describe how it will meet this requirement.

Privileged Terminals – Mandatory Feature:

The Vendor must supply functionality on a minimum of 6 Terminals statewide, with the ability to validate winning tickets of at least $1 billion daily.

Management Terminals – Mandatory Feature:

The Vendor must provide all management functions defined in this RFP to the Lottery at the Lottery's own computer Terminals. This must include all game

management and back office management functions in a format compatible with Lottery standard Software applications.

<u>Retailer Extranet</u> – Mandatory Feature:

The Vendor shall propose an Extranet System, which must enable the Retailers to self-service their activities related to the Lottery. The Retailer Extranet website must be on a separate server from the Gaming System hosts and access from Retailers must be web-browser based, highly secured and access controlled (individual access, role based). The Gaming System must be protected by firewall or other approved means from the Retailer website server. The website must also be ADA compliant and compatible with the top five (5) web browsers on the last three released versions. New web browser releases should be accommodated as soon as possible.

The Vendor shall fully describe the proposed System and solution, including the related information available on the Extranet, the processes for keeping the information up-to-date, the Lottery interaction with it and how overall management of the site is foreseen. If any additional environments are necessary or can be used (e.g. the Content Management System), the Vendor may propose a fully integrated solution. The response must include but is not limited to:

- Personal home page
- Sales information
- Promotion/incentives
- General information/FAQ (Q&A)
- Manuals (Operations, Training, etc.)
- Invoices and reports
- Prize winner information
- Statistics
- Correspondence/communication with the Lottery
- Orders
- Returns
- Inquiry form with related forwarding into the CRM
- Game and Terminal information,
- Status of Service calls (e.g. expected time of technician arrival, etc.)
- “Where The Money Goes” contribution reporting

Training area for each user including tracking functions (e.g. videos, webinars, etc.)
Access for Corporate Accounts (e.g. any or all sites)

The proposed System must be automated with little to no manual intervention. The Vendor will provide a full time, dedicated Web Developer to support this initiative and a multitude of other initiatives which require web based interface between the Vendor and the Lottery. Vendors must describe assistance that may be rendered in

the utilization of the Idaho Lottery website (idaholottery.com) to provide information to current players as well as market to any potential new customers visiting the site. Idaho Lottery personnel manage and maintain the site, but the Vendor will be expected to contribute relevant information for posting, as well as necessary staff support including but not limited to content development (such as articles and new game pages), application development (such as visitor engagement games, Retailer resources, contest support, API coding), and site updates (such as winning numbers and jackpot verification), interaction between the Vendor and the VIP Club, including the accrual of VIP Club points. Other services required include: app development, website redesigns and microsite creation as requested by the Lottery.

Billboard Updating System – Mandatory Feature:

Billboards, distributed across the State, are currently updated using a Software application provided by Daktronics. The program uses IP addresses and updates the jackpot amounts, when sent by current Vendor staff. The billboards are leased through Lamar, YESCO and Meadow. The jackpot LED boxes are leased through Lytle signs and are manufactured by Daktronics. The Vendor is requested to propose a new, more convenient or even automated process and solution.

Retailer Jackpot signs – Desirable Feature:

The Lottery leases 530 Retailer Jackpot signs from its current gaming vendor. These are lighted, Carmanah, double jackpot signs showcasing Powerball and Mega Millions jackpots, updated wirelessly in each location. The Lottery requests pricing for a similar solution.

Other Equipment – Desirable Feature:

The Lottery may be asked by the state's Legislature to manage new games. If this occurs, the Lottery reserves the right to negotiate with the Vendor for new Equipment and/or Software. Any and all envisioned enhancements or Equipment as of yet unanticipated should be included in Pricing Portion of this document.

4.4 Communications Network – NETWORK DESIGN

The communication network must operate with highest efficiency and maintain the integrity of the Idaho Lottery. The design of the communication network as a multifaceted single entity is the goal. The Idaho Lottery expects the Vendor to be creative in its communication network design in order to allow for maximum flexibility, growth, throughput, and cost effectiveness. The Vendor will be wholly responsible for the cost of the communication network. The communication network must support (link) all computer sites (primary, backup, and Idaho Lottery headquarters), Retailer locations for data transmission. The proposed communication network must provide for redundant communication lines between

the data center, Retailer Terminals and the Lottery in the event of a disaster at the primary data site.

The Idaho Lottery requires the most advanced digital Communications Network possible. However, Vendors may propose creative solutions to the Idaho Lottery's network needs that Vendors feel are the most economically viable, and please indicate where these networks are operational. For any network proposed, discuss the advantages and disadvantages of such a network.

Vendor must take the appropriate security measures to prevent unauthorized access to any of the networks proposed. The Idaho Lottery will be kept aware of all activities and will be involved in the management of all networks.

Network Design General Information – Mandatory Feature:

The Vendor must ensure that the Vendor-supplied portion of the Communications Network is operational at all times. The network shall be considered non-operational if 5% or more of the Retailer Terminals are not communicating with the computer System due to a problem arising from the Vendor-supplied portion of the network.

The Vendor will provide, at its sole expense, the Communications Network and Equipment necessary to support the System. The Vendor should describe the advantages and disadvantages of any proposed network.

Network Design – Mandatory Feature:

The Vendor must accurately and comprehensively describe the design of its proposed Communications Network. The proposed Communications Network must include all technologies required to connect Equipment in the remote Retailer sites. The network must deliver all Retailer traffic to the PDC. When the BDC is the primary host, the communications network must deliver all Retailer traffic to the BDC. The Vendor will be responsible for connecting the PDC/BDC to the Lottery Headquarters facility for interface with the Lottery's real time ICS System. The Vendor will be responsible for the secure connection of management Terminals from the PDC/BDC to Lottery Headquarters.

The Lottery expects that only one Data Center will actively host the online gaming activities at a time. However, when the BDC is invoked, the network must permit the traffic to flow to the appropriate data center. The Vendor must provide the necessary Communications service between its data centers for coordination and recovery purposes.

Local Area Networks (LAN) – Mandatory Feature:

The Vendor's production, quality assurance and administrative LAN/WAN must be independent of each other.

Retailer Connectivity Installation – Mandatory Feature:

The Vendor must describe its proposed solution to Retailer connectivity and installation. Each Vendor is encouraged to propose a creative solution that meets the Lottery's objectives of efficiency and cost effectiveness. Each proposal must include a description of all proposed security measures. The Vendor must provide an example of where it has this solution currently deployed.

The Vendor should describe how it intends to connect to Retailers in challenging geographic areas, and how it proposes to support Retailers with challenging weather issues, to include large amounts of snowfall.

Retailer Connectivity Installation – Highly Desirable Feature:

The Lottery is interested in opportunities to provide dual communication solutions in a Retailer Terminal in high volume or geographically sensitive areas. The Vendor should describe what technology solutions are available in this area.

Fault Tolerance – Mandatory Feature:

The Vendor must describe its Fault Tolerance and System Redundancies Action Plan. The proposal must describe how the Vendor will conduct problem resolution on all issues identified by any Retailer or Lottery employee. It must describe the process for monitoring network components and Terminals and supplying information about failures within the network. The Vendor must provide an example of where it has this solution currently deployed.

Fault Notification – Mandatory Feature:

The proposed fault notification process must include notification within 20 minutes to the Lottery Help Desk and/or the published Lottery authorization list for fault related matters. The Vendor must provide an example of where it has this solution currently deployed.

Communication Encryption Requirements – Mandatory Feature:

The Vendor must describe its proposed solution to communications encryption. All data communications that are external to secured facilities must be encrypted with an encryption level of no less than 128bit Triple DES, AES or other comparable, approved encryption mechanism approved by the Lottery. This includes, but is not limited to, the communications between the PDC, the BDC, Terminals, vending solutions and the Lottery. The Lottery's Information Security must approve the Vendor's encryption mechanism. The Vendor must describe how it will meet the

proposed encryption standard, and provide an example of where it has this level of encryption currently deployed.

All applications and servers requiring authentication must support the ability to enforce complex passwords, minimum life of password, and maximum life of password and minimum iterations of passwords.

Communication Outage Handling – Mandatory Feature:

The Vendor must describe its solutions to communications outages. The Proposal must describe notification processes.

Protocol Requirements – Mandatory Feature:

The Vendor must describe its proposed solution to secure protocols.

Non-responding or Failing Terminals – Mandatory Feature:

The Vendor must describe its proposed solution to non-responding or failing Terminals. The Proposal must include, at a minimum, a description of triage and escalation processes and timeline.

Performance Management – Mandatory Feature:

Ongoing monitoring of the network components and Terminals give the Vendor information about performance and service outages with the network. The Lottery expects the Vendor to propose a proactive solution that initiates corrective action as soon as the Vendor detects an outage (rather than waiting to respond to a Retailer-initiated trouble ticket).

The proposed network performance management protocol must anticipate and provide solutions to Communications Network performance management issues including, activities to restore services, elimination of chronic failures, correction of network latency issues, second and third-level service solutions for networking issues, diagnostic tools needed for complex problems; and detection, isolation, prevention and correction of performance issues.

The Vendor must provide an example of where it has this protocol, or a comparable protocol, currently deployed. The Lottery requires a solution for monitoring the status of the Vendor's gaming System and Communications Network in real time via a remote monitor that will be located at Lottery Headquarters.
During the daily operational sales period, the Vendor's System must not be inoperable for more than five (5) minutes per day. Illustrations of this downtime are identified as, but not limited to, inability of tickets to be sold through a Terminal supported by the System, the online cashing function not being operable, the online

claim processing function not being operable; and/or the drawing process not being operational.

<u>Degraded Performance</u> – Mandatory Feature:

During the daily Operational Sales Period, the System shall be degraded for no more than five (5) minutes per day. Under this Contract, degraded performance occurs when five percent or more of Retailer Terminal-based requests are not processed within 10 seconds from request input, the System can perform some, but not all, online and instant functions (for example, the production of Retailer reports or the broadcast of Terminal messages), data is not recording on remote logging before ticket issuance or any System component (for example a front end processor) is down or operating below required response times, even though the rest of the System is working.

4.5 Software Applications and Files

<u>Online Game Support</u> - Mandatory Feature:

The Vendor may not modify any Software or Hardware, suppress any System functions or features, or use an old program test or test version as production Software without the Lottery's prior written consent. Vendors must describe, in detail, how they propose to meet the following mandatory requirements. That description must include an example of where the Vendor has its proposed solutions currently deployed.

The proposed online game control functions must be able to operate with third party Hardware, Software and games, support all current games and promotions, be timely upgradeable, including the ability to minimize time to market for new games or game changes and be able to Validate and claim winning Tickets or vouchers at least 180 days after Draw. Vendors must describe their proposed verification procedures for online Drawings.

In the event of a game termination or game change, the Lottery requires that advance plays and multiple Draw plays be gradually phased-out with a draw down or step down process. Vendors must describe how they propose to accomplish this requirement.

<u>Drawing Information and Controls</u> – Mandatory Feature:

At the time of Contract implementation the Lottery anticipates that it will be conducting Drawings as follows (times are reflected as Mountain Standard Time - MST. The northern portion of the state of Idaho operates in Pacific Standard Time – PST):

Sunday: Pick 3 2:00PM and 8:00PM

Monday: Pick 3 2:00PM and 8:00PM, Lucky for Life draw close 7:30PM

Tuesday: Pick 3 2:00PM and 8:00PM, Mega Millions 8:00PM

Wednesday: Powerball, Hot Lotto, Weekly Grand, Pick 3 2:00PM and 8:00PM

Thursday: Pick 3 2:00PM and 8:00PM, Lucky for Life draw close 7:30PM

Friday: Pick 3 2:00PM and 8:00PM, Mega Millions 8:00PM

Saturday: Powerball, Hot Lotto, Weekly Grand, Pick 3 2:00PM and 8:00PM

December 31 (typically): Raffle is typically drawn around this date (but other mini-raffles may take place at other times during the year)

The Vendor must support the current as well as future set of Lottery game offerings and provide flexibility for various game status changes – either automatically (e.g. game close) by manual intervention as determined by the Lottery. This may also include the suspension of sales and Validations (pays) for a game. All such changes must be fully and securely logged.

The System must maintain full integrity and control of all Transactions underway at game close time so that all Transactions before the game close time apply to the active drawing and all Transactions after the game close time shall apply to the following Drawing. After game close, the System must provide game related standard information (totals, sums, status, etc.).

It is important for the Lottery to minimize the time window between close of the games, Drawings and the ability to pay winning tickets. The System shall comply with the time window specifications established by the Lottery for each game.

Dual manual entry of drawn winning numbers, prize and jackpot amounts must be supported. All attempts, successful or not, must be logged. Unsuccessful attempts will require restarting from the beginning. Reports of entries made may be required as determined by the Lottery.

Prior to a Drawing, the System should provide all files necessary for ensuring integrity of the game and operation (e.g. pool files). The types of files and content may vary from game to game and will be determined by the Lottery during specification phase.

Again, the system must allow for a step-down feature on wagers placed for advance play on future Drawings for Online/Draw games. This will facilitate matrix changes, changes in the number of plays allowed in a week or help during transition.

<u>Drawing Procedures and Drawing Data Entry Requirements</u> – Mandatory Feature:

The Lottery requires automated game drawing processes for in-state Draw games and as allowed for specific Draw games.

The proposed System must, at a minimum support both manual and automated entry of Draw results, prevent the entry of Draw results if the wagering pool is still open, provide a method for the Lottery to verify that sales for the current Draw have been stopped before conducting the Draw, support a dual entry process when manually entering Draw results through independent log-ins and allow no interruption in wagering during the pool closure and Draw processes. Wagers processed after pool closure must be issued for the next Draw. The System must broadcast an audible and/or visual signal to the Terminals to alert Retailers and players that game pool has closed.

Software must conform to all current and future multiple jurisdiction gaming standards, rules and security requirements, MUSL Lockdown Alternative file creation, and those of any other association with which the Lottery may participate.

<u>Random Number Generator</u> – Mandatory Feature:

The Lottery requires that the Vendor provide a Random Number Generator solution for instate games. This Hardware and Software should be provided by the Vendor and incorporated into the CGS interface and secured with appropriate firewalls. The Lottery will be responsible for having the provided solution tested by an appropriate industry testing entity for randomness and to ensure no changes have been made to the operating System or other source files before it is put into production. This solution will require logging capabilities to monitor previous outcomes but will not be accessible in any way by the Vendor.

<u>Transaction and Ticket Protections</u> – Mandatory Feature:

The System must print all game tickets with a unique serial number and in a code that is readable by the Retailer Terminal. The serial number must uniquely identify each ticket.

Transactions on System files cannot be altered. The Proposal must describe the Vendor's methods and procedures to prevent unauthorized access or tampering with any part of the proposed System and to ensure overall integrity of the System and games. The Lottery reserves the right to review all System narratives, source program listings and operational procedures to ensure valid System integrity. The central System operating System must meet or exceed National Computer Security Council (NCSC) standards of C2.

The Vendor's Hardware and Software must be designed and operated in such a manner that there is no possible corruption of data or transaction integrity. The Vendor must describe the controls built into its System and operation that assure transaction and data integrity.

The Retailer online Terminal must generate a unique number, aside from the System-logged Transaction number, which can be used to link winning tickets to selling Terminals and confirm the authenticity of winning tickets. This "dual security" approach shall not create logging entries on the central System that could potentially be used to create fraudulent winning tickets. The "dual security" technique eliminates the necessity for Retailers to save sign-on slips. If the Vendor has a more secure methodology, the Lottery would like to be advised of options in the proposal.

Ticket Security Number – Mandatory Feature:

The Lottery requires a ticket security number or code feature to be built into the Terminal application. The Vendor shall describe its capabilities of integrating a security number concept within the Terminal Software to secure printed tickets independently from the central System.

The Retailer Terminal must generate a hashed number or code, 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 Vendor must provide any Hardware and Software necessary for the Lottery to decrypt dual security numbers. The methodology must avoid Retailers having to save sign-on slips or other materials and must preclude Vendor staff from decrypting the dual security number. The use of modern, accepted and secure encryption techniques is required. The Vendor must describe how the System eliminates the requirement to pick up ticket stock and sign-on slips from the Retailer.

Transaction Storage Redundancy – Mandatory Feature:

Every Transaction of the Terminals must be received and recorded on all proposed Systems before authorization to print a ticket.

Application / Gaming Software – Mandatory Feature:

The Vendor must support the current as well as future 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 Vendor must include all games and related features being offered by the Lottery at the time the new Online Lottery Gaming System is to be implemented. Throughout the term of

the Contract, the Vendor shall provide enhancements / improvements to games currently offered by the Lottery including Software development for add-on games developed by third-parties. The Vendor shall describe the offering as well as related processes to meet the following:

Gaming Software Security and Control Features and Functions – Mandatory Feature:

1. **Logging -** All game processing activities are to be securely recorded immediately on electronic media on multiple hosts. Such game processing activities at a minimum include sales, cancels, payouts, 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.

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

3. **System Auditing -** The System, including outages and recovery events, can be audited and checked for appropriate usage and freedom from error. There must be a strict relationship between tickets printed, tickets registered in the log files and ticket Transactions forwarded to the Lottery's Internal Control Systems (ICS) and Back Office Systems.

4. **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 Back up 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.

Other Security features shall include, but are not limited to, the following:

a. **Integrity -** The Transaction logging process must include periodic integrity checks (e.g. checkpoints with totals and amounts or similar) for all games and must be in compliance with multi-jurisdictional security standards that apply to the Lottery (e.g., MUSL rules).

b. **Real-time Transaction Transfers -** The Lottery requires a near real-time feed of the Transactions to the Lottery's Internal Control Systems (ICS) and Vendor provided Back Office Systems. A final audit file or similar must be available to the Lottery immediately after close of the System Draws and, if applicable, after the close of each day, Must provide Lockdown Alternative files to comply with MUSL requirements.

c. **Record Decryption -** The Contractor must provide the Lottery with any Software necessary to interpret or decrypt any proprietary or unique record formats.

d. **Unique Transaction Number -** The serial number assignment method used by the Vendor must account for the fact that Transactions may reside for extended periods in the System (if subscriptions were ever envisioned). It is required that the ticket serial numbers be unique over the term of the Contract and all extensions.

e. **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 Lottery reserves the right to review any and/or all System narratives, source program listings and operational procedures to ensure data and System integrity. The Proposal must provide evidence of the Vendor's methods and procedures to prevent tampering with Transactions.

f. **Transactions Delivery Assured -** All Transactions between systems must have assured delivery. Any Transactions not delivered must be processed as an error and reported.

g. **Tickets Not Duplicated -** Tickets must not be able to be duplicated on Terminal Equipment beyond any specified ticket reprinting functions.

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

i. **Retailer Spoofing -** 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.

j. **One-Time Payment -** A winning ticket must not be able to be cashed more than once.

k. **Software Integrity -** The Vendor shall ensure integrity of executable programs on the gaming host Systems, front-end processors, network Equipment, administrative Systems and Retailer Terminals and provide evidence of correct, unchanged Software versions for auditing purposes. This requirement applies also to the development and quality assurance Systems. Such evidence will be provided to the Lottery upon request. The Vendor must maintain control of Software distribution such that Systems and Terminals are not able, inadvertently, to run inappropriate versions of the Software.

l. **Transaction Storage Redundancy -** Every Transaction of the Terminals must be received and recorded on all proposed Systems before authorization to print a ticket.

m. **Game Monitoring -** Real-time monitoring of gaming Transaction traffic and System utilization must be provided. The Vendor must maintain these tools to

correspond with the latest System changes and with industry-available improvements. The Lottery shall receive immediate notification of abnormal System operations and their causes, such as Validation problems, communication difficulties and computer downtime through designated channels.

n. **Transaction Simulation -** A Transaction simulator program shall be supplied by the Vendor 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, including Scratch Ticket 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. The simulator may be used to test communications throughput and System failover.

o. **Secure On-Site and Off-Site Storage –** The Vendor 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 negotiated with 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 Vendor may be directed to restore a backup file to a test System to ensure viability.

p. **Dynamic Pools -** For all matrix-type games, the Vendor must maintain dynamic pools for the current Draw and dollar summaries for all plays for all future Draws on sale. The Vendor must also maintain dynamic pools for the current Draw and future Draws for the numbers-type games. The total dollars played by game by play type must be maintained for all future Draws. The current day's pools must include all current day's sales as well as advance day sales for that Draw. It is desirable that the Vendor be able to provide a pool file with one hundred percent (100%) integrity that can be used to determine the official number of winners.

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

r. **Ticket Stock Tracking and Security -** The Vendor shall provide, and describe in detail, a ticket stock tracking System that must be in compliance with multi-jurisdictional and Lottery security standards that apply to the Lottery (e.g., MUSL rules, Serial number). The Vendor must provide any Hardware and Software necessary to store, maintain, inquire of or interpret this information. There must be a backup for this capability at the remote backup data center. Any 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.

If the Vendor is able to provide alternative ways for managing ticket stock acceptable to multi-jurisdictional organizations, such option may be described.

s. **Error Condition Reporting -** The System must display and report any conditions that may indicate operational problems or attempts at fraud. This capability must include, but is not limited to, the ability to report a Terminal with anomalous and excessive Transactions (such as sales, cancels, Validations, and log-in attempts), attempted cashes of stolen tickets, unusual console log entries, unusual Transaction journal entries and systemic events such as no sales for a game scheduled to be operational. The Vendor must provide a record of these events to the Lottery. The System should have the capability of allowing the Lottery to set individual threshold limits for each anomalous condition. Reports will be delivered daily or as agreed to.

t. **Amber Alert -** As a specific requirement, the System shall support Amber Alert functionality.

u. **Security Logging** – The Idaho Lottery Security division requires the ability to monitor the actions of Administrators accessing all gaming Systems, QRADAR or similar Security Information and Event Management (SEIM) Software, ObserveIT monitoring Software, Real Time Logging (stored on an external device out of the control of the Vendor) and intrusion detection Systems on firewalls internal to the CGS network to ensure there are no access points except what is provided for required monitoring methods.

<u>Ticket Validation</u> – Mandatory Feature:

A. The System must support fixed prize payouts, multiplier features, pari-mutuel payouts, payouts which grow relative to sales, payouts which grow on a fixed schedule, payouts which grow based on a roll-down from a higher tier, annuitized prizes, merchandize prizes, free play prizes, raffles, and any combination thereof.

B. The System must support manual share adjustment for instances when prizes must be paid on a Pari-mutuel basis.

C. The System must support prize substitution to replace one prize with another, for example, when a game with free issues is closed, or for a “while supplies last” merchandise prize.

D. The System must, at a minimum, support traditional Draw-style games with multiple number/card/symbol pools, numbers-style games, and instant win Draw/Terminal games. Vendors should indicate any limitations to the number of pools available and discuss any additional game styles available.

E. The System must automatically expire un-cashed tickets 180 days after the draw

date and prevent Validation. The System must generate a Report of un-cashed tickets expired each day.

F. The System must track and prevent Validation of tagged tickets.

G. The System must support and track multi-board and multi-draw wagers as well as future half-year and yearlong subscription plays. The Lottery must be able to access Reports on all multi-board and multi-draw wagers and subscription plays. Subscription plays are not currently offered in Idaho, but should be available. Discuss any limitations to the number of boards that can be printed on one (1) ticket, or the number of advance plays supported. The Vendor should discuss the advantages of allowing more than five boards per ticket.

H. The System must support a modifier feature that adjusts payouts based on special conditions, which may or may not require an additional purchase (i.e., Power Play, Megaplier, etc.). The System must be able to Report modifier wagers separate from regular sales, as well as tie coupons and promotions to the modifier feature.

