

NORTH CAROLINA STATE LOTTERY COMMISSION

d/b/a

NORTH CAROLINA EDUCATION LOTTERY

REQUEST FOR PROPOSALS #LC-000068

SCRATCH-OFF TICKET PRINTING AND RELATED SERVICES

March 30, 2026

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1 General Information Regarding the RFP and Proposal Submission

1.1 Terminology

Significance	Response Type
MANDATORY	ACCEPTANCE

Each numbered section and subsection in the RFP is immediately followed by an RFP Standard Compliance Box, as follows:

Significance	Response Type
[MANDATORY/IMPORTANT...]	[NONE/ACCEPTANCE...]

The following definitions apply to the box marked “Significance”:

INFORMATION	The section or subsection contains information, which does not require any specific response. It should be noted that the information may provide vital information relevant to other sections in this RFP and that the information constitutes an integral part of this RFP.
MANDATORY	The section or subsection and its requirements must be responded and adhered to. Failure to do so will result in disqualification of the Proposal.
IMPORTANT	The section or subsection and its requirements are considered essential to the Lottery and should be adhered to. Failure to meet the stated requirements is not cause for disqualification of the Proposal, but may have a negative impact on the evaluation of the Proposal.
DESIRED	The section or subsection and its requirements are desired by the Lottery. Meeting the stated requirements may have a positive impact on the evaluation of the Proposal.
SPECIFIED OPTION	The section or subsection and its requirements apply only to the technical and pricing components. A Specified Option must be proposed by the Responding Contractor based upon the quantities and hypothetical acquisition timing provided in the RFP. The only difference between a Specified Option and a required base product and/or service is that the Lottery may opt not to obtain the Specified Option, while all base products and/or services must be delivered. The Lottery will reject a Responding Contractor’s Proposal if a Specified Option is not included. The Lottery makes no commitment to procure Specified Options, or choose the quantity or

timing for acquisition of Specified Options should they choose to procure them.

INVITED OPTION The section or subsection and its requirements apply only to the technical and pricing components. An Invited Option is identified as being of specific interest to the Lottery. Responding Contractors are not obligated to include Invited Options in their Proposals; however, if specifications are presented, corresponding pricing must also be presented based upon the quantities and hypothetical acquisition timing provided in the RFP. For the corresponding pricing, “to be determined” or an equivalent non-response must not be used. The Lottery makes no commitment to procure Invited Options, or choose the quantity or timing for acquisition of Invited Options should they choose to procure them.

NOT APPLICABLE The section or subsection is not applicable to this RFP.

The following definitions apply for the box marked “Response Type”:

NONE The section or subsection does not require any response at all.

ACCEPTANCE The section or subsection contains information and only requires YES or NO. Any qualified acceptance should be marked NO.

FULL The section or subsection requires the Responding Contractor to provide a full and dedicated response, including all information required to allow the Lottery to judge the Responding Contractor’s compliance with the requirement.

1.2 Marking of Proposal Sections

Significance	Response Type
MANDATORY	ACCEPTANCE

In response to the RFP, the Responding Contractor’s Proposal must include every chapter, section, and subsection specified in the RFP and in the sequence specified in the RFP.

Each section and subsection heading in the Proposal must be immediately followed by the Proposal Standard Compliance Box below:

Significance	Compliance	Comment
[MANDATORY/IMPORTANT...]	[FULL/MODIFIED/N/C]	[Free text...]

The Responding Contractor’s Proposal text should be placed after the Proposal Compliance Box in each section and subsection as appropriate.

The box marked “Significance” must contain the significance assigned by the RFP, except where subsections that do not appear in the RFP have been added by the Responding Contractor in the Proposal; see Section 1.3 (Marking of Additional Sections or Subsections).

OFFERED OPTION

(Applies only to the Proposal.) An Offered Option is an option which has not been specified or invited in the RFP but which the Responding Contractor wishes to offer to the Lottery. The Lottery makes no commitment to procure Offered Options, or choose the quantity or timing for acquisition of Offered Options should they choose to procure them.

1.4 Introduction

Significance	Response Type
INFORMATION	NONE

The North Carolina State Lottery Commission d/b/a the North Carolina Education Lottery (hereinafter referred to as the “Lottery” or “NCEL”) is issuing this Request For Proposal (“RFP”) to invite interested Responding Contractors to submit Proposals for the conversion of its current Scratch-off Ticket Program (printing, warehousing, distribution, inside sales, management and related services), and to improve sales and profits for the duration of the new contract period, and to provide other related products and/or services (“Program and Services” or “Program”). The Successful Contractor shall be deemed the Primary Contractor. The Lottery is also seeking additional Contractors to provide Scratch-off ticket printing and related services on an as needed basis and/or for specialty games, and to serve as Secondary Contractor upon requested by the Lottery. Access to the RFP and related documents may be obtained either from the NCEL or through a link on the NCEL’s website, www.nclottery.com (the “Website”).

The Lottery’s current Scratch-off Ticket Printing and Related Services Agreement with Scientific Games (“SGI”) is due to expire June 30, 2027, and following this date, the Lottery intends to enter a new Scratch-off Ticket Printing and Related Services Agreement with the Successful Contractor.

The Lottery, a North Carolina independent state agency created pursuant to the North Carolina State Lottery Act (N.C.G.S. § 18C-101 *et seq.*) (“the Act”), began operations in March 2006 and offers various scratch-off tickets at assorted price points ranging from one dollar (\$1.00) to fifty dollars (\$50). The Lottery currently has approximately 7,100 licensed retailers.

By responding to this RFP, a Responding Contractor agrees to comply with all applicable rules, procedures and regulations adopted from time to time by the Lottery under the Act and all other applicable federal, state and local laws, rules, regulations, ordinances or executive orders, including, without limitation, the Americans with Disabilities Act of 1990 (42 U.S.C. § 12101 *et seq.*) (together with all regulations promulgated thereunder, the “ADA”) and all other labor, employment and anti-discrimination laws, and all provisions required thereby to be included herein, are hereby incorporated by reference (all of the foregoing being sometimes referred to collectively as the “Governing Laws and Regulations”).

The technical requirements of this RFP are set out in Appendix A. The technical requirements must be delivered and/or implemented no later than June 30, 2027.

1.5 Lottery and RFP Objectives

Significance	Response Type
INFORMATION	NONE

The Lottery has the following objectives for issuing this RFP and entering into a Contract for the implementation of the Program and Services:

- To acquire the Program and Services in accordance with the Act.
- To maximize and increase net revenues, year over year, raised for the education programs identified by the North Carolina legislature.
- To ensure that the Program is fully operational, tested and installed prior to June 30, 2027 with all required tickets printed and ready for distribution in accordance with the Lottery's scratch-off ticket schedule.
- To ensure that the Program and Services will provide the Lottery with flexibility to meet changing requirements and market conditions with minimal costs throughout the term of this Contract.
- To ensure that the Program and Services will operate with the highest level of integrity and security.
- To ensure that the Successful Contractor is capable of providing the Program and Services, and that the Successful Contractor will be capable of continuing to provide the Program and Services during the term of the Contract.

1.6 Glossary of Terms

Significance	Response Type
MANDATORY	ACCEPTANCE

Definitions that are Standard Text from the SRT and are not modified in any way are marked STANDARD. All other definitions are marked NEW.

TERM	DEFINITION
ADA	Americans with Disabilities Act of 1990, as amended from time to time, 42 U.S.C. § 12101 <i>et seq.</i> , and regulations thereunder, as modified.) – An act which, among other things, prohibits private employers, state and local governments, employment agencies, and labor unions from discriminating against qualified individuals with disabilities in job application procedures, hiring, firing, advancement, compensation, job training, access to public accommodations, commercial facilities, transportation, and telecommunications, and other terms, conditions, and privileges of employment.
Bid Bond	Guarantee of the availability of the products and/or services offered by the Responding Contractor for a certain period of time following Proposal Submission.
CCTV	Closed-Circuit Television is a closed network TV system that is monitored, primarily for surveillance and security purposes. CCTV relies on strategic placement of cameras, and observation of the camera’s input on monitors somewhere and video is recorded and stored for future use.
Contract	The written agreement resulting from the successful Proposal and subsequent negotiations, which incorporates, among other things, this RFP and the Responding Contractor’s Proposal, and all modifications hereto and thereto.
Contract Manager	The manager of a party responsible for the Contract on behalf of the Lottery.
Contractor	The Responding Contractor with whom the Lottery executes a Contract pursuant to this RFP. Once the Lottery and the Successful Responding Contractor sign the Contract, the latter becomes the Contractor.

TERM	DEFINITION
CRM	Customer Relationship Management – A software application which allows the Lottery to view and manage information about its Retailers.
Customer Acceptance Testing	An extensive verification process to demonstrate and ensure that the Program conforms to all Requirements.
Customer Site	Site used by or belonging to a customer of the Responding Contractor.
DOR	North Carolina Department of Revenue
EFT	Electronic Funds Transfer – A transfer (either deposit or withdrawal) of funds, using federal-standard wire transfer protocols.
Encryption	The process of transforming information to make it unreadable to anyone except those possessing special knowledge that meets or exceeds the requirements of encryption and encryption key management used by the United States government as certified by the National Institute of Standards and Technology (NIST), and that has not yet been broken or compromised, or determined by the Lottery to not be viable.
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 (e.g., the Lowest and Best Proposals) and making a contract award recommendation to the Lottery CEO and the North Carolina State Lottery Commission.
FY	Fiscal Year. The Lottery operates on a fiscal year basis with each fiscal year commencing on July 1 and ending on the following June 30.

TERM	DEFINITION
Gaming System	The set of software and hardware components required in order to deploy a particular game or set of games. Such components include game terminals, communications channels, and game host computers at the Lottery Central Office.
Intellectual Property Rights	Any rights with respect to inventions, discoveries, or improvements, including patents, patent applications and certificates of invention; trade secrets, know-how, or similar rights; the protection of works of authorship or expression, including copyrights and future copyrights; and trademarks, service marks, logos, and trade dress; and similar rights under any laws or international conventions throughout the world, including the right to apply for registrations, certificates, or renewals with respect thereto, and the rights to prosecute, enforce, and obtain damages.
Internal Control System (“ICS”)	The audit system and its associated processes that performs auditing of the gaming system component to ensure the integrity, security, and accuracy of gaming transactions.
Joint Venture	A business undertaking by two or more persons engaged in a single defined project, the necessary elements being: (1) an express or implied agreement; (2) a common purpose that the group intends to carry out; (3) shared profits and losses; and (4) each member’s equal voice in controlling the project.
Letter of Transmittal	A written notification from a Responding Contractor to the Lottery that accompanies each Proposal volume in response to an RFP published by the Lottery.
Litigation Bond	A surety paid by a Responding Contractor to the Lottery to discourage frivolous legal actions by permitting the Lottery to recover damages resulting from a Responding Contractor initiating a frivolous lawsuit. See Section 1.17.

TERM	DEFINITION
Logical Day	A one day period on the test system. These days can be compressed so that multiple days may be tested in one real-time day.
Lottery Central Office	The main physical location that houses the Lottery's central computer systems to (and from) which all lottery transactions flow and are recorded in a secure manner. Typically, all administrative and data processing staff are located here to monitor and maintain the computer systems to ensure continuous lottery operation.
Lottery Executive Director and Chief Executive Officer ("CEO")	The person(s) in charge of running the Lottery and making executive decisions on a day-to-day basis. Reports to the North Carolina State Lottery Commission.
Major Part	A product, system, or service provided, which is important for an implementation and/or operation of the Lottery.
Material Change	Any event which, following Generally Accepted Accounting Principles ("GAAP") or International Accounting Standards ("IAS"), would require a disclosure in the annual report of a publicly traded corporation.
Party, Parties	The Lottery and the Responding Contractor or Contractor, each being a "Party," collectively referred to as the "Parties."
Person	A natural person, or a partnership, Joint Venture, limited liability partnership, association, corporation, limited liability company, trust, unincorporated organization or any other legal entity authorized to do business in the Lottery's jurisdiction.
Proposal	All materials submitted by a Responding Contractor in response to the RFP.

TERM	DEFINITION
Proposal Clarification	To resolve ambiguities and improve the understanding of the Evaluation Committee regarding an individual Responding Contractor’s Proposal. The responses of individual Responding Contractors to Lottery requests for clarification are considered part of the deliberative process of clarifying the offerings in a Proposal.
Responding Contractor	Any Person 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.
RFP	References this “Request For Proposal” document including all appendices and subsequent amendments.
Subcontractor	Person(s) to whom the Responding Contractor entrusts a portion of the execution of the Contract.
Successful Contractor	The Contractor to whom the Lottery awards a Contract pursuant to this RFP, subject to any further negotiation and Contract execution.
System	A collection of hardware, software, facilities, and procedural elements which provides useful services and which produces useful outputs. In this RFP there are numerous references to systems, inclusive of references to systems that are subsystems of other referenced systems. The immediate context and adjectives or labels define which systems are being discussed.

1.7 Schedule

Significance	Response Type
MANDATORY	ACCEPTANCE

The milestones and significant dates for the RFP, Proposal Submission, and Contract award include¹, but are not limited to, the following:

Event	Date
RFP Publication	March 30, 2026
Responding Contractor’s Written Questions	March 30 – May 22, 2026 Noon (ET)
Lottery Written Responses (post when available)	April 6 – May 29, 2026
Deadline for Proposal Submission	June 15, 2026 Noon (ET)
Evaluation Period	June 15 – August 31, 2026
Notification for Responding Contractor Demonstrations and/or Site Visits	June 16, 2026
Responding Contractor Demonstrations and/or Site Visits	June 22 – August 14, 2026
Evaluation Committee Recommendation and NC State Lottery Commission Review and Approval	TBD (September 2026)
Notification of Successful Responding Contractor	TBD (shortly after Commission approval)
Contract Negotiation	September – October 2026
Contract Executed	December 2026
Projected Contract Conversion Date	December 2026 – June 2027

1.8 Issuing Office

Significance	Response Type
MANDATORY	ACCEPTANCE

The RFP is issued by the North Carolina Education Lottery (the “Lottery”).

The Lottery is the single Issuing Office with regard to all procurement and contractual matters relating to the Program and Services described in this RFP.

The Issuing Office is the only office authorized to clarify, modify, amend, alter, or withdraw specifications, requirements, terms, and conditions of the RFP, and any Contract entered into as a result of the RFP.

¹ The Lottery reserves the right to reschedule, cancel, add, or otherwise change this schedule of events by posting an updated schedule on the Lottery’s website (<http://nclottery.com>).

The present location of the Issuing Office is 2728 Capital Blvd., Ste 144, Raleigh, NC 27604².

1.9 Purchasing Manager and Sole Point of Contact

Significance	Response Type
MANDATORY	ACCEPTANCE

The Purchasing Manager, acting on the Lottery's behalf, is the sole point of contact with respect to all contractual matters relating to the procurement of the products and/or services described in this RFP.

All communications concerning this RFP, including but not limited to submission of questions, requesting copies of amendments or answers, and submission of Proposals, must be addressed to the Purchasing Manager at the address identified in Section 1.8 (Issuing Office):

Anthony Downey
Purchasing Manager
(919) 301-3433
BidSubmission@lotterync.net

In case the Purchasing Manager cannot be reached, the following secondary Point of Contact may be used:

Billy Traurig
Chief Legal Officer
919-301-3468
billy.traurig@lotterync.net

1.10 Official RFP Websites

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery's official procurement websites with respect to this RFP are www.nclottery.com/business.

These websites are the only valid sources of information concerning this procurement process. It is the responsibility of the Responding Contractors to ensure that they have received and taken into consideration all information provided on these websites.

² During the course of this RFP, the Lottery intends for its Raleigh Headquarters office to be relocated from its current location at 2728 Capital Boulevard, Suite 144, Raleigh, NC 27604, to its new location at 8510 Colonnade Center Drive, Raleigh, NC 27615. For the purposes of this RFP, the Issuing Office may refer to the either of these office space locations, whichever is presently physically occupied by the Lottery.

1.11 Responding Contractor Contact with the Lottery

Significance	Response Type
MANDATORY	ACCEPTANCE

Upon RFP Publication, the restrictions on Responding Contractor communications described in this section are instituted to protect the integrity of the procurement process.

Other than the Purchasing Manager, as specified in Section 1.9 (Purchasing Manager and Sole Point of Contact), Responding Contractors and their agents must not make unsolicited contact with any Lottery personnel or Proposal Evaluation Committee member, to the Lottery or public official of the State of North Carolina regarding the RFP or the Proposals.

Responding Contractors should not represent themselves to Lottery staff or Lottery retailers as having the endorsement of the Lottery, nor as the Lottery's next supplier of scratch-off ticket printing and related services.

Responding Contractors who are currently doing business with the Lottery may continue to do so; however, any communication regarding the RFP, not otherwise permitted in the RFP, is prohibited.

The Lottery will disqualify Responding Contractors for intentionally causing a material violation or circumvention of the requirements of this section.

1.12 RFP Clarification Questions

Significance	Response Type
MANDATORY	ACCEPTANCE

It is the responsibility of each Responding Contractor to examine the entire RFP and seek clarification in writing per Section 1.12.1.

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

The Lottery will provide the Questions and Answers period between March 30 – May 29, 2026 for clarification questions to allow Responding Contractors to be clear on the RFP terms, conditions, and requirements, and the associated Proposal Submission and Proposal Evaluation processes. **The NCEL will publish Answers to Questions submitted periodically throughout the Questions and Answers period.** The Responding Contractor should consult Section 1.7 (Schedule) to determine the period of time for submitting written questions.

1.12.1 Submission of RFP Clarification Questions

Significance	Response Type
IMPORTANT	ACCEPTANCE

Responding Contractors may submit written questions regarding the RFP to the Issuing Office according to the schedule specified in Section 1.7 (Schedule).

Responding Contractors must submit written questions relevant to the RFP to the Purchasing Manager via email in both PDF and Microsoft Word formats.

An RFP inquiry from a Responding Contractor:

- Must be written in generic (i.e., non-proprietary) terms inasmuch as all responses to inquiries will be available to Responding Contractors
- Must not contain price data
- Must cite a specific RFP section number and title (if any)

The Lottery will reject and refuse to provide an Answer to a Responding Contractor's Question if the Question's inclusion of pricing information has any adverse effect on competition or otherwise prejudices the procurement process.

1.12.2 Response to RFP Clarification Questions

Significance	Response Type
INFORMATION	NONE

The Lottery will respond as soon as possible to written questions throughout the Questions and Answers Period, but not later than the date specified in Section 1.7 (Schedule). The Lottery's responses to Questions properly received prior to the Question Deadline will be posted on the Lottery's Website www.nclottery.com/business. Specific Responding Contractors will not be identified in the Lottery's written responses.

The Lottery may combine questions that are duplicative into one comprehensive question and provide a written response to that combined question.

The Lottery will:

- Provide all of the Questions and Answers electronically in the following read-only format(s): *PDF*
- Post the Questions and Answers to the specified websites as referenced in Section 10 (Official RFP Websites)

Upon publication on the Lottery's website, all Questions and Answers shall be incorporated into the RFP; see Section 1.13 (Amendments to the RFP). Any other modification of the requirements of the RFP, except by the issuance of amendments, will not be recognized.

1.13 Amendments to the RFP

Significance	Response Type
INFORMATION	ACCEPTANCE

An amendment to the RFP may be issued, for example, in order to:

- Make changes to the requirements of the RFP
- Correct defects or ambiguities in the RFP
- Change the date, place, or time of critical milestones published in the RFP

Amendments to the RFP will be clearly identified as such. Only modifications made as written and posted amendments to the RFP by the Issuing Office and/or in accordance with Section 1.12 (RFP Clarification Questions) are considered valid and applicable amendments of this RFP.

All amendments to this RFP will be uniquely identified and posted to the websites specified in Section 1.10 (Official RFP Websites), which are the only official sources of all amendments to this RFP.

The Responding Contractor is solely responsible for obtaining all relevant information posted on the websites and, by responding to this RFP, will be considered to have obtained all such posted amendments.

1.14 Responsive Proposal Submission Criteria

Significance	Response Type
MANDATORY	ACCEPTANCE

This section of the RFP contains the instructions for responding to the RFP and the requirements for information that must be included in the Responding Contractor's Proposal. A Proposal submitted in response to this RFP is expected to provide the Lottery with the necessary information and evidence that will make it possible for the Responding Contractor's Proposal to be recommended by the Evaluation Committee. A Proposal must be fully responsive to the requirements stated in the RFP.

Responding Contractors must submit their Proposal as two (2) volumes in separate packages/folders. The two (2) volumes must be identified as follows:

1. The Technical Proposal volume, which must include:

Format: Digital (searchable PDF)

- Letter of Transmittal – see Section 1.15 (Letters of Transmittal)
- The Technical Proposal (the entire response including items that are also provided in a hard copy format except pricing information)
- RFP Compliance Table – see Appendix F

Format: Hard Copy

- Large format drawings or schematics
- 24-month product plans or other Marketing related items that may enhance the Evaluation Committee's ability to assess the quality of production or graphics capabilities

- Ticket samples
 - Bid Bond – see Section 1.16 (Bid Bond)
 - Litigation Bond – see Section 1.17 (Litigation Bond)
2. The Price Proposal volume, which must include:
- Format: Digital (searchable PDF)
- Letter of Transmittal – see Section 1.15 (Letters of Transmittal)
 - Contractor Certification Form – see Appendix E
 - The Price Proposal

Each of the separate volumes listed above must:

- Use a font type no smaller than 11 point
- Items submitted in a hard copy format, other than the Bid Bond and Litigation Bond, must be submitted in ring binders with the exceptions of sample materials which may be submitted in a separate envelope or any other means that the Responding Contractor deems the best way to package those items. The Bid Bond and Litigation Bond must be submitted in separate envelopes and clearly labeled with “Bid Bond” or “Litigation Bond,” as applicable.

Each volume – that is, either the Technical Proposal or Price Proposal, either of which may consist, if necessary, of more than one file with a maximum file size of 190 MB each – must be submitted or emailed/uploaded separately with the following subject name:

- The Responding Contractor’s name
- The reference number (LC#000068) of this RFP
- The contents of the file (e.g., “Technical Proposal: 3 Files)
- If needed, the sequence number of the file; i.e., “file X of Y” where Y signifies the total number of files in the Responding Contractor’s Proposal

Examples:

[Contractor Name]_LC#000068_[Technical Proposal]_1_of_4.pdf

[Contractor Name]_LC#000068_[Pricing Proposal]_1_of_1.pdf

Hard copy packages must be specifically addressed to the Issuing Office at the location provided in Section 1.8 (Issuing Office).

Hard copy packages must be sent to **and received by** the Issuing Office by the time and date specified in Section 1.7 (Schedule).

Responding Contractors must submit one (1) original of each document.

Each document must be signed by an officer or agent of the Responding Contractor with authority to contractually bind the Responding Contractor.

For documents that are required to be submitted as hard copies, the Responding Contractors must submit eight (8) copies of each document.

Responding Contractors must submit one (1) digital copy of their Technical Proposal (unredacted and redacted) and their Price Proposal via the LiquidFiles link provided below in the following read-only and OCR readable and searchable format(s): *PDF*.

<https://pdcliquid.lotterync.net/filedrop/Anthony.Downey@lotterync.net>

Responding Contractors must submit one (1) redacted digital copy of their Technical Proposal with redacted information that Responding Contractors deemed as confidential or contained trade secrets or such other proprietary rights as dictated by law.

1.14.1 Proposal Delivery Location and Process

Significance	Response Type
MANDATORY	ACCEPTANCE

All components of the Proposals must be delivered to the Point of Contact at the address and LiquidFiles address indicated in Section 1.9 (Purchasing Manager and Sole Point of Contact) no later than the date and time specified in Section 1.7 (Schedule). The Purchasing Manager will issue a receipt for each Proposal received before the deadline for Proposal Submission specified in Section 1.7 (Schedule). The receipt will indicate the date and time of the receipt of the Proposal.

Only a receipt issued by the Issuing Office will be accepted as proof of the date and time of filing of the Proposal. A courier receipt signed by the Purchasing Manager will constitute a valid receipt. No other receipt or other evidence will be accepted. For personally delivered Proposals, the person delivering the Proposal will be given the receipt.

1.14.2 Late Proposals

Significance	Response Type
MANDATORY	ACCEPTANCE

Proposals pursuant to this RFP must be submitted and received by the Purchasing Manager as of the published date and time specified in Section 1.5 (Schedule). The Lottery will note the official date and time of receipt of all Proposals. The Lottery will reject Proposals that are not received by the specified date and time, and no receipt shall be issued for any such Proposals. The Lottery will return late Proposals that have been rejected to the Responding Contractor unopened.

1.14.3 Pricing Information

Significance	Response Type
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MANDATORY	ACCEPTANCE
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The Responding Contractor must include its pricing information exclusively in the Price Proposal. The Responding Contractor must not include pricing information in any portion of the Technical Proposal, including responses to clarification questions. The Lottery will reject the Responding Contractor’s Proposal in the event that pricing information is included anywhere other than in the Responding Contractor’s Price Proposal.

The Responding Contractor should avoid including No Charge (N/C) or statements to the same effect anywhere other than in the Price Proposal. The Lottery will reject the Responding Contractor’s Proposal in the event that such statements are included in the Responding Contractor’s Proposal.

1.14.4 Compliance Table

Significance	Response Type
MANDATORY	FULL

A Compliance Table is provided in Appendix F with all section numbers and their respective significance completed.

The Compliance Table aligns with the following format and will cover all of the sections and subsections in the RFP:

		Compliance			
Section	Significance	FULL	MODIFIED	NOT COMPLIANT	Comments
[number]	[Mandatory...]	[X]			[text]

The Responding Contractor must complete the Compliance Table provided in Appendix F by filling in the Compliance sections for each entry in the table as defined in Section 1.2 (Marking of Proposal Sections).

If the Responding Contractor has complied fully with the requirements specified in the section or subsection of the RFP, the Compliance area of the table must indicate FULL.

If the Responding Contractor has largely complied with the requirements specified in the section or subsection of the RFP, but with minor modifications, the Compliance area of the table must indicate MODIFIED.

If the Responding Contractor has not complied with the requirements defined in the section or subsection of the RFP, the Compliance area of the table must indicate NOT COMPLIANT and the Responding Contractor should provide the reason for non-compliance in the associated Comment box.

Responding Contractors must submit the completed Compliance Table as part of the Technical Proposal.

1.15 Letters of Transmittal

Significance	Response Type
MANDATORY	FULL

A Responding Contractor submitting a Proposal in response to the RFP must submit a Letter of Transmittal as required in Section 1.14 (Responsive Proposal Submission Criteria). Each separate Letter of Transmittal must be signed by an officer or agent of the Responding Contractor with authority to contractually bind the Responding Contractor to the terms and offerings in the Proposal. Pricing information must not appear in any portion of any Letter of Transmittal. Each Letter of Transmittal must include a clear Responding Contractor’s statement of compliance with the requirements of the RFP for the duration of the Acceptance Period, identified in Section 1.27 (Acceptance Period).

1.16 Bid Bond

Significance	Response Type
MANDATORY	FULL

The Lottery requires a Bid Bond or an irrevocable letter of credit.

An original Bid Bond must be submitted with the Letter of Transmittal, in compliance with Section 1.14 (Responsive Proposal Submission Criteria). Photocopies will not be accepted.

The Bid Bond must be issued in an amount equal to not less than five percent (5%) of the Responding Contractor’s Price Proposal and be in form and substance, and issued by an issuer acceptable to the Lottery. The Bid Bond must guarantee the availability of the products and/or services offered for the duration of the Acceptance Period, identified in Section 1.27 (Acceptance Period). All required bonds must be issued by companies or financial institutions which are financially rated “A” or better (or equivalent ratings) by a nationally recognized rating agency and are duly licensed, admitted and authorized to transact business in the State of North Carolina.

The Lottery will return the Bid Bond to Unsuccessful Responding Contractors immediately upon the execution of the Contract. The Lottery will retain the Bid Bond of the Successful Responding Contractor until the Contract is executed and the Lottery is furnished with a Performance Bond and Payment Bond which is acceptable to the Lottery. The Bid Bond will be forfeited to the Lottery if the Successful Responding Contractor fails to submit the Performance and Payment Bonds in a timely manner, or fails to execute the Contract during the time period required by the Lottery.

1.17 Litigation Bond

Significance	Response Type
MANDATORY	FULL

The Lottery requires an original Litigation Bond. Photocopies will not be accepted.

The Responding Contractor must provide a Litigation Bond in an amount equal to not less than five percent (5%) of the Responding Contractor’s Price Proposal. The Litigation Bond shall remain in effect for one (1) year from the deadline for Proposal Submission. All required bonds must be issued by companies or financial institutions which are financially rated “A” or better (or equivalent ratings) by a nationally recognized rating agency and are duly licensed, admitted and authorized to transact business in the State of North Carolina.

1.18 Public Records and Request for Confidentiality

Significance	Response Type
MANDATORY	ACCEPTANCE

All Proposals, data, materials and documentation originated, prepared and submitted to the Lottery pursuant to this RFP shall belong exclusively to the Lottery and may become available to the public in accordance with the North Carolina Public Records Act as provided in N.C.G.S. § 132-1 *et. seq.* (the “Public Records Laws”). The Lottery will make reasonable attempts to maintain, in accordance with the Public Records Laws and the North Carolina State Lottery Act and all applicable laws of the State of North Carolina and the United States of America (all of the forgoing being collectively defined as, the “Applicable Laws”), the confidentiality of any trade secrets or confidential information that meets the requirements of N.C.G.S. § 132-1.2 of the Public Records Laws (collectively, “Confidential Information”) if such Contractors properly and conspicuously identify the particular data or other materials which are Confidential Information in accordance with the Public Records Laws. If a Proposal includes any information that constitutes a trade secret of the Responding Contractor, or that constitutes security-related information that cannot be disclosed without compromising the security interests of the Responding Contractor (or of the Lottery if the Responding Contractor receives the contract award), such information must be clearly marked as “CONFIDENTIAL”.

An entire page or paragraph in which such information appears should not be marked “CONFIDENTIAL” unless the entire page or paragraph consists of such confidential information. Only the confidential portion(s) should be so identified and marked.

Responding Contractors must submit one (1) redacted digital copy of their Technical Proposal with redacted information that Responding Contractors deemed as confidential or contained trade secrets or such other proprietary rights as dictated by law.

The Lottery will hold in confidence all material contained in sections that are marked “CONFIDENTIAL” in accordance with North Carolina law. Pursuant to North Carolina law, Cost Proposals are not considered confidential.

The Responding Contractor must defend the confidentiality of its trade secrets through the judicial process.

If an action is brought or threatened against the Lottery pursuant to N.C.G.S. §132-9 to compel the Lottery to disclose information marked as “CONFIDENTIAL” or a “Trade Secret,” the Lottery will promptly notify Responding Contractor in writing of such to allow Responding Contractor to determine if it will intervene and defend such action, the Lottery, and its Commissioners, officers, and employees. If Responding Contractor opts to not intervene and defend such action and the

Lottery, its commissioners, officers, and employees, the Lottery may, in its sole discretion, decide whether to defend such action or release the requested records. The Lottery shall have no liability to Responding Contractor with respect to any such disclosures.

1.19 Property of the Lottery

Significance	Response Type
MANDATORY	ACCEPTANCE

All matters set forth in a Responding Contractor’s Proposal including, without limitation, technical and financial information, may be subject to disclosure after Contract award. All submitted Proposals will become the property of the Lottery upon receipt and may be returned only at the option of the Lottery. The Lottery will strive to keep all Proposal information confidential in accordance with Section 1.18 (Public Records and Request for Confidentiality), unless compelled by law to release some or all information. The Lottery reserves the right to use any and all information contained in a Proposal to the extent permitted by law.

1.20 Incurred Costs Associated with the Proposal

Significance	Response Type
MANDATORY	ACCEPTANCE

Neither the Lottery nor the State of North Carolina will be liable for any of the Responding Contractor’s costs associated with any activity related to this RFP.

1.21 Proposal Content and Format

Significance	Response Type
MANDATORY	ACCEPTANCE

Responding Contractors should provide the Lottery with information, evidence, and demonstrations in a manner that will enable the Lottery to award a Contract that best serves the stated interests of the Lottery and the State of North Carolina.

Responding Contractors should prepare their Proposals providing a straightforward and detailed description of their ability to satisfy the requirements of this RFP. Emphasis in each Proposal should be on completeness and clarity of content.

At a minimum, Proposals must be fully responsive to the requirements stated in this RFP.

Proposals must be submitted in the format described in Section 1.14 (Responsive Proposal Submission Criteria), Section 1.22 (Response to Technical and Non-Price Requirements), and Section 1.23 (Price Proposal).

All proposed hardware, software, products and services must be included in the final delivered Program unless otherwise specified (with the exception of options not selected by the Lottery).

The Lottery reserves the right to award a lower evaluation score or reject a Proposal for failure by a Responding Contractor to provide the appropriate information or materials in response to each stated requirement or request for information.

1.22 Response to Technical and Non-Price Requirements

Significance	Response Type
MANDATORY	ACCEPTANCE

The Technical Proposal must contain and respond to all of the information required in Appendix A (Technical Specifications).

All pages of the Technical Proposal must be numbered.

The Technical Proposal must be complete. The Lottery will reject a Technical Proposal that does not provide all of the mandatory information requested.

The Technical Proposal should provide all of the information concerning the particular subject area that the Responding Contractor believes would be helpful to the Lottery in determining its ability to meet the specifications or perform the requirements.

In the Responding Contractor's description of its Program or related services, the Responding Contractor must state whether a Major Part will be provided by a subcontractor or consultant. If so, the Responding Contractor must state the name of the subcontractor or consultant and state the function or service that will be performed by that subcontractor or consultant. Per N.C.G.S. § 18C-152(c)(7), if at least twenty-five percent (25%) of the cost of a Responsive Contractor's contract is subcontracted, the Responsive Contractor shall disclose all of the information required by this section for the subcontractor as if the subcontractor were itself a Responsive Contractor.

1.22.1 Technical Specifications

Significance	Response Type
IMPORTANT	ACCEPTANCE

The Technical Specifications set forth in Appendix A (Technical Specifications) must be regarded by the Responding Contractor as mandatory, unless otherwise specified.

The Responding Contractor may propose additional services, products, product components, or features not required in Appendix A (Technical Specifications); i.e., Offered Options. If an additional service, product, product component, or feature is proposed, it should be clearly marked as an OFFERED OPTION.

1.23 Price Proposal

Significance	Response Type
MANDATORY	ACCEPTANCE

The Price Proposal must contain all of the information required in Section 5 (Pricing).

1.24 Multiple Proposals from a Single Responding Contractor

Significance	Response Type
MANDATORY	ACCEPTANCE

Each Responding Contractor must submit one (1) Proposal only. Within the single Proposal, the Responding Contractor may identify Offered Options, including unsolicited products, services, features, or substitutions that the Responding Contractor believes may be appealing and useful to the Lottery.

1.25 Proposal Clarification Process

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery may request clarification from Responding Contractors for the purpose of resolving ambiguities or questioning information presented in the Proposals. The Lottery may request clarification on one or more statements made by a Responding Contractor in its Proposal at any point during the Proposal Evaluation process.

When the Lottery requests clarification from a Responding Contractor, the Issuing Office will prepare a written request, which will:

- Consist of a list of questions
- Be sent in writing via email to the contact person representing the Responding Contractor
- Include a deadline for the Responding Contractor to submit a response
- Include appropriate references to the RFP or the Responding Contractor's Proposal

The Responding Contractor must send a response within the time indicated in the written request. If this proves to be unfeasible, the Lottery and the Responding Contractor may agree to a modification of the deadline.

The Responding Contractor's response:

- Must address only the information requested
- Must be submitted to the Issuing Office in writing via email
- May also be submitted to the Issuing Office by mail, overnight courier, hand-delivered, or as otherwise directed by the Lottery
- Must not include any pricing information, unless the request for clarification relates specifically to the Responding Contractor's Price Proposal

The Responding Contractor must keep confidential all information that is exchanged as part of the Proposal clarification process.

The Proposal clarification process does not permit withdrawal, revision, or additions to the technical elements of the Proposal after Proposal Submission, nor any change to the financial terms quoted; it should be understood that a Proposal clarification request is not a negotiation.

1.26 Modification/Withdrawal of a Proposal

Significance	Response Type
MANDATORY	ACCEPTANCE

The Responding Contractor may modify or withdraw a Proposal by written notice received prior to the deadline for Proposal Submission specified in Section 1.7 (Schedule).

The Responding Contractor may modify or withdraw a Proposal in person before 4 PM (ET) on June 12, 2026 (date for Proposal Submission).

The Lottery will not consider verbal telephone requests to modify or withdraw a Proposal.

After the deadline for Proposal Submission, the Responding Contractor must not modify a Proposal, except to the extent of a Responding Contractor’s response to a request for clarification pursuant to Section 1.25 (Proposal Clarification Process).

1.27 Acceptance Period

Significance	Response Type
MANDATORY	ACCEPTANCE

Proposals must clearly state that they remain valid for one hundred eighty (180) calendar days from the date of Proposal Submission deadline (the “Acceptance Period”). The Lottery will reject a Responding Contractor’s Proposal that is not valid for the duration of the Acceptance Period. Responding Contractors 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. The Lottery will cancel a contract award for failure of the Successful Responding Contractor to accept these obligations.

1.28 Disclosure Prohibition

Significance	Response Type
IMPORTANT	ACCEPTANCE

Information provided in a Proposal must be held in confidence by the Responding Contractor and not be revealed or discussed with parties other than the Responding Contractor except as required by law. The Lottery will disqualify the Proposal if the disclosure has had a material impact on competition or otherwise prejudices the procurement process.

The Lottery will ensure that the Proposals remain confidential until the procurement process under this RFP is formally concluded by the Lottery.

1.29 Material/Non-Material Deviations

Significance	Response Type
MANDATORY	ACCEPTANCE

Each Responding Contractor must submit a Proposal that meets all mandatory requirements of this RFP.

Material requirements of the RFP are those designated as MANDATORY in the box marked “Significance” of the RFP Standard Compliance Box. The Lottery will reject as non-responsive any Proposal that does not meet all material requirements of this RFP, that fails to provide all required information, documents, or materials, or that includes language that is conditional or contrary to terms, conditions, and requirements.

The Lottery reserves the sole right to determine whether a Proposal meets the material requirements of the RFP. Further, the Lottery reserves the right to waive mandatory requirements and inform all Responding Contractors of such in writing, where it is deemed to be in the best interests of the Lottery.

The Lottery reserves the right to waive or permit cure of non-material deviations, both in the Proposal form and in the Proposal contents, if in the judgment of the Lottery the best interests of the jurisdiction will be served and such waiver or cure will not be prejudicial to competition. The Lottery’s waiver or permitting cure of a non-material deviation will not excuse the proposing Responding Contractor from full compliance with the Contract requirements if the proposing Responding Contractor is awarded the Contract.

1.30 Disqualification for Business Incapability

Significance	Response Type
IMPORTANT	ACCEPTANCE

The Responding Contractor must have financial and business stability and the wherewithal to perform and support the Lottery.

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

If, at any time after Contract execution, the Lottery reasonably determines that the Successful Responding Contractor does not possess adequate financial ability or business stability to continue to carry out the obligations of the Contract, the Lottery reserves the right to terminate the Contract.

1.31 Effect of a Proposal

Significance	Response Type
MANDATORY	ACCEPTANCE

A Proposal does not confer upon the Responding Contractor any rights to the award of a Contract.

1.32 Rejection/Selection of Proposals

Significance	Response Type
IMPORTANT	ACCEPTANCE

The acceptance of a Proposal will not diminish the Lottery's right to negotiate specific Contract terms, including price, with the apparent Successful Responding Contractor.

Issuance of the RFP in no way constitutes a commitment by the Lottery to award any Contract.

The Lottery reserves the right to:

- Reject any or all Proposals or any portion of all Proposals received in response to the RFP if the Lottery determines that it is in the best interests of the Lottery to do so
- Reject any Proposal which is conditional or incomplete
- Continue the Proposal Evaluation process and select the Proposal which offers the best value to the Lottery
- Cancel this RFP and advertise for new Proposals
- Arrange to receive or itself perform and obtain the products and/or services requested in the RFP
- Abandon the solicitation of such requested products and/or services
- Award in whole or in part a Contract deemed to be in the best interests of the Lottery

The Lottery will notify in writing those Responding Contractors who submit a Proposal in response to the RFP, but who are not awarded the Contract (the "Unsuccessful Responding Contractors").

1.33 Independent Price Determination

Significance	Response Type
IMPORTANT	FULL

By submission of a Proposal, the Responding Contractor 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:

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

The Lottery will disqualify the Proposal if failure to notify has had a material impact on competition or otherwise prejudices the procurement process.

1.34 Change of Ownership/Financial Condition

Significance	Response Type
IMPORTANT	FULL

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

The Lottery will disqualify the Proposal if any such change (or failure to notify of such change) has had a material impact on competition or otherwise prejudices the procurement process.

1.35 News Releases and Advertising

Significance	Response Type
MANDATORY	ACCEPTANCE

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

By submitting a Proposal, the Responding Contractor agrees not to use the Lottery’s name, logos, images, nor any data or information related to this procurement process, or any Contract resulting thereof, as a part of any press releases or commercial advertising without prior written approval by 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. The Lottery will not unreasonably withhold approval for such releases.

1.36 **Demonstrability of Proposed Program**

Significance	Response Type
IMPORTANT	ACCEPTANCE

The Lottery requires that a program configuration of the type proposed by the Responding Contractor (i.e., all equipment, software, and manufacturing capabilities) at a minimum be capable of being demonstrated by the Responding Contractor upon request in order to indicate the Responding Contractor'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 this RFP, substantially common functionality and operations are expected.

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

The Lottery reserves the right to reject a Responding Contractor's Proposal for failure to propose demonstrable Program and/or products, or for inability to demonstrate the proposed Program and/or products.

If requested, Demonstrations and Interviews may consist of any or all of the following:

- A presentation at Lottery Headquarters or the Responding Contractor's facilities
- The observation of operations at another lottery
- A presentation at some other appropriate venue
- An interview with a current customer identified by the Responding Contractor

For such Demonstrations, the Lottery reserves the right to specify or limit the geographic locations of Responding Contractor Demonstrations.

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. In this regard, the Lottery requires that a program configuration of the type proposed must be capable of being demonstrated by the Responding Contractor upon request. The Lottery will not accept discontinued, out-of-date, or unsupported program and/or products.

1.37 **Minority Businesses Participation**

Significance	Response Type
MANDATORY	FULL

The Act has specific references to minority participation in the formation and operation of the Lottery and requires compliance with N.C. Gen. Stat. Article 8 Chapter 143 as applicable. The Lottery strongly encourages participation by, and involvement of, minority-owned businesses. In order to achieve or exceed the goals established by the Act and Applicable Laws, and to provide equal business opportunities in the procurement process, the Lottery encourages Contractors to

contract with minority-owned businesses whenever and wherever possible. Given the Lottery policy regarding participation of minority businesses and the express provisions of the Act, a Contractor shall carefully consider the inclusion of, and shall commit not to discriminate against, minority businesses in the development of its Proposal and provisions of its Services.

Each Contractor should describe in its Proposal what actions it currently takes in the areas of: (a) utilizing minority-owned businesses; (b) encouraging full participation of qualified, capable, competent and competitive minority-owned businesses; (c) assisting minority businesses or minority persons; and (d) any plans to continue to provide interested minority businesses with adequate information about any subcontracting opportunities. Proposals should describe the following:

- What minority businesses the Contractor uses or intends to use.
- Plan to continue to provide interested minority businesses with adequate information about any subcontracting opportunities available in connection the Lottery.
- Plan to continue to provide equal opportunity to minorities when replacing or adding subcontractors and suppliers.
- Efforts that have been undertaken to recruit qualified minority employees named in its Proposal and efforts that will be undertaken to recruit minority employees for positions that are not yet filled, including outreach to educational institutions.
- The total number of full-time positions for this project that are or will be held by minorities, and the number and percentage of the above that are or will be residents of the State of North Carolina.
- The percentage and number of supervisory positions that will be filled by minority employees.

To facilitate that process, each Contractor should complete and include in its Proposal either Affidavits A and B, or Affidavit C from **Appendix E** (Equal Business Opportunity Forms). Any additional and supplemental information in this area is also highly encouraged.

The Successful Contract shall provide a monthly report in a format provided or approved by the Lottery which pertains to expenditures to minority-owned vendors as a part of any subcontracts Successful Contract utilizes to fulfill its obligations under the Contract.

2 Lottery Background

2.1 History

Significance	Response Type
INFORMATION	NONE

The North Carolina State Lottery Commission is an independent, self-supporting, and revenue-generating agency of the State of North Carolina. It is governed by Chapter 18C of the North Carolina General Statutes. For 20 years the Commission has operated the North Carolina Education Lottery, a cutting edge \$6 billion entertainment organization that has raised more than \$11 billion for education since its launch. Currently, the Lottery offers scratch-off, draw and digital instant games. In Fiscal Year 2025 the Lottery launched 48 scratch-off games across eight different price points. To learn more, please visit www.nclottery.com.

The Commission's Regulated Gaming Division regulates sports wagering and pari-mutuel wagering and protects players through rulemaking, enforcement, and responsible gaming efforts. Revenue generated by sports wagering licensees is taxed, and proceeds are distributed to help gambling addiction education and treatment; support youth sports; fund college athletic departments; and attract major sporting events to the state. Since launching sports wagering in March 2024, the state has received more than \$166 million in tax proceeds from sports wagering revenue. To learn more, please visit <https://ncgaming.gov>.

Please note that the solution the Commission seeks with this procurement will support the agency's Lottery operation function.

2.2 General Information

Significance	Response Type
INFORMATION	NONE

The Lottery undergoes an annual financial audit from independent auditors hired by the North Carolina State Auditor and has received clean reviews in all of its financial audits. It also undergoes security and performance audits every two years and all of those audits have had no significant findings.

2.2.1 The Lottery Organization Chart

Significance	Response Type
INFORMATION	NONE

See Appendix B

2.2.2 Lottery Ethics and Integrity

Significance	Response Type
INFORMATION	NONE

A Lottery operation is an extremely sensitive enterprise because of the nature of the lottery industry and its status as a highly public entity. Therefore, it is essential that its operation, and the operation of other enterprises which would be linked to it in the public mind, avoid not only actual impropriety but also the appearance of impropriety. This is guided by the Code of Ethics as adopted by the North Carolina State Lottery Commission and North Carolina Governor Executive Order 24.

The current version of the Lottery’s Code of Ethics and Executive Order 24 can be found in Appendix D to this RFP.

2.2.3 The Lottery

Significance	Response Type
INFORMATION	NONE

Mark Michalko serves as the CEO of the Lottery and was appointed in April 2018 by the North Carolina State Lottery Commission. Senior management at the Lottery consists of nine (9) Officers, who each lead a division with multiple departments and eighteen (18) Directors. The following are the divisions and the number of employees in each division:

- Sales – 113
- Security, Finance and Administration – 86
- MIS/Gaming System – 46
- Brand Management and Communications – 28
- Product Development and Digital Gaming - 19
- Regulated Gaming – 14
- Legal – 5
- Internal Audit - 4
- Executive - 8.

Lottery operations are governed by the Act. The Act defines the type of games that the Lottery can offer and prescribes the nature of. The Act (at N.C. Gen. Stat. § 18C-162) provides guidelines for the allocation of Lottery revenues to be returned to the public as prizes, transferred to the North Carolina State Lottery Fund, used by the Lottery for its payment of expenses, paid as compensation to Lottery Retailers, among other things. In the budget for fiscal year 2026, 37.6 percent to school construction, 35.5 percent of the money raised by the Lottery will go to salaries of classroom non-instructional support personnel, , 17.1 percent to school transportation, , 7.2 percent for to NC Pre-K Program, 2.6 percent for scholarships.

2.2.4 Lottery Commission

Significance	Response Type
INFORMATION	NONE

The Lottery is governed by a nine-member Commission, each with five-year terms. Five (5) are appointed by the Governor, who also names the Chair, and four (4) are appointed by the Legislature based on recommendations of the leaders of the N.C. Senate and the N.C. House of Representatives. One member must have five years of law enforcement experience, one must have retail sales experience as an owner or manager, and one must be a certified public accountant. The Commission meets quarterly to review Lottery operations, hires the CEO, and approves the annual budget of the Lottery each June.

In its 2014 session, the Legislature also repealed a Lottery Oversight Committee, made up primarily by citizens appointed by legislators, and created a new Joint Legislative Oversight Committee on the North Carolina State Lottery made up of legislators. Committee members have been appointed, but the committee is not expected to hold its first meeting until after the adjournment of the 2015 legislative session.

2.2.5 Competition

Significance	Response Type
INFORMATION	NONE

The State of North Carolina has a compact with the Eastern Band of Cherokee Indians that allows for the tribe to operate casinos, including live table games and sports betting on its reservations. The tribe currently operates two casinos in North Carolina, one in Cherokee and the other in Murphy. The Catawba Indian Nation also has a compact with the State of North Carolina and operates a casino in Kings Mountain, 35 miles west of Charlotte. Both mobile and retail sports betting has been available in the state since March 2024. Currently there are 8 licensed operators offering mobile sports betting, which has accounted for over \$13 billion in wagers in the first two years of operation. Other types of gaming occur in the state, primarily private video sweepstakes operations. The Legislature has repeatedly attempted to ban video sweepstakes and the most recent ban has been upheld by state courts, but video sweepstakes businesses continue to operate throughout the State. Online competition consists of illegal offshore casinos, illegal offshore sports betting operations, and prediction markets regulated by the CFTC.

2.2.6 Current Lottery Business

Significance	Response Type
INFORMATION	NONE

In Fiscal Year 2025, sales of scratch-off tickets accounted for 43% of lottery revenues, or \$2.84 billion. Other revenues came from Digital Instants, 40%; and Draw and Fast Play games, 17%.