I. The System must support the automatic generation of a free replay ticket as a prize for the current Drawing at the time of Validation. The System must be able to Report these wagers separate from regular sales.

J. The System must conform to all current and future Multi-State Lottery Association standards, rules and security requirements, or those of any other association in which the Lottery may participate.

K. A winning ticket Validation Transaction must reference the original wager. A winning ticket cannot be cashed more than once. Replacement tickets must be printed for multiple Draw tickets that have had one or more Draws validated on the original ticket. The System must be able to validate all non-expired winning wagers from previous Vendor.

L. The System must provide a real-time ticket Validation capability (e.g., ticket information scanned or entered via a Retailer Terminal is immediately evaluated by the System, the ticket status is updated, and the results returned to the Terminal). All winning ticket information must be logged on the System and transferred to the Lottery ICS. The System must retain a historic record of the result of each Validation Transaction for the current Lottery fiscal year to date, plus the previous Lottery fiscal year. The System must be able to detect and display errors, as defined by the Lottery.

M. The Software must allow security staff to flag and un-flag an online ticket by serial number. If an attempt is made to validate any ticket that has been flagged, Lottery Security must be notified of the Validation attempt and payment must not be made. The System must prompt the Retailer to call Lottery Security.

Retailer Adjustments – Mandatory Feature:

System must allow Retailer adjustments to remain on historical invoices or statements for a minimum of 180 days. The System must meet the Ad Hoc reporting requirements of this RFP. The System must have a search process that would search for, at minimum, a Retailer's account by name, Retailer number, zip code, city or bill to number.

Database Information Storage Requirements – Mandatory Feature:

The Proposal must describe the proposed database information storage capabilities.

Database Reporting Capabilities – Mandatory Feature:

The Proposal must describe the Vendor's real-time Reporting capabilities. Reports must be available in real-time. All data must be extractable/exportable to such tools as Excel, Access, text format, etc.

The System must be able to provide a chronological Report of any or all Transactions by date, time, Transaction type, Retailer number, Transaction number and any other sort option as required by the Lottery. This Transaction Report must be available for a period of current year to date plus previous Lottery fiscal year beyond the Transaction date.

Database Reporting Tools – Mandatory Feature:

The Lottery requires three types of Reporting tools: Canned Reports, Ad Hoc Reports and High Level Executive Reporting. Canned Reports are reports that come bundled with the Vendor's Proposal as added value and at no extra cost to the Lottery. Ad Hoc Reports are those that allow non-technical end-users to create Web-based Reports quickly and easily without reliance on technical Report developers. Ad Hoc Reports allow end-users to select from preset business objects to create, manipulate and share reports agency-wide.

Canned Reporting: The Vendor must produce and deliver timely, sufficient, accurate and unaltered Reports, including data transmissions, within the timeframes and descriptions agreed to by both the Lottery and the Vendor. Should the Vendor not deliver a Report, or deliver a Report that the Lottery considers insufficient or inaccurate, the Lottery will immediately notify the Vendor and provide the Vendor the job name and the date and time the file should have been, or was, produced. The Vendor will have 2 hours in which to deliver a correct file to the Lottery.

Ad Hoc Reporting: The Vendor must deliver Ad Hoc Reporting capabilities to the Lottery. The Ad Hoc Reporting capability must allow non-technical users the ability to create web-based Reports quickly and easily without reliance on technical

Report developers. Ad Hoc Reports must have access to all gaming information. The Lottery will report problems encountered with the Ad Hoc Reporting System to the Vendor. The Vendor will have 2 hours in which to correct Reporting problems once reported.

The Vendor must describe its proposed base Reporting capability with both canned and Ad Hoc Reports. The Lottery wants maximum flexibility in utilizing the information that is contained on the Systems. The Lottery requires that the Vendor maintain a relational database modeled specifically for the Lottery containing data elements and relationships to be agreed upon by the Lottery and the Vendor. The data items must be made current, in as close to real-time as possible. The Vendor must describe its relational database architecture and its ability to meet the Lottery's requirement for flexibility in obtaining database information. The database information must include all information collected by the System.

High Level & Customized Executive "Dashboard" Reporting: This should be browser based and available on all mobile platforms, Smartphone and Tablets, etc.

Lottery System users must be able to, using the relational database architecture, develop, modify, save and schedule individual Reports. All information retrieved from the relational database architecture in user-developed Reports must be able to be indexed and sorted.

<u>Draw Games</u> – Mandatory Feature:

All Reports must comply with the requirements of Database Reporting Capabilities included in this document. Reports must, at a minimum, produce Retailer Reports regardless of the status of the Retailer, be viewable by the Retailer in the same format as at the Lottery Management Terminal, provide Ad Hoc Reporting available at Lottery Management Terminals and produce inquiry- to- Retailer information and financial history

<u>Back-up Procedures and Requirements</u> – Mandatory Feature:

Data must be retained by the Vendor to provide the ability to completely restore any day's gaming. The Lottery will require, at a minimum, the following data storage and retention schedule:

a) Backup of all online files and Reports: the current Lottery fiscal year to date and the prior Lottery fiscal year.
b) Backup of all Scratch Ticket product files and Reports: the current Lottery fiscal year to date and the prior Lottery fiscal year.
c) Full System backup (excluding two above items): 2 months.
d) Full daily backup of database information: 14 days.
e) Full weekly backup of databases information: the current Lottery fiscal year to date and the prior Lottery fiscal year.
f) System error log: 2 months.

g) Retailer Settlement data (combined Scratch Ticket and online game activity, which must be retained on the System and available to the Retailers): the current Lottery fiscal year to date and the prior Lottery fiscal year.
h) Retailer financial Transaction history: the current Lottery fiscal year to date and the prior Lottery fiscal year.

Software and Configuration Management – Mandatory Feature:

The Proposal must describe the Vendor's capability for maintaining and modifying Software once it becomes operational and for the development and support of future Software needs. The Proposal must include an appropriate discussion of System development methodologies, data administration and documentation methodologies, development tools and configuration management methodologies. Descriptions of the methods employed (i.e. forms, procedures, tools, etc.) for incorporating these methodologies into the development life cycle are requested for evaluation. The Lottery expects that the Vendor will provide comprehensive documentation of the methodologies such as required for ISO 9000 compliance, for evaluation by the Lottery.

Checksums are required for executable programs on the gaming Systems for auditing purposes. These figures must be printed at startup and shutdown every day, and at other times at the Lottery's discretion. Any checksums that are incorrect and do not match prior day's activities must be brought to the attention of the Lottery Security Division immediately. The Proposal must describe how this will be accomplished.

The Vendor must provide a procedure for changes to documentation, technical manuals, specifications, and program source and object code. Strict compliance with principles of configuration management is required. The Proposal must describe how this will be accomplished, including advising the Lottery of changes in advance to allow the Lottery to react, plan and test.

System elements must have version or release numbers, or model and serial numbers. The Vendor must describe how "Version Control" will be integrated into the overall proposed System. Only approved changes can be made. The Lottery must be notified of any recommended changes, and must approve any changes made to production Systems.

Access Security Requirements – Mandatory Feature:

The System must require complex passwords, periodic password changes and role based System access. Passwords may not be reused within a 12-month period. All applications and servers requiring authentication must support the ability to enforce complex passwords, minimum life of password, maximum life of password, and minimum iterations of passwords.

The System must provide the Lottery a tool to administer access control. This tool must be available by designated user access and must allow the Lottery to control access to the System for both Retailer, Vendor and Lottery staff. Vendor must describe in detail System access control tools.

The System must be able to define, enable or disable any Retailer Terminal or Terminal function. Actions taken toward Retailer management will be effective immediately and will create an audit trail of the changes made, the date of the change and the user who made the change to a Retailer Terminal, for a period of 365 days.

On the host System, the Lottery requires field-by-field GUI access control when applying application security for users.

The Vendor must describe its method for a secure remote access.

System Security Requirements – Mandatory Feature:

Data that is determined to be sensitive enough to warrant encryption while in storage will be encrypted using modern, accepted and secure encryption techniques. The Vendor will describe how it will meet this standard, and will provide an example of where it has this level of encryption currently deployed. Lottery staff will administer access control for the Management Terminals.

Management Terminal Capabilities – Mandatory Feature:

The Contractor must provide an interface, browser based preferred, for the Lottery to access the gaming System for all functions requiring access by the Lottery staff described throughout the RFP. This includes, but not limited to, promotions management, Drawing management, ad-hoc Reporting access, and On-line ticket security access and games management. The Vendor shall also provide the possibility to show tickets from the previous' vendor System.

The Lottery requires that Lottery staff have access to the Vendor's game management applications for performing and controlling functions such as licensing Retailers, configuring game settings, managing Retailer Terminals, performing Retailer accounting functions, sending messages to Retailer Terminals and tickets and accessing management and Retailer Reports.

The System shall provide a range of features and capabilities including, but not limited to, game control and monitoring, management Reporting, Retailer accounting support and adjustments, Retailer Terminal management and messaging. The Vendor must provide a detailed description of the user interface functionality and possibilities.

Broadcast Messaging – Mandatory Features:

The System must be able to send or exclude messages from management Terminals to all online Retailers, a specific Retailer, and any group of Retailers on a given circuit, in a county, zip code, business type, chain or sales level.

The System must be able to define any Retailer message as either immediate or deferrable. The Retailer will receive immediate messages before the next Transaction. For a deferrable message, the Terminal Retailer is notified to take a specified message within a certain time, but the Retailer can request the message when it is more suitable to customer traffic.

The Lottery requires the capability to broadcast to Retailer Terminals messages of up to 500 characters or 20 lines, whichever is greater. The Lottery requires that, at a minimum, the messages be storable by zip code, city, county, region, business code, chain, Terminal type, Lottery Sales Representative, telephone area code and telephone prefix.

4.6 Back-Office Management System – Mandatory Feature:

The Vendor will be required to provide the Lottery back office management System for all game administration. The Back Office must also include:

- Retailer Application Management and Licensing
- Retailer Customer Relationship Management
- Retailer Accounting / Adjustments / Files for State/Fed Reporting / EFT/ Interface to Third Party General Ledger Application
- Ticket Validation
- Payment of Prizes and Claims
- Creation of controlled Internal Validation Files to support Second Chance Claim Payment
- Game Replenishment/Auto Reorder
- Warehouse Operations with a robust Pick and Pack System
- Scratch Ticket Management System with Inventory Control
- Sales and Fiscal Reporting – Canned and Ad Hoc, High Level Customized information available on Smart phones and Tablets

Customer Relationship Management System (CRM) – Mandatory feature:

The Lottery requires a customer relationship management System and functionality that should be part of the proposed System. Changes and mutations in the System regarding customer and Retailer data must be logged automatically and on-demand visible for ~~the front and back office~~ all approved users. It is also important to keep track of ~~customer (by Lottery staff) and~~ Retailer contacts and ca

lls (by Vendor and Lottery staff) to evaluate frequency, purpose, problems etc. to be able to react adequately. Decision trees must be defined that cover the subject/reason of the contact.

The System shall also act as 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, Pinterest, Instagram followers
- Text promotions
- Mobile app users
- Idaho Lottery VIP Club members
- 2nd chance contest entries - which ones and how many
- E-mail subscriber
- Event attendees
- Subscription purchases – future
- Phone calls (logged by customer service reps)
- Proximity marketing/messaging alerts

As workflow management is essential for increasing service levels and customer loyalty, access to this type of information must be possible via a GUI interface for Lottery and Vendor staff and a comprehensive set of Reports must be made available to analyze the data collected. Also, this data should be accessible (with Business Intelligence tools) to be able at all times to extract the necessary information needed.

The Vendor shall describe their approach and offering for this System.

Sales Force Automation (SFA) – Mandatory feature:

As a subset of the CRM, the Lottery requires a sales force automation solution provided by the Vendor. The SFA System shall be fully integrated with other Systems where possible.

The Vendor must describe in detail its proposed solution.

In addition, the Lottery is interested in providing its Lottery Sales Representatives (LSRs) with an application suitable for operation on mobile Equipment (laptop, tablet, or similar), which provides them all relevant information for the Retailer at the time of the visit. This must be web-based, on high secure remote connectivity and include, but is not limited to, functionality such as full access to all Retailer data in real-time, including, but not limited to:

1. Application

2. Capability on a mobile device
3. Remote capabilities
4. Connectivity
5. Update capabilities (i.e. real time)
6. Sales data
7. Statistics
8. Data on promotion performance
9. Financial information
10. Various Reports
11. Complaints and issues
12. Call and contact history
13. Benchmark and performance information
14. Survey and forms capabilities with central saving and automatic analysis to reduce paperwork
15. Retailer master and inventory data
16. Planograms
17. Sales Representative / Retailer goal setting and tracking
18. Basic printing capabilities
19. Order Management – creating and managing Auto Reorder and Initial Allocation Parameters

The offered solution must be easy to maintain and adapt for creating changes as needed. The Vendor must also provide Software support and security services to ensure ongoing availability and security of the application and provide the Hardware required.

4.7 PullTab and TouchTab Program File Pass Through – Mandatory Feature:

The Lottery began selling PullTab Games in 1991. The Lottery currently has 5 (five) $0.25 games, 6 (six) $0.50 games and 10 (ten) $1.00 games on the market. PullTab sales for FY15 were $1,977,684 with an average payout of 70.84%.

TouchTab tickets consist of 3 (three) $0.25 games, 3 (three) $0.50 games, 9 (nine) $1.00 games and 7 (seven) $2.00 games. These electronic versions of their PullTab counterparts have an average payout of 80.68%, and had sales of $25,593,050 in fiscal year 2015. The Lottery currently has 249 licensed Retailers who sell PullTabs or TouchTabs. Of those, 150 age-controlled Retailers are selling TouchTabs, as by Lottery policy, this is the only location option for this product.

Retailers are billed on a weekly basis on the net cost (gross cost minus prizes and commission) by electronic full transfers. Full unopened PullTab game returns are allowed for credit.

This product line is currently managed by a full service contract with International Gamco, Omaha, Nebraska. International Gamco manages the following, 320 TouchTab machines, 160 TabBOXX dispensing machines and 9 two column

manual dispensers in Idaho. This contract is scheduled to terminate 6/30/2017 with two one year options to 6/30/2019. One of these one year options is expected to be requested at a forthcoming Commission Meeting.

The Lottery requires that Vendors agree to continue with the current simple daily file interface to facilitate billing of the PullTab and TouchTab product for International Gamco, until the end of the current Contract. Vendors are encouraged to recommend an improved solution or process during the Statement of Work negotiation phase.

4.8 Internal Control System

The Lottery runs an ICS System contractually provided by the Vendor. The ICS independently processes all daily sales, Validations, coupons for auditing, balancing and reporting all online game sales, and promotions. The current ICS utilizes Software and databases provided by Spectra Systems Corporation. Spectra's Integrity application runs on three Dell PowerEdge R320 Servers at the Lottery's primary location.

The Lottery processes all online gaming Transactions for each Drawing via a real time data feed to verify the number of prize winners for each prize level and to load winning ticket information to the Lottery's database for prize payment.

The Vendor and Lottery must agree on the recommended ICS supplier and all Software must exist and be running successfully in another location within North America. It must be compliant with all MUSL rules current and future.

ICS Hardware – Mandatory Feature:

Mandatory Hardware Requirements: Must provide four servers, one for development and test and the other three operating primary and secondary, with a tertiary server located away from the primary Lottery location. The contract for this will be held by the Lottery, with the funding required by the Vendor.

4.9 Games and Marketing

Current Games Support – Mandatory Feature:

The proposed System must be able to modify existing games, install additional games, remove existing games, and/or generate Reports associated with those games. Liquidated Damages may be assessed when the Vendor fails to perform one or more of these actions, including acceptance testing, within 60 days of Lottery authorization unless another time frame is authorized in writing by the Lottery.

It must support all Scratch and Draw games, including the following: Powerball PowerPlay, Mega Millions Megaplier, Weekly Grand, Hot Lotto Sizzler, Lucky for Life, Raffles, Pick 3 Sum it up!, InstaPlay and TAP Scratch.

Anticipated Games and Play Types – ~~Mandatory~~ Desirable Feature:

Although the Lottery currently does not participate in the following game functions, the Lottery needs to be prepared to activate any or all of these game styles throughout the life of the contract. Therefore, the following Mandatory functions must be available with the proposed System.

Social establishment and monitor based games, ~~Electronic Bingo~~, Mobile and web based Play for Free and Play for Fun games.

Additional Games and Play Types~~ – Mandatory Feature:~~Desirable Feature:

While these games are not anticipated to be authorized game styles and play types in the state of Idaho, the Vendor is required to include information and pricing regarding the following: Multi-draw Keno; Racing simulations, ~~Bingo,~~ Video Lottery Terminals, Daily Fantasy Sports or similar play, Interactive TV and Mobile devices, Electronically enhanced games (such as Internet Scratch). The purpose of this section and request is to understand your capabilities. These items will not be included in technical or pricing scoring.

The Proposal may propose System functionalities that are compatible with: Advance Deposit Wagering/Remote Account Management (player registration, subscription play); Wireless games (direct to mobile device); Direct to Terminal games (wireless purchase from cell phone to Terminal); Web based Interactive TV – based games; and/or Other networked single or multi-player game styles, and any other options contemplated and/or offered in the marketplace.

Game Development and Enhancements – Mandatory Feature:

The Vendor must provide new/revised games over the life of the Contract, including game research and design, at no cost to the Lottery, if such new/revised games are designed to improve the revenue or profitability of the Lottery.

The System must be able to accept frequent number cards or player loyalty cards at Retailer or self-service Terminals. It must be able to accrue VIP Club points for purchases, and be able to track individual purchasers' habits and profile players.

The System must be able to: Read coupons, give Retailers instant credit, and summarize those credits by type in accounting data; Cancel a trailing voucher when canceling the ticket that activated the voucher; Produce a Validation receipt upon request (at retail and player activated Terminals); Track Validation attempts in order to alert the Lottery and Vendor to attempts at fraudulent Validation; Produce

multi-ticket purchases (such as a promotional discounts or sampler items) on Terminals; Support built-in predictability for expenses and development costs (new games, existing game enhancement; and support multiple daily draw games, for example our mid-day Pick 3 draw.

Game Development and Enhancements – Desirable Feature:

The Lottery seeks the ability to customize the availability of our product mix. We seek the flexibility to test-market games, as well as to offer games to specific regions, trade styles, chain accounts or individual Retailers. ~~Examples: A game specifically created for a particular Retailer that can only be offered at that particular retail location; and/or the ability to test market a new Online/Draw game in the Boise market.~~ Vendors are encouraged to describe their recommended approach to this request.

Association-Based Games – Mandatory Feature:

The proposed System must be able to implement, maintain or offer existing and new association-based or multi state games (such as MUSL). Currently non-existent examples of this function include: Regional associations offering a "traditional," game (such as "Northwest Megabucks" with Oregon/Idaho/Canada); Regional or other associations offering a less traditional game (such as progressive Northwest Keno); and International Lottery Associations offering new or expanded games.

Additional Gaming and Non-gaming Capabilities – Mandatory Feature:

Subscription Play.

Additional Gaming and Non-Gaming – Desirable Feature:
The Vendor may propose a System that will interface with Retailer cash registers and accounting Systems.

Player Registration – Mandatory Feature:

Lottery-to-Player Capabilities, such as Database-driven features (VIP, Loyalty, stored value, tracking capabilities, subscription, smart phone proximity alerts, etc.)

Game Support - Mandatory Feature:

The proposed System must allow for: No limitations on the number of games available to players; No limitations on the price points of any game; No limitations on prize structures/levels of prizes; No limitations on prize types (e.g., merchandise); Acceptance of multiple orders/reorders for the same game from Scratch vendors; and Rapid (emergency) game de-activation.

Game Development – Mandatory Feature:

The System must be able to handle games and formats from multiple Scratch vendors and/or Game Developers.

Winner Validation – Mandatory Feature:

The System must offer: Remote ticket checking (player) via electronic/networked Systems (i.e., web, cell); Cross-redemption within state; and PIN Validation lockout; Support failsafe Validation technology and support PDF 417 barcode.

Game Identification – Mandatory Feature:

The System must: Support NASPL Bar Code standards; Incorporate UPC codes into the game identification process.

Marketing Plan Development and Support – Highly Desirable Features:

As part of the new Contract phase-in process the Lottery strongly desires advanced planning sessions with the Vendor, in order to coordinate the games and promotions that will take effect at new System Start up on October 1, 2017.

Test Marketing - Mandatory Feature:

Test Marketing includes the sale of specified games, products and features (such as couponing and discounting), through selected Retailers and/or in selected geographical areas, for the purpose of test marketing those games, products and features.

Promotion Capabilities Explanations – Mandatory Feature:

The Proposal must describe the Vendor's promotion support capabilities, with a short description or example of each capability. Items of special interest are: host System messaging on jackpots; Amber Alerts; winner Validations; and past winners from a particular Retailer.

List and fully describe the types of online Terminal promotions the Vendor has implemented in other lottery jurisdictions. If any of these promotions were designed with an unusually large scope or were implemented with multiple components, then the Proposal must include an explanation of the Vendor's abilities in these areas.

Explain the Vendor's ability to create coupons from Terminal based on "X" Validations of Scratch Tickets.

The Lottery currently offers the following Promotion types and the Vendor must be able to supply these at a minimum:

- Buy X, Get Y
- Nth Promotions
- WOW – Win or you Win
- Terminal based bundles/PowerPack – which sell multiple, assorted Draw games
- A Terminal FEATURE button which allows the initiation of a specified Promotion

The System must be able to validate Lottery sponsored coupons & promotional items and provide System generated barcode numbers to the Lottery so they can be printed or provide electronic coupons to players.

External Coupons – Mandatory Feature:

The Proposal must describe the Vendor's ability to support the Lottery's external couponing function. The Lottery may elect to use coupons produced by third party sources for sales promotions. (For example, a coupon may permit the bearer to obtain a product from the Retailer.) The coupons have the same Bar Code reading specifications as Scratch Tickets. The Vendor's application Software must permit the use of coupon promotions. As part of this capability, the System must read coupons with a unique Bar Code or serial number (i.e. on a Validation file).

System Generated Coupons – Mandatory Feature:

The Proposal must describe the Vendor's ability to support System generated coupons. The online Terminal and central System must be able to generate a coupon (with UPC code or product code) used as part of a cross promotion. The central System must produce summary Reports of such Transactions.

The Proposal must describe the Vendor's ability to redeem coupons via Bar Code that give Retailers instant credit to their account, without allowing the coupon to be redeemed again. The proposed System must also be able to record the specific budget to which that coupon is related. This information must be Reportable.

The proposed System must automatically credit Retailer accounts upon coupon redemption.

Fairs and Special Events – Mandatory Feature:

Ten Terminals that are capable of remote communications interface must be available for special events and fairs.

4.10 Marketing and Games Support Services – Mandatory Feature:

The Lottery requires that the Vendor play a significant role in its Marketing, Sales programs and related initiatives. Full and professional support in this regard

is critical to the Lottery.

For the life of the Contract, the Vendor will be responsible for providing marketing and sales support for all current and new Online/Draw games, retail network, as well as conducting research and making presentations and recommendations to the Lottery.

The Vendor must describe their process and offerings to meet or exceed the following requirements:

1. **"State of the Industry" Presentation:** The Vendor shall provide an annual review of the (global and US) industry as well as identifying new games, new technologies, sales trends and public policy developments relevant and pertinent to the Lottery.

2. **Executive Meeting:** The Vendor shall provide two (2) annual meeting at the Lottery with Senior Executives of the Vendor (e.g. one Marketing related, one Business related as requested by the Lottery) for top level information exchange and performance review.