Most sales occur at one of approximately 7,100 retail locations across the State. The Lottery also offers web-based Online Play program that includes the sale of the following draw games Powerball, Mega Millions, Carolina Cash 5, Millionaire for Life, Pick 3 and Pick 4, as well as a portfolio of over 60 digital instant games. The Lottery also has a rewards program, Lucke-Rewards, where players receive points for their draw, scratch-off and digital instant tickets/plays and can use those points to enter weekly and monthly drawings for cash and prizes. As of June 30, 2025, there were over 1,700,000 Lucke-Rewards members.

Here are some of the financial highlights of the Lottery in Fiscal Year 2025:

- Return-to-education of \$1.08 Billion, surpassing \$1 Billion for the third consecutive year.
- Surpassed \$12.3 billion in earnings for education since inception
- Recorded highest sales ever, \$6.59 billion
- Surpassed \$50.7 billion in sales since inception
- Awarded 73 times a prize of \$1 million to lottery players
- Paid \$270 million in sales commission to retailers
- Collected \$14.1 million in state income taxes from prize winnings
- Collected from prize winnings \$1.9 million in debts owed to state and local governments
- Provided \$1 million to N.C. Problem Gambling Program

The Lottery is currently in the middle of a significant equipment rollout aimed at growing sales at retail locations throughout the state. The lottery is currently deploying SciQ devices in up to 2,000 retail locations, adding an additional 1,500 self service vending machines and installing 1,500 digital menu boards at select retailers across the state. This investment in equipment is part of broader plan to optimize performance at retail and modernize the way we sell and market lottery products to adapt to an evolving retail environment.

2.2.7 Lottery Annual Report, Lottery Sales and Game Plan

Significance	Response Type
INFORMATION	NONE

See Appendix C for the Lottery’s scratch-off ticket activations for the past four (4) Fiscal Years, scratch-off Historical data, Lottery Annual Report and FY 2026 Game Plan.

2.3 Lottery Retailers

Significance	Response Type
INFORMATION	NONE

Currently, there are approximately 7,100 traditional retail locations. Retailers earn 7 cents for every dollar in Lottery products they sell. In addition, they earn Retailer Incentives for selling top prizes in most of the NCEL draw and scratch-off games.

Retailers in North Carolina do not pay any additional fees to the Lottery beyond an initial contract application fee of \$75 and the weekly telecommunication fee. The Retailer Contract is established for a three (3) year term.

In addition, scratch-off tickets in North Carolina are sold to retailers on consignment with the prospect of increasing sales and stronger retailer cooperation in the State.

Per Lottery regulations, Retailers currently cannot accept credit cards for Lottery purchases. Cash, Debit cards and personal checks are acceptable at Retailer’s discretion.

Retailer Sic Name	Retailer Count	Net Sales Amount
Apparel and Accessory Stores	1	\$139,563.00
Bar	14	\$1,118,276.00
Club or Association	6	\$292,992.00
Convenience Store	855	\$215,308,839.00
Convenience Store with Gas Pump	3,529	\$1,551,821,502.00
Convenience Store with Gas Pump & Fast Food	1,547	\$686,151,181.00
Drug Store	16	\$774,452.00
Gas Service Station	19	\$3,335,106.00
General Merchandise	26	\$2,870,766.00
General Services	12	\$854,485.00
Grocery Store (5 or less check stands)	133	\$20,388,949.00
Home and Auto Supplies	1	\$298,683.00
Liquor Store	1	\$47,220.00
Other	18	\$1,698,261.00
Restaurant with Liquor &/or Beer License	12	\$557,299.00
Restaurant without Liquor License	5	\$211,760.00
Special Events and Locations	35	\$2,740,473.00
Supermarket (more than 5 check stands)	982	\$294,503,707.00
Superstore	158	\$34,238,049.00
Tobacco Store	152	\$24,672,830.00
TOTAL	7,522	\$2,842,024,393.00

2.4 Lottery Operations

Significance	Response Type
INFORMATION	NONE

In 2012, the Lottery implemented a player’s rewards system (Lucke-Rewards) whereby players may enter any scratch-off tickets or draw games to acquire points for entry into monthly and

weekly drawings and promotions. In December of 2013, the Lottery implemented a web-based Subscription Services System offering three (3) jackpot draw games consisting of Carolina Cash 5, Powerball, and Mega Millions. The current Online Play program allows players to purchase single ticket draw game tickets for the following draw games, Powerball, Mega Millions, Carolina Cash 5, Millionaire for Life, Pick 3 and Pick 4, as well as choose from a portfolio of over 60 digital instant games online.

BRIGHTSTAR LOTTERY currently is the primary contractor for the Gaming System, Scientific Games International, Inc. (SGI) is the primary contractor for the Scratch-off Ticket Printing Service and NeoPollard Interactive is the primary contractor to provide the Online Play and Loyalty Programs.

Scratch-off Games:

- Aid the Lottery in the planning and development of new scratch-off games
 - o Development of prize structure, game art and parameters.
 - o Performance analysis, strategy and game planning activities
- Generation and delivery of game files for loading onto the host backend Gaming System

Current warehousing and distribution functions:

SGI through SciTrak Ultra is responsible for the receipt of all scratch-off games inventories, administration and distribution to retailers including inventory and distribution of up to four games per year from 3rd party vendors.

SGI is responsible for receiving, warehousing and properly storing games in temperature control environment to ensure the integrity of the printed product. The games are distributed through multiple work stations consistent with what is required to ensure all generated orders are completed daily for delivery to retailers by the next business day.

In addition to regular daily orders, SGI also provides monthly initial allocations packing for new game launches which are a separate function. The initial allocation orders are completed separately because these games have an effective selling date as determined by the NCEL and supported by multiple divisions throughout the process.

All Scratch-off Game pack inventories are always in an Inventory Management status consistent with scratch-off game inventories. SGI is responsible for providing a Courier for the delivery of games to the retailers. Currently the games are typically delivered within 24 hours or by the next business day.

SGI is responsible for providing offices and work stations for Lottery Staff at the warehouse.

Games that are returned in sellable condition are placed in “available” status and are added back to the inventory and will be distributed in accordance to rules for new orders. Game packs delivered unwrapped and in sellable condition are delivered to SGI for rewrapping and are also placed in “available” status and are delivered to the distribution system for created orders. Damaged Games are marked in a status and held in a designated area for games destruction. SGI is responsible for all partial pack game destructions that are designated as End of Game and are secured by the Lottery including damages. The Lottery is responsible for scheduling a date for the destruction and the Lottery Security and Internal Audit Departments are responsible for confirming the completeness of the process.

Lucke-Rewards:

Pollard Banknote via the NPi contract is the current provider of our loyalty system. Registered players can enter their scratch-off tickets and draw game tickets on the website or using the scanner in the app for points. These points can be used to enter weekly and monthly drawings, and promotions. Tickets scanned may also be entered into eligible Second Chance Drawings.

NPi performs the following functions and services in relation to Lucke-Rewards Contract with the Lottery:

- Provides the web-based/app-based Lucke-Rewards application
 - o Contractor generated pages and functionality
 - o Responsive design and configuration for mobile devices
 - o Support for various web browsers
- Provides ability and functionality for entry of Draw Game tickets and Scratch-off Tickets
 - o Scratch-off Ticket redemption for points via scratch-off ticket serial number or scannable bar code
 - o Draw game ticket redemption for points via Lucke-Rewards Entry Code (web code) or scannable bar code printed on all draw game tickets generated from the traditional retailer based Gaming System
- Configuration and setup of promotions and second-chance drawings within Lucke-Rewards.
- Functionality and ability to enter into promotions and drawings within Lucke-Rewards.
- Points Management
 - o Variable points based on ticket price
 - o Display of points total
 - o Adjustments to available points based on ticket entry
 - o Adjustments to available points based on entry into contests, drawings, promotions
 - o Personalized message center
- Provides a history of Points and Ticket Entry
- Provides a history and listing of Winners and Draw Results
- Mobile Application(s) with enhancements and new functionality
 - o Mobile application development
 - o Push notifications
 - o API based Retailer Locator
- Provide an enhanced reporting and Business Intelligence tool
 - o Export capabilities
 - o Report scheduling

2.5 Brand Management

Significance	Response Type
INFORMATION	NONE

The mission of the Lottery is to raise revenue to maximize contributions to education for the State of North Carolina through the sale of lottery tickets/products. This is accomplished by providing entertaining games through an extensive state-wide retail network and via an Online Play program. While each individual lottery game has its own unique business goals, the overarching objectives of the Lottery’s Brand Management program are as follows:

- Generate revenues from sales of lottery games across all distribution channels to maximize contributions to aid state education.
- Expand front-of-mind awareness of existing and new lottery products, as well as the Lottery’s mission for education.
- Build and maintain equity of the Lottery brand and build comprehension and appeal of distinct benefits of the individual games.
- Expand customer loyalty.
- Retain frequent players and attract occasional players more often by facilitating their play and stimulating their interest in portfolio offerings.

The following current and future strategies have been developed to achieve these objectives:

- Rebalance portfolio growth across draw games, scratch-offs, and digital instants.
- Expand the player base through new channels and unique game offerings.
- Drive increased awareness and purchase frequency for both new and core games.
- Build on momentum of scratch-off game sales by supporting monthly launch strategy with the optimal variety of new compelling games and price points.
- Drive player engagement and loyalty through a new, more engaging digital presence, continued local level engagement, and continuously evolving player’s rewards program.
- Diversify the game portfolio with unique and complementary value propositions

2.6 Responsible Gaming

Significance	Response Type
INFORMATION	NONE

Since tickets went on sale across the State in 2006, the Lottery has been committed to encouraging responsible play. Some of our efforts aimed at accomplishing this goal include: providing training to our employees on a regular basis, training our retailers, and working together with our stakeholders to ensure that the Lottery’s Responsible Gaming program is making the best use of our funding and is touching as many people across the State as it possibly can. By partnering with the Lottery, the Contractor will aid in our mission to maximize sales and our return to the State while always promoting responsible play. We pride ourselves on operating under our founding principles of fairness, openness, and transparency for the public and players. We hope to build upon this partnership with our Contractor(s) by assisting us in our efforts to maintain our Level 4 Responsible Gaming certification from the World Lottery Association.

3 Terms and Conditions

3.1 Introduction

Significance	Response Type
MANDATORY	ACCEPTANCE

This chapter describes the terms and conditions that apply to the procurement process and which will become part of the Contract executed pursuant to this RFP.

3.2 Scope of the Contract

Significance	Response Type
MANDATORY	ACCEPTANCE

For the Successful Responding Contractor to provide a successful conversion of the Lottery’s Scratch-off Ticket Program to the Successful Responding Contractor’s fully integrated and comprehensive Scratch-off Ticket Program and other related services as fully specified in this RFP and the Successful Responding Contractor’s Proposal and any amendments thereof.

3.3 Elements of the Contract

Significance	Response Type
MANDATORY	ACCEPTANCE

The terms of this RFP, as may be amended by the Lottery from time to time, and the Proposal of the Successful Contractor will be incorporated into and form a part of the Contract, as will the Questions and Answers (“Contract elements”). In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: the Contract, this RFP and any amendments thereto as well as Answers to the Questions, and finally the Proposal of the Successful Responding Contractor, all of which must comply with the Act. The Lottery reserves the right to negotiate the form of Contract and offer such Contract to the Successful Contractor as the Lottery determines is in the best interests of the Lottery.

The Contract elements listed above constitute the entire Contract between the Lottery and the Responding Contractor, and representations, verbal or written, not included in such Contract elements are not binding on either the Lottery or the Contractor. In particular, the Lottery makes no representation of any kind regarding expected sales volumes or revenues, other than as expressly set out in this RFP.

3.4 Governing Law

Significance	Response Type
MANDATORY	ACCEPTANCE

This Procurement and any Contract resulting from this RFP shall be governed by and construed in accordance with the laws of the State of North Carolina, including the Act. Any and all claims or disputes arising under or in connection with this RFP or the Contract shall be exclusively governed by the Contracting and Bidding Dispute Resolution Process (Appendix E), as they may be adopted or amended from time to time by the Commission. By participating in this Procurement Process in any way including, without limitation submitting questions or a Proposal, Responding Contractors irrevocably waive any objection to the foregoing.

The Contractor must read and be familiar with the applicable law, rules, and regulations.

Lack of knowledge of the law or applicable administrative procedures, regulations, or rules by any Contractor shall not constitute a cognizable defense against their effect.

3.5 Term of the Contract

Significance	Response Type
MANDATORY	ACCEPTANCE

The original term of the Contract is expected to commence upon execution of the Contract and extend until June 30, 2037 (“**Initial Term**”). The Lottery reserves the right to extend the Contract for two additional two-year terms under terms and conditions most beneficial to the Lottery and the State of North Carolina (“**Renewal Terms**”). The causes for early termination of the Contract are as provided in the Contract.

3.5.1 Emergency Extension

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery reserves the right to reactivate or further extend the initial Contract, or any renewal thereof, at the rates and upon the terms and conditions then in effect on thirty (30) days’ notice for up to six (6) thirty (30)-day periods if a different contractor is chosen for a subsequent contract, and the changeover to the new Contractor’s Program does not occur by the time of the expiration of the original Contract or subsequent extension(s).

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

3.6 Termination of the Contract

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery may terminate the Contract prior to the expiration date in accordance with the provisions of this Section (Section 3.6) of the RFP.

3.6.1 Termination for Default

Significance	Response Type
MANDATORY	ACCEPTANCE

Default is defined as the failure of the Contractor to fulfill the obligations of the Contract including the Proposal.

The Lottery may terminate the Contract or any portion(s) of the Contract entered into as a result of this RFP, and be relieved of the payment of any consideration to the Contractor for the terminated portions of the Contract except as otherwise provided herein, if the Contractor fails to perform to the Lottery's satisfaction any material requirement of the Contract, or is in material violation of any specific provision, or materially modifies the Program without the prior written consent of the Lottery, and fails to remedy the failure or violation within seventy-two (72) hours after written notice from the Lottery of such failure or violation. The Lottery may terminate the Contract or any portion(s) of the Contract if the Contractor fails to perform to the Lottery's satisfaction any other requirement of the Contract, and fails to remedy the failure or violation within thirty (30) days after written notice from the Lottery of such failure or violation.

In the event of a termination for default, the Lottery shall have the right to obtain replacement products and/or services, on an emergency or interim basis, for the products and/or services that the Contractor agreed to provide under the Contract. Except as otherwise provided below, the Lottery shall have the right to collect from the Contractor the difference between the compensation to be paid to the Contractor as set forth in the Contract and the actual costs to the Lottery, including any added administrative costs, of obtaining and utilizing replacement products and/or services on an emergency or interim basis. The Lottery may collect monies it is due as a result of a termination under this subsection by offsetting the amount from any payments due to the Contractor.

3.6.2 Termination for Cause

Significance	Response Type
MANDATORY	ACCEPTANCE

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

1. The Contractor furnished any statement, representation, warranty, or certification in connection with this RFP or the resultant Contract which is materially false, incorrect, or incomplete.
2. The Contractor becomes financially unstable or is not able to obtain the financing necessary to perform the Contract.
3. The Contractor or subcontractor, or an officer or owner of a five percent (5%) or greater share of either, is convicted of a criminal offence incident to the application for or performance of any contract or subcontract whether in North Carolina or in another jurisdiction, or is convicted of a criminal offence which at the sole discretion of the Lottery reflects on the Contractor's integrity.
4. The Contractor commits an ethics or integrity violation as defined in the Contract, the Lottery Policies and Procedures, and North Carolina state law.
5. A court of competent jurisdiction finds that the Contractor has failed to adhere to any material laws, ordinances, rules, regulations, or orders of any public authority having jurisdiction.
6. The Lottery determines that the public operation of the Program could place the integrity of the Lottery in jeopardy.
7. Any of the directors or administrators of the Contractor have been convicted of a criminal offense that in the Lottery's judgment may affect his/her professional capacity or professional ethics.
8. The Contractor or any officer or director thereof has been guilty of professional negligence or misconduct such that, in the Lottery's reasonable judgment, continuation of the Contract will be likely to have a negative impact on the Lottery's image.
9. The Contractor (i) is wound up, (ii) is dissolved, (iii) is liquidated, (iv) files for bankruptcy, (v) becomes insolvent, (vi) has a substantial portion of its assets seized by a creditor, (vii) becomes subject to judicial process, or (viii) the Contractor takes such action or fails to take action such as to endanger, in the Lottery's reasonable judgment, the Contractor's continued corporate existence or ability to carry out the Contract.

The Lottery and the State of North Carolina must not be liable for any costs incurred if termination is for any of the causes stated above.

In the event of a termination for cause, the Lottery shall have the right to obtain replacement products and/or services, on an emergency or interim basis, for the products and/or services that the Contractor agreed to provide under the Contract. Except as otherwise provided below, the Lottery shall have the right to collect from the Contractor the difference between the compensation to be paid to the Contractor as set forth in the Contract and the actual costs to the Lottery, including any added administrative costs, of obtaining and utilizing replacement products and/or services on an emergency or interim basis. The Lottery may collect monies it is due as a result of a termination under this subsection by offsetting the amount from any payments due to the Contractor.

3.6.3 Termination for Convenience

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery may, for any of the following reasons, terminate the Contract or any portion(s) thereof upon giving the Contractor not less than one hundred eighty (180) days' written notice, without prejudice to any rights and cause of action the Lottery may have against the Contractor, specifying the extent of termination and the effective date:

1. The Lottery no longer needs certain or all of the products and/or services specified in the Contract.
2. The Lottery determines that an activity or operation supported by the Contract is no longer lawful for reasons including court decision, legislative action, administrative decision, or advice of counsel.
3. The Lottery determines that a termination is in the Lottery's interest.

After receipt of a Notice of Termination under this subsection, the Contractor must stop work as specified in the Notice, terminate all subcontracts to the extent that they relate to the work terminated, and complete performance of the work not terminated.

The Contractor may be entitled to compensation from the Lottery for:

1. The Contractor's costs incurred in performing the Contract or terminated portion thereof prior to the effective date of termination (less the proceeds received by the Contractor from sales of products supplied in performing the terminated portion of the Contract).
2. The Contractor's reasonable costs incurred following receipt of Notice of Termination in settling and paying claims arising from terminated subcontracts or portions thereof that are properly chargeable to the terminated portion of the Contract.

The compensation payable to the Contractor must not include the costs of unfinished work, work-in-progress, or raw materials acquired unnecessarily in advance, in excess of the Lottery's delivery requirements, or initiated after the Contractor's receipt of Notice of Termination. Failure to agree on the amount of compensation due as a result of a termination under this subsection will be a dispute under the Disputes clause of the Contract.

3.7 End of Contract Conversion

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery will utilize, at a minimum, the last one hundred eighty (180) days of the Contract or any extensions hereof as a time for conversion. That is, if the Lottery awards a Contract to another entity, the Contractor shall cooperate fully and in good faith, and assist to the extent reasonable

and practical to accomplish such conversion in a timely and economical fashion at no additional cost to the Lottery for such assistance.

3.8 Severability

Significance	Response Type
MANDATORY	ACCEPTANCE

If any provision of the Contract shall be held void, voidable, invalid or inoperative, no other provision of the Contract shall be affected as a result thereof, and accordingly, the remaining provisions of the Contract shall remain in full force and effect as though such void, voidable, invalid or inoperative provision had not been contained herein.

3.9 Prime Contractor Responsibilities

Significance	Response Type
MANDATORY	ACCEPTANCE

The Contractor must be the prime contractor, and as such, is responsible for all contractual activities performed under the Contract whether or not the Contractor performs them.

The Contractor must be the sole point of contact with regard to contractual matters, including payment of any or all charges under the Contract. The Contractor is an independent contractor. No principal/agent relationship or employer/employee relationship should be contemplated or created by the parties to the Contract.

Should the Contractor utilize subcontractors to fulfill any of its obligations under the Contract, the Contractor shall be fully and solely responsible for the subcontractors' performance, compliance with the terms and conditions of the Contract, and compliance with the requirements of any and all applicable laws, rules and regulations.

The Contractor is responsible for informing the subcontractor of any and all contractual and other obligations arising from the Contract with the Lottery and being relevant for the subcontractor's duties.

The Contractor must provide a listing of all subcontractors the Contractor proposes to use that are directly related to their obligations under the Contract.

In such case where the Contractor chooses to use subcontractors, the Lottery must have the right to communicate directly 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 subcontractor communication.

3.10 Subcontractor Approval

Significance	Response Type
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MANDATORY	ACCEPTANCE
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The Contractor may not subcontract, except those subcontracts listed in the Contractor’s Proposal, or otherwise assign any or all of its rights, duties or obligations under this Agreement to any individual or entity without the prior written consent of the Lottery in each instance, which consent may be withheld in the Lottery’s sole discretion. The Lottery shall have the right to approve or disapprove of any subcontractor. The Contractor will provide the Lottery with the name, qualifications, experience and expected duties of each proposed subcontractor under the Contract each time it desires to retain a subcontractor. Any proposed subcontracts must be subject to the prior approval of the Lottery, except those subcontracts listed in the Proposal.

The Responding Contractor must appoint alternates to any subcontractors not approved by the Lottery. Any such alternate subcontractors shall also be subject to the Lottery’s prior written consent.

Upon the request of the Lottery, the Contractor will promptly provide the Lottery with copies of all subcontracts and other agreements entered into by the Contractor with respect to its obligations under the Contract. No such subcontract or other agreement may contain any terms or conditions inconsistent or in conflict with the terms and conditions contained in the Contract. In the event of any such inconsistent or conflicting provisions, such inconsistencies or conflicts will be resolved in favor of the Contract.

The Lottery shall have the right, at any time and from time to time, to instruct the Contractor not to use the services of any subcontractor, individual or employee in connection with the work to be performed for the Lottery under the Contract, and the Contractor agrees to comply with all such instructions.

3.11 Assignment

Significance	Response Type
MANDATORY	ACCEPTANCE

The Contractor shall not assign this Contract, in whole or in part, without the prior written consent of the Lottery, and any attempted assignment not in accordance herewith shall be null and void and of no force or effect; provided, however, nothing herein shall prevent the Lottery from freely assigning this Contract, without requiring the Contractor’s prior written consent, to any entity which operates or will operate the Lottery. For purposes of this subsection, any sale or transfer of a controlling equity interest in, or substantially all of the assets of, the Contractor will be deemed an assignment for which the Lottery’s consent is required.

3.12 Background Investigations during the Contract Term

Significance	Response Type
MANDATORY	FULL

Pursuant to N.C.G.S. § 18C-152, the Lottery or its designee may initiate appropriate investigations into the backgrounds of any officers, principals, investors, owners, subcontractors, subsidiaries,

parent companies, employees, or any other associates of the Contractor (collectively referred to as “Investigated Subjects”). Such background investigations may include, but not limited to, civil, criminal, credit and financial reports of the Investigated Subjects. The Contractor agrees to submit all required company and individual release forms designated as Appendix E along with its Proposal.

Responding Contractor must also submit a check or other similar financial instrument of immediately available funds (the “**Record Check Fee**”) to the Lottery to cover the initial cost of record check conducted pursuant to § 18C-151(a)(3) of the Act. The Record Check Fee that must be submitted by EACH Responding Contractor with their Proposal in the amount equal to the sum of:

- i) One hundred thousand dollars (\$100,000) (the “**Corporate Search Fee**”) for Responding Contractor and any parent company of Responding Contractor; plus
- ii) Two hundred fifty dollars (\$250) (the “**Individual Search Fee**”) for each officer and director of Responding Contractor and for each shareholder of Responding Contractor who owns an interest of five percent (5%) or more in Responding Contractor.

Responding Contractor will be responsible for the actual cost of the record check. The Lottery intends to conduct full background checks only on the Apparent Successful Contractor. The Apparent Successful Contractor shall be responsible for reimbursing the Lottery for any cost beyond the initial Corporate and Individual Search Fees submitted pursuant to the RFP, and for any ongoing background investigations on the Successful Contractor’s employees working on the Lottery account for the duration of the Contract. After the Contract is executed, the Lottery will return all fees to the unselected Contractor(s).

3.13 Lottery Approval of Staffing/Subcontractors

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery may disapprove any employee or subcontractor of the Contractor who is assigned to the Lottery Contract, either at Contract inception or at any time during the Term of the Contract.

Neither the Contractor nor the Lottery shall engage or allow the engagement of unfit or unqualified persons or persons not skilled in the tasks assigned to them with respect to the Contract and the parties shall at all times employ sufficient personnel for carrying out work to full completion in the manner and time prescribed by the Contract. The Contractor shall be responsible to the Lottery for the acts and omissions of the Contractor’s employees or subcontractors.

Any person employed by the Contractor shall, at the written and reasonable request of the Lottery, be removed forthwith by the Contractor from work relating to the Contract. The Contractor’s subcontractors are in this respect considered Contractor employees.

3.14 Accounting Records

Significance	Response Type
MANDATORY	ACCEPTANCE

Contractor and any subcontractors shall maintain all books, documents, papers, accounting records and other evidence pertaining to the work to be performed under the Contractor in accordance with the Lottery Act, Governing Laws and Regulations, generally accepted accounting principles and any other applicable procedures established by the Lottery from time to time.

3.15 Right to Audit

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery reserves the right to audit all Contractor and subcontractor facilities, processes, and/or procedures, as they relate to the Contract, using Lottery employees, its designees, the North Carolina State Auditor's Office, or other employees of the State of North Carolina.