3. **Marketing Strategy Meetings:** Quarterly strategy meetings shall be held with the Lottery for formulating the Lottery portfolio of games, game changes and promotions, social media activities and initiatives to be introduced in each fiscal year as well as monitoring and analyzing their success.

4. **On-Site Staff:** The Vendor shall offer and describe one (1) on-site Marketing professional staff for day-to-day support of the Lottery (including analysis, monitoring, product management & development, training, events support, etc.) and the related initiatives.

5. **Game Concept Design and Development:** The availability of new game products and product ideas is critical to the success of the Lottery. The Vendor shall collaborate with the Lottery to maximize revenues and provide an assortment of entertaining products.

a. The Vendor must have a continuous process for researching and developing new game concepts and products including conducting at least two (2) consumer research initiatives via either quantitative (internet surveys) and qualitative (focus groups) research.

b. As part of the Proposal, the Vendor must provide a brief analysis of the Lottery's current portfolio of products and promotions and propose changes, if any, for the next two fiscal years.

c. The Proposal must contain a description of the Vendor's game concept design and development R&D program.

6. **Promotional Planning:** Associated with the meetings and presentations above, the Vendor will be expected to propose product and promotional initiatives for consideration by the Lottery. ~~The Vendor shall describe its approach. In addition, the Proposal must contain current promotional concepts supported by the Vendor's System.~~ The Vendor must provide a Special Events Coordinator who will oversee the staffing of the Wooh! Crew and submit approved expenses for agreed upon and planned event attendance. The Lottery currently reimburses the Vendor for these employees and their expenses.

7. **Marketing Support:** The Vendor will be required to provide a minimum of $50,000 annually in promotional and/or marketing support. These funds may be used for mutually agreed upon expenditures including, but not limited to, promotional events, special marketing efforts, POS and other advertising efforts.

8. **Market Research:** The Vendor will be expected to provide specific market research activities, such as conducting focus group, interview or survey based research following Lottery directions. This may be in relation to general product information or for new product considerations. The Lottery expects to conduct three (3) such activities per year, which must be approved by the Lottery before execution.

9. **Sales and Annual Sales Meeting Support:** The Vendor will be expected to provide financial and staffing support for the Lottery Sales Team as well as participate in its Annual Meeting and/or Retailer Conference (if applicable). These meetings are designed to inform and align the sales team in relation to the Lottery's objectives, goals and initiatives for the year. The Vendor may be asked to attend these meetings to present and/or provide information to the group. If requested, the Vendor shall support the Lottery Retailer network and POS efforts (product placement, signage, advertising, etc.), and make recommendations for improvements, development or expansion.

10. **Training:** The Vendor shall provide Marketing training to Lottery staff. This may include on or off-site training, video based training, webinars, etc.

The Vendor shall describe the proposed approach in these activities and process to fully and professionally support the Lottery in its marketing activities.

4.11 Facilities

The Vendor must provide and operate a Primary Business Site (PBS), Primary Gaming Data Center (PDC) and a Backup Gaming Data Center (BDC). The data centers may be located in state or out of state, or a combination thereof, based on cost effectiveness to the Lottery. Regardless of the location selected for its data centers, the Vendor must provide a transport path between its primary and backup Gaming Data Centers and the Lottery Headquarters facility in Boise, Idaho, and

each Retailer site. The intent of this requirement is to assure survival of the System in the event of a major outage.

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

Security Requirements – Mandatory Feature:

The Lottery Security Director must approve the Physical Security Plan, as well as the Information Security Plan. This includes approval of the Security control system and door locks. Only persons authorized by the Lottery may access sensitive or confidential data, Software programs and System documentation, computer rooms, media storage, and any other area deemed by the Lottery to warrant such authorization.

The Vendor's facilities must be secured. Only authorized persons will be permitted to gain entry into the facility, and authorized persons must be restricted to authorized areas. Wherever the facility is located, the Lottery will designate access authorization.

The Proposal must include, at a minimum, the following access control requirements:

a) Facility entry and control points must be guarded by human or mechanical means.
b) All key card access doors must be self-closing and self-locking.
c) Recording-type closed circuit television must monitor all vulnerable and sensitive areas.
d) Sensitive areas must include, at a minimum, Host Systems and the communications Equipment/workstations used to access Host Systems.
e) All Vendor employees must receive, use and be easily recognized by a photo identification badge.
f) All visitors and messengers must be logged in and out of the facility, and all visitors must be escorted at all times while inside.
g) Access authority must be removed immediately upon any individual's change of assignment or termination.
h) The Vendor must give the Lottery a security System generated list of access level(s) for all individuals with access to the facility. The Vendor must promptly update this information when any changes occur.
i) The Vendor must maintain a current list and/or memorandum authorizing access to those Lottery employees or other State employees who are authorized to access the facility, along with each individual's facility access level(s).
j) At any time, personnel authorized by the Lottery may inspect any and all of the Vendor or Vendors' premises, to determine the degree of security and operational compliance with the requirements of this Contract. In addition, authorized Lottery personnel may also have access to interview any Vendor

or subcontractor employee or agent in conjunction with any audit, review or investigation deemed necessary by the Lottery.

Construction Requirements – Mandatory Feature:

The physical area must comply with all state and local building codes, laws and rules for facilities of its type. The Vendor must obtain proper permits and inspections. The Vendor will bear the sole cost of PDC facility design, construction, utilities and building services.

Where justified, the physical facility should be constructed in accordance with the standards specified in the current edition of National Fire Protection Association (NFPA) publication No. 75, "Protection of Information Technology Equipment."

The placement of computer room walls and windows must limit access by unauthorized individuals. The general structure of interior walls must be secure and are constructed from the floor to the true, not false, ceilings in the Primary Business Site (PBS) The PBS is a business office location where the primary functions are the "day to day" business activities, marketing and sales offices and customer training.

Primary Business Site (PBS) Specifications and Location – Mandatory Feature:

The Vendor must maintain and operate a business office in Ada County, Idaho. The Vendor will be solely responsible for any costs associated with that facility (this includes costs related to procurement, utilities, building services, design and construction). The physical facility must comply with all state and local building codes, laws, rules and regulations for facilities of its type. The Vendor must obtain proper facility permits and inspections.

Primary Data Center (PDC) – Mandatory Feature:

The PDC is a centralized storage and gaming Software distribution facility used to house the Lottery's gaming System. The Vendor that manages and maintains the Lottery's gaming System also maintains the PDC and is responsible for the facility, the Equipment within the facility and staff support.

The PDC must be geographically separated from the BDC. The PDC may not be located within the communications service boundaries of the BDC, and must be sufficiently distant from the BDC to minimize the possibility that a single anomaly could affect both the PDC and BDC.

PDC Site Specifications and Location: Mandatory Feature:

The Vendor must provide a transport path between each Data Center, the Lottery Headquarters facility in Boise, Idaho, and each Retailer site.

The PDC must be located at an approved site within the continental United States. The Vendor will be required to submit the following information to the Lottery, which must be approved by the Lottery: site design and layout specifications; site location address, owner(s) name, facility exterior photographs/drawings and a proposed floor plan. If the proposed facility houses multiple jurisdictions and releasing this information would constitute a security violation, these facility exterior photographs/drawings and proposed floor plans can be provided for review during site visits.

The PDC must maintain an adequate, independent backup power supply System. The PDC may be located in a consolidated data center, if adequate security and access controls exist and if the computer Systems are dedicated to the Lottery. The Proposal must include a detailed plan to meet the requirements of this section.

PDC Space and Layout – Mandatory Feature:

The PDC must include a storage area for confidential Equipment, documentation and information. Computer Equipment must be located in a secure, environmentally controlled facility, the computer facility must be located inconspicuously, with no references or direction signs and the general location of the computer room within the overall facility should be outside heavy traffic patterns.

PDC Environmental Requirements – Mandatory Feature:

The Proposal must describe how the environmental conditions within the computer room will be controlled.

Back-Up Data Center (BDC) Site Specifications & Location – Mandatory Feature:

The BDC is a real-time (hot) and functional duplicate of the PDC. It is geographically separate from the PDC, to prevent a disaster from affecting both centers at the same time.

The BDC must be located at a Lottery approved site within the continental United States. The site design and layout specifications must be approved by the Lottery. The Vendor must submit the location address, owner(s) name, facility exterior photographs/Drawings and a proposed floor plan. The BDC must maintain an adequate, independent backup power supply System. If the proposed facility houses multiple jurisdictions and releasing this information would constitute a security violation, these facility exterior photographs/drawings and proposed floor plans can be provided for review during site visits.

Failover to the BDC will be tested twice a year (or more, based upon Lottery or multi-jurisdictional game participation requirements) with a minimum of run time on the BDC of one accounting period. This time frame may be modified by the Lottery as specific needs require.

BDC Site Specifications and Location – Desirable Feature:

The BDC may be in a consolidated data center if adequate security is provided, access controls are in place and the computer Systems are dedicated to the Lottery. The Proposal must include a detailed plan describing how the Vendor plans to meet this requirement.

BDC Storage – Mandatory Feature:

The BDC must include proper storage areas for confidential Equipment, documentation and information. The BDC must comply with IT Security Guidelines which means the network computer Equipment must be located in a secure, environmentally controlled facility, the BDC must be inconspicuously located with no references or direction signs and the general location of the computer room within the overall facility should be outside heavy traffic patterns.

BDC Environmental Requirements – Mandatory Feature:

The Vendor must describe how the environmental conditions within the computer room will be controlled.

Maintenance and Repair Facility (MRF) Site Specifications & Location – Mandatory Feature:

The MRF is a facility located in proximity to best service Retailers who have lottery gaming Equipment to be repaired and an area to store spare lottery gaming Equipment and supplies. The Vendor must describe in detail how it proposes to meet this requirement

The MRF must be located at a Lottery approved site within the continental United States. The Vendor must submit the location address, owner(s) name, facility exterior photographs/Drawings of the facility and a proposed floor plan.

Basic Fire Protection for any Vendor Facility – Mandatory Feature:

The Vendor must continuously comply with jurisdictional fire codes. Where justified, the physical facility should be constructed in accordance with the standards specified in the current edition of National Fire Protection Association (NFPA) publication No. 75, “Protection of Electronic Computing/Data Processing Equipment”.

<u>Power and Power Backup Equipment</u> – Mandatory Feature:

Power and backup Equipment must comply with the following requirements at both the PDC and BDC. Both facilities must have an audible/visual alarm System for notification, all power and power backup Equipment must be tested at least semi-annually, both facilities must comply with building and fire codes and all power and power backup Equipment must comply with building and fire codes.

<u>Testing Facility</u> – Mandatory Feature:

The Testing Facility is to be used for Customer Acceptance Testing. Acceptance Testing is the process by which the Lottery verifies that the delivered System or System components meet all of the Contract requirements, meet the Lottery's standards for quality, and are thus acceptable for deployment into the Lottery environment.

A test laboratory must be available to Lottery personnel for initial and continuing acceptance testing of Software and or Hardware. Optimally, this facility will be located within the Lottery facility.

As operational configurations, processes or devices change or upgrade, the testing and development Systems must mirror those changes. If the testing and development System is not located in Idaho State, the Vendor will be responsible for travel expenses associated with Lottery staff required to work from that facility.

The Vendor will be solely responsible for the procurement of the Testing Facility. The physical area must comply with all state and local building codes, laws and rules for facilities of its type. The Vendor must obtain proper permits and inspections. The Vendor will be solely responsible for the costs of Testing Facility design and construction. The Vendor will be solely responsible for Testing Facility utilities and building services expenses. The Testing Facility must be large enough to conduct testing in a comfortable, user-friendly environment. The Vendor will be responsible for supplying all Equipment required for testing. This includes Equipment, Hardware and/or Software. The Software must be flexible and configurable, whereby at any time during the designated testing period that testers can roll back to any point within the testing period.

The testing facility must include 5 (five) retail sales Terminals, and also include one of each type of vending Hardware and/or Terminal. The test environment must also include one privileged Terminal.

4.12 Security Plan

<u>Building Doors and Locks</u> – Mandatory Feature:

All key access doors must be self-closing and self-locking. The Vendor is responsible for ensuring that adequate protective measures are implemented for all IT computing resources. The purpose of the physical security component of the IT security program is to reduce the risk of data compromise due to physical break-ins or unauthorized access to server resources. Proposals must include descriptions of the following physical security plan components:

a) The proposed physical security attributes for computer or Communications rooms;
b) The proposed facility access control;
c) The proposed data storage and Communications controls;
d) The proposed off-site media storage;
e) The proposed method of mobile/remote computing security control;
f) The proposed data storage devices.

User Access – Mandatory Feature:

The Lottery Security Director must approve the user access list. All access approvals must pass a Lottery background check before implementation. The Vendor must give the Lottery a complete list of the Vendor's staff and access level(s), and must update that information when any changes occur. All the Vendor's computer facilities must be secured. Only authorized persons designated by the Lottery are permitted to gain entry into the facility. Authorized persons must be restricted to authorized areas. All visitors and messengers must be logged in and out of the facility, and all visitors shall be escorted at all times while inside.

Access to the computer operations facility must be limited to authorized personnel.

The Vendor must use positive identification using pass, key lock, badge System, cipher lock, or other controls for employees, suppliers, and visitors to access the computer room. The Vendor must establish a control System to ensure identification of the individuals having possession of the keys, cards, and badges at any given time. The Vendor must frequently review the list of assigned key cards or access rights and determine that all persons on the list are still authorized employees. The Vendor must use logs or special badges for visitors to the computer room. The Vendor must control the computer room access of maintenance and other personnel.
When an employee is terminated, the Vendor must immediately cancel that employee's access rights.

Only persons authorized by the Lottery may access sensitive or confidential data, Software programs and System documentation, computer rooms, and media libraries and vaults. Vendor must install and maintain Physical Intrusion Detection Devices at all entrances/exists at their facilities. Devices must be operational 24 hours a day. The Vendor must describe how it proposes to meet this requirement.

The Vendor must install and maintain CCTV for security purposes in all critical areas including exit/entrances, computer rooms, and secure facilities. The Vendor must describe how it plans to meet this requirement.

Data Security Plan – Post-Award Vendor Requirements – Mandatory Feature:

The Vendor must submit a detailed Data Security Plan to the Lottery for approval no later than June 30, 2017. At a minimum, the Security Plan must describe how the Vendor will comply with the Information Technology Security Standards, Information Technology Security Guidelines and Information Technology Security Policy.

The Vendor must also describe how it will keep the security plan up-to-date and in conformance with future versions of these documents. The Data Security Plan must follow Lottery-approved documentation standards and be available in hard copy and data format. At any time, personnel authorized by the Lottery may inspect any and all of the Vendor's or Vendors' premises to determine the degree of security and operational compliance with the requirements of this Contract. In addition, authorized Lottery personnel may also have access to interview any Vendor or subcontractor employee or authorized agent in conjunction with any audit, review or investigation deemed necessary by the Lottery.

Additional Data Security Plan Requirements – Mandatory Feature:

Shared user accounts will not be permitted. The Vendor must describe how it proposes to meet this requirement. All applications and servers requiring authentication must support the ability to enforce complex passwords, minimum life of password, maximum life of password and minimum iterations of passwords. When an employee is terminated the Vendor must immediately notify the Lottery to cancel that employee's access rights.

The Vendor must develop, document and implement a security program component that is appropriate for the level of sensitivity/confidentiality of the information being processed. The purpose of the data security component of the IT security program is to reduce the risk associated with the compromise or destruction of vendor-controlled data. Content should include rules for the storage and dissemination of data shared with other organizations. The proposed data security program component must include Vendor Security Policy Statements, Software version control and its currency, access control techniques, data entry processes, processing accuracy, distribution of output Reports and introduction or release of data, data and program back-up, controls to prevent unauthorized use or removal of any and all media, data encryption standards for storage and secure management, processing audit trails, application testing, System access violations, intrusion detection notification and response procedures, virus prevention, detection and removal; and appropriate disposal of hardcopy data which may contain sensitive

information or information which may allow compromise of information Systems security.

<u>Problem Notification/Incident Reporting</u> – Mandatory Feature:

The Vendor must notify Lottery security personnel, both verbally and in writing, of any security incidents or breaches within one hour of the incident.

4.13 Support Staffing and Services

<u>Implementation/Conversion Support</u> – Mandatory Feature:
The Vendor must provide one Project Manager to coordinate conversion implementation. This individual must be the primary point of contact between the Vendor and the Lottery on conversion matters.

The Vendor must describe the title and responsibilities for all positions it proposes to fill to ensure that conversion requirements are timely met. The Proposal must include an organizational chart showing these positions.

The Vendor must provide resumes for the personnel who it anticipates will fill the key contract management positions. The Vendor must bring in extra staff, if needed, to meet the timelines identified in the Final Implementation Plan.

<u>Ongoing Operations Staff</u> – Mandatory Feature:

The Vendor must provide one Account Manager located at the Lottery's primary business site in Boise, Idaho. This individual must be the primary point of contact between the Vendor and the Lottery on contract and operational matters.

The Vendor must have a minimum of two computer operators at all times at the PDC. The Vendor must have a minimum of one computer operator at all times at the BDC. It is not mandatory that both be dedicated solely to the Lottery.
The Vendor must describe the title and responsibilities for all positions it plans to fill to ensure that the requirements of this contract are met. The Proposal must include an organizational chart showing these positions or position categories, and the number of staff to be allocated to each position or position category.

The Vendor must provide one dedicated Marketing Manager and a full time Web Developer, dedicated solely to the Idaho Lottery.

<u>Retailer Terminal Maintenance</u> – Mandatory Feature:

The Vendor must perform preventative maintenance visits for Retailer Terminals at least once every 90 days. The Lottery and the Vendor may negotiate for longer periods if the Vendor demonstrates Equipment reliability. The Lottery may require shorter preventative maintenance periods if the level of performance deteriorates

appreciably. The Vendor must propose performance measures and values they feel are appropriate for this purpose. The Vendor must maintain the appearance of supplied Equipment as close to original condition as possible.

The Vendor's field staff must have a professional appearance and be easily identified as Vendor staff. The Vendor must describe its proposed initial staffing levels and coverage areas. The Lottery may mandate staffing level and/or coverage area adjustments based on performance measures. The Vendor must propose performance measures and values that it feels are appropriate for this purpose.

The Vendor must continuously monitor Terminals operability and immediately take proactive steps to promptly return inoperable Terminals to a working state.
The Lottery may request or require the Vendor to "swap out" Terminals to resolve issues with Retailers. The Vendor must describe how it will perform Terminal repairs outside the Retailer location.
Retailer Terminal Maintenance Response Times – Mandatory Feature:

A Retailer Terminal is defined to be non-operational if it cannot issue Draw or Terminal based tickets (this includes Terminals that have no ticket stock), validate tickets or vend all types of Tickets or perform ticket functions to include Ticket creation either manually or via a Playslip. This includes Terminals that are non-operational Terminals due to Hardware or Software failure at the primary data center or secondary data center.

For non-operational Terminal calls, the Vendor must arrive at the Retailer's location and commence repair of the Terminal within two hours of Vendor receipt of malfunction notice.

The Vendor must describe its proposed Retailer service operating hours. Currently, repairs are required between 7 a.m. to 7 p.m. Monday through Saturday and from 12 noon to 5 p.m. on Sunday each week.

Any determination of Terminal inoperability is subject to verification by the Lottery.
For "operable" calls, the Vendor must describe its proposed procedures and response times. The Vendor must provide functionality for the Lottery to clearly determine and audit the downtime of all Equipment (all Terminal types and all FSVMs).

Retailer Equipment Part Supply – Mandatory Feature:

The Vendor must supply, at no cost to the Lottery, all spare parts necessary for the efficient operation of Equipment. The Vendor must store supplies and spare parts strategically throughout the state, for the most efficient operation and to minimize retailer down time. The Vendor must describe how it proposes to meet this requirement.

<u>Non-Retailer Terminal Equipment Maintenance</u> – Mandatory Feature:

The Vendor must propose its procedures and response times for maintaining and repairing non-retailer Terminal Equipment. The Vendor must maintain the appearance of supplied Equipment looking and performing as close to new as possible. The Lottery and the Vendor will discuss how to determine when supplied Equipment starts looking and performing poorly and needs to be replaced. The Lottery will make the final determination on specific supplied Equipment.
The Vendor may "swap out" (or may be required to "swap out") Equipment to resolve issues with retailers.

<u>Hotline Location</u> – Mandatory Feature:

The Vendor must identify the physical location of its proposed call center. The center must be located within the continental United States. The Vendor must describe the location from which it proposes to support the Lottery's hotline requirements if the primary call center becomes, for any reason, inoperable.

<u>Hotline Call Tracking</u> – Mandatory Feature:

The Vendor's System must capture all information related to retailer service calls, dispatches and resolutions. *Ad Hoc* call center Reports must conform to the Ad Hoc requirements of this RFP. These Reports must include, at a minimum, the date and time of the original call, the identification of the retailer and operator, the general nature of the Retailer's call, the date and time of dispatch, the date and time of problem resolution, what the technician found upon inspection, Retailer, technician and/or operator comments and whether the service call went into penalty status with Liquidated Damages applying.

<u>Hotline Call Tracking</u> – Highly Desirable Feature: The Vendor is invited to provide information at Lottery workstations to allow monitoring of call center, dispatch, and resolution information.

<u>Hotline Call Management Staffing</u> – Mandatory Feature:

The Vendor must propose call center staffing levels and positions to ensure adequate hotline coverage 24 hours per day so that stolen tickets are reported and Validation is prevented. The Vendor must have at least one Spanish-speaking hotline operator available at all times. The Vendor must designate a staff member as the call center's liaison with the Lottery. The Lottery reserves the right to mandate staffing level changes based on Vendor performance. The Vendor must propose the performance measures and values it thinks are appropriate for providing the most efficient, professional face for the Lottery.

<u>Hotline Call Management System</u> – Mandatory Feature:

The Hotline must be one toll-free number, with sufficient lines to ensure that more than 99% of callers get through without hearing a busy signal. The Vendor must provide *Ad Hoc* Reports upon Lottery request. Those Reports must conform to the *Ad Hoc* requirements of this RFP. The Vendor must allow the Lottery to actively participate in the development and revision of the information resources developed to help Hotline operators to handle calls.

The Vendor must make a follow-up call to any Retailer after an initial service request remains unfulfilled for more than two hours beyond the expected response time. The Vendor must make an additional follow-up call daily, so long as the Retailer's initial service request remains unfulfilled. The Vendor must describe the procedure that its staff will use on follow-up phone calls.

The Vendor must describe how it proposes to support the Lottery's hotline requirements if the primary call center becomes, at any time, inoperable. The Vendor must provide Hotline operator access to information about the status of communication lines. The Vendor must describe its proposed Hotline Quality Assurance and Training Program. The Vendor must bear the costs for up to two Lottery staff to visit the Vendor's call center once a year for user meetings.

Hotline Call Recording – Mandatory Feature:

The Vendor must record all incoming Hotline calls. The Vendor must maintain recorded calls for at least 60 days. The Vendor must make recorded calls available to the Lottery within 24 hours of request.

Supply Warehousing and Delivery

Supply Delivery – Mandatory Feature:

The Vendor must describe how it proposes to record, track, fulfill, and Report on requested, delivered and used supplies. The Vendor must describe the delivery method(s) it proposes to use to deliver supplies to Retailers. That method must reflect that the Vendor has taken the Retailers' needs into account. The Vendor must propose response times within which it will deliver supplies in response to Retailer requests. Emergency delivery of ticket stock due to an outage must receive the same priority as a "down" service call.