The Contractor and all its subcontractors under the Contract are required to maintain records and supporting evidence pertaining to the fulfillment of the Contract obligations in accordance with generally accepted accounting principles and other procedures specified by the Lottery.

Contractor and any subcontractors shall make all such records and materials available at its offices at all reasonable times during the term of the Contract and for five (5) years after the date of final payment under the Contract, for inspection by the Lottery, by any authorized representative of the Lottery and/or the State of North Carolina Auditor of State's Office ("**State Auditor**"), and copies thereof shall be furnished to the Lottery and/or the State Auditor by the appropriate entity, at no cost to the Lottery or the State Auditor, if requested by the Lottery or the State Auditor.

The Lottery reserves the right, at its sole discretion, to perform additional audits, which may include but are not limited to the following: financial/compliance, security, economy/efficiency, program results or limited scope audits, where appropriate. Additionally, the Lottery reserves the right to inspect any of the Contractor's third-party auditor's reports and management letters.

Unless the audit would be impaired, any audit by the Lottery will only be conducted with reasonable prior notice to the Contractor, and subject to all security, quality, and other procedures which may be in force at the Contractor site. In the case of an audit indicating non-compliance with the terms of the Contract, the Lottery may pursue any and all available remedies as specified in the Contract, including terminating the Contract due to the Contractor's default.

3.16 Audit Requirements

Significance	Response Type
MANDATORY	ACCEPTANCE

The Contractor shall provide, as soon as it is available, to the Lottery on an annual basis a copy of its audited financial statements for such year. The Lottery requires (and will retain) an electronic and hardcopy of an annual third-party audit of the Successful Contractor’s operations, internal controls, and related activities, which includes, but is not limited to, SOC I & II audits (or the latest version of such audits as defined by American Institute of Certified Public Accountants (AICPA)). The Successful Contractor will select the appropriate and qualified audit firm(s), subject to the Lottery’s written approval, and will bear the cost of such audits. Such audit(s) shall be in such form and in compliance with standards and agreed upon procedures as approved by the Lottery. Such audit(s) may be required to be conducted within the first ninety (90) days of the Successful Contractor’s conversion of the Scratch-off Ticket Program. The Successful Contractor shall also fully cooperate with any audit firm(s) as contracted by the Lottery and/or the State Auditor’s Office with respect to any audit to be performed involving the Successful Contractor’s operations, as required by law or as desired by the Lottery and/or the State Auditor’s Office.

3.17 Non-Exclusive Rights

Significance	Response Type
MANDATORY	ACCEPTANCE

Nothing in this RFP or any Contract resulting from this RFP shall preclude the Lottery from acquiring related services from other Contractors, individuals or entities as the Lottery, in its sole discretion, shall determine.

3.18 Right of Use/USUFRUCT

Significance	Response Type
MANDATORY	ACCEPTANCE

If, for any reason other than breach of Contract by the Lottery (including a material adverse change in the Contractor’s financial condition), the Contractor should lose its ability or refuse to perform the requirements of the Contract, the Lottery must be entitled to acquire the right to use the equipment, facilities, software, source and object code program instructions, and documentation for those items owned by the Contractor and which are necessary to provide contractual services. Such right must 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, maintaining, altering, and improving the operational characteristics of the programs and systems being used by the Lottery under the Contract. Such use must be limited in time to the duration of and scope for programs, systems, and other items being used by the Lottery under the Contract.

In such an event, all software programs, documentation, operating instructions, facilities, hardware, and the like, including modifications or alterations thereof, must be kept in confidence, except to the extent that they are public records under North Carolina law, and must be returned together with all copies to the Contractor when their use has been completed.

3.19 Responding Contractor Ethics and Integrity

Significance	Response Type
MANDATORY	ACCEPTANCE

In accordance with the Lottery’s Code of Ethics and Ethics Procedures, the Contractor is expected to establish and enforce a Code of Ethics for all its employees, independent vendors, and subcontractors to equally meet the Lottery’s objectives in this regard; refer to Section 2.2.2 (Lottery Ethics and Integrity). Further to the general ethical requirements, the following requirements are of particular importance for the Lottery:

The Contractor is therefore obligated to meet high standards for ethics and integrity under this Contract including, but not limited to the following:

1. The Contractor must not accept any pay, remuneration, or gratuity of any value for performance on or information derived from this project from any party other than the Lottery or the Contractor as described in the Contract, or from any party under contract to the Lottery or seeking to contract with the Lottery with respect to this project.
2. The Contractor and employees must not offer or give any gift, gratuity, favor, entertainment, loan, or any other thing of any monetary value to any Lottery Commissioner, employee, director, or any other person or organization associated with the Lottery, and, if offered, the Lottery Commissioner, employee director, or any other person or organization associated with the Lottery may not accept them.
3. The Contractor and employees of the Contractor must not disclose any business-sensitive or confidential information gained by virtue of this Contract to any party without the consent of the Lottery.
4. The Contractor and employees must take no action in the performance of this Contract to create an unfair, unethical, or illegal competitive advantage for itself or others.
5. For violation of the above provisions, the Lottery may terminate the Contract, receive restitution from the Contractor, or take any other appropriate actions against the Contractor.

3.20 Disputes under the RFP and/or Contract

Significance	Response Type
MANDATORY	ACCEPTANCE

All disputes arising under or relating to this Contract must be resolved in accordance with the Vendor Contracting and Bidding Dispute Resolution Process, see Appendix E.

3.21 Cooperation of the Parties

Significance	Response Type
MANDATORY	ACCEPTANCE

The Contractor and the Lottery agree to cooperate fully, to work in good faith, and to mutually assist each other in the performance of the Contract. In this regard, the parties will meet to resolve problems associated with the Contract. Neither party will unreasonably withhold its approval of any act or request of the other to which its approval is necessary or desirable.

Should the Lottery obtain systems, equipment, materials, or processes from a source other than the Contractor, that would require the Contractor to cooperate or make changes in order to permit compatibility, then the Contractor must cooperate with the other source under the Lottery’s direction. Such cooperation may include, but is not limited to, providing the necessary interfaces and platforms.

3.22 Equipment and Software Corrections, Changes, Upgrades, and Expansion

Significance	Response Type
MANDATORY	ACCEPTANCE

The Contractor’s obligations especially for correcting, changing, upgrading, and expanding the equipment, software and functionality are further defined in the following subsections. These are in addition to related requirements stated elsewhere in this RFP.

3.23 Liquidated Damages Provisions

Significance	Response Type
MANDATORY	ACCEPTANCE

The following Liquidated Damages Clauses shall apply:

1. Delay in Providing New Ticket Inventory to Retailers by the Contracted Start Date: The Contractor must begin to distribute ticket inventory for all active scratch-off games beginning on the official contracted start date.
 - If the Contractor is unable to provide inventory for each of the active scratch-off games by the contracted start date, the Lottery may assess liquidated damages in the amounts listed below based on the ticket price point for each game per calendar day that it is unavailable to order.
 - \$1 Scratch-off games: \$5,000
 - \$2 Scratch-off games: \$10,000
 - \$3 Scratch-off games: \$10,000
 - \$5 Scratch-off games: \$25,000
 - \$10 Scratch-off games: \$50,000
 - \$20 Scratch-off games: \$100,000
 - \$30 Scratch-off games: \$150,000
 - \$50+ Scratch-off games: \$250,000

2. New Game Start Date Delayed: The Contractor must distribute new game tickets to retailers one day (or earlier if that date falls on a holiday) prior to the agreed upon game start date included in the working papers.
 - In the event that a new game's start date is delayed due to reasons related to the production or delivery process of the scratch-off tickets, the Lottery may assess liquidated damages in the amounts listed below based on the ticket price point for each delayed game, for each calendar day beyond the originally agreed upon start date for the game.
 - \$1 Scratch-off games: \$5,000
 - \$2 Scratch-off games: \$10,000
 - \$3 Scratch-off games: \$10,000
 - \$5 Scratch-off games: \$25,000
 - \$10 Scratch-off games: \$50,000
 - \$20 Scratch-off games: \$100,000
 - \$30 Scratch-off games: \$150,000
 - \$50+ Scratch-off games: \$250,000

3. Failure to Distribute Tickets Within One (1) Business Day of Order: The Contractor must distribute scratch-off ticket packs within one (1) business day of the order being entered into the ticket ordering system.
 - In the event that an order is not distributed within one (1) business day from the time that the order is entered into the system, the Lottery may assess liquidated damages listed below based on the ticket price point per pack per day for each pack not distributed within the allotted time.
 - \$1 - \$5 Scratch-off games: \$25
 - \$10 - \$30 Scratch-off games: \$50
 - \$50+ Scratch-off games: \$100

4. Security Violations: The Contractor shall preclude any person who is not authorized by the Lottery from accessing the secured areas of the production facility, computerized systems, and/or the ticket distribution warehouse except for the Contractor's employees and suppliers of support products and services. The Contractor shall preclude access to any Data by any person except as specifically authorized by the Lottery and the Contractor's NC General Manager. Unauthorized access shall be defined as each and every act which permits access to Data or secured locations without specific authorization or a series of acts by which unauthorized access to Data or secured locations is attempted after an initial breach of security.
 - If the Contractor fails to preclude unauthorized physical access to secured areas, computer systems or Data, the Lottery may assess liquidated damages up to fifteen thousand dollars (\$15,000.00) for each occurrence or violation. An occurrence shall be defined as each and every act that permits access by an unauthorized person.

- The Contractor will be liable for any damages or remedies incurred as a result of a security breach or unauthorized electronic access to Data or computerized systems. In addition, the Lottery may assess liquidated damages up to fifteen thousand dollars (\$15,000.00) for each occurrence or violation.
5. Untimely or Inaccurate Reports: The Contractor must produce and deliver timely, sufficient, accurate and unaltered reports including Data transmissions within the specified timeframes and descriptions as required by the Lottery. Reports shall be produced and delivered on both a scheduled and on-request basis according to the schedule mutually approved by the Contractor and the Lottery. Should the Contractor deliver a report, deemed by the Lottery as insufficient or inaccurate, the Lottery shall immediately notify the Contractor and provide the Contractor with the report name and the date and time that the report was produced. Once this information has been received by the Contractor, the Contractor shall have two (2) hours in which to deliver a corrected report to the Lottery.
 - For each late, insufficient or altered report that is not delivered or corrected within the two (2) hours after notification to the Contractor as described in above, the Lottery may assess liquidated damages in the amount of one thousand dollars (\$1,000.00) per day, per report until the report is provided, made sufficient or corrected.
 6. Working Papers –Unauthorized Modifications: The Contractor must ensure that no modifications are made to the executed working papers without the written approval of the Lottery. The Contractor shall not start production of any game without written approval of the final game specifications and any subsequent changes from the Lottery.
 - If it is determined that the Contractor made unauthorized changes to the working papers, the Lottery may assess liquidated damages in the amount of fifteen thousand dollars (\$15,000) per incident and may be responsible for reproducing the game based on the approved working papers if deemed necessary by the Lottery.
 7. Claimed Prize Tickets Not Approved by the Lottery: The Contractor is responsible for producing Game Validation Files in accordance with the approved specifications included in the working papers.
 - In the event that a prize is claimed that has not been approved by the Lottery, the Lottery may assess liquidated damages in the amount of the total prize value.
 - In addition, the Lottery may assess liquidated damages in the amount of five thousand (\$5,000) dollars for each instance of an unapproved prize claim.
 8. Defective or Non-conforming or Non-sellable Tickets or Packs: The Contractor must ensure that all ticket packs that are delivered to the scratch-off ticket warehouse and Lottery retailers conform with the agreed upon specifications included in the working papers and are not defective in any way.
 - The Contractor shall be liable for the total prize value of each winning ticket produced by the Contractor and presented for redemption which is not identified as a valid, winning

salable ticket, or which is later determined to be an invalid ticket, and for which the Lottery (in its sole discretion) determines it is liable or otherwise obligated to pay.

- In addition, the Lottery may assess liquidated damages in the amount of two thousand dollars (\$2,000.00) for each incorrect identification of a ticket as a winning or non-winning ticket, and for each incorrect prize level identification.
- If it is determined that a non-conforming or defective pack was delivered to the scratch-off ticket warehouse, but not yet distributed to a Lottery retailer, the Lottery may assess liquidated damages in the amount of five hundred dollars (\$500) per incident and forty dollars (\$40) per pack of tickets identified.
- If it is determined that a non-conforming or defective pack was delivered to a Lottery retailer, the Lottery may assess liquidated damages in the amount of five hundred dollars (\$500) per incident and forty dollars (\$40) per pack of tickets identified.

9. Inside Sales or Inventory Control System is Unavailable: The Contractor is responsible for ensuring that the Inside Sales or Inventory Control System is available for the ordering of inventory during normal business hours. The Contractor must recommend a liquidated damages amount in the event that the Contractor's Inside Sales or Inventory Control System is unavailable preventing orders from being distributed and delivered to retailers the next business day.

9. Incomplete or Incorrect Game Validation Files: The Contractor must produce complete and accurate game validation files based on the agreed upon specifications included in the working papers.

- If it is determined that game files were delivered that were incomplete or inaccurate in any manner, the Lottery may assess liquidated damages in the amount of twenty thousand dollars (\$20,000) per calendar day until corrected validation files are provided.

10. Unauthorized Software/Hardware Modifications

- The Contractor shall not modify any software, parameters or hardware used in relation with the Program without the prior written approval of the Lottery.
- If the Contractor modifies any software, parameters or hardware used in relation with the Program without the prior written approval of the Lottery, the Lottery may issue a written notice to the Contractor that the change or modification must be removed and the Program be restored by the Contractor to its previous operating state at the Contractor's expense. The Lottery may impose liquidated damages in the amount of ten thousand dollars (\$10,000.00) per incident where software, parameters or hardware was modified without the prior written approval of the Lottery, in addition to any other damages which may occur as a result of such unauthorized modification.

11. Third Party Integration

- The Contractor is required to successfully implement third party programs, systems or equipment upon reasonable request of the Lottery.
- The Contractor must recommend a liquidated damages amount in the event where the Contractor does not successfully implement a third-party program, system or equipment upon reasonable request of the Lottery.

12. Failure to Report Incidents

- The Contractor shall be responsible to immediately report all significant incidents related to the operation of the Program. The immediate reporting shall be delivered personally or by telephone and email within one (1) hour of the discovery of the incident, followed by a letter addressed to the Lottery, within twenty-four (24) hours of the incident. Written reports and notifications must be sent by email. At a minimum, each of the following types of events shall require a written report:
 1. Security violations;
 2. Other conditions as defined by a memorandum of understanding; and/or
 3. Any situation which may cause the general public to become alarmed and/or which may damage the integrity or public image of the Lottery.
- In the event that the Contractor fails to report incidents, the Lottery may assess liquidated damages of two thousand dollars (\$2,000) per calendar day until an incident is correctly reported.

13. Failure to Comply with Required Standards or to Remedy Audit Recommendations

- If the Contractor fails to address recommendations made as a result of an audit or to comply with required Lottery standards, liquidated damages may be assessed.
- In the event that audit recommendations addressing any of the Contractor's activities are not corrected by the date agreed upon by the Lottery and Contractor, the Contractor may be charged liquidated damages of ten thousand dollars (\$10,000). An additional five thousand dollars (\$5,000) for each subsequent thirty (30) calendar day period, or any portion thereof, may be assessed for which the audit recommendation corrections have not been completed.
- In the event the Contractor fails to comply with any required Lottery standard, the Lottery may assess liquidated damages of ten thousand dollars (\$10,000) for each instance. If the Contractor fails to comply within the date specified, liquidated damages may apply in the amount of an additional five thousand dollars (\$5,000) for each subsequent seven (7) calendar day period, or any portion thereof, for which compliance has not been achieved.

14. Other Breaches of Contract

The Lottery may assess liquidated damages if the Contractor fails to comply with any material provision of the Contract for which liquidated damages are not specifically provided for herein, after the Lottery provided notice as may be required under the Contract. The occurrence will be assessed and appropriate liquidated damages may be applied.

15. Failure to complete returns processes within allotted timeframe:

The Contractor must comply with the returns requirements, including completing all inventory movements within the inventory management software per the required timelines.

- In the event that contractor fails to perform required processes within the required timelines, the Lottery may assess liquidated damages in the amount of fifty dollars (\$50) per pack per day for each pack that does not meet the requirements.

3.24

Ownership of Materials and Intellectual Property

Significance	Response Type
MANDATORY	ACCEPTANCE

All deliverables, written materials, designs, tangible or intangible materials, intellectual or other property or other work product of any kind or nature produced, revised, created, modified or prepared by Contractor and any of its subcontractors exclusively and specifically for the Lottery in connection with the Contract, the RFP or for the Lottery (collectively, the “Work Product”) will be deemed, to the greatest extent possible, “work made for hire” under Section 101 of the United States Copyright Act, 17 U.S.C. Section 101 to be exclusively owned by the Lottery. Consistent with the foregoing, nothing contained herein shall limit or be deemed to limit Contractor’s intellectual property ownership rights and interests with respect to any and all property, programs, systems, data, documentation, information, materials, modifications, adaptations and intellectual property which was in its respective possession and/or in which Contractor and/or its subcontractors held an interest prior to the Contract, as well as that which will be developed by Contractor and/or its subcontractors independent of the Contract and not exclusively for the benefit of the Lottery whether or not it constitutes basic, unmodified proprietary software systems that are generally provided to their respective customers. To the extent that any Work Product does not qualify as a “work made for hire,” Contractor and each of the subcontractors hereby irrevocably transfer, assign and convey to the Lottery all right, title and interest in the Work Product, together with all copyrights, patents, trade secrets, confidential information, trademarks and service marks (and the goodwill associated therewith) (all of the foregoing being collectively defined as the “Intellectual Property Rights”), free and clear of any liens, security interests, hypothecations, pledges, claims or other encumbrances of any kind or nature, to the fullest extent permitted by law. At the Lottery’s request, Contractor and its subcontractors shall execute, and shall cause its or their personnel to execute, all assignments, applications, writings, instruments or other documentation of any kind or nature deemed necessary or beneficial by the Lottery so that the Lottery may perfect or protect its rights as provided herein. Contractor and its subcontractors shall require its and their employees, and permitted agents, independent contractors and consultants to execute agreements assigning all of their rights in the Work Products, and all Intellectual Property Rights therein, to the Lottery, directly or indirectly, and shall provide the Lottery with documentation evidencing its compliance with this requirement upon the Lottery’s request. The intent of the Lottery is that the Lottery is the sole owner of, and is able to continue to use any or all of, the Work Product that it chooses in the conduct of its lottery games and other activities.

3.25

Data and Analytics

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery requires the Successful Contractor to adhere to requirements around the management and availability of all Data associated with the Lottery’s business and products. “Data” means any and all information, records, files, datasets, metadata, logs, or other materials generated, collected, processed, stored, transmitted, or accessed in connection with

this Contract, including but not limited to personal information (as defined in N.C. Gen. Stat. § 75-61(10)) player data, transaction records, retailer information, system logs, audit trails, and any derivatives or aggregates thereof, regardless of format or medium. Lottery Data includes all known Data available today and any future Data that may be available over the life of the Contract. (“Lottery Data”)

The Lottery requires the Successful Contractor to provide structured access to the Lottery Data by means determined by the Lottery. All Lottery Data requested will be delivered in a structured, machine-readable format and the Lottery will retain full access to underlying datasets that can be ingested into the enterprise warehouse without dependency on vendor reporting tools.

Lottery may request the Contractor to provide Lottery Data structured in specific ways or to collect new data streams related to production, warehousing, inside sales or retail activities, that requires the Contractor to adjust the datasets provided to the Lottery. All costs associated with this section will be the responsibility of the Contractor.

Lottery may, at its sole discretion, request integration with 3rd parties, as mentioned in 3.38.4 (Attachment of Third-Party Systems or Products). The Lottery retains sole and exclusive ownership of all Lottery Data.

All 'Lottery Data will be maintained and made available to the Lottery for a minimum of twenty-four (24) months after the expiration of the contract and any extensions without any additional cost to the Lottery.

The Lottery requires all Lottery Data to be stored and maintained within the United States at all times. The Lottery shall be entitled to request, and Contractor shall promptly provide upon such request, documentation fully detailing the location of storage and transit of all Lottery Data.

3.25.1 Use of Artificial Intelligence (“AI”)

Significance	Response Type
MANDATORY	ACCEPTANCE

- a. **Definitions-** The following definitions shall apply to this Section 3.25.1:
 - i. **“Artificial Intelligence” (or “AI”)** means any machine-based system, software, algorithm, model, or process that can, for a given set of human-defined objectives, make predictions, recommendations, or decisions influencing real or virtual environments, including but not limited to machine learning, deep learning, neural networks, natural language processing, computer vision, generative AI, predictive analytics, or any similar technology, whether developed internally by Contractor, or licensed from third parties.

- ii. **“AI-Related Components”** means all elements associated with AI, including, but not limited to source code, algorithms, models, training datasets, inference data, hyperparameters, architectures, software libraries, APIs, hardware dependencies, performance metrics, bias assessments, ethical reviews, security vulnerabilities, and any updates, modifications, or derivatives thereof.
 - iii. **“State Data Policy”** means the North Carolina Statewide Data Classification and Handling Policy, as administered by the North Carolina Department of Information Technology (“NCDIT”), including all classifications (Public, Internal, Confidential, Restricted), handling requirements, privacy protections, and any amendments or successor policies thereto.
- b. **Full Disclosure of AI Use.** Contractor shall fully and transparently disclose to the Lottery, in writing and prior to Contract execution, all AI and AI-Related Components used or intended to be used in any system or services provided under this Contract. Such disclosure shall include, at a minimum:
 - i. A detailed description of each AI application, its purpose, functionality, and integration with the system;
 - ii. All AI-Related Components, including access to source code and documentation for review and audit by the Lottery;
 - iii. Identification of any third-party AI technologies, including licensing terms, ownership, and potential conflicts with the Act or State Data Policy
 - iv. Risk assessments, including potential biases, errors, security vulnerabilities, and impacts on fairness, integrity or security of lottery operations
 - v. Any use of Lottery Data in training, testing, or operating AI, including historical or ongoing datasets; and
 - vi. Updates to disclosures, at the latest, ten (10) business days in advance of any proposed changes, additions, or modifications to AI use during the Contract term

Failure to disclose or inaccurate disclosure shall constitute a material breach, entitling the Lottery to immediately terminate the Contract without notice or cure period, in addition to any remedies under law or in equity.

- c. **Lottery Control Over Lottery Data.** The Lottery shall have absolute and exclusive ownership, control, and authority over all Lottery Data, consistent with its status as a state agency under the Act and the State Data Policy. Contractor acknowledges that all Lottery Data is Lottery and State of North Carolina property and Contractor shall not acquire any rights, title, or interest in Lottery Data by virtue of executing a Contract. Vendor shall:
 - i. Comply strictly with the State Data Policy (or, if directed otherwise, the Lottery Data Policy), classifying and handling all Lottery Data at the highest applicable level
 - ii. Not use, access, disclose, transfer, sell, or process Lottery Data for any purpose other than as expressly authorized in writing by the Lottery, and in no event for Vendor’s internal purposes, AI training, marketing, or third-party sharing without prior Lottery written approval;

- iii. Implement and maintain administrative, technical, and physical safeguards at least as stringent as those required by the State Data Policy, the Public Records Laws, and the laws of the State of North Carolina, and Lottery Policies and Procedures including encryption, access controls, multi-factor authentication, and de-identification where applicable;
 - iv. Prohibit the use of Lottery Data in AI systems without explicit, use-case-by-use-case written consent from the Lottery, and ensure no commingling of Lottery Data with non-Lottery data that could lead to re-identification or unauthorized inference;
 - v. Immediately report any actual or suspected unauthorized access, breach or incident involving Lottery Data to the Lottery; and
 - vi. Upon Contract termination or Lottery request, return or securely destroy all Data in accordance with NIST SP 800-88 guidelines and State Data Policy (or Lottery Data Policy, if applicable), providing certification of destruction within ten (10) business days.
- d. **Lottery Audit and Inspection Rights.** The Lottery, or its designees (including NCDIT or Office of the State Auditor), shall have unrestricted rights to audit, inspect, and test Contractor’s systems, records, and operations related to AI use and Lottery Data handling at any time, with or without notice, to ensure compliance with this section, the Act, and the State Data Policy. Contractor shall cooperate fully and bear all costs of such audits.
- e. **Indemnification and Remedies.** Contractor shall indemnify, defend, and hold harmless the Lottery, the State of North Carolina, and their officials, Commissioners, and employees from any claims, losses, damages, or liabilities arising from Contractor’s breach of this Section, including but not limited to violations of data privacy laws or unauthorized use of AI. In addition to its termination rights, the Lottery may elect to impose liquidated damages of up to ten thousand dollars (\$10,000.00) per day of non-compliance, may withhold payments, or may pursue other legal, equitable, or injunctive relief. This Section survives Contract termination.
- f. **Compliance with Law; Subcontractors Bound.** Vendor shall comply with all applicable laws, including the Act and the State Data Policy. Any subcontracts shall bind subcontractors fully to these terms, with Contractor remaining fully liable for any acts or omissions by its chosen subcontractors.

3.26 Title to, and Use of, Third-Party and Contractor Intellectual Property Rights

Significance	Response Type
MANDATORY	ACCEPTANCE

To the extent that the Contractor utilizes or relies upon the Intellectual Property Rights of a third party in fulfilling its obligations under the Contract, the Contractor must provide the Lottery with assurance that the Lottery deems necessary that the use of such third party’s Intellectual Property Rights is permissible.

While the Lottery and the Contractor agree that all Intellectual Property Rights associated with any product and/or service provided by (or developed by) the Contractor under the Contract are and may remain the property of the Contractor, the Contractor must agree to grant a license to the Lottery to make use of any such Intellectual Property Rights on an indefinite basis with respect to Lottery business activities. Compensation for the use of such licensed works, if any, must be clearly defined in the Price Proposal.

3.27 Patents, Copyrights, Trademarks, and Trade Secrets

Significance	Response Type
MANDATORY	ACCEPTANCE

The Contractor will take all possible measures to avoid any patent, copyright, trademark, and/or trade secret infringements during any phase developing, designing, or operating the Program.

The Contractor will ensure that no violations or infringement of copyrights, patents, trademarks, and/or trade secrets are to be committed by its own employees, by any subcontractor, any of the subcontractor’s employees, or generally any person acting under the control or acting by toleration of the Contractor.

The Contractor will ensure that all materials integrated in the Program – among others, software, databases, photographs, works of painting, audio and video works, music, and generally all works falling under the scope of the law protecting copyright, patents, trademarks, and/or trade secrets – are only used with the express consent of the author of the works. Lawful and correct use includes, if requested, the payment of usage or reproduction rights, the integration of the author’s or producer’s name, as requested for by law, and generally the respect of all the author’s moral rights on the work.

The Contractor will assume all liability and will hold the Lottery harmless from any liability resulting from any infringement that occurs as the result of the Contractor’s or subcontractor’s actions.

3.28 Intellectual Property Indemnification

Significance	Response Type
MANDATORY	ACCEPTANCE

The Contractor agrees to indemnify and save harmless and to defend all legal or equitable actions brought against the Lottery, the Commission, its CEO, directors and officers, the State of North Carolina and its agencies and political subdivisions, and their respective agents, officers and employees, for and from all claims of liability which may result from the Lottery’s use of any Intellectual Property Rights under licenses granted by the Contractor, and for any claims resulting from the Contractor’s use of third-party Intellectual Property Rights. The Lottery agrees to give the Contractor prompt notice of all such claims of liability.

If the Lottery promptly notifies the Contractor in writing of a third-party claim against the Lottery that any deliverable infringes upon the Intellectual Property Rights of any third party, the

Contractor will defend such claim at its expense or, at the discretion of the North Carolina Attorney General, indemnify the Lottery for the defense and will pay any costs or damages that may be finally awarded against the Lottery. If any deliverable is, or in the Lottery’s opinion is likely to be, held to be infringing, the Contractor must at its expense and option either: (a) procure the right for the Lottery to continue using it, (b) replace it with a non-infringing equivalent, or (c) modify it to make it non-infringing.

If the actions in clauses (a), (b), and (c) are not commercially practicable, the infringing deliverable may be returned and the Lottery will be refunded the fees paid for such deliverable, as well as any applicable liquidated damages. The Contractor will make every reasonable effort to explore options (a), (b), and (c) prior to returning the fees paid, paying the applicable damages, and receiving the deliverable from the Lottery.

3.29 Indemnification

Significance	Response Type
MANDATORY	ACCEPTANCE

The Contractor must agree to defend, indemnify, and hold harmless the Lottery, the Commission, its CEO, directors and officers, the State of North Carolina and its agencies and political subdivisions, and their respective agents, officers and employees (the “Indemnified Parties”), from any and all claims of any nature, including all costs, expenses, and attorneys’ fees, which may in any manner result from or arise out of the negligent or more culpable act in the performance of its obligations under the Contract, except for claims resulting from or arising out of the Lottery’s sole negligence. The legal defense provided by the Contractor to the Lottery must be free of any conflicts of interest, even if retention of separate Legal Counsel for the Lottery and/or the State of North Carolina is necessary. The Contractor also agrees to defend, indemnify, and hold the Lottery and the State of North Carolina harmless for all costs, expenses, and attorneys’ fees incurred in establishing and litigating the indemnification coverage provided herein. This obligation shall continue after the termination of the Contract. The Contractor’s obligation to defend the Indemnified Parties is subject to the discretion of the North Carolina Attorney General who may choose to defend any action and require that the Contractor indemnify the Indemnified Parties for the cost of such defense.

3.30 Confidential Information

Significance	Response Type
MANDATORY	ACCEPTANCE

The Contractor is advised to also refer to the requirements in Section 1.18 (Public Records and Request for Confidentiality).

For purposes of the Contract:

“**Confidential Information**” means any and all items or information of a party which are: (A) marked “Confidential” or some such similar designation; or are (B) valuable, proprietary and confidential information belonging to or pertaining to such party that does not constitute a “Trade

Secret” (as hereafter defined) and that is not generally known but is generally known only to said party and those of its employees, independent contractors or agents to whom such information must be confided for business purposes, including, without limitation, information regarding said party’s customers, suppliers, manufacturers and distributors; and

“**Trade Secret**” means business or technical information, including but not limited to a formula, pattern, program, device, compilation of information, method, technique, or process that: (A) derives independent actual or potential commercial value from not being generally known or readily ascertainable through independent development or reverse engineering by persons who can obtain economic value from its disclosure or use; and (B) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

In recognition of the need of Contractor to protect its legitimate business interests, **provided that such information is designated or indicated as “Confidential” or “Trade Secret” at the time of its initial disclosure to the Lottery**, the Lottery hereby covenants and agrees that with regard to any: (i) Contractor Confidential Information, at all times during the term of the Contract and for a period of three (3) years following the expiration or termination of the Contract for any reason; and (ii) Contractor Trade Secrets, at all times such information remains a Trade Secret under applicable law, the Lottery will regard and treat all such items as strictly confidential and wholly owned by Contractor and will not, for any reason or in any fashion, either directly or indirectly use, disclose, transfer, assign, disseminate, reproduce, copy, or otherwise communicate any such Contractor Confidential Information or Contractor Trade Secrets to any individual or entity for any purpose other than in accordance with the Contract, pursuant to the instructions from a duly authorized representative of Contractor or except to the extent necessary to fulfill the purposes of the Contract or conduct the Lottery. The Lottery shall not be liable; however, to Contractor or to any other person or entity, if despite the Lottery’s reasonable efforts, Contractor Confidential Information or Contractor Trade Secrets are disclosed in breach of the foregoing. Notwithstanding anything hereto the contrary, the entirety of Section 1.18 (Public Records and Request for Confidentiality) of the RFP, the Act, the Governing Laws and Regulations, the Open Meetings Law N.C.G.S. § 143-318.9 *et seq.* and the Public Records Law N.C.G.S. § 132-1 *et seq.* (collectively, the “Superseding Provisions and Statutes”) shall supersede and control any provision of the Contract, and the Lottery’s confidentiality and nondisclosure obligations and liabilities set forth herein, or in the RFP or Proposal, shall be subject to, and never be greater than, as set forth in any of the Superseding Provisions and Statutes.

In recognition of the need of the Lottery to protect its legitimate business interests, Contractor hereby covenants and agrees that with regard to any: (i) Lottery Confidential Information, at all times during the term of this Agreement and for a period of three (3) years following the expiration or termination of the Contract for any reason; and (ii) Trade Secrets, at all times such information remains a Trade Secret under applicable law, Contractor and all subcontractors will regard and treat all such items as strictly confidential and wholly owned by the Lottery and will not, for any reason or in any fashion, either directly or indirectly use, disclose, transfer, assign, disseminate, reproduce, copy, or otherwise communicate any such Lottery Confidential Information or Lottery Trade Secrets to any individual or entity for any purpose other than in accordance with the Contract or pursuant to the instructions from a duly authorized representative of the Lottery. In addition, to the extent the Act or any other Governing Laws and Regulations law imposes any greater restrictions or prohibitions with respect to any Lottery Confidential Information, Lottery Trade Secrets or other information or property of the Lottery, Contractor covenants and agrees that it and all subcontractors shall comply with such greater restrictions or prohibitions. To ensure

the compliance by it and all subcontractors with the provisions of this provision, Contractor shall use its best efforts, including, without limitation, obtaining written confidentiality agreements with all subcontractors which incorporate requirements no less restrictive than those set forth herein and which contain provisions which permit Lottery to independently enforce the requirements set forth in such agreements.

Notwithstanding the foregoing, the nondisclosure restrictions as specified above shall not apply to either party's information that is: (i) generally known to the public other than due to a disclosure by the Disclosing Party; (ii) already known to the Receiving Party at the time it is disclosed by the Disclosing Party to the Receiving Party; (iii) independently developed by the Receiving Party; or (iv) received by the Receiving Party from a party that the Receiving Party believed in good faith had the right to make such disclosure.

3.31 Taxes, Fees, and Assessments

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery will not be responsible for any taxes levied on Contractor or any subcontractor as a result of the execution, delivery or performance of the work or the Contract. Contractor and subcontractors shall pay and discharge any and all such taxes in a timely manner. The Lottery agrees to provide Contractor with the Lottery's sales tax exemption for any tangible Work Product transferred to the Lottery hereunder.

3.32 Media and Advertising

Significance	Response Type
MANDATORY	ACCEPTANCE

Neither Contractor nor any Subcontractors, nor any of its or their respective employees, officers, directors, partners or major shareholders, shall issue any press release, conduct any press or news conference, participate in any media interview or otherwise make any public statement or announcement on behalf of, with respect to or in connection with the Contract or the Program and Services without the prior written consent of the Lottery CEO or their designee(s) in each instance.

Neither Contractor nor any subcontractors, nor any of its or their respective employees, officers, directors, partners or major shareholders, shall use Lottery's name, logos, images or any other information or data related to the Services to be provided pursuant to the Contract as a part of or in connection with any commercial advertising without the prior written consent of the Lottery Director or their designee(s) in each instance.

3.33 Force Majeure/Delay of Performance

Significance	Response Type
MANDATORY	ACCEPTANCE

A *force majeure* occurrence is an event or effect that cannot be reasonably anticipated or controlled and without the fault or negligence of the non-performing party. As herein used, *force majeure* means acts of war; terrorism; action of the elements; pandemic; governmental interference; rationing; or any other cause which is beyond the control of the party affected and which, by the exercise of reasonable diligence, said party is unable to prevent delays arising as a result thereof or to predict and through advance planning avoid such delays.

Neither the Contractor nor the Lottery shall be liable to the other for any delay in or failure of performance under the Contract resulting from this RFP due to a *force majeure* occurrence. Any such delay in or failure of performance must not in and of itself give rise to any liability for damages; however, the Lottery may elect to terminate the Contract for cause should its operations, in its sole judgment, be materially threatened by reason of extended delay or failure of performance.

3.34 Warranties

Significance	Response Type
MANDATORY	ACCEPTANCE

Contractor hereby represents, warrants or covenants, as the case may be, to the Lottery, on its own behalf and with respect to each of its subcontractors as follows:

A. Contractor has the power and authority to execute and deliver the Contract and to perform its obligations under the Contract, and Contractor has taken all necessary and appropriate action to authorize the execution and delivery of the Contract and the performance of its obligations under the Contract. The execution and delivery of the Contract and the performance of its obligations under the Contract are not in contravention of any provisions of law or any material indenture or agreement by which Contractor is bound and do not require the consent or approval of any governmental body, agency, authority or other person or entity which has not been obtained. The Contract constitutes the valid and legally binding obligation of Contractor, enforceable against Contractor in accordance with its terms.

B. The Contractor and its subcontractors have secured or will have secured all necessary rights, clearances, and/or licenses with respect to all material and elements embodied in or used in connection with the performance of the Contract and any extension periods. The Contractor and its subcontractors have not granted previously and will not grant any rights in the product or any components of the product that are inconsistent with the rights granted to the Lottery herein. The product (including all components thereof), Contractor’s and subcontractors’ performance hereunder, and the use by the Lottery of the product as contemplated in the Contract, do not and will not, infringe any copyright.

C. Any manufacturer or product warranties must extend to any components of the product supplied during the Contract and any extension periods.

D. The Contractor and its subcontractors have and if necessary will provide to the Lottery proof that the Contractor and its subcontractors have good and clear title to the product (including all components thereof), free and clear of any liens, encumbrances, or security interests.

E. The product must in all respects meet or exceed all of the Lottery's requirements set forth in the RFP and must be suitable for the duration of the Contract and any extension periods.

F. The processing of date and date-related Data pursuant to the Contract must be fault-free. This includes, but is not limited to, calculating, comparing, and sequencing by all hardware, software, and firmware products delivered under the Contract, individually and in combination, upon installation. Fault-free includes the manipulation of this Data with dates prior to, through, and beyond the conversion date, and must be transparent to the Lottery.

G. Contractor and its subcontractors have disclosed or will disclose to the Lottery all matters required to be disclosed under the Governing Laws and Regulations. Contractor shall ensure that it is aware of any statutory limitations or restrictions affecting its Contract with the Lottery, such as certain political contributions, its ability to conduct future business with the Lottery and/or its ability to conduct business with certain third parties. Any employee of the Contractor who works directly on the Lottery Contract/Account, and members of such employee's households, shall be prohibited from purchasing NC lottery tickets and/or claiming any NC lottery prizes.

H. Neither Contractor, the subcontractors nor any of its or their respective officers, directors, partners or major shareholders have ever been found guilty of, or plead guilty to, any crime in any way related to the security, integrity or operation of any lottery in any jurisdiction, nor are Contractor, the subcontractors nor any of its or their respective officers, directors, partners or major shareholders currently under indictment for any crime in any way related to the security, integrity or operation of any lottery in any jurisdiction. Contractor shall be obligated to notify the Lottery if Contractor or any one of its officers and directors has been convicted of a felony or any gambling offense in any state or federal court of the United States within ten (10) years of entering into the contract (N.C.G.S. § 18C-151(a)(5)).

I. No "public official" has an ownership interest of five percent (5%) or more in Contractor or any of the subcontractors.

J. To the extent required by applicable law, Contractor and all subcontractors are, and will remain at all times during the term of the Contract, qualified to do business in the State of North Carolina and will file North Carolina income tax returns.

K. No software program, process, composition, writing, equipment, appliance or device, or any trademark, service mark, logo, idea, or any other work or invention of any nature or any other tangible or intangible property whatsoever developed, provided or used by the Contractor (other than that provided by the Lottery or another Contractor at the Lottery's request) in connection with its performance under the Contract, infringes or will infringe any patent, copyright, trademark, logo, and/or other service mark of any other person, or entity, or is or will be a trade secret of any other person. The Contractor warrants and represents that it has appropriate products and controls in place to ensure against such infringement in the acquisition, operation, or maintenance of the product. Upon request, the Contractor must provide the Lottery with documentation indicating a third party's written approval and license for the Contractor to use and sublicense the third party's copyright, patent, trademark, or trade secret.

L. All Work Product: (i) shall be prepared, worked on and completed solely by employees of Contractor or a subcontractor in the scope of their employment or by independent contractors of Contractor or a subcontractor working under the strict and direct supervision of such employees;

(ii) shall be original works of authorship; (iii) shall not infringe, plagiarize, pirate or constitute misappropriations of any Intellectual Property Rights, Confidential Information, Trade Secrets or other intellectual properties or proprietary rights of any individuals or entities; and (iv) shall not be false, misleading, actionable, defamatory, libelous or constitute an invasion of privacy of any individual or entity.

M. The Contractor shall, at its own expense, conduct trademark and service mark searches with respect to the names of all scratch-off games provided by the Contractor for use in connection with the Lottery.

N. The Contractor must maintain the minimum staffing levels set forth in its plan submitted in respond to the RFP.

All Services rendered and deliverables provided pursuant to the Contract have been and shall be prepared or done in a workman-like manner consistent with the highest standards of the industry in which the Services and Deliverables are normally performed.

3.35 Insurance

Significance	Response Type
MANDATORY	ACCEPTANCE

All insurance policies shall name the North Carolina State Lottery Commission as an additional insured. Contractor shall provide the Lottery written notice at least thirty (30) days prior to the effective date of any termination, cancellation or material modification of the insurance coverage required hereunder. Contractor shall be required to provide proof of insurance coverage in accordance with the Contract and its Proposal prior to execution of the Contract and at least annually during the term hereof. Renewed insurance policies must be submitted to the Lottery within five (5) days prior to the expiration of the then existing insurance policies. All insurance required of Contractor by the Contract must be issued by companies or financial institutions which are finally rated A or better (or a comparable rating) by a nationally recognized rating agency and duly licensed, admitted and authorized to transact business in the State of North Carolina.

The Contractor’s insurance must, among other things, insure against any loss or damage resulting from or related to the Contractor’s performance of the Contract.

All such insurance policies must remain in full force and effect for the entire life of the Contract.

The Contractor must maintain the following coverage during the term of the Contract:

- Insurance on all of the Contractor’s equipment used in operating the Program in the amount of actual replacement cost thereof. Said policy shall include an All Risk Property Floater to insure personal property, including equipment and mobile items against fire, collision, flood, acts of God, and other causes;
- Commercial General Liability (CGL) insurance on an ISO form number CG 00 01 (or equivalent) covering claims for bodily injury, death, personal injury, or property damage occurring or arising out of the performance of this Agreement, including coverage for

premises, products, and completed operations, on an occurrence basis, with limits no less than \$5,000,000 per occurrence;

- Errors and Omissions Insurance with limits of not less than fifteen million dollars (\$15,000,000). Such insurance shall be continued for at least one (1) year after the expiration of the Contract. Errors and Omissions Insurance shall indemnify the Lottery for any loss which may be incurred due to system downtime, any error or omission during the period of time that Retailer Terminals are expected to be operational, machine errors, or any error or omission caused by the Contractor, its officers, employees, subcontractors, or assigns, regardless of negligence;
- Cyber Liability, Technology Errors & Omissions, and Network Security & Privacy Liability insurance, including extended reporting conditions of two (2) years with limits no less than five million dollars \$5,000,000 per claim and in the aggregate, inclusive of defense cost;
- Automotive Insurance on an ISO form number CA 00 01 covering all hired and non-owned automobiles with limits not less than five million dollars (\$5,000,000) per accident for bodily injury and property damage;
- Crime insurance with limits not less than five million dollars (\$5,000,000);
- Business Interruption Insurance with limits not less than five million dollars (\$5,000,000);
- Umbrella / Excess Liability insurance with limits of at least ten million dollars (\$10,000,000) per occurrence, in aggregate;
- Workman’s Compensation Insurance at or above the levels required by the State of North Carolina;
- Employer’s Liability insurance with limits no less than \$1,000,000 per accident for bodily injury or disease. Insurer will be licensed to do business in the state in which the work takes place; and
- Such other types and amounts of insurance as the Lottery shall from time to time reasonably require.

3.36 Compensation Procedures and Mechanisms for Use During the Contract

Significance	Response Type
MANDATORY	ACCEPTANCE

THE PAYMENT OBLIGATIONS UNDERTAKEN BY THE LOTTERY UNDER THE CONTRACT ARE SUBJECT TO THE AVAILABILITY OF FUNDS TO THE LOTTERY. THERE SHALL BE NO LIABILITY ON THE PART OF THE LOTTERY EXCEPT TO THE EXTENT OF AVAILABLE FUNDS PERMITTED TO BE PAID FROM THE PROCEEDS OF LOTTERY OPERATIONS AND OTHER FUNDS AVAILABLE TO THE LOTTERY. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, UNDER NO CIRCUMSTANCES WILL THE STATE OF NORTH CAROLINA, ITS GENERAL FUND OR ANY OF ITS AGENCIES OR POLITICAL SUBDIVISIONS,

OTHER THAN THE LOTTERY, BE RESPONSIBLE OR LIABLE AS A RESULT OF THE CONTRACT OR ANY LIABILITY CREATED HEREBY OR ARISING HEREUNDER.

Subject to the availability of funds and any other restrictions imposed by the Act, the Governing Laws and Regulations or the Contract, the Lottery will pay the Contractor all uncontested and verified amounts due under the Contract on a weekly basis, unless the parties otherwise agree upon a less frequent payment schedule, in accordance with the policies and procedures established by the Lottery from time to time and subject to setoff or offset for all sums owed by the Contractor or its subcontractors to the Lottery and/or the State of North Carolina.

3.37 Acceptance Testing

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery will conduct a series of acceptance testing to fully determine the passing or failing of the Contractor’s installation in accordance with the specifications of this RFP and the Contractor’s Proposal. Failure of the Contractor to pass these tests may result in the Contractor having to make corrections, delay conversion, pay liquidated damages, or the Lottery may draw up to the full amount of the Performance Bond.

The Program will be tested for each and every requirement in this RFP and for performance as stipulated in the Contractor’s Proposal. The Contractor’s assistance in arranging tests will be necessary.

The Lottery, at its sole discretion, will determine whether performance against the acceptance tests is adequate, and whether conversion can proceed as scheduled. Passing an acceptance test in no way removes the obligation for the Contractor to meet and to continue to meet all requirements of the RFP and the Contract.

3.38 Other Requirements

3.38.1 Ticket Purchase and Prize Payment Restrictions

Significance	Response Type
MANDATORY	ACCEPTANCE

Any employee of the Contractor who works directly on the Lottery Contract/Account, and members of such employee’s households, shall be prohibited from purchasing North Carolina Education Lottery products and/or claiming any North Carolina Education Lottery prizes.

The Contractor must supply a list of employees and their Social Security Numbers within thirty (30) days of Contract award and maintain and update this list quarterly or more frequently as needed.

The Contractor agrees to take all steps necessary to ensure the enforcement of this provision for the duration of the Contract.

3.38.2 Security Program under the Contract

Significance	Response Type
MANDATORY	ACCEPTANCE

Prior to operations under the Contract, the Contractor must establish a physical and software security program for the entire Program, including but not limited to their invasive techniques and threat modeling process to ensure the integrity of their offering, subject to the prior written approval of the Lottery. This program may be updated, reviewed, and approved annually by the Lottery. In addition, the Contractor shall provide the Lottery, within thirty (30) days from the conversion date, the Contractor’s Business Continuity and Disaster Recovery plan. The plan must be approved by the Lottery.

3.38.3 Commitment to Nondiscrimination; Affirmative Action

Significance	Response Type
MANDATORY	ACCEPTANCE

Neither the Contractor nor any of its subcontractors shall discriminate against any employee or applicant for employment because of his/her race, color, religion, sex, handicap, disability, national origin or ancestry. Breach of this covenant by the Contractor, or the Contractor’s failure to use its best efforts to require all subcontractors to comply with this covenant, may be regarded as a material breach of the Contract. The Contractor and its subcontractors shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, handicap, disability, national origin or ancestry.

Consistent with the Act and all other applicable North Carolina laws, the Contractor agrees to make every reasonable effort to include the participation by minorities in the performance of its Program and Services pursuant hereto. Specifically, and without limitation, any human resources services performed for the Lottery will include appropriate attention to the hiring and training of qualified minority applicants in accordance with the Act, all Governing Laws and Regulations, and the policies and procedures adopted by the Lottery from time to time.

The Contractor must include the nondiscrimination and compliance provisions of this section in all subcontracts for performance of work under the Contract. The Contractor and its subcontractor(s) will permit access to their records of employment, employment advertisement, application forms, and other pertinent data and records, by any agent designated by the Lottery to investigate and ascertain compliance with the nondiscrimination section of this Contract.

3.38.4 Attachment of Third-Party Systems or Products

Significance	Response Type
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MANDATORY	ACCEPTANCE
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The Lottery reserves the right to integrate with the Program or otherwise install: software, products, or systems other than those required by this RFP.

The Contractor must supply to the Lottery specifications to permit other products to carry out all functions and capabilities desired by the Lottery among the functions and capabilities of the Contractor’s products required by the Contract. The Contractor must provide such information and data as may be required by the Lottery to conduct future procurements for additional products, including support as requested by the Lottery to allow other Contractors to integrate or install and test products.

The Contractor’s interest in its own intellectual property will be protected by appropriate confidentiality agreements. Should the Lottery propose to add products, systems, or services not supplied by the Contractor for this RFP, but for which the Contractor would gain responsibility, appropriate remuneration of the Contractor would be negotiated.

Contractors are advised to also refer to the requirements in Section 3.21 (Cooperation of the Parties).

3.38.5 Performance Bond and Payment Bond

Significance	Response Type
MANDATORY	ACCEPTANCE

The Contractor must, contemporaneously with the execution of the Contract, post and maintain at least throughout the term of the Contract (i) a performance bond (the “**Performance Bond**”) or letter of credit with the NCEL in an amount equal to twenty million dollars (\$20,000,000), and (ii) a payment bond (the “**Payment Bond**”) or letter of credit with the NCEL in an amount equal to twenty million dollars (\$20,000,000), unless such bond or letter of credit is replaced by alternate acceptable security if approved by the Lottery in its sole discretion. The security provided by the Contractor pursuant to the Performance Bond shall provide funds to the Lottery in the event the Lottery suffers any liability, loss, damage or expense as a result of the Contractor’s failure to fully and completely perform any or all of the requirements contained in the Contract, including, without limitation, the Contractor’s obligation to indemnify the Lottery pursuant hereto. The security provided by the Contractor pursuant to the Payment Bond shall provide funds to the Lottery in the event the Lottery suffers any liability, loss, damage or expense as a result of the Contractor’s failure to fully and completely pay any obligation contained in the Contract. The Bonds may be renewable annually, provided that: (i) each Bond provides that, in the event such Bond will not be renewed for an additional year, the Lottery will be provided written notice thereof at least thirty (30) days prior to the expiration thereof; and (ii) if such Bond is not renewed for an additional year, the Contractor must obtain a replacement equivalent Bond or letter of credit to be in place so that at no time is the Contractor in violation of its obligation pursuant to this Section to maintain a performance bond and a payment bond at least throughout the term of the Contract.