Supply Delivery – Highly Desirable Feature:

The Vendor may propose to track Retailer supplies through the online System. This method may allow for updates to a Retailer's recorded inventory during on-site visits. These updates could be coordinated with each Retailer's sales and estimated usage rate on supplies to gauge an estimated time when the Retailer would run low on supplies.

Warehouse Requirements and Locations – **Mandatory Feature**:

The Vendor must propose how it will order, ship, store in inventory and retrieve supplies for delivery to Retailers.

Supply Requirements and Specifications – **Mandatory Feature**:

The Vendor must provide, at no cost to the Lottery, all supplies needed for the smooth and effective operation of the network of Equipment. This includes supplies that are not specified in this RFP. The Vendor must provide, at no cost to the Lottery, ticket stock and play slips. Ticket stock must be top-coated thermal paper. The Lottery retains the right to approve, in advance, such factors as the paper thickness, print, colors, and format to be used on ticket stock and play slips. If requested by the Lottery, the Vendor must pick up and destroy existing ticket stock and play slips.

Ticket stock must contain anti-counterfeiting properties as approved by the Lottery. The Vendor must describe the properties it recommends for the Lottery's ticket stock. Ticket stock must contain pre-printed sequential serial numbers on the back of the stock, to ensure that a minimum of one number will appear on each Report or ticket. When the Lottery contacts the Vendor with an individual ticket number, the Vendor must be able to track the number to a single Retailer and Report the name, location, Retailer number and date of delivery for the Retailer to whom the ticket stock was delivered. The Vendor must Report this information back to the Lottery within 15 minutes. The Vendor must describe its proposed security over ticket stock.

Training

Retailer Training Location – **Mandatory Feature**:

The Vendor must describe its anticipated training locations around the state. It must take into consideration the needs of Retailers. The Vendor must provide training at a Retailer's location, if necessary. The Vendor must describe what facilities it anticipates using to train Retailers on a large scale during implementation of new lottery products or operations. The Vendor will bear all training costs.

Training Program – **Mandatory Feature**:

The Vendor must propose staffing levels and coverage responsibilities for trainers. The Lottery may mandate staffing level changes based on performance measures. The Vendor must propose performance measures and values that it feels are appropriate for this purpose. The Lottery has the right of final approval for all training provided by the Vendor. The Lottery reserves the right to train Retailers on

financial matters. The Vendor must train new Retailers within 10 working days of the Lottery's request.

The Vendor must propose how it plans to perform follow-up training with Retailers who have difficulties remembering the initial training, describe how it proposes to assist the Lottery's corporate Retailers with "train-the-trainer" programs, provide all refresher training requested, provide daily Reports to the Lottery on scheduled and completed training and make *Ad Hoc* training Reports available to the Lottery on request.

The Vendor may propose multi-media, interactive methods of training without a live trainer present (where a short test is given at the end of individual sections and individuals are scored as they complete each section). Individuals should be able to stop at any point and pick up the training again at a later point. Vendors should address their proposed method of revising and distributing said training.

The Vendor should describe ongoing Retailer or clerk training via mobile, web and Terminal based training.

Lottery Staff Training – **Mandatory Feature**:

The Vendor must provide training for Lottery staff prior to conversion, or other major revision to the Lottery's games or operations. Training must include all functions related to Drawing, and prize liability. The Vendor must provide training for new Lottery staff and follow-up training to Lottery staff upon request.

Terminal Training Security – **Mandatory Feature**:

Terminals must have a training mode. Tickets produced in training mode shall be clearly identified as being void and not valid.

Training Materials – **Mandatory Feature**:

The Vendor must provide Retailers with Quick Reference Cards for Retailers describing the most frequently asked questions and solutions. The Vendor must update training materials with each major Lottery change in games or operations and distribute them to Retailers before the effective date of the change. The Vendor may also suggest other, more effective ways to provide quick reference information to Retailers.

User Documentation – **Mandatory Feature**:

The Vendor must provide user documentation of its System, including all back office functions. The user documentation should be in an electronic format approved by the Lottery. The Lottery will post this documentation on its internal network. The Vendor must update its documentation with each Software change.

The update should be provided to the Lottery in an electronic format approved by the Lottery prior to Customer Acceptance Testing. The Vendor must supply web-based operations manuals for all trainees.

Software Control and Testing

Software Control Policies and Procedures – Mandatory Feature:

The Vendor must propose, for Lottery acceptance, its recommended policies and procedures for Software control.

Software Control Tools – Mandatory Feature:

The Vendor must describe its proposed Software control tools.

Software Control Methodologies – Mandatory Feature:

The Vendor must describe its proposed Software control methodologies.

Software Testing Methodology – Mandatory Feature:

The Vendor must describe its proposed Software testing methodology.

User Acceptance Testing – Mandatory Feature:

The Lottery will be solely responsible for determining the “pass” or “fail” status of each acceptance test and test component. Before installation of any Vendor-initiated new program or change to an existing program, the Lottery reserves the right to conduct thorough acceptance testing. During testing, the Vendor must ensure that all accounting, management Reporting and Retailer support functions operate accurately and reliably before implementation. All Software installations, including Terminal applications and central site applications, must be approved in writing by the Lottery Director before installation.

The Vendor must have a System dedicated to acceptance testing. The acceptance testing System must operate independent of the production System and must duplicate the production environment. The Lottery assumes all overall responsibility for the development and execution of the test scripts, but requires that the Vendor’s dedicated staff, with knowledge of the Software being tested, assist the Lottery in identifying effective testing strategies.

The Vendor must ensure that the acceptance testing System is available and configured to meet the Lottery's test plan, and that adequate operational resources are available to conduct and evaluate each acceptance test.

When the Vendor is ready to deliver the product, the Lottery will judge whether the product is acceptable according to previously agreed upon criteria. The Vendor and the Lottery may agree to a method for handling problems identified through acceptance testing.

Before acceptance testing, the Vendor must assist the Lottery in identifying time schedules, evaluation procedures, Software/Hardware environments, resources required and acceptance criteria. The Vendor must perform extensive self-testing, de-bugging and quality assurance on all Software before submitting it to the Lottery for acceptance testing. All Software submitted to the Lottery for acceptance testing must be fully operational and principally ready for production use. The Lottery reserves the right to reject any Software that is not in acceptance testing condition.

During acceptance testing, if requested by the Lottery, the Vendor must provide on-site personnel capable of modifying the central operating System and all support Systems. The on-site personnel must be assigned to the Lottery on a full-time basis during acceptance testing, and must be experienced with the specific Hardware and Software that is being tested. Any changes applied to the Software in the acceptance-testing environment must also be applied to the Software in the development environment.

The Vendor must successfully meet the Lottery's acceptance test requirements no later than one week before the scheduled installation of any new Software or System enhancements. The Lottery may require the Vendor to re-run any acceptance tests as a condition of a System change, and/or to verify the fulfillment of any requirement or test result. The Vendor may request the re-run of any test to show that it has corrected any failure to meet a requirement. All tests must be recorded on audit and data base files.

If the Vendor's proposed System design entails connectivity between the Vendor's production System and the Lottery's network and/or production System, the Proposal must include a design of such connectivity between the Vendor's customer acceptance testing System and the Lottery's development System. This is to ensure that any required connectivity can be tested during the customer acceptance testing.

The Vendor must not put acceptance-testing files in its production environment. The Vendor must conduct thorough acceptance testing of any third party providers' Equipment, including connectivity.

Installation of Retailer Equipment – **Mandatory Feature**:

The Vendor must install supplied Equipment within 5 working days of the Lottery's request. Special circumstances with chain stores may occasionally require a faster time period. The Vendor must schedule installations to be as convenient and non-disruptive to the Retailer as possible. The Vendor must describe its proposed methodology to accomplish this goal.

The Vendor must provide the Lottery with daily Reports on scheduled and completed installations to the Lottery. The Vendor must provide the Lottery with *Ad Hoc* installation information Reports.

The Vendor must coordinate with the Lottery and Retailers all in-store Terminal moves. This service will be at no cost to the Retailer or the Lottery.

Point of Sale/Signage Services - Mandatory Feature:

The Vendor may offer delivery, installation and removal services for Lottery merchandising material and signage. Services may require technical and/or mechanical skills. The Lottery would expect a turnaround time from request-to-performance of 10 working days.

4.14 Implementation
Conversion Strategy – Mandatory Feature:

The Vendor must describe its recommended implementation conversion strategies. For each strategy proposed, the Vendor must explain the advantages and disadvantages of the strategy and provide an example of where it has used the strategy.

The gaming System and components must be delivered and operational by October 1, 2017. Failure to meet this date will result in Liquidated Damages. To the greatest extent possible, conversion must be implemented while maintaining existing sales, minimizing disruption to our Retailers' business, minimizing disruption to our players' purchases, maximizing time spent with Lottery staff defining details and maximizing time spent on user review sessions before final implementation.

Implementation Plan – Mandatory Feature:

The Proposal must include a summary overview and an implementation plan for the entire proposed project. The intent of this requirement is to provide the Lottery with a concise but functional summary (the "Executive Summary") of each phase of the proposed plan, in order of progression. While the Lottery expects a Vendor to provide full details in response to each substantive section of this RFP, the Executive Summary will provide a "map" for the Lottery to use in reviewing the proposal. Each area summarized must be listed in chronological order, beginning with the date of Contract execution, to provide a clear indication of the flow and duration of the project.

The Proposal must include a comprehensive implementation plan to ensure a smooth start-up of the procured System and online Lottery games. Lottery operations must not be delayed during this process. The proposed implementation

plan must describe, at a minimum, the portions of the proposal that apply back office Systems, data center setups, including Retailer support (Hotline) Equipment, computer Hardware and Software installations telecommunication network activities, delivery and installation of Retailer Equipment, Software development (including business rules), testing (including test script development) and simulation, development of Reporting, staffing requirements and commitments, Retailer and Lottery training, project Reporting and monitoring, lottery responsibilities (other than Software acceptance testing activities) and a detailed timeline, beginning with the Contract execution date.

The Vendor must make its best good faith efforts to cooperate with all parties playing any active role in implementation conversion. The Lottery and the Vendor will negotiate the final implementation plan after the Contract has been awarded.

For the purposes of developing timelines, the Vendor must bear in mind that the Lottery requires 40 working days for Software acceptance testing and 40 working days for data conversion testing. The Lottery will work with the Vendor to develop a final timeline for Software delivery, acceptance testing, data conversion testing, dual vendor file sharing/data conversion and the delivery of user documentation. All Systems, Hardware, Software, Equipment, games, field staff, management staff and all other necessary requirements must be successfully tested by both the Vendor and the Lottery and in place selling and validating tickets on October 1, 2017. The Vendor's failure to meet this starting date will result in the assessment of Liquidated Damages and/or Drawing upon the Vendor's bond or insurance.

Once the Vendor resolves all exceptions noted during testing, the Software and/or Hardware must be made available for Lottery acceptance testing. The Vendor must provide the Lottery with a copy of its test script and all test results (interim and final). The test System must mirror the production System. Any differences between the test System and the production System must be approved in writing by the Lottery.

The Vendor must resolve any exceptions noted during the Lottery's testing within the timeframe set forth in the final implementation plan. The Lottery will make the pass/fail decision for each test. The Vendor must provide sufficient staff to fix any problems found during the Lottery's acceptance testing. Failure to complete all quality assurance testing and resolve exceptions noted within the timeline of the final implementation plan will result in the assessment of Liquidated Damages.

Acceptance testing must include, at a minimum, overall functionality, System recovery tests, high volume tests, System response time, data conversion, electronic file transmission, Scratch Ticket inventory functionality, confirmation of accurate accounting and Reporting of all Transactions over a minimum of two billing cycles and written documentation of expected results, actual test results, and status of each exception.

The Vendor must describe how it proposes to handle prize redemption of online tickets produced by the current online System. The Vendor must provide operational support during the Lottery's acceptance testing. The Vendor must provide simulators for processing Transaction volumes through the System.

If it is necessary for Lottery staff to travel to the Vendor's location for testing or user reviews, the Vendor will bear all related travel and per diem costs.

The Vendor and the Lottery must have weekly implementation reviews. The Vendor must prepare weekly Reports for the Lottery on the progress made toward the goals and deadlines stated in the Final Implementation Plan. These Reports must be shared electronically with the Lottery in a mutually agreeable format.

The Software used by the Vendor to support Idaho's Lottery must be of a high level of quality. In particular, the Lottery requires that the startup Software accurately meets the Lottery's business requirements, and that future changes to the Software are accomplished in a timely manner while accurately meeting those business requirements.

The Lottery will require the Vendor to demonstrate its understanding of the Lottery's business requirements and processes before Software applications for the System are written or modified. Also, beforehand, the Lottery staff must be given the opportunity to thoroughly understand and agree to the functionality of the planned Software applications. This goal applies to the development of the initial (startup) Software applications as well as to subsequent Software releases.

To achieve this goal the Vendor must include, in its proposed methodology for a Systems Development Life Cycle, both a Business Requirements Definition phase and a Software Requirements Definition phase. These phases should be conducted prior to Software programming.

The Lottery has documented its business processes in writing. The documentation includes the Retailer business processes related to the sale of Lottery products. This documentation will be available to the Vendor upon Contract execution.

<u>Business Requirements Definition</u> — Mandatory Feature:

During the first 30 days after signing the Contract, a team of Vendor business analysts must thoroughly familiarize themselves with the documentation of the Lottery's business processes, including the Retailer business processes related to the sale of Lottery products. The team must observe the business processes and meet with end users as needed.

At the conclusion of the 30-day period the Vendor must deliver to the Lottery a separate Business Requirements Specification (Business Requirements) document for each major functional area. The purpose of the Business Requirements

documents is for the Vendor to demonstrate its understanding of the Lottery's business requirements. The Lottery will review and approve these documents within 14 days of receipt. The documents must address each business process currently performed by the Lottery, and the Retailers' business processes related to the sale of Lottery products. The documents must identify any modifications to current processes. At a minimum, the Vendor must produce a separate Business Requirements document for online games, including Drawings, Scratch Games, system administration, Internal Control System (ICS), promotions and play slips.

Software Requirements Definition – Mandatory Feature:

Upon receiving the Lottery-approved BRS documents, the Vendor must develop corresponding Software Requirements Specification (SRS) documents. The Vendor must deliver these documents to the Lottery for approval no later than 45 days after receipt.

The purpose of the SRS documents is to specify the functionality of the Software applications that will be provided by the Vendor at startup in support of the Lottery's business processes and the Retailer business processes related to the sale of Lottery products. The startup Software must function as described in the SRS documents. For each specification in the SRS documents the Vendor must indicate if the functionality exists in the Vendor's base System. If it does not exist, or if modifications to the base System functionality are required, the Vendor must provide an estimate of the time it will take to develop the new functionality or modify the existing functionality. For each specification the Vendor must identify how the Lottery may test the functionality in acceptance testing. Optionally, the Vendor may also identify how its own staff may test the functionality.

Lottery approval is required for any subsequent changes to SRS documents. The Lottery may identify changes during Software development and acceptance testing.

PART 5 – PRICING

5.1 Introduction

This section describes the manner in which Vendors must submit pricing for the Lottery's consideration. Vendors shall provide price quotes for all goods and services to be furnished under the Proposal. The objective of the Price Proposal is to document in a uniform format the cost of the features included in the Technical Proposal.

Components of the Lottery's expenditures are continuously appropriated based on sales. These include: Gaming Vendor Fees, Scratch Ticket Printing, Retailer Commissions and Prizes. Additionally, Advertising and Marketing expenses are continuously appropriated.

The Lottery suggests Vendors consider proposing an 'all in' base cost percentage which would include the replacement of all current Equipment. Beyond that, Vendors may offer pricing per piece of Equipment.

The Lottery will consider a variety of pricing options, but to insure comparability between Vendors Pricing Proposals must comply with the following requirements:

1) The Pricing Proposal shall cover the initial ten-year term of the term of the Contract and the subsequent five option years, with the understanding that the Contract, if extended, will be upon the same terms and conditions as the initial Contract.

2) The pricing proposal should be based on a percentage-of-sales for all mandatory features, plus pricing listed separately for all other options.

3) The Lottery will pay the successful Vendor weekly over the term of the Contract based upon the Vendor's invoice. A weekly invoice may include weekly fees, a monthly or annual fee, as well as any one-time fees or costs. Accordingly, the price proposal should identify all costs as fixed (F) with the amount or percentage, or No Cost (N/C). The invoicing period must be shown as either Weekly (W) Monthly (M), Annual (A) One-time (O) or Special (S).

4) A Price Proposal Worksheet (Appendix F~~G~~ – *Example of Price Proposal Worksheet*) must be completed for each of the fifteen years encompassing the initial Contract and option years. For purposes estimating sales for each year please refer to Appendix A- *Actual and Projected Sales by Product* and use the corresponding contract year to fiscal year estimate:

Year 1	FY-2018
Year 2	FY-2019
Year 3	FY-2020

Year 4	FY-2021
Year 5	FY-2022
Year 6	FY-2023
Year 7	FY-2024
Year 8	FY-2025
Year 9	FY-2026
Year 10	FY-2027
Year 11	FY-2028
Year 12	FY-2029
Year 13	FY-2030
Year 14	FY-2031
Year 15	FY-2032

Please note that the sales projections are merely estimates.

5) Pricing in the Pricing Proposal should also be broken down into the following: Base System Price, Highly Desirable Price, and Desirable Price. The totals by category should be summarized.

5.2 Price Proposal Requirements

Vendors must submit their proposed pricing in a separate sealed envelope, which must accompany their entire proposal package. The proposed pricing must include a System, Equipment and services that at a minimum meet all of the terms and conditions, technical specifications, quantities and other mandatory requirements of this RFP.

Price proposals must include all items and/or features required by this RFP and proposed by the Vendor, unless the Vendor specifically states that an item or feature is offered as a separately priced option.

Vendors are required to propose pricing for mandatory features. Vendors are encouraged to propose pricing for highly desirable and desirable items as described in Section 1.26 of this Request for Proposal.

5.3 Letter of Transmittal

The price proposal must include a submittal letter signed by an individual authorized to obligate the Vendor to the prices quoted. Those prices must be valid for at least 180 days from the proposal submission date.

5.4 Pricing of Options

Any options the Vendor wishes to include as part of the base System should be clearly marked by the Vendor as No Additional Cost (N/C) options included in the base.

Options that are separately priced must be clearly noted in the technical proposal, and their corresponding prices must be listed as separate line items in the pricing proposal. The Lottery will only score price quotes submitted for highly desirable and desirable features which are included in the base price. Any options that are included in a Vendor's proposal and are not priced will be considered a No-Cost (N/C) item and part of the base system.

In determining the pricing for additional equipment, a separate price shall be provided for each Equipment type (if the pricing is different).

PART 6 – PROPOSAL EVALUATION

6.1 Introduction

The Evaluation Committee will evaluate all responsive Proposals. The goal of the Evaluation Team is to select the Proposal that offers the best value in terms of price, performance, features and functionalities. The Evaluation Committee will evaluate each Proposal that is properly submitted and will make a Contract award recommendation to the Director.

All Proposals will be initially reviewed by the RFP Coordinator for completeness and compliance with the administrative requirements and instructions specified in this RFP. All responsive Proposals will advance to the Evaluation Committee for evaluation and scoring.

Proposals that fail to provide specific information to adequately describe a Vendor's proposed solution to any Mandatory Feature described in this RFP may be deemed non-responsive and may be rejected.

Vendors must be as specific as possible in describing the operational details of their Proposals. Proposals must be submitted as complete, stand-alone documents that require no additional detail or explanation in order to be effectively evaluated.

Vendors are forewarned that a Proposal that meets requirements with the lowest price might not be selected if, in the Lottery's judgment, a higher-priced Proposal offers greater overall value to the Lottery. The closer Proposals are in general merit, the more important price becomes as a factor in the final Contract award decision.

6.2 Evaluation Committee

The Lottery will conduct a comprehensive and impartial evaluation of all responsive bids. That evaluation will be conducted by an Evaluation Committee of qualified personnel selected by the Lottery. The Evaluation Committee will evaluate each Proposal that is properly submitted and will make recommendations to the Director, who will take those recommendations to the Idaho Lottery Commission. The Idaho Lottery Commission will make the final decision regarding selection of the Apparent Successful Vendor.

6.3 Information from Other Sources

The Lottery and the Evaluation Committee reserve the right to obtain information concerning a Vendor, which the Lottery or the Evaluation Committee deems pertinent to the RFP, and to consider such information in the Proposal evaluation.

6.4 Clarification Process

Vendors with questions about this RFP are encouraged to submit them during the Question and Answer phase described in the Procurement Schedule, Section 1.4.

6.5 Demonstrations and Site Visits

The Lottery may require a Vendor to demonstrate its proposed System, including Retailer Terminals and communications technologies. A Vendor's Demonstration must show the Vendor's general ability to meet the requirements of the RFP.

Demonstrations must include a simulation of the proposed Equipment, and may consist of a simulation of other components of the proposed System.

A Vendor must not modify, alter, or revise its Proposal in its demonstration.

A Vendor must not include any cost information in the demonstration.

Any attempt by a Vendor to modify, alter, or revise its Proposal or the mention of cost information during the demonstration may result in the disqualification of the Vendor's Proposal.

The site of the demonstration(s) should be selected by the Lottery and will be scheduled by the Issuing Office.

6.6 Evaluation Steps

The Proposal evaluation process and Contract award will consist of the following steps.

- Phase 1: Pre-Qualification, including Vendor background and capability
- Phase 2: Proposal Submission Requirements Review
- Phase 3: Technical Proposal Evaluation Phase 3/Step 1: Preliminary Review by Individual Team Members
- Phase 3/Step 2: Committee Review and Assignment of Rating
- Phase 3/Step 3: Demonstrations, if necessary
- Phase 3/Step 4: Site Visits, if necessary
- Phase 3/Step 5: Evaluation of Vendor Background
- Phase 3/Step 6: Confirmation or Modification of Initial Technical Rating including development of Proposal clarification questions for vendors as defined in Section Proposal Clarification Process of the RFP
- Phase 4: Price Proposal Evaluation
- Phase 5: Best Proposal Evaluation

- Phase 5/Step 1: Overall Proposal Evaluation
- Phase 5/Step 2: Re-Evaluation of Proposals
- Phase 5/Step 3: Determine the Best Proposals
- Phase 6: Final Decision on Contract Award Recommendation
- Notification of Successful Vendor and Contract Award

6.7 Scoring of Technical Proposals (or Evaluation Categories)

The Technical Proposals are weighted at 67% of the overall evaluation score for each Proposal. Phase 1 includes an evaluation of the Mandatory Features and Highly Desirable and Desirable Features described in each Proposal.
Each responsive Proposal will be evaluated and scored in Phase 1. The Lottery anticipates that technically responsive Proposals will advance to Phase 2 (Cost Proposal Evaluations). For purposes of evaluation and scoring, the components of each Management/Technical Proposal will be weighted as follows:

a) The proposed Mandatory Features of the Management/Technical Proposal must be addressed and will be a condition of responsiveness.
b) The evaluation of each Management/Technical Proposal will include a review and scoring of the following factors:

1) Proposed Mandatory Features;
2) Proposed Highly Desirable Features;
3) Proposed Desirable Features;
4) Proposed approach/methodology to meet the needs stated in the RFP;
5) Experience and capability, including products and services, timelines of performance, cost control and creation of new efficiencies, business relations, damage assessments, commitment to customer satisfaction, increasing revenues through new games or R&D, improving business process, risk assessment and start-up/conversion/transition experience;
6) Gaming System plan and Internal Control System;
7) Security plan;
8) Gaming operations plan;
9) Proposed implementation schedule;
10) Vendor's team structure and internal controls;
11) Qualifications and experience of proposed staff;
12) References and;
13) Proposed technical solution.