4 Responding Contractor Corporate Information

4.1 Introduction

Significance	Response Type
IMPORTANT	ACCEPTANCE

The information requested in this section applies to the bidding entity as well as any subsidiary in any way contributing to the Proposal or to the performance of the Contract. In the case of the Responding Contractor being a Consortium, a Joint Venture, or any other multi-member organization, the information requested in this section shall be provided for all members.

The Responding Contractor must also provide an overview and a chart of the structure of the bidding entity including the identification of all shareholders and/or partners and subcontractors.

The Responding Contractor must submit its corporate information as part of the Technical Proposal. Corporate information must be complete. The Lottery will disqualify the Proposal if failure to provide all mandatory information has had a material impact on competition or otherwise prejudices the procurement process.

4.1.1 Corporate Background Overview

Significance	Response Type
MANDATORY	FULL

The Responding Contractor must provide the following general information in the Technical Proposal:

1. The name and address of the Responding Contractor 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 Responding Contractor's contact
5. Name and location of the major offices, production plants, and other facilities that relate to the Responding Contractor's performance as proposed in its Proposal
6. The names, addresses, and functions of any and all subcontractors, associated companies, or consultants that have been or will be involved in any phase of the project
7. The name, address, telephone number, and email address (if available) of the Responding Contractor's accounting or auditing firm
8. The name(s) of any and all law firms and/or individuals representing the Responding Contractor within the State of North Carolina.

9. The names, addresses, and dates of birth of all persons or entities who own over five percent (5%) of the shares of the Responding Contractor; if the Responding Contractor is a subsidiary, the Responding Contractor must disclose the information required above for its parent and/or holding company. For purposes of this subdivision, “shareholders” of the parent company means any natural person or those individuals with capabilities to make operating decisions for the potential contractor or parent or subsidiary corporation of the potential contractor to whom the contract is to be awarded.
10. The names, addresses, and title all officers and directors (each person must complete an Authorization for Individual Investigation – See Appendix E and shall be submitted in a separately sealed envelope).
11. Any substantial change of ownership in the Responding Contractor or the parent and/or holding company of the Responding Contractor that occurred within the last year.
12. Each responding contractor must complete the Background Disclosure form and Authorization for Contractor Investigation as referenced in Appendix E.

The Responding Contractor is fully responsible for all aspects of the Proposal and, if applicable, the resulting Contract. In the case of the Responding Contractor being a Consortium, a Joint Venture, or any other single- or multi-member organization, all members of such organization shall responsibly perform according to the Contract and one organization of the group shall be the responsible single point of contact.

4.1.2 Applicable Experience

Significance	Response Type
MANDATORY	FULL

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

The Responding Contractor shall describe, in detail, its current and historical experience with scratch-off ticket printing, warehousing, distribution, inside sales and/or related services; that is, descriptions and references of gaming industry engagements of comparable complexity and sensitivity that have been conducted by the Responding Contractor over the past ten (10) years.

Each experience statement shall include the following details:

- Name of lottery jurisdiction or gaming enterprise(s) and estimated contract value, reflecting the estimated total revenue during the full contract period.
- Term of the contract including effective dates.
- Reason for contract end, if the contract is no longer in effect.
- Types of services directly provided by the Responding Contractor under the contract and whether the Responding Contractor was a prime contractor or subcontractor.
- Types and number of systems or components provided by the Responding Contractor.

The descriptions must include names, titles, addresses, and telephone numbers that may be contacted to verify qualifying experience. The Lottery may check the references with other lottery jurisdictions to ensure that the proposed products and/or services are in place and operational. If the experience is provided by a teaming partner or a subcontractor that will provide a Major Part, then experience information for that entity must be included.

4.1.3 Contract Performance

Significance	Response Type
MANDATORY	FULL

The Responding Contractor must be a business in good standing with its customers and the business community. The Responding Contractor must state whether any of the following have occurred:

1. If, during the last five (5) years, the Responding Contractor has had a contract terminated for default or cause, the Responding Contractor must submit full details including the other party’s name, address, and telephone number.
2. If, during the last five (5) years, the Responding Contractor, a subsidiary or intermediate company, parent company, or holding company was the subject of any order, judgment, or decree of any federal or jurisdictional authority barring, suspending, or otherwise limiting the right or license of the Responding Contractor to engage in any business, practice, or activity or, if trading in the stock of the company, has ever been suspended, the Responding Contractor must submit full details along with date(s) and explanation(s).
3. The Responding Contractor must list all contract delivery or performance issues for the last five (5) years, where such issues ultimately led to payment of liquidated damages, any sort of penalties, contractual payment deductions, or any other material compensation, goodwill, or consideration in any form, where the accumulated value of such occurrences exceeded one hundred thousand dollars (\$100,000) during any 12-month period. Each incident listed must be briefly described including incident nature, jurisdiction, date(s) or period, and value. Equal incidents can be accumulated and summarized per jurisdiction provided the total occurrence count of such incident is given. It should be noted that items listed under this section are for due diligence purposes only and will not be reason for rejection of a Proposal.

If the experience is provided by a teaming partner or a subcontractor that will provide a Major Part, then the same performance information as above must be included for that entity.

4.1.4 Capability to Provide Proposed Equipment and Technical Infrastructure

Significance	Response Type
MANDATORY	FULL

The Responding Contractor must have the capacity to provide the technical hardware and equipment specified in the RFP.

1. Manufacturing Plans. The Responding Contractor must describe its resources, capability, capacity, and plans for producing (through current inventory, manufacturing, purchasing, or modification) the equipment proposed to meet the requirements of the RFP. The availability of additional plants and secondary sources must be addressed.
2. Manufacturing Quality. The Responding Contractor’s Proposal must address, in detail, manufacturing quality practices, and in particular whether the Responding Contractor is certified under the ISO series or other recognized quality practices standards.

4.1.5 Software Development and Support Capabilities

Significance	Response Type
MANDATORY	FULL

The Responding Contractor must describe its capability to deliver by addressing the following:

1. Software Development Plans: The Responding Contractor must describe its capability, capacity, and plans for developing and maintaining software proposed to meet the requirements of the RFP and for the fulfillment of the Contract.
2. Software Quality. The Responding Contractor’s Proposal must address software engineering quality practices, and in particular whether the Responding Contractor is certified under recognized quality practice standards; for example, the ISO series, CMMI, TÜV, the NASPL Standards Initiative QA Best Practices.

4.1.6 Research and Development Program

Significance	Response Type
IMPORTANT	FULL

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

The Responding Contractor must describe its resources, capability, capacity, and plans for maintaining a research and development effort in the following area(s) of interest and applicability to the State of North Carolina: Internet gaming and/or associated player services; mobile gaming and/or associated player services; research influencing game theme designs, layouts and play mechanics; research influencing prize structures and balancing value propositions at retail; product enhancements that drive incremental sales and their impacts to other existing products at retail; research on access to market and new ways to reach players where they shop today and in the future; data mining; etc.

4.1.7 Innovation

Significance	Response Type
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IMPORTANT	FULL
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The Responding Contractor is expected to bring new, innovative products and services to market that solve for industry challenges and capture opportunities for growth.

Describe the research and data analysis conducted to identify opportunities, including market potential for Lotteries to drive incremental sales, and the new technologies and product innovations that were brought to market to capture these opportunities, as a result of the research findings, within the last three years. Include how these new products and innovations were positioned and offered to existing and new Lottery customers as well as returns generated for Lotteries.

4.2 Responding Contractor Certification Requirements

Significance	Response Type
MANDATORY	FULL

The Responding Contractor must respond with certified technology solutions and certified best practices for the areas listed in this Section. A certified solution or best practice is one that has achieved certification in the designated Certification Program.

4.3 Financial Data

Significance	Response Type
MANDATORY	FULL

The Responding Contractor must provide the following information as evidence of the Responding Contractor’s financial responsibility and stability for performance of the Contract. The Lottery reserves the right to require any additional information necessary to determine the financial integrity and responsibility of the Responding Contractor.

1. The Annual Reports of the Responding Contractor for the three (3) most recent years, or for as long as available if less than three (3) years (may be submitted on electronic media - removable flash drive due to size).
2. The audited financial statements for the last three (3) years, or for as long as available if less than three (3) years.
3. For all publicly-held companies, all financial reports filed within the past 12 months with the governmental entity regulating the stock exchange where the company’s stock is traded.
4. All financial reports filed within the past 12 months with a governmental entity where the Responding Contractor is located or is conducting business.
5. If the Responding Contractor is a subsidiary of another company, the information required under paragraphs 1, 2, 3, and 4 above for the parent and/or holding company of the Responding Contractor.

6. Any quarterly reports of the Responding Contractor or its parent/holding company to its shareholders within the past 12 months.
7. If the Responding Contractor will finance the project from internal sources, the specific resources that will be available and which resources are not available (e.g., committed to other projects, etc.).
8. If the Responding Contractor is a subsidiary, and will rely on the financial resources of the parent/holding company to perform the requirements of the Contract, the parent/holding company's certification of the availability of its resources to the Responding Contractor.
9. If borrowing will provide any or all of the capital necessary for the Responding Contractor to fulfill the requirements of the Contract, a Letter of Transmittal from a creditor.

If the Responding Contractor is a subsidiary of another Corporation, and does not prepare separate financials, then the above information must be supplied for the parent Corporation.

The Responding Contractor should also highlight any major commitments and/or contingencies that are likely to impact, negatively or positively, upon its ability to fulfill the contract obligations.

Members of the Responding Contractor's firm with interests in other similar or related firms must explain in a letter to be submitted with the financial statements the extent of their investment and relationship with such firm(s).

The Lottery will disqualify a Responding Contractor's Proposal for failure to submit the requested financial statements.

4.3.1 Parent Corporation Resources and Subsidiaries

Significance	Response Type
MANDATORY	FULL

If a Responding Contractor or subcontractor is a subsidiary of a parent entity and the Responding Contractor or subcontractor does not have its own, separate financial statements, the Responding Contractor or subcontractor may satisfy its financial responsibility submission requirements by submitting the consolidated financial statements of its parent entity, if the consolidated financial statements include the activity of the Responding Contractor or subcontractor. If a Responding Contractor or subcontractor submits the consolidated financial statements of its parent, the parent must serve as financial guarantor of the Responding Contractor or subcontractor with respect to the Contract. For purposes of this subsection relating to consolidated financial statements, federal income tax returns must not be used as a substitute for certified financial statements.

If the Responding Contractor is a subsidiary and will rely on the financial resources of the parent to perform this Contract, the parent must certify, in writing and in a form acceptable to the Lottery, the availability of its resources to the Responding Contractor. Parent entities that serve as financial guarantors of subsidiary firms must be held accountable for all terms and conditions of the RFP and the resulting Contract and must execute the Contract as guarantor.

4.3.2 External Funding

Significance	Response Type
MANDATORY	FULL

The Responding Contractor must list and provide details of all third-party financial vehicles and/or instruments that the Responding Contractor plans to use to fulfill the Contract obligations.

4.3.3 Bank Ratings and References

Significance	Response Type
MANDATORY	FULL

The Responding Contractor must provide a bank reference at the Responding Contractor's primary banking location. The reference must include bank name, contact person, full contact details, as well as a description of the extent of the Responding Contractor's business with the bank.

4.4 Disclosure of Litigation and Business Relationships

Significance	Response Type
IMPORTANT	FULL

The Lottery has a strong interest in the Responding Contractor's current and continuing ability to produce secure, high-quality products and/or services. The Responding Contractor must include, as part of their Technical Proposal, a complete disclosure of any pending civil or criminal litigation, administrative or regulatory proceedings, or indictment involving the Responding Contractor to evaluate whether they may affect the ability to produce and/or deliver the desired products and/or services. The Responding Contractor must also disclose any such pending litigation for any of its employees or subcontractors.

The Responding Contractor must state whether owners (unless a public company), officers, or primary partners have ever been convicted of a criminal offence. In particular, the Responding Contractor must disclose whether any of the above-referenced individuals and/or the Responding Contractor has/have been convicted of a felony or any gambling offense in any state or federal court of the United States within 10 years of entering into the Contract, or employs officers and directors who have been convicted of a felony or any gambling offense in any state or federal court of the United States within 10 years of entering into the Contract. The Responding Contractor may also be required to identify employees or subcontractors working on their account that have been convicted of a criminal offence. The Responding Contractor must also disclose any civil or criminal litigation or indictment involving any of its joint ventures, strategic partners, prime contractor team members, and/or subcontractors, if this subcontracting party comprises at least ten percent (10%) of the financial quotation of the Responding Contractor's Proposal.

The Responding Contractor must also declare any and all ongoing business relationships with any North Carolina public officials (Governor and Legislative Offices and their members and staff, Lottery Commissioners, employee, or any other person or organization being associated with the Lottery). The Lottery will reject a Responding Contractor’s Proposal or terminate any subsequent Contract for failure to disclose any such relationship.

This is a continuing disclosure requirement. Any such matter commenced after the Responding Contractor has submitted a Proposal in response to the RFP and with respect to the Successful Responding Contractor after the execution of a Contract must be disclosed to the Lottery in writing within ten (10) calendar days after it has been filed or upon establishing the relationship. The Lottery will disqualify the Proposal if failure to disclose has had a material impact on competition or otherwise prejudices the procurement process.

4.5 Subcontractors

Significance	Response Type
MANDATORY	FULL

For any subcontractor that provides a Major Part, such Responding Contractor must disclose all of the information required by Section 4.1.2 (Applicable Experience) for such subcontractors as if the subcontractor itself were the Responding Contractor.

4.6 Conflict of Interest

Significance	Response Type
MANDATORY	FULL

A conflict of interest may exist whether or not a financial interest is involved, and a conflict of interest would include, but would not be limited to, a commissioner, officer, employee, retailer, or existing contractor of the Lottery, or any member of his/her immediate family having control or a significant influence in the Responding Contractor and/or obtaining financial gain with the award of any Contract to the Responding Contractor.

The Responding Contractor must disclose in its Proposal the nature and extent of any real or apparent conflict of interest that would arise from the award of a Contract to the Responding Contractor. The Responding Contractor must give written notice of the cause and circumstances of any conflict of interest and indicate the portion of the services affected by the conflict of interest.

The Responding Contractor must disclose the following information by either providing the information requested or by confirming that they have read the request and declare that it is not applicable. The Lottery will terminate the Contract or disqualify the Proposal for failure to disclose any such information.

1. List any conflict of interest with the products, promotions, and goals contemplated by the Lottery that could result from other projects in which the Responding Contractor or any of the staff members designated to work on this project are involved.

2. The name, contact details, and current position title of any Lottery commissioner, employee, or any other person being associated with the Lottery, having any direct or indirect affiliation with the Responding Contractor.
3. The name, title, and affiliation with the Responding Contractor of any Lottery commissioner, employee, or any other person or organization being associated with the Lottery, and who owns, directly or indirectly, an interest of five percent (5%) or more in the Responding Contractor's company or any of its branches or affiliates.
4. The name, title, and affiliation to the Responding Contractor of any employee, agent, lobbyist, previous commissioner and/or employee of the Lottery, or other person, who has received or will receive compensation of any kind in connection with this procurement.

5 Pricing

5.1 Introduction

Significance	Response Type
MANDATORY	ACCEPTANCE

This section describes the key elements of the Lottery’s policy on pricing. The Responding Contractor’s Price Proposal must contain all of the information required in this chapter.

5.2 Price Proposal Requirements

Significance	Response Type
MANDATORY	FULL

A Price Proposal must be complete. The Lottery will reject a Price Proposal that does not provide all of the mandatory information requested.

5.2.1 Pricing Format

Significance	Response Type
MANDATORY	FULL

The Responding Contractor must submit pricing in the format specified below.

5.2.2 Base Price - PRIMARY

Significance	Response Type
MANDATORY	FULL

The Lottery expects the Primary Contractor to be responsible for manufacturing, warehousing, inside sales and distribution of scratch-off games including maintaining the required staffing to fulfill the obligations in the Contract. Additionally, the contractor is responsible for providing all systems necessary to fulfill these requirements, such as inventory management system and customer relationship management system for example. The Lottery will have the ability to print up to eight (8) scratch-off games per fiscal year with any Secondary Contractor. The Primary Contractor will be responsible for warehousing and distributing at a defined cost for those services. The Primary Contractor will be responsible for acquiring the current scratch-off game inventory from the Incumbent Contractor and may negotiate directly with the Incumbent Contractor to fulfill this requirement. Responding Contractors submitting a proposal for the Primary Contract must submit a Base Price Proposal based on the following pricing model:

- Method 1: Percentage of Activations – The Percentage of Activations model must provide a single percentage rate to be applied to net activations of all contractor provided scratch-off games. For games provided by a third-party the Responding Contractor must provide a flat fee amount per pack of tickets distributed regardless of the price point. The formula that will be used to calculate the fee will be:

Contractor Provided Games

*(Weekly Activations – Returns – Free Tickets) * Compensation Rate*

Third-Party Provided Games

*(Count of Weekly Packs Confirmed – Count of Returned Packs) * Flat Fee per Pack*

- Method 2: Percentage of Activations at a Discounted Base Rate with Incentive Rate for Meeting Lottery Defined Goals for Theoretical Gross Gaming Revenue. Theoretical Gross Gaming Revenue will be calculated based on $(\text{Weekly Activations} - \text{Returns} - \text{Free Tickets}) * (1 - \text{the designed Payout for each game})$. All games will be included in the calculation of GGR towards the goal, including games printed by third-party contractors. The Lottery has provided Gross Gaming Revenue goals for all ten (10) years of the Contract below. Goals will be reevaluated every three (3) years of the Contract to determine if new goals need to be set based on the current market for scratch-off games in North Carolina. If the Lottery and the Contractor cannot agree on the new goals, the goals included below will remain for the next three (3) year period of the Contract. The formula that will be used to calculate the fee will be:

Contractor Provided Games

Discounted Base: Applies to Net Activations up to the GGR Goal for the Year

*(Weekly Activations – Returns – Free Tickets) * Discounted Compensation Rate*

Incentive: Applies to Net Activations in excess of the GGR Goal for the Year

*(Weekly Activations – Returns – Free Tickets) * Incentive Compensation Rate*

Third-Party Provided Games *(Count of Weekly Packs Confirmed – Count of Returned Packs) * Flat Fee per Pack*

	Year	GGR
Goal Established at Contract Execution	FY28	\$677,710,000
	FY29	\$678,882,600
	FY30	\$680,688,000

Goal Established mid-FY30	FY31	\$688,009,300
	FY32	\$695,412,200
	FY33	\$702,870,900
Goal Established mid-FY33	FY34	\$710,407,200
	FY35	\$718,019,000
	FY36	\$725,680,800
Goal Established mid-FY36	FY37	\$733,414,100

Responding Contractors are required to provide pricing using both methods described above.

The Lottery currently does not utilize Free Tickets in its scratch-off games, but may choose to do so in the future.

Mandatory Ticket Printing Requirements

The Base Price Proposal includes all mandatory ticket printing requirements and specifications set forth in Attachment A, Technical Specifications, including but not limited to the following:

- 10 point recyclable card stock
- Ability to print in four color process and use spot colors in the display and overprint areas
- Extended play marking system (i.e. Crossword and Bingo) up six (6) games per year included in proposal at no additional cost
- High – Resolution Game Symbols on all games
- Full UV Coating
- Four color printing on ticket backs
- Integrated design and printing
- Non-traditional shaped play areas
- Multiple play areas on a ticket
- Custom high-definition fonts and play symbols
- 12,000 Void samples per game
- Layered working files of the final ticket art

5.2.3 Special Features Price Proposal - PRIMARY

Significance	Response Type
MANDATORY	FULL

The Lottery may occasionally request additional features, including specialty techniques, beyond those included in the Base Price Proposal. The Lottery makes no commitment to order any of these features or services. At a minimum, special features and other services pricing must include the following:

- Non-traditional shaped play areas
- Extended play marking system (i.e. Crossword and Bingo)
- Ticket scene changes within a pack
- Ticket scene changes within a game
- Color pulsing
- Scented inks
- Play area(s) on the back of the ticket
- Die Cut
- Specialty inks to include fluorescent, metallic etc.
- Pouches
- Holographic paper stock
- Foil paper stock
- Additional perforations
- Multi-paged books
- Multi-color imaging
- Specialty laminates

5.3 Base Price - SECONDARY

Significance	Response Type
MANDATORY	FULL

The Lottery desires Secondary Contractor(s) to manufacture of up to eight (8) scratch-off games per year for the Lottery. Secondary Contractors may also be requested to manufacture more scratch-off games as part of a Disaster Recovery Plan and/or in the event that the Primary Contractor does not fulfill the requirements of its contract. Responding Contractors submitting a proposal for the Secondary Contract must submit a Base Price Proposal based on the following pricing model:

- Percentage of Activations – The Percentage of Activations model must provide a percentage to be applied to net activations based on the attached pricing grid below. The formula that will be used to calculate the fee will be:

Weekly Activations – Returns – Free Tickets.

The Lottery currently does not utilize Free Tickets in its scratch-off games, but may choose to do so in the future.

Mandatory Ticket Printing Requirements

The Base Price Proposal includes all mandatory ticket printing requirements and specifications set forth in Attachment A, Technical Specifications, including but not limited to the following:

- 10 point recyclable card stock
- Ability to print in four color process and use spot colors in the display and overprint areas
- Full UV Coating
- Four color printing on ticket backs
- Integrated design and printing
- Non-traditional shaped play areas
- Multiple play areas on a ticket
- Custom high-resolution fonts and play symbols
- 12,000 Void samples per game
- Layered working files of the final ticket art

SECONDARY CONTRACT PRICING GRID

Quantity In Millions	Ticket Size								
	2.4" x 4"	4" x 4"	5" x 4"	6" x 4"	8" x 4"	9" x 4"	10" x 4"	12" x 4"	14" x 4"
1 - 1.9									
2 - 2.9									
3 - 3.9									
4 - 4.9									
5 - 5.9									
6 - 6.9									
7 - 7.9									
8 - 8.9									
9 - 9.9									
10 - 14.9									
15 - 19.9									
20 - 29.9									

30 - 39.9									
>39.9									

5.3.1 Special Features Price Proposal - SECONDARY

Significance	Response Type
MANDATORY	FULL

The Lottery may occasionally request additional features, including specialty techniques, beyond those included in the Base Price Proposal. The Lottery makes no commitment to order any of these features or services. Pricing for the features listed below must be based on the price per thousand pricing model. At a minimum, special features and other services pricing must include the following:

- Non-traditional shaped play areas
- Extended play marking system (i.e. Crossword and Bingo)
- Ticket scene changes within a pack
- Ticket scene changes within a game
- Color pulsing
- Scented inks
- Play area(s) on the back of the ticket
- Die Cut
- Specialty inks to include fluorescent, metallic etc.
- Pouches
- Holographic paper stock
- Foil paper stock
- Additional perforations
- Multi-paged books
- Multi-color imaging
- Specialty laminates

6 Proposal Evaluation

6.1 Introduction

Significance	Response Type
MANDATORY	ACCEPTANCE

This section describes the Proposal Evaluation process that will be used to determine which Proposal provides the best overall solution at a fair and reasonable price and consistent with the goals and objectives of the Lottery for the benefit of the State of North Carolina. The objective of the Proposal Evaluation process is to select the Responding Contractor that can provide scratch-off ticket printing and related services that best meet the needs of the Lottery and the State of North Carolina as set forth in the RFP.

The ability of the Lottery to evaluate a Responding Contractor’s Proposal is dependent upon the completeness of the Proposal. The Lottery will reject the Responding Contractor’s Proposal or unfavorably evaluate the Proposal for failure of a Responding Contractor to provide information requested by the RFP.

6.2 Evaluation Committee

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery will conduct a fair, comprehensive and impartial evaluation of all Proposals deemed responsive using an evaluation committee (the “**Evaluation Committee**”) selected by the CEO. The Evaluation Committee may request clarifications or answers to any questions it may have of a Potential Contractor as a result of any information or representations contained in its Proposal or otherwise identified, and may ask a Potential Contractor to address technical questions or seek additional information regarding any Proposal before completing the initial evaluation. The Evaluation Committee will evaluate each Proposal that is properly submitted based on the information and material contained in that Proposal and make recommendations for contract award to the CEO and to the North Carolina State Lottery Commission. No other information, other than information in the Proposal and information obtained under Section 1.25 (Proposal Clarification Process), Section 6.3 (Information from Other Sources), or Section 6.4 (Demonstrations, Site Visits and Interviews), will be accepted or used for evaluation by the Evaluation Committee. The North Carolina State Lottery Commission will then consider the recommendation and make their decision regarding the Evaluation Committee’s recommendation.