6.8 Scoring of Options

All Specified and/or Invited Options included in the base price will be included in the Technical Score.

To make the evaluation tractable, the Evaluation Committee will score only Mandatory items included in the base price. Highly Desirable, ~~and~~ Desirable ~~options~~ and Invited Options price quotes are only necessary for the Lottery to complete a comprehensive analysis of the bidders' capabilities. ~~included in the base price in the RFP~~.

Invited or Offered Options that are additionally priced – designated as such in the Technical Proposal and in the Price Proposal will not be scored or included in the Price Proposal evaluation ~~or~~ but may be considered during Contract negotiation or later.

6.9 Evaluation and Scoring of Price Proposals

The Price Proposals are weighted at 33% of the overall evaluation score for each Proposal.

Only Proposals that adequately address the Mandatory Features of this RFP will advance to a Price Proposal evaluation. ~~All p~~ Prices ~~must~~can be stated as a percentage of Net Sales or as a blend of fixed pricing and a percentage of Net Sales. Estimated proposed prices or price ranges are not acceptable. A Vendor's pricing must be based on the specifications described in its Proposal. The Evaluation Team will rely on the specifications in each Proposal as it evaluates that area of the RFP.

Proposed prices will be considered the Vendor's best and final offer. To promote flexibility and creativity, Vendors may propose different cost percentages for different time periods during the initial Contract term. The evaluation process is designed to identify the Proposal that best meets or exceeds the RFP requirements.

6.10 Demonstrations and Site Visits

In the final phase of the evaluation process, the Lottery may schedule Vendor-specific site visits and demonstrations. If scheduled by the Lottery, Vendors will be required to participate in a site visit/demonstration. The purpose of the site visit and demonstration is to give the Lottery an opportunity to observe a demonstration of the proposed Systems, and to compare the Vendor's demonstrated performance with its written Management/Technical Proposal. Further the site visit and demonstration will be used to complete the overall Proposal evaluation.

Information obtained by the Evaluation Committee members during any site visit or demonstration may be used in making its Contract award recommendation.

Any Vendor's site visit/demonstration may have the effect of raising or lowering the initial Phase 1 score that was based on an evaluation of the Management/Technical Proposal. Vendors are hereby notified that representations made by their representatives during the site visits and demonstrations will be

incorporated in their entirety into their overall Proposal and subsequent Lottery evaluation process.

Demonstrations will be conducted in private, and the Evaluation Committee will hold demonstration content in confidence throughout the contract procurement process.
The Lottery will schedule a time for any demonstration/site visits. Demonstrations must not exceed 6 hours. A Vendor's demonstration must include the key staff that would be assigned to the Lottery account if that Vendor was awarded the Contract. A Vendor's failure to promptly comply and cooperate with a request for demonstration and/or site visit could result in its Proposal being rejected and eliminated from further consideration.

6.11 Evaluation Committee Recommendation

The Evaluation Committee will rank each of the Proposals based on the agreed scoring method for the Vendor's Technical and Price Proposals.

The Evaluation Committee Recommendation will be the Vendor whose Proposal achieved the most points.

In the event of a tie score between Proposals, the Lottery Director and the Idaho State Lottery Commission will use discretion as to how and which of the Vendors will be selected.

6.12 Recommendation

The Evaluation Committee will review the evaluation materials and develop a recommendation for assigning scores to each Proposal based on the "Maximum Allowable Points" assigned to each RFP Part. The Evaluation Committee will then develop a Report for the Director. That Report will include a ranked listing of the finalist and a comparative analysis of the finalists' strengths and weaknesses. It will also include a recommendation for final Proposal scoring based on the "Maximum Allowable Points".

The Evaluation Committee will forward the Vendor with the highest score, along with its recommendation, to the Director. The Director will determine whether or not to accept the Evaluation Committee's recommendation and whether to take that recommendation to the Commission. The Commission will make the final decision on choosing the Apparent Successful Vendor.

The Director will announce the Apparent Successful Vendor. Vendor notification will be made via phone call and follow up e-mail. Following announcement of the Apparent Successful Vendor, formal Contract negotiations will begin. The Apparent Successful Vendor and the Lottery will negotiate and execute a Contract containing such terms and conditions as shall be satisfactory to, and/or required by,

the Lottery, including, but not limited to, terms and conditions set forth in Part 3 of this RFP.

6.14 Post Award Procedure

This protest procedure constitutes the sole administrative remedy available to Vendors under this procurement. An unsuccessful Vendor is allowed five business days after receiving written notification of the Lottery's determination of the Lottery Gaming System RFP to file a protest of the acquisition with the RFP Coordinator. Protests may be submitted by FAX, but must be followed by the original document.
Vendors protesting this procurement must follow the procedures described below. Protests that do not follow these procedures shall not be considered:

1. All protests must be in writing and signed by the protesting party or an authorized agent.

2. The protest must state the grounds for the protest with specific facts and complete statements of the action(s) being protested. A description of the relief or corrective action being requested must also be included.

3. All protests must be addressed to the RFP Coordinator.

4. Only protests stipulating an issue of fact concerning the following subjects shall be considered:
   - A matter of bias, discrimination or conflict of interest on the part of the evaluator;
   - Errors in the evaluation process; and/or
   - Non-compliance with procedures described in the procurement document or Lottery policy.

5. Protests that are not based on procedural matters will not be considered. Protests will be rejected as without merit if they address issues such as an evaluator's professional judgment on the quality of a bid or the Lottery's assessment of its own or other agencies needs or requirements.

6. Upon receipt of a protest the Lottery will conduct a protest review. The Director will consider the record and all available facts and issue a recommended decision to the Commission within five (5) business days of receipt of the protest. If additional time is required, the protesting party will be notified of the delay. The Commission will review the Director's recommendation in light of the record and available facts and take appropriate final action on the protest within five (5) business days after receipt of the Director's recommendation.

7. In the event a protest may affect the interest of another Vendor, that Vendor may be given an opportunity to submit its views and any relevant information on the protest, to the Director.

8. The final determination of the protest shall:

- Find the protest lacking in merit and uphold the Lottery's decision;
- Find only technical or harmless errors in the Lottery's procurement process, determine the Lottery to be in substantial compliance and reject the protest; or
- Find merit in the protest and provide the Lottery options, which may include: correction of any errors and re-evaluation of all bids; re-issuance of a new solicitation document and procurement process; or other findings and corrective actions, as appropriate.

If the protest is determined to lack merit, it will enter into a Contract with the Apparent Successful Vendor. If the protest is determined to have merit, the Lottery will exercise one of the alternatives described above.

Appendix A:

Amended – 8/15/2016

Actual and Projected Sales by Product

ACTUAL AND PROJECTED SALES BY PRODUCT - amended 8/15/16

	FY-2015	FY-2016	FY-2017	FY-2018	FY-2019	FY-2020	FY-2021	FY-2022	FY-2023
Draw Ticket Sales:									
Powerball	$29,330,831	$42,632,859	$31,000,000	$31,000,000	$31,000,000	$31,000,000	$31,000,000	$31,000,000	$31,000,000
Mega Millions	11,295,562	10,390,885	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Idaho Pick 3	2,068,502	2,175,855	2,500,000	2,600,000	2,700,000	2,800,000	2,900,000	3,000,000	3,100,000
Hot Lotto	3,146,396	2,319,204	3,050,000	3,150,000	3,200,000	3,250,000	3,500,000	3,750,000	4,000,000
Weekly Grand	2,398,758	2,148,250	2,500,000	2,600,000	2,700,000	2,800,000	2,900,000	3,000,000	3,100,000
Lucky For Life	1,900,540	3,662,388	3,600,000	3,700,000	3,800,000	3,900,000	4,000,000	4,100,000	4,200,000
WildCard	1,669,886	992,239	-	-	-	-	-	-	-
Idaho Bingo	490,915	-	-	-	-	-	-	-	-
Raffle	2,500,000	2,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Total Draw Ticket Sales	54,801,390	66,821,680	57,150,000	57,550,000	57,900,000	58,250,000	58,800,000	59,350,000	59,900,000
Scratch Ticket Sales:									
Scratch™ ticket sales	126,793,184	128,974,402	132,700,000	135,700,000	138,800,000	141,900,000	145,100,000	148,360,000	152,070,000
InstaPlay	2,735,542	6,784,896	6,700,000	6,900,000	7,100,000	7,300,000	7,500,000	7,700,000	7,900,000
Terminal based scratch ticket sales	293,898	281,432	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total Scratch Ticket Sales	129,822,624	136,040,730	139,900,000	143,100,000	146,400,000	149,700,000	153,100,000	156,560,000	160,470,000
PullTab ticket sales:									
TouchTab ticket sales	23,593,050	31,373,150	32,000,000	33,000,000	34,000,000	35,000,000	36,000,000	37,000,000	38,000,000
PullTab ticket sales	1,977,684	1,844,068	1,850,000	1,940,000	2,040,000	2,140,000	2,240,000	2,340,000	2,440,000
Total PullTab Ticket Sales	25,570,734	33,217,218	33,850,000	34,940,000	36,040,000	37,140,000	38,240,000	39,340,000	40,440,000
Total Sales	210,194,748	236,079,628	230,900,000	235,590,000	240,340,000	245,090,000	250,140,000	255,250,000	260,810,000

	FY-2024	FY-2025	FY-2026	FY-2027	FY-2028	FY-2029	FY-2030	FY-2031	FY-2032
Draw Ticket Sales:									
Powerball	$31,000,000	$31,000,000	$31,000,000	$31,000,000	$31,000,000	$31,000,000	$31,000,000	$31,000,000	$31,000,000
Mega Millions	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000
Idaho Pick 3	3,200,000	3,300,000	3,400,000	3,500,000	3,600,000	3,700,000	3,800,000	3,900,000	4,000,000
Hot Lotto	4,250,000	4,500,000	4,750,000	5,000,000	5,250,000	5,500,000	5,750,000	5,750,000	5,800,000
Weekly Grand	3,200,000	3,300,000	3,400,000	3,500,000	3,600,000	3,700,000	3,800,000	3,900,000	4,000,000
Lucky For Life	4,300,000	4,400,000	4,500,000	4,600,000	4,700,000	4,800,000	4,900,000	5,000,000	5,100,000
WildCard	-	-	-	-	-	-	-	-	-
Idaho Bingo	-	-	-	-	-	-	-	-	-
Raffle	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Total Draw Ticket Sales	60,450,000	61,000,000	61,550,000	62,100,000	62,650,000	63,200,000	63,750,000	64,050,000	64,400,000
Scratch Ticket Sales:									
Scratch™ ticket sales	155,870,000	159,770,000	163,760,000	167,850,000	172,050,000	176,350,000	180,750,000	185,300,000	189,950,000
InstaPlay	8,100,000	8,300,000	8,500,000	8,700,000	8,900,000	9,100,000	9,300,000	9,500,000	9,700,000
Terminal based scratch ticket sales	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total Scratch Ticket Sales	164,470,000	168,570,000	172,760,000	177,050,000	181,450,000	185,950,000	190,550,000	195,300,000	200,150,000
PullTab Ticket sales:									
TouchTab ticket sales	39,000,000	40,000,000	41,000,000	42,000,000	43,000,000	44,000,000	45,000,000	46,000,000	47,000,000
PullTab ticket sales	2,540,000	2,640,000	2,740,000	2,840,000	2,940,000	3,040,000	3,140,000	3,240,000	3,340,000
Total PullTab Ticket Sales	41,540,000	# 42,640,000	43,740,000	44,840,000	45,940,000	47,040,000	48,140,000	49,240,000	50,340,000
Total Sales	266,460,000	272,210,000	278,050,000	283,990,000	290,040,000	296,190,000	302,440,000	308,590,000	314,890,000

Appendix B:

Current Contract Fees

IDAHO LOTTERY
INTRALOT INVOICE HISTORY

Year	Sales	Sales TouchTabs	Check A Ticket	Order Pad SFA	Ambassadors (Pass Through)	Winstation Lease	Multipurpose Terminals Lease	Jackpot Signs Lease	Order Pad License Fee Amortization Expense	Other Costs/Adj	Total Invoices	Total % of Sales	Total Percentage of Sales
2007	963,467.67		570.24	22,224.00	2,064.98				8,268.00		996,594.89	48,659,983	2.05%
2008	2,740,725.85		26,166.46	43,060.04	19,395.30				24,714.29	-63,176.00	2,790,885.94	136,845,188	2.04%
2009	2,758,315.50		42,551.04	49,152.00	22,992.66				24,714.29	-57,300.00	2,840,425.49	139,649,181	2.03%
2010	2,899,566.50		43,916.05	45,058.00	27,769.79	326,510.31			24,714.29	27,094.51	3,394,629.45	147,234,076	2.31%
2011	2,871,238.40	39,273.75	55,930.04	41,592.00	13,549.74	392,134.99			24,714.29		3,438,433.21	147,151,608	2.34%
2012	3,248,853.94	123,026.70	63,411.66	41,592.00	36,659.30	434,755.36			24,714.29		3,973,013.25	175,827,760	2.26%
2013	3,522,902.41	216,788.49	79,461.17	41,592.00	32,760.10	441,376.30	81,260.00	32,032.00	24,714.29	2,865.00	4,475,751.76	197,449,239	2.27%
2014	3,711,885.06	235,072.20	93,490.85	41,592.00	35,139.30	467,444.77	56,882.00	43,680.00	16,446.26		4,701,632.44	208,892,594	2.25%
2015	3,685,578.07	265,421.81	90,236.70	41,592.00	29,222.62	501,927.27	0.00	43,680.00		4,538.54	4,662,197.01	210,194,748	2.22%
2016 (thru 4/30/16)	3,444,466.75	291,084.18	66,789.23	34,660.00	38,499.94	427,996.79	0.00	33,094.88		-1,000.00	4,335,591.77	204,623,473	2.12%
	29,847,000.15	1,170,667.13	562,523.44	402,114.04	258,053.73	2,992,145.79	138,142.00	152,486.88	173,000.00	-86,977.95	35,609,155.21	1,616,527,850	2.19%

CURRENT RATES/EQUIPMENT COUNTS	IN FIELD 6/09/16	TOTAL AVAIL	
Draw Games Percentage of Sales - 1.98%			
Scratch Games Percentage of Sales - 1.98%			
PullTab Games Percentage of Sales - 1.98%			
TAP Scratch Games Percentage of Sales - 1.98%			
TouchTab Games - FILE PASS THROUGH - 1.125%			
Sales Force Automation - $3466 - PASS THROUGH FEE			
CHECK A TICKET (CAT) - 50 free			
WINSTATION (FSVM) - 10 free	318	347	(LESS 4 DEDICATED FOR TEST/SPARES)
MULTI PURPOSE VENDING TERMINAL - LEASE DEFERRED CURRENTLY	68	119	(LESS 4 DEDICATED FOR TEST/SPARES)
CARMANAH ELECTRIC JACKPOT SIGNS	535	562	(LESS 12 DEDICATED FOR TEST/SPARES)

Appendix C:

Current Equipment Distribution

CURRENT EQUIPMENT DISTRIBUTION

	Grocery	Convenience	Restaurant / Bar	Fraternal	Variety / Drug Store	Truck Stop	Bowling	Smoke Shop	Misc Headquarters	Convenience / Gas	Governmental	
Retailer Count	**168**	**40**	**52**	**4**	**26**	**21**	**7**	**58**	**1**	**596**	**66**	**1039**
EQUIPMENT												
Coronis x1	164	40	20	4	13	21	6	56		592		**916**
Coronis x2	1	1				1		1		9		**13**
Coronis x3										4		**4**
Coronis x4										2		**2**
LED sign x1			1							8		**9**
PAD Display x1	158	38	16	2	25	20	5	55		562	66	**947**
PAD Display x2	1					1				4		**6**
PAD Display x3										4		**4**
PAD Display x4										1		**1**
Winstation x1	154	6	19	3	25	14	4		1	78		**304**
Winstation x2	13			1						1		**15**
Microlot x1	4		31		13	1	1	2		4	66	**122**
Check a Ticket x1	85	8			8	5		32		279		**417**
Check a Ticket x2						1				2		**3**
Check a Ticket x3										1		**1**
MP x1	1	2	34	1		2	5			22		**67**
MP x2			1							1		**2**
Carmanah x1	43	11	3		2	11		19		381	64	**534**
Carmanah x2	1											**1**

Coronis	LED	PAD	PAT	Microlot	CAT	MP	Carmanah
935	9	958	319	122	421	69	535

Appendix D:

Current Equipment and Vending Options

EQUIPMENT TERMINOLOGY

Updated June 1, 2016

Player Information Display (PID)

MultiPlay Station (MP)

Self service touch-screen vending machine that sells Draw Games, Raffle and TAP Scratch Games.

Winstation (WSVM)

Self service vending machine that dispenses Draw, Raffle and Scratch Games.

TouchTabs Vending Machine (TTVM)

Self service touch-screen vending machine that sells TouchTabs.

TabBOXX

Wall-mounted self service vending machine that dispenses paper PullTabs.

Electronic Jackpot Sign (EJS)

Displays jackpot amounts using LED. Amounts are pulled wirelessly via Coronis Lottery terminal.

Microlot

Clerk operated Lottery terminal. Small version of the Coronis. Sells Draw and Raffle games. Validates Scratch tickets. Generates reports for retailer balancing.

Player Advertising Display (PAD)

Displays Lottery created advertisements.

Coronis

Clerk operated lottery terminal. Sells Draw and Raffle games. Validates Scratch tickets. Generates reports for retailer balancing.

Check-a-Ticket (CAT)

Checks Scratch and Draw tickets to determine if they are a winner.

Appendix E:

Amended – 7/18/2016

Idaho Lottery Marketing Plan

Marketing Plan | Fiscal Year 2017

Updated JUNE 24, 2016

The **mission** of the Idaho Lottery is to responsibly provide entertaining games with a high degree of integrity to maximize the dividend for Idaho Public Schools and the Permanent Building Fund.

The **vision** for the Idaho Lottery is to be the highest performing jurisdiction in North America.

The **vision of Marketing** for the Idaho Lottery is to be the most successful marketing department in North America – to be legendary.

The **mission of Marketing** is to provide fun and entertaining games that motivate players to seek out lottery venues and purchase products at prices that will support our dividend goals.

Hello! And welcome to the Idaho Lottery FY17 Marketing Plan

This document is our ultimate guide. It defines who we are as a brand and how we market the Idaho Lottery in the most effective and responsible way for the upcoming year and beyond.

We are an organization with aggressive visions. We love what we do and the better we do it, the more benefit is reaped by Idaho Public Schools and the Permanent Building Fund.

This marketing plan consists of three sections. Section One is an articulation of our overall purpose, vision, and strategies. Section Two is our rolling, quarterly calendar of the next 18 months. Section Three is an appendix of updated sales data, yearly recaps, game information, and other handy facts and figures.

When planning for each new quarter, readers should begin with Section One (reacquainting themselves with the brand strategies) and then proceed to the appropriate quarter.

When viewed in "Slide Show" view, this marketing plan is hyperlinked, allowing for easy linking throughout the content. We hope that organizing our marketing plan in this manner makes it more useful and fun for every reader.

Here's to a successful FY17.

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(View document in "Slide Show" to use hyperlinks)

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Executive Summary – Goals and Objectives for FY17

Marketing Budget Breakdown and Activity

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Section 2: Games, Promotions, Initiatives (12 Months)

FY17 - Quarter 1 (July – Sep)

FY17 - Quarter 2 (Oct – Dec)

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Regional Breakdown
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Events per Quarter

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Lottery Sales Goals – FY17
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Product Descriptions

Section One: Strategy

Executive Summary – Situation & Insight

The following is the landscape of the Idaho Lottery and insights to drive our decisions using the principles of marketing:

Product:

- Current mix is 58% scratch, 28% draw, 14% tab
- Current gross margin percentage is 21.9%
- Product development should focus on attracting new players, increasing margin for the portfolio, while also creating more playing opportunities for current players
- Testing and optimizing tools will help create efficiencies and effectiveness in developing growth segments

Price:

- Leading sales volume and gross margin for Scratch Games are the $5 price points; leading sales volume and gross margin for Draw is Powerball
- Other lotteries are having success with game extension or "family of games." This provides an opportunity for players to play different price points than they play regularly, and encourages multiple purchases at one time

Place:

- Retailers can benefit from assets the Lottery has developed
- Utilize retail programs, not just promotions, that can integrate into our retail partner's annual plans. These should utilize Lottery assets by testing a new development process with two to four key retail partners

Promotion:

- Significant player base within the VIP Club; consider promotion for certain windows/products directly and only within this segment for budget efficiencies
- New player segment promotional campaigns to attract new; need to understand through research motivation, areas of opportunity
- Focus on promotions that can grow sales, increase margins, and attract new player segments as our current player base continues to age

Service:

- Be engaged with players and the community
- Knowledge is key
- Be a partner for retailers especially during periods where they can optimize all sales using the Lottery

Executive Summary – Goals & Objectives

The Idaho Lottery has three main goals for FY2017:

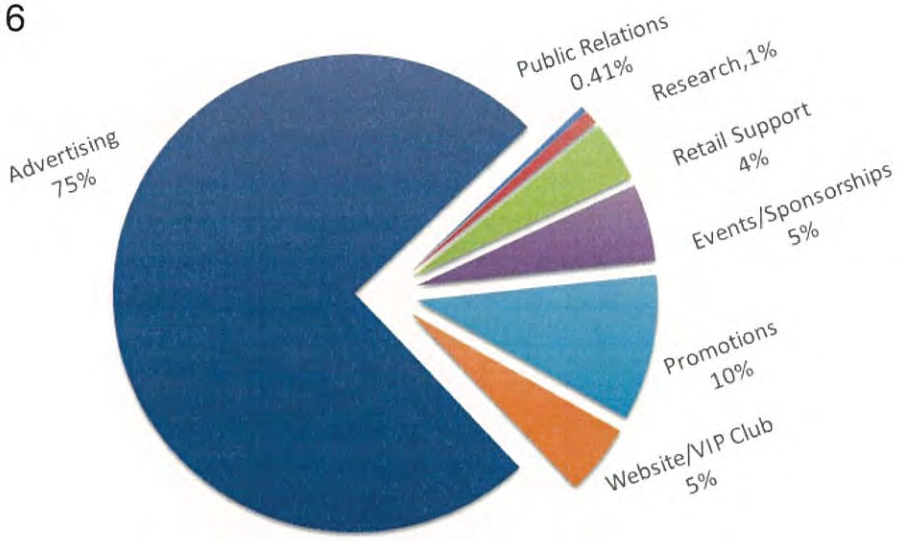
1. Sales > $225.8 MM
2. Increase net margins over FY16 to > 21.25% 3. Achieve a gross gaming revenue > FY16

To meet these organizational goals, we have developed the following Marketing objectives:

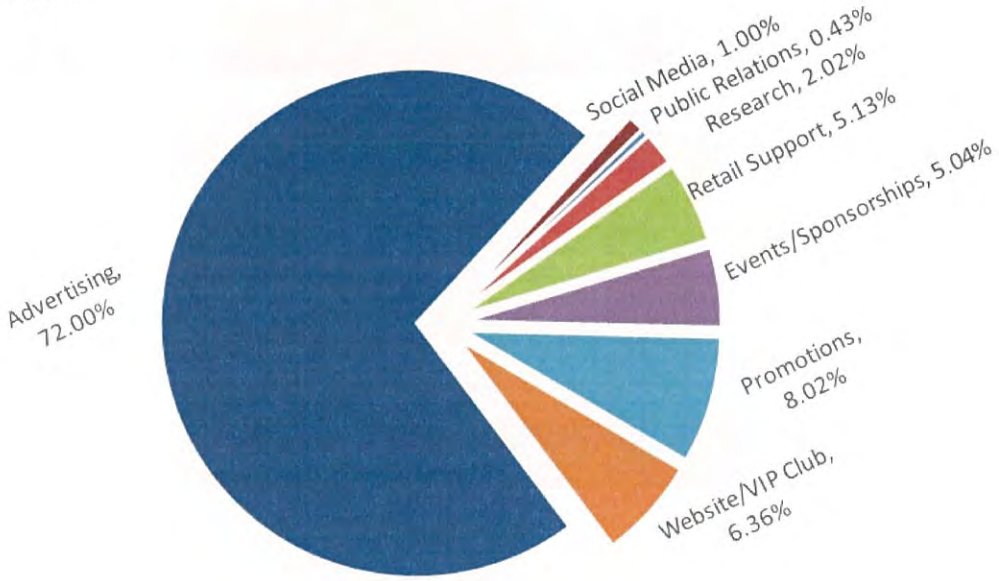
OBJECTIVE	STRATEGY	PERFORMANCE MEASURE
1. OPTIMIZE **PRODUCT MIX** and payout to maximize returns.	• Create core scratch games with longer print runs and optimized prize structures • Develop games with brand extensions that encourage more purchases • Reduce payout where appropriate on TouchTab and InstaPlay games while still providing maximum prizes in prize matrix • Launch a new Draw Game that will increase sales and provide a unique play experience • Investigate and determine which low margin games to end (i.e. Weekly Grand, TAP Scratch)	• Net margin increases over FY2016 to > 21.25% • GGR maintains or increases over FY2016
2. Elevate **JACKPOT ALERTS** sales during jackpot runs consistent or better than the rest of the nation.	• Find ways to be local, unusual and unexpected to create excitement for jackpots • Develop new creative/messaging that motivates purchase when the jackpot is high • Maximize opportunity at retail with sales resources and incentives	• Increase our position into the top quintile states in the per cap sales on Powerball and Mega Millions – MUSL report
3. Create **STRATEGIC PROMOTIONS** that elevate our brand and maximize revenues.	• Continue ONE fun message approach to maximize sales • Evolve omni-channel mix to increase awareness and behaviors • Balance promotional windows to meet objectives • Use our cause-based mission to grow player base • Create strategic alliances with companies who elevate our brand and increase sales (win/win)	• Increase YOY sales during promotional windows • Meet promotional objectives
4. Create a **RETAIL PROGRAM** to create better business partnerships that result in increased sales.	• Create a team with both Marketing and Sales that can gather info and develop programs to increase sales with key business partners • Build relationships with key business partners to create opportunities	• Grow sales with retail program partners • Execute programs with at least 2 key business partners • Positive reviews from partners = successful plan for future
5. Create a **MEASUREMENT PROGRAM** to identify growth opportunities, test products and measure key initiatives.	• Investigate, select and onboard research company(s) that will provide return on investment • Track initiatives to maximize budget • Test products/campaigns to maximize revenues in FY 2017	• Increase ROI for initiatives • Fewer misses and more hits • Baseline established to measure future initiatives
6. Embrace mobile **TECHNOLOGY** that will broaden our player base and increase sales.	• Launch an Idaho Lottery mobile app that increases engagement and communication opportunities • Continue to launch mobile games tied to products that can increase revenues/players	• > 25,000 downloads of Lottery app in FY 2017 • > 40% participation • Bonus Play following increases by 3%

Marketing Budget and Activity

FY2016



FY2017



The changes in the marketing budget are planned to support the strategies in the marketing plan. The budget reflects a decrease in the advertising budgets in order to fund the retail program and measurement initiatives planned for FY2017.

FY17-18 Marketing Calendar

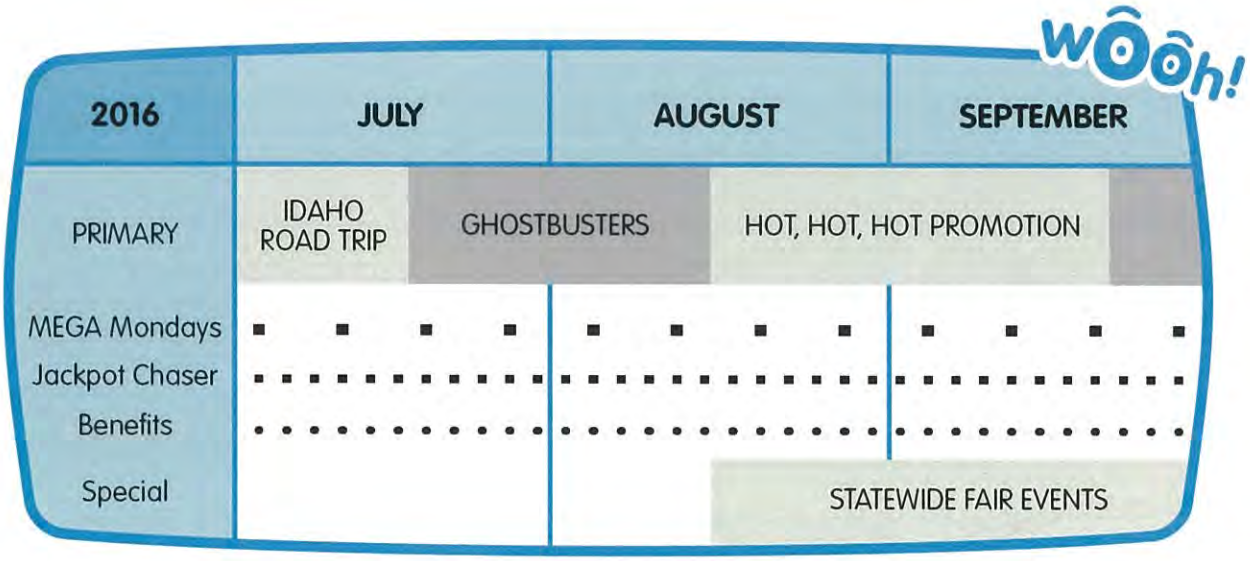
- Draw Games Advertising
- Scratch Games Advertising
- Benefits Advertising

FY17	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
MARKETING CAMPAIGNS:												
IDAHO ROAD TRIP												
GHOSTBUSTERS		Ghostbusters										
HOT, HOT, HOT PROMO			HOT, HOT, HOT									
BRONCO BOWL BASH			Bronco Bowl Bash									
RUSSET ROULETTE				Russet Roulette								
FALL RAFFLE					$1,000,000 Raffle							
HOLIDAY SCRATCH					Holiday Scratch							
HOGS & KISSES							Hogs & Kisses					
IDAHO CASH LAUNCH								Idaho Cash				
MINI RAFFLE									St. Paddy's Day			
HOT LOTTO REPLACEMENT GAME										Draw Game		
NAME THAT SCRATCH GAME											Name Game	
ADVENTURE SCRATCH GAME												Harley
MEGA MONDAYS												
JACKPOT ALERT MESSAGING												
BENEFITS												

FY18	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June
MARKETING CAMPAIGNS:												
MILLION MILE GIVEAWAY		Milion Mile										
PAC-MAN SCRATCH GAME			Pac-Man									
BRONCO BOWL BASH			Bronco Bowl Bash									
MONSTER MONEY				Monster Money								
FALL RAFFLE					$1,000,000 Raffle							
HOLIDAY SCRATCH					Holiday Scratch							
BEJEWELED							Bejeweled					
WIN OR YOU WIN PROMO								WOW				
MEGA MONDAYS												
JACKPOT ALERT MESSAGING												
BENEFITS												

Section Two: Quarterly Plans

Q1 FY 2017: July - September



Overview

Promotional Windows: *Idaho Road Trip* Scratch Game continues from June into the first 2 weeks of the FY 2017 fiscal year. Radio partnership promotions roll into this quarter and social media will create exposure over and above the paid media. We continue this quarter with new and fun Scratch Games that will be supported by mass media during this window including on Olympics and NFL television programming. This quarter also includes significant community engagement at the largest fairs across the state.

July is also our month to recognize the dividend funds the Lottery provides to benefit Idaho public schools and the Permanent Building Fund.

In August, the Idaho Lottery mobile app will launch. The app will allow players to interface with web content, the VIP Club, check-a-ticket, and other Lottery tools.

Retail program development will launch during this quarter with two major retail partners. These initial partners will help us form ongoing retail program development processes. We will conduct input/planning sessions with them and develop plans for implementation in FY2Q. In addition, our measurement initiative will be in development and approach planning.

Q1 Events and Sponsorships include concerts and fairs throughout the state.

July: Port Neuf Rockfest
August: Coeur d'Alene Street Fair; Port Neuf/Keith Urban; Port Neuf/Lynryrd Skynrd; Western Idaho Fair; North Idaho Fair; Twin Falls County Fair
September: Eastern Idaho State Fair

Q1 FY 2017: July - September

Ghostbusters Campaign
Ghostbusters makes its long-awaited return, rebooted with a cast of hilarious new characters. Thirty years after the beloved original franchise took the world by storm, director Paul Feig brings his fresh take to the supernatural comedy, joined by some of the funniest actors working today. Our players enjoy movie themes and love to be entertained. This game will appeal most to Enthusiasts, but bring in Ghostbusters fans, too. This summer, they're here to save the world BOTH in the movie and as an Idaho Lottery Scratch Ticket!

Hot, Hot, Hot Promotion
We are giving away $1,000 each week for 6 weeks! Enter any non-winning HOT game ($1 Hot Cash, $2 Red Hot Cash, $5 White Hot Cash or Hot Lotto/Sizzler) each week for a chance to win. One entry per ticket. Players can enter through our website or via tele-entry. Our goals for this promotion are:

Achieve 40,000 entries during the promotional period
Increase Hot Lotto sales by 15% ($60k sales/wk)
Achieve a 130 index for $1 Hot Cash, 140 index for $2 Red Hot Cash and a 150 index for White Hot Cash

SPECIAL INITIATIVES

Idaho Lottery Dividend Check Presentation and Benefits message
In late-July, the Idaho Lottery will present the FY2016 dividend check to Governor Otter. This newsworthy event provides a platform for the Lottery to share the benefits message with Idaho citizens. Paid media will convert from product messaging to Benefits during the days around the check presentation.

Statewide Fairs
Not only is fair season an opportunity for sales, it's a grand opportunity to talk to players face-to-face and there's no other time of year that generates crowds throughout the state quite like fair season. *This year at the fairs we will be focusing on the HOT, HOT, HOT promotion. The Wooh Crew will also bring their new social media tools to add extra exposure and fun.*

JACKPOT ALERTS

We will be focusing on maximizing Jackpot Alert periods for both Powerball and Mega Millions in all channels. We will concentrate on enhancing the retail awareness and activation for high jackpots by leveraging our sales resources, incentives, and owned channels that can benefit our channel partners.

Q1 FY 2017: July - September

MEASUREMENT

Measurement	Q1 Goals	Q1 Actual
Q1 Sales*	$54,750,000	
Q1 Net Margin	21.25%	
Powerball Index	Top 38 States	
Hot Lotto Sales Increase	15% YOY	
Hot, Hot, Hot Entries	40,000	
Hot, Hot, Hot Index	130, 140 & 150	
Retail Program Solidified Plans	2	
Measurement Approach Plan	1	

*Although seasonality exists, a straightline sales comparison is used for measurement.

EVALUATION

Q2 FY 2017: October - December

2016	OCTOBER	NOVEMBER	DECEMBER
PRIMARY	RUSSET ROULETTE	RAFFLE	HOLIDAY SCRATCH
MEGA Mondays	■ ■ ■ ■	■ ■ ■ ■	■ ■ ■ ■
Jackpot Chaser	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■
Benefits	• • • • • • • • • • • •	• • • • • • • • • • • •	• • • • • • • • • • • •
Special	RUSSET ROULETTE INTERACTIVE	RAFFLE - 25,000TH PROMOTION	

Overview

Q2 is big for Lottery players. Beginning in late September with the *Russet Roulette* Scratch Game for National Potato Month, followed by *Idaho Million Dollar Raffle* and Holiday Scratch Games in November and December, this is the season to make the most of Lottery. During this time period we will also promote our annual *Bronco Bowl Bash* which will help boost draw sales.

Our initial retail programs will begin to be implemented during this quarter. We will also be identifying other partners to begin retail planning programs with. The holiday season is the heaviest sales period of the year so efforts will be centered on the channel partners to maximize sales during this time period.

In Q2, we will be evaluating measurement tools and partners in order to make a selection by the end of the quarter.

Q2 Events and Sponsorships include Scratch for Schools and holiday events. Retail support will be added to the events as plans are solidified in Q1.

October: Scratch for Schools
November: Scratch for Schools, Boise Towne Square Mall Cart, Canyon County Christmas Show
December: Boise Towne Square Mall Cart, Boise Christmas Show

Q2 FY 2017: October - December

Russet Roulette

Russet Roulette rolls out in time for National Potato month. The $2 game is a simple and quick key number match format. The interactive game will keep us relevant with those players who enjoy a digital/mobile experience with our traditional games. In addition, since Idaho's state vegetable is the potato, the theme should have Idaho appeal.

Idaho $1,000,000 Raffle

This will be the tenth year of the Idaho $1,000,000 Raffle. Raffle has sold out eight out of nine years and it will sell out again this year with new features to keep players coming back for their best odds of winning a million dollars.

Loyal Lottery players know this game and its odds, and they've developed their purchase strategy. Medium players jump in on Raffle for the odds and it makes a great gift.

Holiday Scratch Games

Like many retailers, the Idaho Lottery counts on big sales during the holiday season because Scratch Games make great holiday gifts, especially for last minute ideas and stocking stuffers.

Lottery's core players enjoy the holiday suite of games. Additional sales opportunities are gift purchases among medium players and Hispanic players.

SPECIAL INITIATIVES

Bronco Bowl Bash

As an added incentive to purchase Powerball during the fall, even if the jackpot is not at a high level, we will be giving away a trip with the Boise State Broncos to their Bowl Game. This has become a popular giveaway and is supported through owned channels.

Retail Program Implementation

During this quarter we will implement plans developed in Q1. The plans will utilize assets within the Lottery portfolio for advertising, promotional, and activation support for the retailers.

JACKPOT ALERTS

We will be focusing on maximizing Jackpot Alert periods for both Powerball and Mega Millions in all channels. We will concentrate on enhancing the retail awareness and activation for high jackpots by leveraging our sales resources, incentives and owned channels that can benefit our channel partners.

Q2 FY 2017: October - December

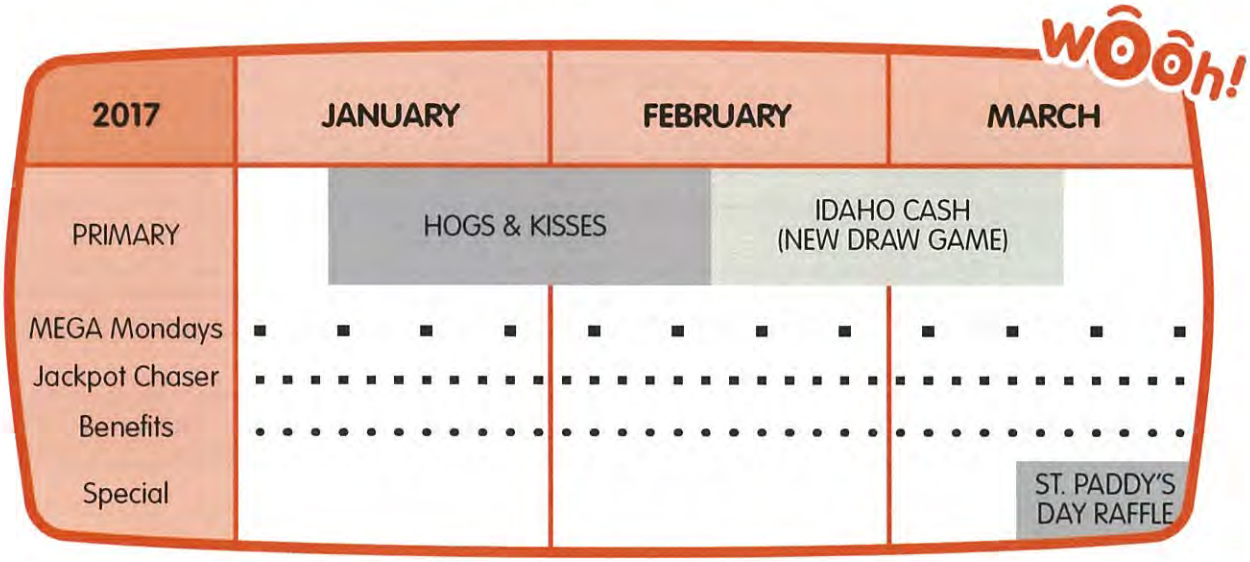
MEASUREMENT

Measurement	Q2 Goals	Q2 Actual
Q1 Sales*	$54,750,000	
Q1 Net Margin	21.25%	
Powerball Index	Top 36 States	
Raffle ROI	>47%	
Russet Roulette Online Game Plays	85,000	
Retail Program Implementation	2	
Measurement Partner Selection	1	

*Although seasonality exists, a straightline sales comparison is used for measurement.

EVALUATION

Q3 FY 2017: January - March



Overview

January is a time the Lottery recognizes player participation by running a Benefits campaign showing the impact players have and thanking them for their play. We will augment all of our value added and draw partner bonus weight with other media to support Benefits. The Hogs & Kisses ticket will launch in January and will be the focal point of our Valentine's day promotions. Then, we will highlight Lucky for Life in March to drive new player growth. In addition, we will run a mini St. Patrick's Day Raffle promoting heavily through our owned channels especially the VIP Club and social media.

Retail plan implementation will continue throughout the remainder of the year, and quarterly evaluations will be conducted in order to learn and evolve the process.

By this quarter in the year, we will begin to on-board a measurement and testing platform/partner that will provide insight from player segment and potential player segment, product testing, retailer training, etc.

Q3 Events and Sponsorships include sports and home show focus. Retailer programs will be incorporated into the schedule once the plans are solidified in Q1/Q2.

January: College of Idaho Basketball
February: College of Idaho Basketball; Canyon County Home Show
March: Boise Home Show, Pocatello Home Show

Q3 FY 2017: January - March

Hogs & Kisses
The $2 Scratch Game is a fun, entertaining game that will fit perfectly with Valentines Day. The $2 game is an easy addition to a card for loved ones, friends and co-workers.

The core Enthusiast player is going to relate to this game and the game is also made for the Lottery's medium players: Hedgers and Up-and-comers.

Idaho Cash (New Draw Game)
In an effort to clean-up and diversify the Idaho Lottery Draw game portfolio, the Idaho Lottery would like to launch a new in-state, rolling jackpot game called Idaho Cash. This game is structured after other jurisdictions that have had successful games of this type. It allows for great odds of winning a prize, two plays for $1.00 and it's only sold in Idaho. This game will require a large media push upfront to establish the brand and communicate the unique selling propositions.

SPECIAL INITIATIVES

St. Patrick's Day Mini-Raffle
Our core player loves Raffles. 70% of our VIP Club members said they purchased at least one of our fall Idaho $1,000,000 Raffles. To build upon the excitement of Raffles, we will be launching a mini-Raffle tickets using just our owned channels to support the game. It will be a $10 ticket, $100,000 top prize with only 50,000 tickets available. Our goal would be to have the game sell out extremely quickly so players are left wanting the next Raffle experience.

JACKPOT ALERTS

We will be focusing on maximizing Jackpot Alert periods for both Powerball and Mega Millions in all channels. We will concentrate on enhancing the retail awareness and activation for high jackpots by leveraging our sales resources, incentives and owned channels that can benefit our channel partners.

Q3 FY 2017: January - March

MEASUREMENT

Measurement	Q3 Goals	Q3 Actual
Q1 Sales*	$54,750,000	
Q1 Net Margin	21.25%	
Powerball Index	Top 32 States	
Mini Raffle ROI	>47%	

*Although seasonality exists, a straightline sales comparison is used for measurement.

EVALUATION

Q4 FY 2017: April - June

2017	APRIL	MAY	JUNE
PRIMARY	NAME THAT SCRATCH GAME	POWERBALL PROMOTION	JEEP ADVENTURE
MEGA Mondays	■ ■ ■ ■	■ ■ ■ ■	■ ■ ■ ■
Jackpot Chaser	▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪	▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪	▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪ ▪
Benefits	• • • • • • • • • •	• • • • • • • • • •	• • • • • • • • • •
Special	VOTE FOR YOUR FAVORITE RETAILER		

Overview

We will continue to focus on the products that we can control, Scratch Games, during the final quarter of the year. In addition, we will introduce a new draw game to our portfolio. We will be bringing back a promotion called "Name That Scratch Game" that allows players to create Scratch Game names. We will utilize the winning entry on an actual ticket. In addition, we will collect other names and themes that can be used as resources in development through FY 2018. We will also be running a "favorite retailer" contest to highlight our retailer partners.

The initial year of retail program implementation will be wrapping up in this quarter. Findings from this pilot will be included in planning for FY 2018. Planning meetings for retail programs for FY 2018 will be conducted in this quarter in order to be ready to launch in Q1 2018.

Our measurement tool and/or partner will be in full use and initial insight will influence the marketing strategy development occurring in this quarter for FY 2018.

Q4 events and sponsorships include a Jeep Adventure tour throughout the state and home shows:

April: Idaho Falls Home Show

May: TBD

June: Jeep Adventure tour (remotes/retailer events); Jackson Country Stomp; Boise Music Festival

Q4 FY 2017: April - June

Name That Scratch Game

For years players and retailers have wanted to submit their Scratch Game ideas. This promotion gives everyone their chance to make their idea a reality. During the month of April, anyone 18 years or older can enter a name for a chance to win. A first, second, and third place prize will be awarded.

Our goals for the promotion will be:

- Give players and retailers a chance to submit their ideas – create ownership
- To gather information on what games are appealing to our players
- Achieve a minimum of 2,000 entries
- 10% increase in Scratch sales compared to last year, same month

Powerball Promotion

Details of promotion TBD.

JEEP® Adventure

The final campaign of FY 2017 promotes this $5 Scratch Game to give an end-of-year sales and revenue a boost to finish the fiscal year. Our players love the outdoors and, historically, vehicle games have performed well. This game will allow us to get out-and-about to promote scratch games and the Lottery.

SPECIAL INITIATIVES

Vote for your Favorite Retailer

During our Name That Scratch Game contest we will give players the chance to vote for their favorite Lottery retailer. The retailer with the most votes in each region will receive a prize and recognition.

JACKPOT ALERTS

We will be focusing on maximizing Jackpot Alert periods for both Powerball and Mega Millions in all channels. We will concentrate on enhancing the retail awareness and activation for high jackpots by leveraging our sales resources, incentives and owned channels that can benefit our channel partners.