6.3 Information from Other Sources

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery and the Evaluation Committee may obtain, from sources other than the Responding Contractor, information concerning the Responding Contractor, the Responding Contractor’s capabilities, and the Responding Contractor’s performance under other contracts that the Lottery or the Evaluation Committee deems pertinent to the RFP, and may consider such information in the Proposal Evaluation process. This may include, but is not limited to, the Lottery engaging consultants and additional experts from outside the Evaluation Committee to better inform the Evaluation Committee’s findings, as well as references from other lotteries.

Information obtained from such sources mentioned above will be kept confidential, unless required otherwise by North Carolina law.

6.4 Demonstrations, Site Visits and Interviews

Significance	Response Type
MANDATORY	ACCEPTANCE

Prior to completion of the Proposal Evaluation process, the Lottery may require the Responding Contractor to discuss and demonstrate its proposed Program and to explain how its components would be applied to the specifications described in the RFP. The Responding Contractor’s Demonstration must show the Responding Contractor’s general ability to meet the requirements of the RFP. Demonstrations must include a simulation of the proposed Program, and may consist of a simulation of other components of the proposed Program.

If requested by the Lottery, the Responding Contractor’s participation in and arrangement of any Demonstrations, Site Visits, and/or oral presentations is mandatory. No part of the Demonstrations will serve to relieve the Responding Contractor of any acceptance testing or operational performance as required under the Contract.

The Responding Contractor must not modify, alter, or revise its Proposal in its Demonstration and must not include any pricing information. The Lottery will reject a Responding Contractor’s Proposal if any attempt is made by the Responding Contractor to modify, alter, or revise its Proposal or to mention pricing information during the Demonstration.

The site of the Demonstration(s) will be selected by the Lottery upon recommendation by the Responding Contractor of appropriate site(s). The Demonstration(s) will be scheduled by the Purchasing Manager. The Lottery will inform the Responding Contractors in good time about the site, types of Demonstrations required, and proposed schedule.

The Responding Contractor must bear all costs for any Demonstrations, Site Visits, and/or oral presentations, except for all expenses of the Evaluation Committee and their support staff (as designated by the Lottery), which will be borne by the Lottery.

If requested by the Lottery, the Responding Contractor must identify one of their customers that they are currently providing a set of products and services that is similar to the ones outlined in this RFP to participate in an interview with the Evaluation Committee. The interview will focus on the customer’s experience working with the Responding Contractor to provide the contracted products and services.

6.5 Evaluation Steps

Significance	Response Type
MANDATORY	ACCEPTANCE

The Proposal Evaluation process and contract award process will consist of the following steps:

- Phase 1: Proposal Submission Requirements Review
- Phase 2: Technical Proposal Evaluation, including Demonstrations, Site Visits and Interviews
- Phase 3: Price Proposal Evaluation
- Phase 4: Determination of the Best Overall Proposal
- Phase 5: Final Decision on Contract Award Recommendation

6.6 Evaluation of Proposals (or Evaluation Categories)

Significance	Response Type
INFORMATION	ACCEPTANCE

Qualified Proposals received pursuant to the RFP will be evaluated by the Evaluation Committee based a one thousand (1,000) point scale with points allocated for each category as follows:

Criteria	Points
Corporate Capability	PASS/FAIL
Game Planning and Strategy	150
Game Development	100
Security (Game, Plant and Warehouse)	100
Inside Sales and Inventory Management/Distribution	100
Staffing Model / Personnel	75
Printer Capabilities	75
Facilities / Warehouse	50
Conversion Plan	50
Minority Business	50
Additional Offerings	50
Price	200
Total	1,000

The Apparent Successful Contractor (subject to approval from the CEO and the North Carolina State Lottery Commission) must pass the Corporate Capability evaluation (based upon financial status, experience and background) and achieve the highest total points, which is a combination of the Technical Points with the Price Points. The Lowest Bid in the Price Points category earns all the price points available. For all other bids, the Price Points are based upon the Price Weight times the Lowest Price Bid. While Potential Contractors are strongly encouraged to offer the

lowest price and total cost and highest value possible, the Potential Contractor offering the lowest price and total cost may not be selected as the Successful Contractor.

6.7 Evaluation of Price Proposals

Significance	Response Type
MANDATORY	ACCEPTANCE

Evaluation of the Price Proposals will take place only after the Technical Proposal evaluation has been finalized, and will involve only Proposals that are considered acceptable based on the requirements in Section 1.14 (Responsive Proposal Submission Criteria) and are compliant with mandatory requirements.

6.8 Evaluation Committee Recommendation

Significance	Response Type
MANDATORY	ACCEPTANCE

Subsequent to completing the evaluation of the Proposals, the Evaluation Committee will draft a Final Report and Recommendation document. Such Final Report and Recommendation will include the analysis of each Proposal's Technical Requirements and any findings associated with the Demonstrations. The Final Report and Recommendation will also include the total score allocations among the Responding Contractors and the Evaluation Committee's recommendation to designate a Responding Contractor as an Apparent Successful Contractor. Upon approval by the CEO, the Final Report and Recommendation will be submitted to the North Carolina State Lottery Commission for final approval.

6.9 Negotiation and Recommendation

Significance	Response Type
MANDATORY	ACCEPTANCE

The final ranking and recommendation(s) of the Evaluation Committee (as contained in the Final Report and Recommendation document) will be presented to the CEO for initial approval, and then to the North Carolina State Lottery Commission for their consideration and final approval.

If appropriate, the Lottery will begin to negotiate a Contract with the Apparent Successful Contractor approved by the North Carolina State Lottery Commission. Contract negotiations shall not address changes to material terms and conditions, services, products, options, or pricing for performance of the Contract, unless for the clear benefit of the Lottery.

Responding Contractors must 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 cancel any contract award for the Responding Contractor's failure to meet these obligations.

Should the Lottery be unable to reach agreement with the Successful Responding Contractor, the Lottery will then undertake discussions with the second most preferred Responding Contractor, and so on. Negotiations may continue at the sole option of the Lottery until a Contract is reached or all Proposals are rejected. The occurrence of negotiations with any Contractor(s) conveys no right or status on such Contractor(s).

A Technical Specifications

This Section describes the technical specifications the Lottery requires of the proposed Scratch-off Ticket Program to be submitted for consideration. The objectives of this RFP is to encourage Responding Contractors to provide a solution for the challenges facing the Lottery associated with the conversion of its current scratch-off ticket sales operations, and to improve sales and profits for the duration of the new contract period. Contractors should be innovative in developing their Proposals. However, the Lottery believes that a Contractor should be provided with guidelines as to the functionality desired by the Lottery. For this reason, the Lottery has provided the specifications, requirements, and functional features in this Appendix A of the RFP. The portions of the Proposals that address the functional requirements of the RFP will provide the Lottery with the information necessary to conduct a fair evaluation of the proposed technical solutions from all Contractors.

Any items that are not specifically mentioned in this RFP but which are integral to the smooth, efficient operation of the proposed Program and Services should be included in a Contractor's Proposal. Those items not specifically requested under this RFP shall be identified in the appropriate Sections of the Proposal. All required supplies and materials necessary for the success of the overall operation of the Lottery are to be included in the base Proposal price, even if those items may not be specifically requested under this RFP.

Each of the sections and subsections included in the Requirements portion of the document are designated as either "Primary" or "Primary and Secondary." Contractors intending to bid on the Primary Scratch-off Program contract are required to address each section and subsection designated as "Primary." Contractors intending to bid on the Secondary scratch-off Ticket Printing Services contract are required to address each section and subsection designated as "Secondary." However, any Successful Secondary Contractor must be capable of serving as "Primary" upon request by the Lottery.

The Responding Contractor is expected to propose all components even if not asked for in the RFP. The Successful Contractor must commit to capturing and defining the Lottery's business needs and tailoring the system to meet the defined needs. The Lottery expects the Successful Contractor to participate in strategic planning and game design to achieve maximum growth potential and revenue for education in North Carolina. In addition to the overall system description and layout, the following considerations must be addressed. Any specified item and/or description requirement categorized with a "yes/no" response is a mandatory minimum requirement. Any "no" response in any of these mandatory minimum requirements will be deemed non-responsive; and therefore, such Responding Contractor's Proposal will be removed from consideration and evaluation. Any **blue highlighted** specified item and/or description requirement categorized with a "yes/no" response will not be deemed a mandatory minimum but will be scored appropriately based upon the Contractor's response.

A.1 Summary-Level Responses

A.1.1 Overview

The Responding Contractor must provide an overview of the Program's design and describe the proposed Program with respect to existing production and operations. The Responding Contractor must list all services, procedures, materials, supplies, programs, policies, equipment, facilities, etc., necessary for the successful daily operation of the Program, even if there are no specific requirements for those items in the RFP. The Successful Contractor is not released from the responsibility of providing all needed items to make the Program successful.

A.1.2 Flexibility of the Program

The Responding Contractor must provide a factual discussion, supported by the responses elsewhere in the Proposal, making it clear how the system is flexible and can grow, and can be tailored to the business needs and rules of the Lottery. Flexibility and adaptability are critical as the gaming environment can be expected to evolve over the course of the Contract.

A.1.3 Tested and Certified Equipment

The Responding Contractor must submit proof with the Proposal that any proposed equipment to be deployed at retail locations has been inspected for safety and approved by a reputable testing laboratory, and that all proposed equipment is in compliance with regulations applicable for devices of the class proposed in the United States, and in particular, the State of North Carolina (e.g., FCC, CE, TUEV, etc.). Alternatively, if the devices proposed are new, and not yet inspected and/or certified, the Responding Contractor must commit in the Proposal that it will submit a document showing certification as of the Contract signing.

A.1.4 New and Unused Equipment

The Responding Contractor must commit that any proposed equipment is new and unused unless explicitly allowed otherwise by the Lottery. Any equipment proposed must be compliant with current electronic technology manufacturing standards and be of current manufacture by the Responding Contractor or their suppliers. Any hardware models installed must represent the then-current equivalent or better equipment in case a proposed device is phased out or replaced.

A.1.5 Program Hardware and Program Software Upgrades

Software changes and corrections shall be provided at no additional cost, even if additional development, coding and engineering are required to create or adapt software for the Lottery’s needs. All system hardware and software must be replaceable, as needed, by more modern models or versions simply by means of system upgrades, as mutually agreed upon by the Successful Contractor and the Lottery. Any Program hardware and software must be fully supported by the respective manufacturer or supplier at all times during the Contract and for a period of twelve (12) months thereafter. In case support for any hardware module, component, or system software is discontinued by the manufacturer or supplier, the Contractor must replace at the Contractor’s cost, if required by the Lottery, the respective hardware modules, components, or system software modules prior to the support being discontinued. The Contractor must without delay inform the Lottery of any such support discontinuation that they may become aware of.

A.2 Detailed Technical Responses

A.2.1 Game Specifications [Primary and Secondary]

It is the Lottery’s intent to receive Proposals for the printing of scratch-off tickets using “state of the art” production techniques; including the services necessary to design and produce secure, high quality scratch-off tickets. A Responding Contractor’s Proposal should include recommended specifications as to the following:

Requirement	Yes	No
a. <u>Working Papers</u> : Provided in an electronic PDF file format. Describe the working paper structure in detail.	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Ticket stock</u> : Construction must consist of a minimum 10 pt. recyclable card stock.	<input type="checkbox"/>	<input type="checkbox"/>

	\$5 – 60 tickets	\$50 – 30 tickets		
p.	<u>Universal Product Codes:</u> Must be able to assign a Universal Product Code to each ticket and provide that information in format that is easily loaded onto a retailer website. This information should be provided 3 weeks prior to a game launch. Explain the UPC barcode process.		<input type="checkbox"/>	<input type="checkbox"/>
q.	<u>Other pertinent ticket specifications:</u> Please provide information on other pertinent ticket specifications.		<input type="checkbox"/>	<input type="checkbox"/>

A.2.2 Limitations and Exceptions [Primary and Secondary]

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

A.2.3 Premium Enhancements [Primary]

Requirement	Yes	No
<u>Specialty paper:</u> The Successful Contractor will print up to eight (8) games per year on special paper as part of the base price to the Lottery, i.e. holographic, foil, etc., of the Lottery’s choosing. Please describe limitations, if any.	<input type="checkbox"/>	<input type="checkbox"/>
<u>High Resolution Imaging:</u> The Successful Contractor must provide all produced games with high resolution fonts and symbols included in the base price. Please describe your capabilities including dots per square inch and any limitations associated with producing games with high resolution fonts and symbols.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.4 Ticket Pack Inserts [Primary and Secondary]

Requirement	Yes	No
<u>Ticket pack inserts:</u> The Successful Contractor will be required to provide a 4” x 4” insert (4/4 color process w/full bleeds) in each ticket pack produced. For games that are printed on a special paper, i.e. holographic foil, etc., the same paper must be used to produce the ticket inserts. The Lottery may require inserts in addition to the ones included in each pack to be sent to the regional offices for distribution by sales representatives.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.5 Quality Specifications [Primary and Secondary]

Contractor’s Proposal must address quality specifications in order for the Lottery to ensure the acquisition of scratch-off game products that are marketable and of high quality and durability. Contractors must provide a detailed plan for quality control that, at a minimum, includes the following:

Requirement	Yes	No
a. <u>Ticket, game and package numbering:</u> Must be able to provide an error free numbering system that uniquely identifies each ticket. Describe the system for assigning unique numbering for each ticket	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Ticket numbering data and associated bar codes:</u> The unique ticket information must match the corresponding validation bar code(s). Describe	<input type="checkbox"/>	<input type="checkbox"/>

the process for ensuring the data printed on the ticket always corresponds to the unique ticket identification number/barcodes.		
c. <u>Visual inspection of scratch-off tickets during production</u> : Describe the procedure associated with 100% visual inspection of scratch-off tickets, including the observation of the application of covering material, release coat, and game data.	<input type="checkbox"/>	<input type="checkbox"/>
d. <u>Ticket Size</u> : Contractor will be required to produce tickets of varying sizes. The ticket dimensions shall not vary by more than two percent (2%) of the size established in the approved Working Papers. Describe the process in place for conforming to size requirements.	<input type="checkbox"/>	<input type="checkbox"/>
e. <u>Test games</u> : Must provide the lottery with test games when needed in order to confirm that upcoming games will work properly on the system and dispense without issues in self-service and other dispensing devices before game production. Must be able to provide up to 20 packs of physical test packs to accompany the test game files when requested by the Lottery. Up to three (3) test games per year must be provided at no additional cost to the Lottery.	<input type="checkbox"/>	<input type="checkbox"/>
r. <u>Ticket proof</u> : Must provide a proof of the front and back of the ticket for Lottery approval prior to game production. The Lottery may require physical ticket proofs for certain games. Describe the process for providing true color proofs for review.	<input type="checkbox"/>	<input type="checkbox"/>
s. <u>Game production quality control process</u> : Must ensure that scratch-off games are produced in accordance with approved specifications. Please describe the controls and checks that are in place as part of the process.	<input type="checkbox"/>	<input type="checkbox"/>
t. <u>Press checks</u> : At a minimum, Contractor must provide a mechanism for the Lottery to remotely review and sign-off on all games, as well as have the capabilities to perform remote sign-offs internally with Contractor staff. Contractor will also be responsible for reimbursing the Lottery for up to two (2) on-site press checks per year to include up to two individuals [Primary]. Describe the quality control process associated with a remote sign-off by the Lottery and for internal sign-off.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.6 Game Planning and Monitoring Process [Primary and Secondary]

The scratch-off ticket planning and monitoring process will play a vital role in the success of the Lottery’s scratch-off ticket sales. The Lottery will work with the Successful Contractor on a continual basis to closely monitor and forecast the success of each game. Games that appear to indicate that they will have a longer than average sales life will quickly be reordered and reprinted. Quick turnarounds and flexibility in print schedules are important in the planning and production processes to ensure that ticket inventory remains available for ordering, with no lapses in sales for any game.

Requirement	Yes	No
a. <u>New game development process</u> : The Lottery requires that new games’ inventory and game files are delivered and loaded on the Platform four (4)	<input type="checkbox"/>	<input type="checkbox"/>

weeks prior to the launch date. Describe the timeline associated with the scratch-off ticket game development process, from concept development to delivery in the warehouse and available for order.		
b. <u>Reordered game development process</u> : The Lottery requires that reordered games' inventory and game files are delivered and loaded on the Platform in a timeframe that allows for no interruption in sales for that game. Describe the timeline and process associated with a reordered game, from the determination to reorder to delivery in the warehouse and available for order.	<input type="checkbox"/>	<input type="checkbox"/>
c. <u>Scratch-off game development team</u> : Describe the team that will be available to the Lottery for such purposes, as well as the percentage of time expected to be dedicated to the Lottery. The Lottery's requirement to reorder successful games should be taken into account	<input type="checkbox"/>	<input type="checkbox"/>

A.2.7 Overall Security Specifications [Primary and Secondary]

A Contractor shall provide an overall security plan by which it intends to produce the recommended scratch-off game tickets including:

- Plant security
- Game ticket construction security
- Anti-counterfeiting and validation security;
- Shipping/In-transit security;
- Warehouse security (see Requirement A.2.17);
- Redemption security; and
- Game design security.

An understanding of the overriding importance of security in all phases of design, materials procurement, production, transportation, storage, distribution, validation and disposition of game tickets is to be made manifest in the procedures, methods, controls and accounting systems of the security plan. It is intended that all Sections and paragraphs of this RFP have implied the essential need for security, though such may not be explicitly stated. A Contractor's Proposal must make clear and specify the precautions, safeguards, inspections, reporting, notifications and other measures that will relate to the entire program and its parts. The Successful Contractor will have the capability and integrity required to maintain constant vigilance against any breach of security. Failure to meet or to maintain the Lottery approved security standards will be grounds for exclusion from further consideration, or if a Contract has been awarded, will be grounds for immediate cancellation of the Contract.

A.2.8 Ticket Security Requirements – Design [Primary and Secondary]

Requirement	Yes	No
a. <u>Physical design security</u> : Describe the physical game design security components	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Logical design security</u> : Describe the logical game design security components	<input type="checkbox"/>	<input type="checkbox"/>
c. <u>Game generation security</u> : At a minimum Contractor must ensure the following: <ul style="list-style-type: none"> • Game generation systems are not vulnerable to unauthorized access or data compromise. The Responding Contractor's Proposal must specify 	<input type="checkbox"/>	<input type="checkbox"/>

<p>the methods by which game generation systems will be protected against unauthorized access (intrusion detection), malware (viruses, spyware, etc.), denial of service and other attacks. The Responding Contractor’s Proposal must include signature management (virus definitions, IDS, etc.).</p> <ul style="list-style-type: none"> • The system must provide various audit trails that are created when game management information is modified. • Third party/independent code review or compliance review for quality and malicious content. • Comply with or implement security best practices/industry standards (i.e., NIST, OWASP, ISO 27001, WLA-SCS...) and report on the standards or best practices that they are using. If the Contractor uses a certification process for a standard (i.e., ISO), copies of the certification(s) must be provided before go-live. • <u>If not certified, contractor must provide a control mapping, third-party assessment results, and a remediation plan/timeline if relevant.</u> • Perform or have performed by a third party, regular penetration and vulnerability testing as determined by the Lottery. Regular being defined as an occurrence of no more than every two, but not less than every 4 years. • Describe all of game generation security components. • Describe your security incident response plan and breach notification procedures. 		
<p>d. <u>File Integrity, Dual Control and Cryptographic Key Management: The Vendor shall provide a detailed written description of the processes, controls and technical safeguards used to ensure the integrity and security of all files utilized in the printing process. At a minimum, the response must address the following:</u></p> <p>a. <u>File Hashing and Integrity Controls</u></p> <ol style="list-style-type: none"> <u>Methodology used to generate cryptographic hash values for files prior to and during the printing process.</u> <u>Hashing algorithms utilized and how values are validated to detect unauthorized modification</u> <u>Process of maintaining chain-of-custody and integrity verification from file receipt through final production</u> <u>Controls implemented to prevent unauthorized alteration, substitution, or corruption of files.</u> <p>b. <u>Dual Control Procedures</u></p> <ol style="list-style-type: none"> <u>Describe dual control mechanisms governing file access, approval, release and processing.</u> <u>Identification of roles and responsibilities under the dual control model</u> <u>Controls in place to ensure segregation of duties and prevent unilateral access or modification</u> <u>Audit logging and monitoring procedures supporting dual control enforcement</u> <p>c. <u>Cryptographic Key Management : Describe the comprehensive key management framework, including:</u></p>	<input type="checkbox"/>	<input type="checkbox"/>

<ul style="list-style-type: none"> i. <u>Key generation standards and cryptographic strength</u> ii. <u>Secure storage and protection mechanisms for cryptographic keys (e.g. HSMs or equivalent secure keys storage technologies)</u> iii. <u>Procedures to restrict access to keys based on least-privilege principles</u> iv. <u>Dual-control and/or split knowledge procedures for key access and administration</u> v. <u>Defined key rotation schedules and automated or manual processes for periodic key rotation</u> vi. <u>Key revocation and destruction procedures</u> vii. <u>Monitoring, logging and auditing of key access and administrative actions</u> viii. <u>Controls to ensure the continued integrity of the printing process through secure key lifecycle management</u> d. <u>Backup, Business Continuity and Disaster Recovery: Provide detailed description of:</u> <ul style="list-style-type: none"> i. <u>Backup procedures for files, hash records, and cryptographic keys</u> ii. <u>Encryption and security controls applied to backup media and storage locations</u> iii. <u>Backup frequency, retention schedules, and geographic redundancy</u> iv. <u>Business continuity and disaster recovery plans applicable to file integrity and key management systems</u> v. <u>Recovery time objectives and recovery point objectives</u> vi. <u>Testing frequency of recovery procedures and evidence of most recent test results</u> vii. <u>Procedures to maintain file integrity and key security during a business interruption</u> e. <u>The vendor must provide sufficient detail to demonstrate that file integrity, dual control procedures and cryptographic key management practices are industry-standard, formally documented, regularly audited, and designed to prevent unauthorized access, alteration or compromise.</u> 		
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A.2.9 Ticket Security Requirements - Production [Primary and Secondary]

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

Requirement	Yes	No
a. <u>Physical ticket features: The odds of winning any prize of any level on a given ticket must not vary from the approved prize structure by virtue of any characteristics of the tickets, including, but not limited to, any variation or irregularity in the front or back display printing, stock, perforations, cuts, exposed pack number, exposed ticket numbers, bar code, folds, packaging,</u>	<input type="checkbox"/>	<input type="checkbox"/>

color or thickness or texture of rub-off material, overprints, protective coating, and printing registration or mis-registration. If the game is produced in more than one production batch, winners shall be recreated for each such batch and shall not bear any identifying characteristics. Describe the control of “odds” at all levels and overall, when tickets are printed in more than one production batch for a game.		
b. <u>Invasive Techniques</u> : It shall not be possible to ascertain whether a ticket is a winning or non-winning ticket, using a practical or economical technique, unless the application of the technique renders the ticket not saleable to the public or easily recognizable as having been tampered with. In particular, it shall not be possible to “see-through” the rub-off spots, or the back of the paper card stock tickets, with any practically available device or technique, including, without limitation, high-intensity light, infrared light, ultraviolet light, x-rays, photography, microscopes, optical fibers, heat, freezing, mechanical means, cutting or peeling, electrostatics, chemical means, electrical means, coping machine intrusion techniques, or microsurgery.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.10 Security Certification [Primary and Secondary]

Requirement	Yes	No
<u>Certification</u> : A Contractor shall submit with its Proposal copies of the most recent and applicable laboratory test reports and other certifications assuring the security of said scratch-off lottery tickets against practical compromise by reasonably comprehensive technical effort.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.11 Production Plant Security [Primary and Secondary]

The plant(s) in which the lottery tickets are to be produced and stored must be equipped with a complete plant security system that is acceptable to the Lottery. The plant(s) and warehouse(s) may be inspected for security prior to or after Proposal opening if the Lottery deems such an inspection is necessary.

Requirement	Yes	No
<u>Business Continuity and Disaster Recovery Plan</u> : A Contractor shall also describe how it will protect the Lottery from financial loss in the event of a disaster that impacts production of Lottery tickets.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.12 Employee Security [Primary and Secondary]

Requirement	Yes	No
<u>Employee security</u> : Successful Contractor must establish a program to ensure that all those involved in the design, production, distribution or sale of the scratch-off lottery tickets are precluded from ascertaining or being knowledgeable of the location of winning tickets. The Proposal should outline the procedures that will be implemented to address this requirement. The Proposal must include employee screening criteria based on employee’s job responsibilities and access levels.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.13 Ticket Testing [Primary]

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

(a) *Marketability*

Is the construction of the ticket secure enough for the ticket to endure reasonable environmental rigors and still be readily marketable?

(b) *Ability to Compromise*

Is the construction of the ticket secure enough for the ticket to withstand attempts to determine if the ticket is a winning or a non-winning ticket without removing a readily noticeable amount of coatings on the play area of the ticket within a reasonable time frame, by methods and materials available to the retailers?

(c) *Ability to Alter*

Is the construction of the ticket secure enough for the ticket to withstand attempts to alter the play data, prize amounts, or bar code and produce a redeemable winning ticket from a non-winning ticket, and/or increase the prize amount on the ticket by methods and materials available to the public?