Q4 FY 2017: April - June

MEASUREMENT

Measurement	Q4 Goals	Q4 Actual
Q1 Sales*	$54,750,000	
Q1 Net Margin	21.25%	
Powerball Index	Top 30 States	
Name That Scratch Game Entries	2,000	
Powerball Promotion	>30% sales increase	

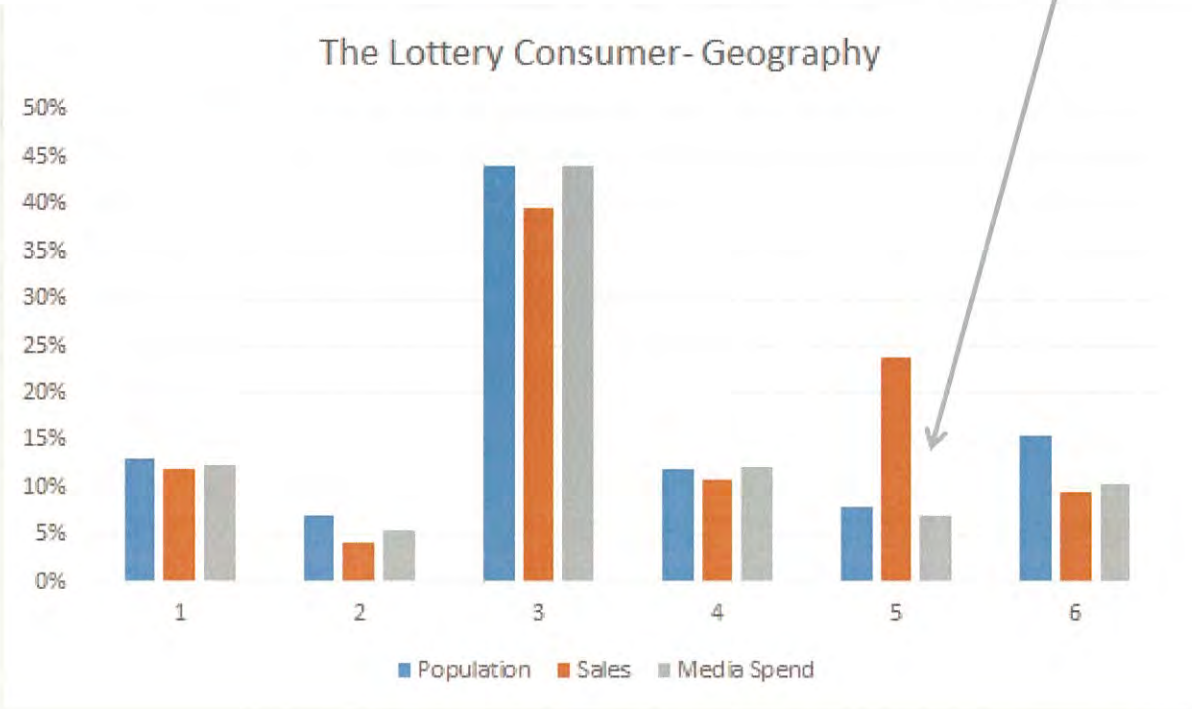
*Although seasonality exists, a straightline sales comparison is used for measurement.

EVALUATION

Appendix A:
Planning Tools

Regional Breakdown

% of sales in Region 5 is nearly double the % of population due to border state sales



Region 2's % of sales represents the lowest per capita in the state

Regions 6 sales % is lower than population %, more morally opposed Idahoans

Audience: Player & Non-Player Segments

Idaho Adults, Age 18 and Up

Players

50% of adult Idahoans, age 18 and older who have played an Idaho Lottery game within 12 months of being surveyed

Non-Players

50% of adult Idahoans, age 18 and older who have either *never* played an Idaho Lottery game or *have played more than* 12 months ago

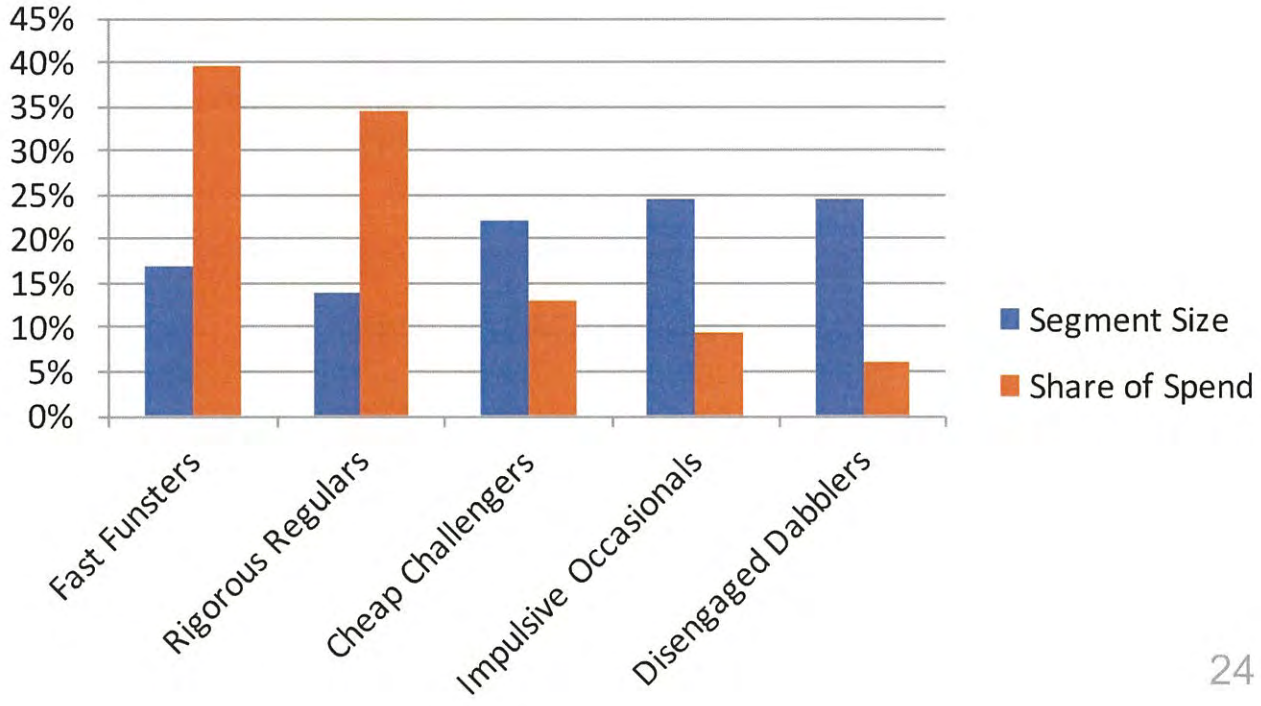
Enthusiasts	Hedgers	Up & Comers	Unengaged	Risk Averse	Non-Supporters
25% of Lottery Players 13% of adult Idahoans	26% of Lottery Players 13% of adult Idahoans	30% of Lottery Players 15% of adult Idahoans	19% of Lottery Players 10% of adult Idahoans	50% of Lottery Non-Players 25% of adult Idahoans	50% of Lottery Non-Players 25% of adult Idahoans
Spend approximately $354 dollars on Lottery purchases annually Account for nearly 38% of spending	Spend approximately $181 dollars on Lottery purchases annually Account for nearly 28% of spending	Spend approximately $175 dollars on Lottery purchases annually Account for nearly 20% of spending	Spend approximately $121 dollars on Lottery purchases annually Account for nearly 15% of spending		
Core Players		Opportunity Players			

The Idaho Scratch Game Marketplace

Scratch Games represent 59% of all Lottery sales. There are five consumer scratch segments to consider throughout marketing.

	Fast Funsters	Rigorous Regulars	Cheap Challengers	Impulsive Occasionals	Disengaged Dabblers
Extended Play	Ø	√√√	√√√	Ø	Ø
Gaming Engagement	√√	√√√	√	√	0
Mental Challenges	√	√√√	√√√	√√	√
Purchase Personality	Active	Active	Passive	Passive	Ultra Passive
Comfortable Price Range	<$5	<$10	<$2	<$2	<$1

Player Segment Share of Size and Spend



Events and Sponsorships FY17

- Continue to distribute events/sponsorships per region based on sales %
- In FY17 trade underperforming events for new fresh experiences
- Provide touchy-feely opportunities - product trial

Q1 – EVENTS AND SPONSORSHIPS

JULY:
Port Neuf: Rockfest – July 8

AUGUST:
Coeur d'Alene Street Fair – Aug 5-7
Port Neuf: Keith Urban – Aug. 5

AUGUST CONT'D:
Western Idaho Fair – Aug. 19-28
North Idaho Fair – Aug. 24-28
Port Neuf: Lynyrd Skynrd – Aug. 26
Twin Falls County Fair – Sept. 2–Sept. 7

SEPTEMBER:
Eastern Idaho Fair - Sept. 3 - 10

Q2 – EVENTS AND SPONSORSHIPS

OCTOBER:
Scratch for Schools

NOVEMBER:
Scratch for Schools
Boise Towne Square Mall Cart - Nov
CC Christmas Show - Nov. 18 – 20

DECEMBER:
Boise Towne Square Mall Cart - Dec
Boise Christmas Show - Dec 2 - 4

Q3 – EVENTS AND SPONSORSHIPS

JANUARY:
College of Idaho Basketball games - TBD

FEBRUARY:
College of Idaho Basketball games - TBD
Twin Falls Home Show - TBD

MARCH:
Boise Home Show March 17 - 20
Pocatello Home Show - TBD

Q4 – EVENTS AND SPONSORSHIPS

APRIL:
Idaho Falls Home Show - TBD

MAY:
TBD

JUNE:
Remote Retailer Events – TBD
The Country Stomp – TBD
Boise Music Festival - TBD

Appendix B:
Data

Lottery Sales Goals FY17

	Projected	Benchmark	FY16 vs. FY17		Share of Sales	
	FY16	FY17	Incr/Decr	% Chg	FY16	FY17
Scratch Games	$128,945,424	$130,690,000	$1,744,576	1.33%	54.62%	57.88%
TAP Scratch	$283,265	$10,000	($273,265)	-2732.65%	0.12%	0.00%
InstaPlay	$6,787,348	$8,000,000	$1,212,652	15.16%	2.87%	3.54%
Scratch Totals	$136,016,037	$138,700,000	$2,683,963	1.94%	57.61%	61.43%
Powerball	$42,657,141	$29,300,000	($13,357,141)	-45.59%	18.07%	12.98%
Mega Millions	$10,407,679	$10,500,000	$92,321	0.88%	4.41%	4.65%
Wild Card	$992,239	$0	($992,239)	#DIV/0!	0.42%	0.00%
Idaho Cash	$0	$700,000		100.00%	0.00%	0.31%
Pick 3	$2,321,953	$2,200,000	($121,953)	-5.54%	0.98%	0.97%
Hot Lotto Sizzler	$2,276,072	$2,500,000	$223,928	8.96%	0.96%	1.11%
Weekly Grand	$2,138,154	$1,800,000	($338,154)	-18.79%	0.91%	0.80%
Raffle	$2,500,000	$3,000,000	$500,000	16.67%	1.06%	1.33%
Lucky for Life	$3,657,411	$3,800,000	$142,589	3.75%	1.55%	1.68%
Draw Totals	$66,950,649	$53,800,000	($13,150,649)	-24.44%	28.36%	23.83%
PullTabs	$33,123,416	$33,300,000	$176,584	0.53%	14.75%	14.75%
TOTAL SALES	$236,090,102	$225,800,000	-$10,290,102	-4.56%	100.00%	100.00%

Marketing Budget FY16 – FY17

		2016 Budget	2017 Budget
9010	Public Relations	$17,089	$19,168
9030	Research	$38,300	$85,300
9120	POS Draw	$15,000	$26,000
9130	POS Draw Promotions	$2,000	$2,000
9150	POS Powerball	$1,200	$1,200
9160	POS Scratch	$28,000	$24,000
9170	POS Scratch Promotions	$2,000	$3,000
9180	POS Generic	$500	$500
9190	Signage	$99,935	$114,935
9300	Wooh Crew	$65,408	$90,000
9310	Social Media	$0	$56,500
9220	Sponsorships	$117,428	$121,588
9230	Premiums	$45,500	$35,500
9240	Fairs	$6,597	$5,766
9250	Annual Events	$4,000	$5,000
9270	Promotions	$415,500	$339,000
9280	Website Development	$137,000	$194,000
9290	VIP Club	$64,500	$78,500
9041	Scratch Advertising	$1,379,708	$1,115,000
9042	Draw Advertising	$534,785	$615,000
9043	Brand/Benefits Advertising	$70,249	$45,000
9050	Outdoor Advertising	$525,000	$525,000
9060	Production Draw	$40,000	$90,000
9070	Production Powerball	$0	$60,000
9080	Production Raffle	$22,000	$22,000
9090	Production New Game	$30,000	$50,000
9100	Production Scratch	$171,000	$173,000
9110	Production Corp ID	$31,000	$5,000
9260	Agency Fees	$340,744	$390,000
	Total Advertising Expenses	**$4,204,442**	**$4,291,956**
	Percentage of Sales	1.94%	1.90%
	Total Sales	**$216,300,000**	**$225,800,000**

Interactive Data FY16 – FY17

	3/9/15	6/28/16					2016
Twitter Pages	Followers	Followers	% Increase	Ranking	Followers /1,000	Ranking by POP	Population
Idaho	2,643	4,145	36%	2	2.54	1	1,634,000
Kansas	3,370	4,140	19%	3	1.43	3	2,904,000
Maine	595	1,587	63%	7	1.19	6	1,330,000
Minnesota	1225	10,800	89%	1	1.98	9	5,457,000
Montana	1,393	2,037	32%	6	1.99	2	1,023,579
Nebraska	683	2,742	75%	5	1.46	7	1,882,000
New Mexico	n/a	n/a	n/a	9	n/a		2,086,000
South Dakota	931	1,868	50%	5	2.19	4	853,175
Tennessee	1815	3,308	45%	4	0.51	8	6,549,000
Vermont	633	1,512	58%	8	2.41	5	626,562

Facebook Pages	Likes	Likes	% Increase	Ranking	Likes/1,000	Ranking by POP	Population
Idaho	30,466	53,017	43%	5	32.45	2	1,634,000
Kansas	57,384	74,107	23%	3	25.52	4	2,904,000
Maine	3,198	4,873	34%	9	3.66	9	1,330,000
Minnesota	125,558	136,417	8%	1	25.00	5	5,457,000
Montana	24,483	26,575	8%	6	25.96	3	1,023,579
Nebraska	62,608	80,628	22%	2	42.84	1	1,882,000
New Mexico	4,982	5,312	6%	8	2.55	10	2,086,000
South Dakota	7,939	13,876	43%	5	16.26	6	853,175
Tennessee	60,993	62,514	2%	4	9.55	8	6,549,000
Vermont	5,317	6,547	19%	7	10.45	7	626,562

Youtube	Views	Views	% Increase	Ranking	Views/1,000	Ranking by POP	Population
Idaho	124,079	155,868	20%	4	95.39	3	1,634,000
Kansas	111,221	271,162	59%	2	93.38	5	2,904,000
Maine	5,085	7,672	34%	9	5.77	8	1,330,000
Minnesota	211,126	525,806	60%	1	96.35	4	5,457,000
Montana	100,294	124,187	19%	5	121.33	2	1,023,579
Nebraska	n/a	n/a	n/a	n/a	n/a	n/a	1,882,000
New Mexico	261,289	270,009	3%	3	129.44	1	2,086,000
South Dakota	12,410	19,215	35%	7	22.52	7	853,175
Tennessee	14,933	19,512	23%	6	2.98	9	6,549,000
Vermont	8,725	14,646	40%	8	23.38	6	626,562

Instagram		Followers	% Increase	Ranking	Followers /1,000	Ranking by POP	Population
Idaho	514	3,470	85%	1	2.12	1	1,634,000
Kansas	0	140	100%	6	0.05	6	2,904,000
Maine	0	37	100%	7	0.03	7	1,330,000
Minnesota	200	2,040	90%	2	0.37	3	5,457,000
Montana	32	343	91%	5	0.34	4	1,023,579
Nebraska	0	1,769	100%	3	0.94	2	1,882,000
New Mexico	0	0	n/a	n/a	0.00	n/a	2,086,000

Dividend History

		SALES	DIVIDEND
Fiscal Year	1990	$66,000,000	$17,225,000
Fiscal Year	1991	$51,250,000	$17,225,000
Fiscal Year	1992	$51,750,000	$12,000,000
Fiscal Year	1993	$57,000,000	$14,000,000
Fiscal Year	1994	$72,000,000	$18,000,000
Fiscal Year	1995	$88,000,000	$19,000,000
Fiscal Year	1996	$91,250,000	$20,000,000
Fiscal Year	1997	$87,000,000	$19,500,000
Fiscal Year	1998	$89,750,000	$20,500,000
Fiscal Year	1999	$90,500,000	$20,600,000
Fiscal Year	2000	$86,500,000	$18,000,000
Fiscal Year	2001	$81,750,000	$15,000,000
Fiscal Year	2002	$92,750,000	$18,000,000
Fiscal Year	2003	$98,000,000	$20,500,000
Fiscal Year	2004	$109,500,000	$25,000,000
Fiscal Year	2005	$113,500,000	$26,000,000
Fiscal Year	2006	$131,000,000	$33,000,000
Fiscal Year	2007	$131,500,000	$34,000,000
Fiscal Year	2008	$137,000,000	$34,750,000
Fiscal Year	2009	$140,000,000	$35,000,000
Fiscal Year	2010	$147,200,000	$36,500,000
Fiscal Year	2011	$147,200,000	$37,000,000
Fiscal Year	2012	$176,000,000	$41,500,000
Fiscal Year	2013	$197,400,000	$48,200,000
Fiscal Year	2014	$208,892,594	$49,000,000
Fiscal Year	2015	$210,939,431	$45,000,000
Fiscal Year	2016	$236,939,431	$49,500,000
	TOTAL	**$2,721,292,594**	**$744,000,000**

Product Descriptions

SCRATCH GAMES™

The Idaho Lottery's most popular games are our Scratch Games™ where players win prizes instantly! From the simple match 3 to our extended-play format games, they offer fun in anywhere.

All scratch tickets have an area that when scratched reveals play symbols or numbers that help lead you to your prize. You can find play instructions on each ticket or on our website at idaholottery.com.

The Idaho Lottery has always removed Scratch Games from sale when the top prizes for that particular game have been won. If a game ticket says, "Top Prize of $20,000" you can be assured there is a $20,000 prize available to win!

TAP SCRATCH GAMES™

TAP Scratch Games are configured JUST like a paper Scratch Game - but with no paper waste. They have predetermined odds and payouts for each game and come in a variety of price points and themes. Players win by revealing winning symbols by tapping the Lottery Play Center screen. These games are offered in age-controlled, social environments only, primarily bars and taverns where you must be 21 years old to enter.

INSTAPlay

InstaPlay offers instant fun and excitement of Scratch Games without the messy latex covering. You can buy InstaPlay tickets at more than 1,100 retail locations throughout Idaho. Most stores offer Lottery tickets at the checkout counters or from a vending machine. InstaPlay tickets start at $1.

All InstaPlay tickets have an area with play symbols or numbers that help lead you to your prize. You can find play instructions on each ticket or on our website at idaholottery.com. Make sure to read the instructions carefully. It's always important to have your ticket scanned to verify your prize.

There are a variety of prizes offered on InstaPlay games. See each game's prize structure for more details. The top prize for each game will be printed on your ticket.

Product Descriptions

POWERBALL:

- Draws are held Wednesdays and Saturdays at 8:59 p.m. Mountain Time.
- Fifty percent of total sales are contributed to the game prize pool.
- The overall odds are 1:25 and the odds of winning the jackpot are 1:292 million.
- The jackpot is paid with a single cash payment or an annuity over 29 years (30) payments.
- The Match 5 prize is always $1,000,000.
- Players pick five numbers out of 69 and one out of 26. Players can pick their own numbers using a paper playslip or the myPlayslip app, or they can simply ask a clerk for a computer generated "Quick Pick."
- The retailer then issues a ticket via the terminal containing the selected set of numbers each of which constitutes a game play.
- Each Powerball play costs $2.
- Additionally, a player can choose to wager an extra $1 per play for PowerPlay. PowerPlay is a way to win bigger prizes for each non-jackpot prize level.
- Players can purchase five plays on a ticket and have the option to play the same numbers for up to 10 consecutive draws.

MEGA MILLIONS:

- Draws are held Tuesdays and Fridays at 9:00 p.m. Mountain Time.
- Players pick five numbers out of 75 and one out of 15.
- Fifty percent of total sales are contributed to the game prize pool.
- The overall odds are 1:14.71 and the odds of winning the jackpot are 1:258 million.
- The jackpot is paid with a single cash payment or an annuity over 29 years (30) payments.
- The Megaplier feature will multiply the player's winnings at the non-jackpot prize levels by a factor of 2, 3, 4 or 5 times.
- The retailer then issues a ticket via the terminal containing the selected set of numbers each of which constitutes a game play.
- Each Mega Millions play costs $1.
- Additionally, a player can choose to purchase an extra $1 per play for Megaplier.
- Players can purchase five plays on a ticket and have the option to play the same numbers for up to 10 consecutive draws.

Product Descriptions

LUCKY FOR LIFE:

- Lucky for Life is a multi-state game.
- Players pick 5 out of 48 and 1 number out of 18.
- Drawings are held at 8:35 p.m. Monday and Thursdays.
- Players can pick their own numbers using a paper playslip or the myPlayslip app, or they can simply ask a clerk for a computer generated "Quick Pick." The retailer will then issue a ticket via the terminal that contains the selected set of numbers.
- Each play costs $2.
- A player may purchase up to five plays on a ticket and has the option to purchase tickets for up to 10 consecutive draws.
- If players match all 5 numbers and the "Lucky Ball", they win $1,000 a DAY for LIFE.
- If players match all 5 numbers and NOT the "Lucky Ball', they win $25,000 a YEAR for LIFE.

WEEKLY GRAND:

- Draws are held Wednesdays and Saturdays at 8:00 p.m. Mountain Time.
- Players pick 5 numbers out of 32.
- Fifty-five percent of total sales are contributed to the game prize pool.
- The overall odds are 1:6.12 and the odds of winning the jackpot are 1:201,376.
- Idaho only game where you can win $1,000 a week for one year, taxes paid!
- The Match 2 prize is a FREE ticket.
- Each Weekly Grand play costs $2.
- Players can purchase five plays on a ticket and have the option to play the same numbers for up to 10 consecutive draws.
- Players can enter their non-winning tickets in an ongoing monthly 2nd chance draw for a chance to win $100 a week for one year (taxes paid).

Product Descriptions

HOT LOTTO SIZZLER:

- Fifty percent of total sales are contributed to the game prize pool.
- The Hot Lotto Sizzler drawings are conducted at 8:59 p.m. Mountain Time on Wednesday and Saturday.
- The overall odds are 1:17 and the odds of winning the jackpot are 1:29.1 million.
- Jackpots start at $1 million ALL CASH!
- Prizes are paid in cash, no annuity, AND the lottery pays the jackpot taxes.
- A player selects five different numbers between 1 and 47 and one additional number between 1 and 19.
- Players can pick 5 numbers plus a "Hot Ball" number by filling out a playslip via paper or the myPlayslip app, or by simply asking a clerk for a computer generated "Quick Pick."
- The retailer then issues a ticket via the terminal containing the selected set of numbers each of which constitutes a game play.
- Each play costs $1.
- Additionally, a player can choose to wager an extra $1 per play for Sizzler.
- A player may purchase up to five plays on a ticket and has the option to purchase tickets for up to 10 consecutive draws.

RAFFLES:

- To play the game, a player requests a computer-generated ticket from the retailer. The retailer then issues a ticket via the terminal containing the raffle number. Players cannot choose their own number, they are generated in a sequential, numerical order.

Product Descriptions

PICK 3 with Sum it up!:

- It is a three digit Draw Game.
- Pick 3 is played solely within the borders of Idaho.
- Prize amounts are set and are determined by the wager type and wager amount.
- Fifty percent of total sales are allocated to the game's prize pool.
- A player may purchase tickets for up to 70 consecutive draws.
- Pick 3 drawings are held at 1:59 p.m. MT and 7:59 p.m. MT, Monday through Sunday.
- All prizes are set cash amounts.
- Players must select three single digit numbers.
- Players can pick their own numbers using a paper playslip or the myPlayslip app, or they can simply ask a clerk for a computer generated "Quick Pick." The retailer will then issue a ticket via the terminal that contains the selected set of numbers.
- Each play costs $1.
- A player may purchase up to five plays on a ticket.
- Sum it up! is another chance to win. For an extra $1 per dollar wagered, if the sum of your Pick 3 numbers is the same as the sum of the three single-digit numbers drawn, you win the prize shown in the prize legend.

PullTabs have a pre-printed area covered by paper tabs that are peeled back to reveal the play area. When the correct combination of symbols is revealed, the player is a winner. Individual tickets sell for 25¢, 50¢ or $1 depending on the game. Prizes for PullTabs can only be claimed at the retail location where the ticket was purchased, on the day it was purchased.

TouchTabs play like PullTabs but are played on a touch screen in age-controlled environments. Just like PullTabs, TouchTabs are played by revealing the play area and matching symbols. Winning is determined by matching the symbols revealed to a pre-determined set of prizes for each play.

Peer Benchmark Measures

Internal yardsticks include comparing our performance to the industry as a whole and to a peer group of like jurisdictions. *The peer group referenced below is comprised of Kansas, Maine, Minnesota, Montana, Nebraska, New Mexico, South Dakota, Tennessee, and Vermont.*

	FY14		FY15		FY16	
	PEER GROUP	IDAHO	PEER GROUP	IDAHO	PEER GROUP	IDAHO
SALES PER CAPITA	$113.04	$127.30	$135.90	$128.60	-	$142.66
ADMINISTRATION COSTS AS A PERCENTAGE OF SALES	7.3%	6.3%	-	6.3%	-	5.9%
DIVIDEND AS A PERCENTAGE OF SALES	24.9%	23.5%	-	21.4%	-	21.7%
DIVIDEND INCREASE PERCENTAGE	-1.9%	1.7%	-	-8.2%	-	10%

At the Idaho Lottery we diligently strive to be an industry leader among our peer states and all North American lotteries. Our per capita sales exceed all of those in our peer group (enhanced by cross-border sales to Utah residents) and we continue to excel in areas we have even more control over, for example keeping advertising costs efficient and effective and judiciously monitoring the game portfolio to increase the profitability of our games.

Appendix C:
Fiscal Year Reviews

FY13 Performance Review – Successes

The Idaho Lottery completed its most successful year in FY13. Idaho was the number one jurisdiction in North America for percentage increase of sales. There are many reasons for last year's success. Here are just a few accomplishments:

- Launched a statewide "NAME THAT SCRATCH GAME" contest to give players the chance to tell us what they want.
    - Received 4,604 entries
    - 11% increase in Scratch Games over previous year
    - 2,258 players voted for their favorite retailer
    - Uncovered some appealing themes to the Scratch category (Potatoes, Zombies, Mustaches, Huckleberries, Hunting, Camping, Texting)
- Completed the deployment of the 400 LED Jackpot Signs. Increased the number of signs at retailers to 600.
- Deployed 100 MP machines.
- Balancing the product and advertising portfolio – adjusting advertising spend to product category based on percentage of sales.
- $20 ticket continues to improve sales for the Scratch Games portfolio, overlapping $20 games has proven to be successful.
- Promoting extended play Scratch Games such as Idaho Cashword. Best selling $5 ticket ever.
- Raffle sold out prior to game end.
    - $100 daily draw promotion
    - Orange Friday Special
    - Rep promotions
    - Presale messaging
- Making all major campaigns – multi-channel campaigns. (consentrated effort)
- Aligning ourselves with great brands (Olympics, Delta Airlines)
- Wooh Crew events and Plinko game at the Fairs statewide
- Double facing key Scratch Games in dispensers
- Wooh! and BALL use continue to strengthen the Lottery's brand and overall game play
- Acceptance and sustaining a $10 Power Pack product
- PR road tours and radio promotions deepened the impact of statewide campaigns while bring it all home to our players
- Scratch for Schools had the most schools ever attend
- 200 New Retailers

FY13 Performance Review – Next Times

Even the most successful years have areas of improvement. Or, as the Idaho Lottery refers to them, "Next Times." There were several "next times" to watch for in FY14.

- Don't overlap campaigns – it is too difficult and makes it tough on the retailers and sales reps.
- Run benefits after receiving data from the schools (September was too early)
- The comedy technique for the "Scratch Players" was not received well make sure it's funny for everyone.
- Do fewer campaigns in one year for time to focus concentrated efforts on a campaign.
- Val Pak may not be the best avenue to reach our players, use only if deemed appropriate.
- Work on solidifying the Scratch Brand
- Work on ways to support Secondary Draw Games
- Work on ways to support TouchTabs

FY14 Performance Review – Successes

The Idaho Lottery completed another record year in FY14. We were awarded the Sharon Sharp Award for the largest increase of revenue to its beneficiary amongst the North American lotteries. There are many reasons for last year's success. Here are just a few accomplishments:

The BBQ Bucks campaign:

- Great partnership with Double R Ranch where we were able to strategically leverage our brands to create a successful product.
- Conducted 30 radio remotes statewide utilizing Wooh Crew (retailers provided added value)
- Radio only – worked well

Frogger campaign:

- Players loved the theme, play style, and creative
- Indexed at 210, best selling $5 scratch ticket ever

$5 became our sweet spot.

Doing out of the box elements with key campaigns helped build excitement:

- HUGE Food videos
- Beach ball promotions at basketball games, potato drop

We moved outside of Boise! We did a lot of statewide promotions and events in FY14.

Raffle:

- Raffle sold out!
- Used key promotions to keep momentum going – worked great
- Winning Numbers announcement was the best so far

Holiday Scratch:

- $20 Holiday ticket worked well.
- Humor and talent in holiday tv spots were well received
- Holiday window painting made impact in local communities and had great social media ties

Huckleberry:

- It was great to have a simple and light feeling campaign following the holiday rush

Benefits after Raffle was good timing.

FY14 Performance Review – Next Times

Even the most successful years have areas of improvement. Or, as the Idaho Lottery refers to them, "Next Times." There were several "next times" to watch for in FY14.

- No ribfest.
- Give radio stations expectations on radio remotes/promotions so events are consistent and promoted. Adjust timing to later in the evening for summer remotes.
- Work on organizing OOH items – pick the most important/ROI
- Change up Raffle to make it new, fresh and exciting.
- Start Raffle planning earlier.
- Don't mess with $3 bingo cards
- Start Raffle and Holiday Scratch radio giveaways earlier
- Push social media on Raffle more
- Don't launch a new game right before Raffle launch
- Use specific jackpot number whenever possible when advertising Powerball – don't use starting at $40 million.
- Adjust timing on Scratch 4 Schools to coincide with Raffle for statewide tours
- Bring back clerk incentives for Raffle
- Launch a $25 holiday ticket
- Collect and Win holiday promotion to tie tickets together
- Put a Raffle button on vending machine
- Possibly do more window paintings for the holiday time period
- Have stores earn in-store promotions
- Continue to reinforce how much a million dollars is.
- Create a Mega Millions web takeover
- Find ways to tap into Mega Millions potential – fill the opportunity gap
- Evaluate Raffle and Holiday media and POS to maximize sales
- Don't do POS for 2 weeks of benefits messaging
- Pick emotional spaces for benefits messaging
- Try to keep benefits in key places year round
- Possibly time benefits with teacher appreciation time periods or scratch for schools
- Identify specific projects and tell stories about where the money goes

Campaign Review for FY14			
Product	Promotion Notes	Success	Next Time
BBQ Bucks ($5)	6 week media, no TV, heavy outdoor and radio, radio remotes statewide (Grill-a-brations) for local message.	Held strong sales throughout campaign. Average weekly sales $129,000 during media campaign. Built great relationships with retailers. Radio only media buy.	Identify expectations from radio partners. Coordinate remotes in PM drive time.
Hot Lotto Promo	Social media and POS only for second chance draw including Double R Ranch promo. High jackpot.	Sales increase was 27% YOY	
Frogger ($5)	Capitalized on nostalgia and brand recognition of iconic game. TV, Radio, Outdoor, Online and Ambient.	Sales indexed at 210 compared to other $5 Scratch Games. Average weekly sales $270,000 during media campaign.	Begin ambient execution sooner
Fantasy Blackjack	Launched Fantasy Blackjack with mobile game element.	We've had over 27,000 entries and 1,200 registered users.	
Powerball	Brand campaign ran for 4 weeks with both high and low jackpots. TV, Radio, Digital Outdoor, Online and Ambient. Supported Bronco Bowl Bash in Region 3 & 4.	Tracking to over 20,000 entries so far for Bronco Bowl Bash. Entry requires a $10 Powerball purchase. KTVB web page takeover for Jackpot Alert.	Change "Jackpots starting at $40 million" media tag - too confusing.
TAP Scratch	Soft launched in 50 age-controlled environments. Retailer kits, PO, website and VIP club.	Conducted research early to learn positives and pain points from players.	Moving forward focus more on games instead of brand.
Powerball Brand	Brand campaign ran for 4 weeks with both high and low jackpots. TV, Radio, Digital Outdoor, Online and Ambient. Supported Bronco Bowl Bash in Region 3 & 4.	31,906 entries for Bronco Bowl Bash. Entry requires a $10 Powerball purchase. KTVB web page takeover for Jackpot Alert. Created viral video series "huge food."	Change "Jackpots starting at $40 million" media tag - too confusing. Online Elements/Homepage takeover on KTVB: This has been a bit of a bumpy. Moving forward identify roles and realistic workload with KTVB and their partners to make implementation successful.
Mega Millions Change	This was a concentrated one week campaign with TV, outdoor boards and web banners.	Mega Millions is up 53% in YOY sales. Created a jackpot alert TV using minimal resources – we were ready for the huge jackpot.	Timing for the game change was poor, and we did take pre-sale from Raffle which might have hurt Raffle day one sales.
Idaho $1,000,000 Raffle	The Idaho $1,000,000 Raffle game was launched using the same successful strategies as 2012.	We sold out and achieved an ROI over 40%. Rally towels for ISU.	Raffle definitely needs a game change for next year. With no changes to the game this year it was hard to keep excitement going.

Campaign Review Continued			
Product	Promotion Notes	Success	Next Time
Holiday Scratch	Promoted Holiday Scratch as "The gift they really want." Launched $20, $5, $3, $2 and $1 tickets.	25.5% of sales in Q2 were attributed to the Holiday Scratch Games. In addition this was the most successful Q2 in history. Window painting throughout the state created hometown message.	Continue same mix next year – including the $20 holiday game.
Benefits Campaign	We kicked off our 25th Anniversary with our benefits campaign which ran for 2 weeks. TV, Radio, Digital Outdoor, Online and minimal POS was utilized.	The new campaign was well-received. Everyone loved the TV creative.	Do not use POS for such a limited time campaign.
Be My Huckleberry	This was our Valentine's Scratch campaign which ran for 4 weeks. TV, Radio, Digital Outdoor, Online, Social Media and POS was used.	Scratch Game indexed at 153 and claimed out in 12 weeks. It was the best selling $2 game in the past 12 months. It was a nice light, happy campaign to follow a hectic holiday season. Great real Idaho couples connection.	
Bonus Cashword	Players could use the code on their ticket to play a mobile game that revealed how many entries they received into the 2nd chance drawing. Players could win up to 100 Cashword tickets.	We've exceeded 3,000 downloads of the app. In Q3 we had 101,226 games played for fun and 90,499 games played for prizes.	Make sure the API is in place, a smooth login is essential to ease of play.
25th Anniversary Scratch	To celebrate 25 years, we launched a new $25 Scratch game and supported the new product with a 6 week campaign. TV, Radio, Digital Outdoor, Online, retailer signage, social media and POS were used.	Great ticket design and media creative. New trial mats at retail were well accepted. Clerks appreciated t-shirts and helped push sales. Great prize structure for game! Developed first interactive game tied to ticket. Ticket sales exceeded $800,000 per week in the first full week of sales. We hit record weekly sales and $25 did not cannibalize our other products.	Need to build in reporting and customer service tools on 2nd chance games.

FY14 Events and Fairs					
Event	Promotion	Sales	Previous Year Sales	Increase/ Decrease	Successes/Next Times
North Idaho Fair	Frogger - $20 Scratch Packs with Plinko board	$13,736	$17,098	-19.66%	Need a new location and possibly partner with Fair to increase traffic to booth
Western Idaho Fair	Frogger - $20 Scratch Packs with Plinko board	$45,349	$38,499	17.79%	Prizes on the plinko board were a big motivator
Twin Falls Fair	Frogger - $20 Scratch Packs with Plinko board	$26,644	$25,255	5.50%	Good event, people know where we are.
Eastern Idaho Fair	Frogger - $20 Scratch Packs with Plinko board	$51,260	$55,830	-8.19%	Closed two days because of weather.
Alive After Five	Spend $10, win a prize from the Plinko board.	$9,404	$11,589	-18.85%	Lots of the same people, only use Plinko board once a month. Might want to reconsider doing event all summer.
Boise Music Festival	BBQ Bucks promotion	$3,882	$2,478	56.66%	Great location, was able to get booth space free with radio buy.
CDA Street Fair	Frogger promotion	$8,715	$6,834	27.52%	Good location and high jackpot.
Canyon County Christmas Show	Buy a $10 Holiday Gift Pack, get a FREE $1 Merry Mint ticket. Buy the $20 Christmas Countdown get a $2 Silver Bells ticket free.	$6,254	$7,757	-19%	TBD
Boise Christmas Show	Buy a $10 Holiday Gift Pack, get a FREE $1 Merry Mint ticket. Buy the $20 Christmas Countdown get a $2 Silver Bells ticket free.	$6,519	$6,539	0.3%	TBD
Steelhead's Night	Idaho Lottery Steelhead's Bingo	$0	$254	N/A	Not a great sales event but ticket sales supported the cost of staffing the promotional event. Need to revamp Bingo cards to have 50% payout.
25th Anniversary Retailer Events	Coordinating with radio remotes we did retailer events statewide to promote the new $25 scratch game. Players had to purchase a $25 ticket to get a chance at the 25th Anniversary Prize Board.	$17,075	N/A	N/A	These were great events. Many times we'd go through all 50 prizes within the first 30 minutes. Added excitement to the game and to the retail locations.
College of Idaho Basketball games	At 4 of the home games this season we did a "Scratch-off" where spectators had a chance to compete for free lottery prizes.	N/A	N/A	N/A	Well-attended events, however, a turn-key promotion that Cofl could conduct themselves might be more appropriate and cost less for the Lottery.
University of Idaho Basketball games	Powerball beach ball events	N/A	N/A	N/A	The University loved this event and so did the fans. Will continue this next year. This helped bring our brand to life in a fun and exciting way.

FY15 Review

First Quarter			
Product	Promotion Notes	Success	Next Time
25th Anniversary/Benefits	2nd chance drawing continues. National Powerball drawing and celebration on July 19th.	Received 1,722,325 entries for the 2nd chance drawing over the life of the game. Game sales stayed strong throughout the campaign. Cleared the way for the new $25 price point.	
First Class Fortune	The 2nd $25 game launched. Unique 2nd chance prize of 4 first-class airline tickets to anywhere in the world plus $10,000 spending money.	The sales for this game continue to be strong at $200,000 per week. There were 26,870 entries through December 31, 2014.	
Idaho Bingo	Launched first $5 Idaho only draw game using multiple channel approach.	Clerk bingo. TV and radio spots well received. Integration into statewide fairs for trial.	Matrix testing.

Second Quarter			
Product	Promotion Notes	Success	Next Time
Bronco Bowl Bash	This promotion was supported with Live Read, ticket messaging and through VIP Club and at BSU stadium. Players had to buy a $5 Idaho Bingo ticket.	There were 12,081 entries for the bowl trip.	While it was a great way to introduce a new game, more sales could be achieved by using Powerball or Mega Millions.
InstaPlay	Utilized multiple channels with one fun message.	Overall sales for the product line is exceeding sales expectations. At the end of Q2 InstaPlay surpassed the fiscal goal of $800,000.	Training sessions at retail locations might have been beneficial for this product since it was a completely different category.
Raffle	New creative was developed this year surrounding "million". Early bird draws were a new addition to the game.	Raffle sold out and we reached our goal of achieving a minimum of 40% ROI.	Don't do as many early bird draws. After 50,000 it's not early any more. Look at ways to create demand for tickets.
Holiday Scratch	Used same successful lineup features as last year. Added two $5,000 shopping sprees to encourage early sales.	We had 57,753 entries for the first draw and 89,769 entries in the 2nd drawing. $3 and $5 categories showed a 47% & 58% increase in sales over previous year.	2nd drawing didn't do much for us, but we did get quite a few early sales for the first draw. Order more $3 Cashword tickets – sold out 1 week before Christmas.

FY15 Review

Third Quarter			
Product	Promotion Notes	Success	Next Time
Benefits	Opportunity to remind players and Idahoans "Where the Money Goes."	Great time of year for message.	Be specific with projects when possible.
Lucky for Life	New $2 Draw Game launched in multiple states.	Great player appeal. Maintaining $90k per week sales.	
Money Makeover	$5 game featuring $5,000 gift cards to home improvement store of choice.	Allowed us to get into home shows – best Twin Falls event.	Don't do Lewiston Home Show. Book earlier for Boise Home Show.

Fourth Quarter			
Product	Promotion Notes	Success	Next Time
Triple Platinum	$25 game with a $300,000 top prize		
Frogger	The most popular $5 scratch game came back with the same favorite play style. Added 2nd chance draw for $100 each week, plus interactive game to win prizes on the best score leaderboard.		
Bucks 'N Trucks	$5 Scratch game – gave away 5 Ford F-150s Created a partnership with the Ford dealers to source the trucks locally	Entries = 110,003 79,028 (71.8%) online 30,975 (28.2%) tele-entries	

FY16 Review

First Quarter			
Product	Promotion Notes	Success	Next Time
Loteria	New $3 Bingo style Scratch Game. We ran radio targeting Hispanic players and potential players. PAD spots ran statewide and we used owned channels to promote.	Very low production cost and media spend. Game competed well in the Bingo category performing consistent with other Bingo games.	Need to establish a metric on the front end to determine typical sales velocity of a $3 ticket in Canyon and Twin Falls and measure change specific to the metric.
From Frank	$2 From Frank scratch game that featured 5 scenes – pet game designed to make humans smile	Game performed a little above average. Received Rockie Awards for social media, outdoor billboards, email and retailer cards.	
Treasure Hunt	$5 Coordinates Scratch Game with an bonus code to play pirate game on the internet	Entries = 2,600,915 Indexed at 69. 32% were 18 – 34 who played the interactive game.	Make bonus code separate from the play area. Too complicated. VIP Points + Cash + Entries is too much

Second Quarter			
Product	Promotion Notes	Success	Next Time
Bronco Bowl Bash	Players had to buy a $10 Powerball ticket to get one entry.	There were 17,000 entries for the bowl trip.	Using Powerball and seemed to draw the interest of our player however was not as popular as the promo in 2013.
Plants vs. Zombies	$2 licensed Scratch Game – used TV, POS and web banners to promote.	Indexed above average. Fun brand that the retailers enjoyed.	Don't produce mass media – game would have been fine on it's own. License is too hard to work with on multiple items.
Powerball Brand Campaign	Trafficked the :15 TV, new web banners and digital outdoor	Great timing to have multiple messages.	
$1,000,000 Raffle	All elements were the same except added - $5,000 Super Secret Giveaway, 25,000th giveaway.	Sold out on December 29th at 8:20 a.m. We spent 25% less this year on advertising. We did 2 less promotions than last year. We achieved the best ROI ever of approximately 48%	Don't call presale – Super Secret Giveaway. Make players buy 2 tickets instead of 1 for presale.
Holiday Scratch	Repeated the Holiday Shopping Spree where players entered their non-winning scratch tickets for a chance to win 2 - $5,000 shopping sprees. This year partnered with Boise Towne Square.	Received more YOY - 91,982 Holiday Scratch tickets accounted for 24.4% of scratch sales - 3% more than last year. Our $5 and $20 games had the largest YOY growth. Holiday Wooh Crew Events made goal at every event.	Continue selling during holiday at Boise Towne Square. Consider new promotional twist for scratch games. Make holiday scratch tickets payout higher – ratchet games.

FY16 Review

Third Quarter			
Product	Promotion Notes	Success	Next Time
Benefits	Opportunity to remind players and Idahoans "Where the Money Goes."	Great time of year for message.	Be specific with projects when possible.
I Love Lucy	$2 Scratch Game – focus on Valentine's Day gift giving	Sold out in 9 weeks and indexed at 157!	
Ireland Getaway	Buy a $10 Lucky for Life ticket, get voucher to enter for a chance to win a trip to Ireland!	•Increased our average spend per ticket from $4.70 to $5.04 •Increase our Lucky for Life sales during the promotion by 28.33% from $67,600/wk to $94,318 •13,382 entries (15.2% participation rate) •2,900 new VIP members 306 new Facebook followers •11% increase in traffic to our VIP website	

Fourth Quarter			
Product	Promotion Notes	Success	Next Time
Wheel of Fortune	$5 Scratch game with 2nd chance drawing for a chance to go to Hollywood and play a player's version of the game for a chance at $1 million.	Indexed at 100. Partnered with stations that had Wheel of Fortune to expand our reach.	Don't do promotional website with MDI, not worth the cost.
Winner Appreciation Month	$1 Scratch Game	Promoted over 40 winners during the month. Utilized Live Read, Outdoor, PAD spots, website to promote winners.	Large jackpots took some of the airtime away from this promotion, hard to tell how much it impacted the campaign.
Idaho Road Trip			

Appendix F:

Amended – 7/18/2016

Example of Price Proposal Worksheet

Year 1

Example of Price Proposal Worksheet -Year 1
Amended 7/18/16

Example - Year 1

Vendor: ABC

Lottery Sales Projections:

Draw Sales:	
Powerball	$31,000,000
Mega Millions	11,000,000
Idaho Pick 3	2,600,000
Hot Lotto	3,150,000
Weekly Grand	2,600,000
Lucky For Life	3,700,000
Raffle	3,500,000
Total Draw Ticket Sales	57,550,000
Scratch Ticket Sales:	
Scratch™ ticket sales	135,700,000
InstaPlay	6,900,000
Terminal based scratch ticket sales	500,000
Total Scratch Ticket Sales	143,100,000
PullTab ticket sales:	
TouchTab ticket sales	33,000,000
PullTab ticket sales	1,940,000
Total PullTab Ticket Sales	34,940,000
Total Sales	235,590,000

Fee Type
- F - Fixed Cost
- P - Percentage of Sales
- N/C - No Cost

How invoiced
- W - Weekly
- M - Monthly
- A - Annual
- O - One-time
- S - Special

	Fee Type F or P	Amount or % of Sales	How Invoiced	Total for the year
Base Price:				
Draw Ticket Sales	P	2.50%	W	$ 1,438,750
Scratch Tickets and PullTab Sales	P	3.00%	W	$ 4,351,200
TouchTab sales	P	1.50%	W	$ 495,000
Replacement FSVM at current levels	P	2.50%	W	EXAMPLE
Player Self-Service Validator	F	$ 3.00	M	EXAMPLE

Price quotes are necessary for the Lottery to complete a comprehensive analysis of the bidders capabilities only.

Highly Desirable Features:				
EXAMPLE	F	$ 1,000	M	EXAMPLE
EXAMPLE	F	$ 2,000	A	EXAMPLE
Desirable Features:				
EXAMPLE	F	$100 *	M	EXAMPLE
EXAMPLE	F	$150 *	M	EXAMPLE
EXAMPLE	F	$10 *	M	EXAMPLE