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

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

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

A.2.14 Game Production and Prize Guarantees [Primary and Secondary]

A Contractor’s Proposal shall describe the methods and procedures by which it guarantees:

Requirement	Yes	No
a. <u>Game specification conformity</u> : Contractor must ensure that all games are produced in conformity with game specifications included in the Working Papers. Describe the process for ensuring that all specifications are met.	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Prize Structure conformity</u> : Contractor must ensure that all games are produced in conformity with the approved prize structure included in the Working Papers, that prizes will not constitute any more than the percentage of revenue stated, and that prizes fall within the approved tolerances and larger prizes are all present in delivered tickets. Describe the process for accomplishing these requirements.	<input type="checkbox"/>	<input type="checkbox"/>
c. <u>Winning ticket distribution</u> : Contractor must ensure that all winning tickets are distributed randomly throughout the entire production and in line with the parameters detailed in the working papers so that no one can use an external method to compromise the process. Describe the process for accomplishing this requirement.	<input type="checkbox"/>	<input type="checkbox"/>

d. <u>Game audit requirements</u> : Contractor must supply, at no additional cost to the Lottery, a report by a certified public accounting firm relating to the agreed-upon procedures and specifications for each game's production.	<input type="checkbox"/>	<input type="checkbox"/>
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A.2.15 Winner's File [Primary and Secondary]

Requirement	Yes	No
a. <u>Winner's file</u> : The Successful Contractor will submit a computer file containing all prizes for the game, including grand prize entry tickets and annuity type prizes, if any. Low tier prizes will be separate from mid and high tier prizes or as specified in the Working Papers. The information will include only validation number, play spots and prize code (prize amount) for the tickets actually produced and delivered.	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Winner's file transmission</u> : The Successful Contractor will be required to securely transmit/send the winner's files for each game to the Lottery or a Gaming System Contractor. Describe all possible methods for securely transmitting these files.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.16 Hash File for Player Rewards Program [Primary and Secondary]

Requirement	Yes	No
<u>Player Rewards or Second Chance hash files</u> : The Successful Contractor will submit a hashed computer file containing the encrypted information of all valid tickets associated with each scratch-off game produced. The information will include the encrypted game-pack-ticket and validation number for all valid tickets in the game. The Successful Contractor must also be capable of assigning points to each of the valid records based on an algorithm provided by the Rewards Program Contractor. The file will be provided to the Lottery's Rewards System Contractor to be loaded on the Program four (4) weeks prior to the game launch.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.17 Warehousing of New Tickets [Primary]

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

Requirement	Yes	No
a. <u>Warehouse staffing plan</u> : Contractor must submit a warehousing staffing plan, including the resume of the prospective warehouse manager.	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Procedures and controls</u> : Contractor must have procedures and controls in place to ensure the confidentiality and integrity of game information. In	<input type="checkbox"/>	<input type="checkbox"/>

particular, printing systems and data must not be accessible to those involved in the warehousing activities and vice versa. Describe these procedures and controls.		
c. <u>Transport from plant to warehouse</u> : Contractor must have procedures and controls in place to ensure the confidentiality and integrity of game information during the transport between the plant and the warehouse. Describe the carriers that will be utilized to transport tickets and the procedures in place to ensure secure transport of the tickets.	<input type="checkbox"/>	<input type="checkbox"/>
d. <u>Dedicated lottery office space</u> : The warehouse must include dedicated, secure office space for at least two (2) Lottery representatives. This space will be used by management, auditors, security personnel and others as necessary to coordinate and monitor warehouse activities.	<input type="checkbox"/>	<input type="checkbox"/>
e. <u>Dedicated lottery warehouse space</u> : 8,000 square feet dedicated space at the Contractor's scratch-off ticket warehouse including racking to be used by the Lottery to store marketing and other materials.	<input type="checkbox"/>	<input type="checkbox"/>

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

Requirement	Yes	No
f. <u>Security controls, including access control</u> : At a minimum access control to areas for all areas deemed "sensitive" by the Lottery Security Department, the Contractor must have an electronic access control system in place (card or biometric). Access control records to areas determined by the Lottery to be sensitive, must be retained for no less than one (1) year and available to the Lottery upon request. Facility access records will be retained for a minimum of six (6) months. Describe the controls and procedures in place.	<input type="checkbox"/>	<input type="checkbox"/>
g. <u>Security equipment and procedures</u> : At a minimum the Contractor must install and administer a digital CCTV system with enough camera capacity to monitor all scratch-off ticket storage areas, and interior and exterior loading dock areas, and any other sensitive facility areas, as determined by the Lottery Security Department. Cameras must have tilt, pan, and zoom features (mechanical or digital). Each camera must have no less than 1080p resolution. Two (2) cameras, as designated by the Lottery, must have 4k resolution. Video storage must be no less than 90 days at 30fps. Enterprise level viewing software must be made available that provides the Lottery Security Department with 24/7 remote viewing capability to the cameras and recordings, using H.264 or newer compression and the appropriate network infrastructure in place to allow for smooth streaming video. Describe the security equipment and procedures that will be in place at the warehouse.	<input type="checkbox"/>	<input type="checkbox"/>
h. <u>Intrusion detection and monitoring equipment</u> : Describe equipment and procedures in place.	<input type="checkbox"/>	<input type="checkbox"/>
i. <u>Fire prevention and detection and flood detection</u> : Describe the equipment and procedures in place to prevent and detect fire as well as flood.	<input type="checkbox"/>	<input type="checkbox"/>

j. <u>Business Continuity / Disaster Recovery plan</u> : Contractor must have a Business Continuity/Disaster Recovery Plan in place to minimize the financial impact to the Lottery. Describe this plan in detail.	<input type="checkbox"/>	<input type="checkbox"/>
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All procedures and controls must be approved by the Lottery. The proposed location of the warehouse must be in Wake County, North Carolina and it must be approved by the Lottery.

A. 2.18 Inside Sales [Primary]

The successful Contractor will be responsible for providing Inside Sales services for Lottery retailers. The proposal must provide a detailed plan for providing Inside Sales services for Lottery retailers.

Requirement	Yes	No
<u>Inside Sales Program</u> : Provide a detailed overview of the Inside Sales program including but not limited to; staffing plan, associated processes and procedures, automation or predictive ordering technologies, recommended Retailer call frequencies and rationale, contingency plans for holidays and weather interruptions, required software system with description of order routing from input to picking, packing, and fulfillment, and the plan for maintaining alignment with outside sales. Staffing plan must include a minimum of 1 inside sales resource/staff for every 1,000 retail location. Changes to the staffing model must be agreed to by the Lottery.	<input type="checkbox"/>	<input type="checkbox"/>

A. 2.19 Ticket Inventory Control and Management [Primary]

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

A.2.20 Distribution of Tickets from Other Contractors [Primary]

Requirement	Yes	No
<u>Distribution of tickets from other Contractors</u> : The Successful Contractor may be required, to warehouse and distribute up to eight (8) scratch-off ticket games purchased by the Lottery from other Contractors. These tickets will be distributed along with the Successful Contractor’s tickets, and the Successful Contractor will be compensated at the agreed upon rate for warehousing and distribution.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.21 Ticket Order Packaging [Primary]

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

Requirement	Yes	No
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a. <u>Distribution of additional materials to retailers:</u> The Successful Contractor may be required to include additional materials, at no additional cost to the Lottery, in packages containing tickets.	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Detailed plan for packaging and delivery of tickets to retailers:</u> Describe the plan and procedures associated with ticket packaging and delivery to retailers for initial allocation for new games and ongoing everyday orders for games. The Proposal should address all aspects of the operation including: <ul style="list-style-type: none"> • Staffing and organization; • Physical layout of packing area; • The amount of training that would be provided to staff; • Hours of operation during the week, on week-ends and during holiday periods; • Packing procedures and controls; and • Packing materials 	<input type="checkbox"/>	<input type="checkbox"/>

A.2.22 Scratch-Off Ticket Distribution [Primary]

The Successful Contractor will be responsible for delivering scratch-off tickets to the retailers and the Lottery's offices. The Successful Contractor must ensure that the distribution is secure, effective, and efficient and presents a positive image of the Lottery to retailers and others.

Requirement	Yes	No
a. <u>Delivery timeframe and confirmation:</u> Successful Contractor must deliver tickets as soon as possible, but no later than two (2) business days after the order is placed. Following delivery, a proof of delivery must be obtained.	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Complete distribution plan:</u> Provide a complete description of the distribution plan which must include the following: <ul style="list-style-type: none"> • Staffing plan • Training plan • Procedures • Delivery contractor 	<input type="checkbox"/>	<input type="checkbox"/>
c. <u>Ticket Pickup:</u> The Successful Contractor shall assume full financial responsibility for picking up any tickets printed by the Contractor that must be picked up as a result of exigent circumstances including, but not limited to, the reimbursement to the Lottery for Lottery staff time to pick up tickets and any costs associated with shipping the tickets from regional Lottery offices to the scratch-off ticket warehouse.	<input type="checkbox"/>	<input type="checkbox"/>
d. <u>Delivery of other Lottery Materials:</u> The Successful Contractor, in special instances, may be required to deliver other Lottery materials (such as point-of-sale materials, draw game supplies, retailer training materials and newsletters) at no additional charge to the Lottery.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.23 Returned Tickets [Primary]

Requirement	Yes	No
<p><u>Scratch-Off Ticket Returns:</u> The Successful Contractor will be responsible for receiving and processing all returns; full and partial packs. The Contractor will be responsible for all costs associated with shipment and processing of returned packs from their point of origin. This includes properly accounting for inventory within the inventory management software within 72 hours of receipt of product. All Active full pack processed returns must be placed back into the pick area based on pack number in a FIFO (First in first out) basis. All partial pack returns must be processed by the Successful Contractor and stored until the game is ended. All End of Game returns must be processed by the Last Day to Redeem as stated by the Lottery. The Proposal must include a description of the staffing plan and procedures including, but not limited to; how returns will be initiated from retail, methods of shipment, receiving, storing, processing and moving to pick area. The Contractor will be required to maintain accurate documentation and/or logs of all products processed. The Lottery, at its sole discretion, may retain or assume responsibility of individual stages of this process on a temporary or ongoing basis and audit the Contractor's process for compliance.</p>	<input type="checkbox"/>	<input type="checkbox"/>

A.2.24 Scratch-Off Ticket Destruction [Primary]

Requirement	Yes	No
<p><u>Scratch-off ticket destruction:</u> The Successful Contractor must provide for the secure disposal of unsold, damaged and/or returned tickets in an environmentally responsible manner'. The Lottery may also require for secure disposal of other similar materials. The Proposal must include a plan for ticket destruction and a description of all ticket destruction procedures which include reporting associated with the process.</p>	<input type="checkbox"/>	<input type="checkbox"/>

A.2.25 Product Development Services [Primary and Secondary]

The Lottery expects the Successful Contractor to play a significant role in the Lottery's product development program. The Successful Contractor will work closely with the Lottery as plans are being made regarding games, implementation schedules and strategic planning. The product support services associated with the design and implementation of scratch-off lottery game are to include, but not be limited to, the following requirements:

Requirement	Yes	No
<p>a. <u>Creative design of lottery games:</u> Successful Contractor will be responsible for all creative design of the scratch-off games. Describe the process and tools that will be made available to the Lottery as part of the creative design process.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p>b. <u>Detailed game development:</u> Successful Contractor will be responsible for all facets of scratch-off game development to include but not limited to:</p> <ul style="list-style-type: none"> • Prize Structure development. 	<input type="checkbox"/>	<input type="checkbox"/>

<ul style="list-style-type: none"> • Game Rules development to include definition of what constitutes a winning ticket, defining the security tests that claimed tickets must satisfy in order to be validated as a winner, defining conditions that invalidate a ticket. • Mechanical artwork to include licensed images and color separations for each game and specifications for the game ticket layout. Layered artwork must be provided to the Lottery for use in the development of point-of-sale materials. • Support personnel required by the Lottery for management and consultation relating to the items above as needed before and during game design. 		
<p>c. <u>Product plan [PRIMARY ONLY]</u>: The proposal must include a product plan for the first twenty-four (24) months of the Contract. The plan should address the overall strategy for scratch-off games in North Carolina:</p> <ul style="list-style-type: none"> • Contractor staffing. • Research plan to include both quantitative and qualitative studies (Minimum annual research budget of \$250,000); • Game introduction/launch intervals. • Prize structure/payouts. • Game ticket quantities and lifecycles. • Go to market plan for launching a \$100 price point. • Omni-channel game plan. • Incentives and promotions. • Sales data and trend analysis, etc. 	<input type="checkbox"/>	<input type="checkbox"/>
<p>d. <u>Product plan [SECONDARY ONLY]</u>: The proposal must include a marketing and product plan for the first twenty-four (24) months for games as part of recommendation for up to 8 games per year. The plan should address specific recommendations and strategy for introducing games in a secondary printing capacity to supplement the overall NCEL scratch-off product plan:</p> <ul style="list-style-type: none"> • <u>Uses of product enhancements or proprietary products</u> • <u>Uses of licensed content</u> • <u>Unique games or game categories to drive incremental sales or participation</u> • <u>Launch timing</u> • <u>Accompanying promotions or second chance programs</u> 	<input type="checkbox"/>	<input type="checkbox"/>
<p>e. <u>On-site staffing [PRIMARY ONLY]</u>: The Successful Contractor must provide at a minimum four (4) full-time account support staff persons in addition to operations and inside sales assigned to service this account. These positions will include, but not be limited to; Director level role that will serve as the primary point of contact for the Lottery and oversee the team dedicated to supporting the Lottery, Product Manager to ensure game development meets required timelines and a Consumer Insights Specialist that is dedicated to research support for the Lottery and maintaining our player panel, and a senior level Data Analyst responsible for providing support to the Lottery for the scratch-off product line. These individuals must be identified in the</p>	<input type="checkbox"/>	<input type="checkbox"/>

Proposal and complete résumés of such individuals must be submitted. Consideration will be given during the evaluation process to the Contractors providing highly qualified personnel and services that add to the value of their Proposal.		
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A.2.26 Implementation Plan [Primary]

The Successful Contractor shall be responsible for developing and implementing a plan to convert the existing scratch-off ticket inventory, and set up related facilities, arrange for necessary services and obtain the necessary inventory.

Requirement	Yes	No
a. <u>Inventory acquisition/transition</u> : Successful Contractor will be financially responsible for all costs associated with acquiring the current scratch-off ticket inventory from the incumbent Contractor(s). These costs will include purchase of the existing inventory, transportation of the current inventory to the new warehouse, etc. Describe how Potential Contractor will accomplish these tasks.	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Transition plan/timeline</u> : Potential Contractors must provide a plan and timeline from contract approval until the official start date of the contract. The plan must include acquisition and transition of current inventory, as well as, the development and delivery of new games as part of the new contract. Proposal must include recommendations for the number of games and quantity of tickets for each game during this time period.	<input type="checkbox"/>	<input type="checkbox"/>
c. <u>Transition staffing plan</u> : Potential Contractors must provide staffing plan for the transition to include but not limited to, a dedicated Business Analyst to gather and document requirements. Describe the team that will be part of the implementation.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.27 Retailer and Employee Training [Primary]

Requirement	Yes	No
<u>Retailer and Lottery employee training</u> : Successful Contractor will be responsible for all training both during the transition period and on-going on the various aspects of handling the scratch-off game process, which shall include, but not be limited to, inside sales best practices, as appropriate. Training may be provided in conjunction with the Gaming System Contractor. Describe how the Potential Contractor will accomplish these tasks.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.28 Inside Sales and Ticket Ordering and Inventory Control [Primary]

The Successful Contractor shall provide the inside sales and ticket ordering software and reporting systems. The Proposal must describe, at a minimum, how the software accomplishes the ticket order processing for:

Requirement	Yes	No
a. <u>Prognostic ordering</u> : The Program should provide the ability to perform prognostic ordering. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Retailer initiated ordering</u> : The Program must allow retailer initiated orders if desired by the Lottery. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
c. <u>Emergency orders</u> : The Program must allow for emergency orders to be placed. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
d. <u>Sales force automation tool based ordering</u> : The Program should be able to integrate with a sales force automation tool to allow orders to be placed through the tool. Describe the capabilities associated with this item.	<input type="checkbox"/>	<input type="checkbox"/>
e. <u>Flag returned packs</u> : The Program must have the ability to “flag” returned packs so that Lottery sales staff can easily identify games that have been returned by a particular retailer. Describe the capabilities associated with this item.	<input type="checkbox"/>	<input type="checkbox"/>
f. <u>Reissue full returned packs</u> : The Program must have the ability to reissue full packs that have been returned. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
g. <u>Reissue partial returned packs</u> : The Program must have the ability to reissue partial packs that have been returned under certain circumstances. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
h. <u>Restrict orders for a retailer</u> : The Program must have the ability to restrict an order for a retailer from being placed in its entirety or for individual products, for various reasons. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
i. <u>Tracking and confirmation of pack deliveries</u> : The Program must have the ability to track and confirm the delivery of packs of tickets. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
j. <u>Real-time monitoring of warehouse inventory</u> : The Program must have the ability to monitor warehouse inventory levels in real-time. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
k. <u>Initial Allocation of new games</u> : The Program must have the ability to perform an initial allocation of new games, as well as the ability to provide recommended quantities for a new game allocation. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
l. <u>Sales and account information available to inside sales</u> : The Program must be able to provide retailer sales and account information including but not limited to dispenser count information to the inside sales team. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
m. <u>Retailer notes</u> : The Program must provide the ability to document and store notes for retailers. Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
n. <u>Call scheduling and other features</u> : The Program must be capable of establishing multiple call schedules for the inside sales team. Call schedules must be able to accommodate/adjust for holiday scheduling. Describe the capabilities associated with this requirement as well as the call features associated with the Program.	<input type="checkbox"/>	<input type="checkbox"/>

o. <u>Order code assignment</u> : The Program must be capable of assigning codes to each order to identify the type of order being placed (i.e. Normal, Emergency, Trunk Stock etc.). Describe the capabilities associated with this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
p. <u>Ticket Dispensing Units Integration</u> : The Lottery currently has multiple versions of ticket vending machines as well as other ticket dispensing units capable of providing ticket by ticket inventory. Describe how the ticket ordering system can be integrated with these devices to optimize the ticket ordering algorithms.	<input type="checkbox"/>	<input type="checkbox"/>

A.2.29 Program Capabilities

At a minimum, the Program must have an open architecture database reporting system with the capability to perform as follows:

Requirement	Yes	No
a. <u>Open architecture</u> : The Program must have an open architecture database reporting system. Describe the architecture in detail.	<input type="checkbox"/>	<input type="checkbox"/>
b. <u>Handle all scratch-off ticket processes and functions</u> : The Program must be capable of handling all scratch-off ticket processes and functions for games from any scratch-off ticket printer.	<input type="checkbox"/>	<input type="checkbox"/>
c. <u>Accept and process ticket inventory files from other printer(s)</u> : The Program must be capable of accepting and processing inventory data files from other printer(s).	<input type="checkbox"/>	<input type="checkbox"/>
d. <u>Create inventory data files for transfer to the gaming system</u> : The Program must be capable of creating and providing inventory data files of packs ordered, distributed and returned to the central gaming system on a daily, or more frequent basis, as determined by the Lottery. Describe these capabilities in more detail.	<input type="checkbox"/>	<input type="checkbox"/>
e. <u>Accept inventory data files and retailer maintenance data files from the central gaming system</u> : The Program must be capable of accepting and processing inventory data files/feeds (i.e. pack statuses, etc.) to include a number of different pack statuses and retailer maintenance data files from the central gaming system on a daily, or more frequent basis, as determined by the Lottery. Describe these capabilities in more detail.	<input type="checkbox"/>	<input type="checkbox"/>
f. <u>Ad-hoc reporting through a web-based interface</u> : The Program must allow users to create/print/export ad-hoc reports via a web-based interface. Describe the systems reporting capabilities.	<input type="checkbox"/>	<input type="checkbox"/>
g. <u>Update retailer demographic data</u> : The Program must be capable of processing retailer demographic update data from the central gaming system. Describe how the Program will handle retailer updates.	<input type="checkbox"/>	<input type="checkbox"/>
h. <u>Restricted access to authorized Lottery staff and ability to set privileges</u> : The Program must be able to restrict access to only authorized Lottery staff and restrict Contractor staff from performing certain functions. Describe how the Program will satisfy this requirement.	<input type="checkbox"/>	<input type="checkbox"/>
i. <u>UAT/CAT Integration</u> : Contractor must provide a UAT/CAT environment that allows the Lottery to perform system and integration testing. Describe the capabilities associated with the UAT/CAT environment.	<input type="checkbox"/>	<input type="checkbox"/>

j. <u>Data feed or files to a lottery maintained database</u> : Contractor must provide a data feed to a lottery database or daily data files with pertinent inventory tracking and order information as determined by the Lottery. Describe the capabilities associated with providing data from the inventory management system.	<input type="checkbox"/>	<input type="checkbox"/>
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A Responding Contractor must describe in its Proposal the following:

- How the Program will allow the Lottery staff appropriate access via the proposed hardware/software communication configuration to the software applications.
- A proposed plan for interfaces between the scratch-off ticket inventory Program and central gaming system and sales force automation application if applicable.
- A proposed backup system plan to ensure little or no interruption of services, and the business recovery plans to return to normal processing.
- The proposed security plan including system software (i.e. passwords, data transfer integrity, etc.) and physical controls.

A.3 Additional Required Operational Requirements [Primary]

A Responding Contractor must list in this section other significant services, procedures, materials, supplies, programs, policies, equipment, facilities, etc., necessary for the successful daily operational aspects of the proposed products and services, even though there were no specific requirements for those items listed in this RFP. The Successful Contractor shall be responsible for providing all needed items to make the proposed products and services successful.

A.3.1 Materials, Supplies and Equipment [Primary]

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

A.3.2 Responsible Gaming [Primary]

It is important to the Lottery that its players enjoy the games responsibly. The Lottery has achieved Level 4 Certification of the WLA Responsible Gaming Framework. As the Lottery moves forward into new areas of gaming and alternative delivery mechanisms, it is important that the Lottery be informed of the most up to date perspective on best practices on this topic. Please describe in the Contractor’s Proposal how it can assist the Lottery with this initiative.

A.4 Optional Requirements

The Lottery is interested in knowing what service(s), enhancement(s) or product(s) Contractors have to offer, over and above what is specifically required in this RFP and would add value to the Lottery in completing its mission. A Responding Contractor must explain why such service(s) or product(s) would benefit the Lottery.

A.4.1 Specified Options

The Responding Contractor must propose all Specified Options with pricing. The Lottery will reject a Responding Contractor’s Proposal if a Specified Option is not included. Detailed specifications and pricing for the Specified Options must be included for the following:

Requirement	Yes	No
1. The Lottery is interested in vending equipment for scratch-off games that provides new and innovative routes to market to create new points of purchase for our players. Describe the various vending equipment options available and how each type could drive incremental sales.	<input type="checkbox"/>	<input type="checkbox"/>

B Lottery Organization Chart

Significance	Response Type
INFORMATION	NONE

See Section 2.2.1 (The Lottery Organization Chart).

See attached Portfolio for files shown below.



Org Chart 3.18.26.pdf

C Lottery Annual Report, Lottery Sales and Game Plan

Significance	Response Type
INFORMATION	NONE

See Section 2.2.7 (Lottery Annual Report, Lottery Sales and Game Plan).

See attached Portfolio for files shown below.

NCEL Net Activations for past 4 fiscal years



Net Activations past
4 FY.pdf

NCEL Scratch-off Average order quantities



Average Order
Quantities.xlsx

NCEL Scratch-off Average Payout



Average Payouts.xlsx

NCEL Net Sales by price point, trade style, and retailer



FY20-25 Weekly Net
Sales by PP.xlsx



FY20-25 Weekly Net
Sales by trade style.xls



FY25 Net Sales by
Retailer.xlsx

NCEL current equipment



Lottery Annual Report



FY2025-RTTP.pdf

NCEL FY20 – 25 launch schedules



FY20 Instant Game
Schedule 5-18-20.pdf



FY21 Instant Game
Schedule 5-24-21.pdf



FY22 Instant Game
Schedule 3-28-22.pdf



FY23 Instant Game
Schedule 4-24-23.pdf



FY24 Instant Game
Schedule 2-26-24.pdf



FY25 Instant Game
Schedule 4-28-25.pdf

NCEL Plan-O-Gram Evolution



FY23 Planogram
Evolution.pdf



FY24 Planogram
Evolution.pdf



FY25 Planogram
Evolution.pdf

D Code of Ethics

Significance	Response Type
MANDATORY	ACCEPTANCE

The Lottery operates under the Code of Ethics as adopted by the North Carolina State Lottery Commission and Executive Order 24

See attached Portfolio for files shown below.



4.00 Code of
Business Ethics.docx



10.4 Code of Ethics
Policy.docx



ExecutiveOrder24Gi
ftBan.pdf

E Additional Appendices

See attached Portfolio for files shown below.

- Minority Business Participation: Affidavits A and B, or Affidavit C (Equal Business Opportunity Forms)



Minority Business
Forms.docx

- Scratch-off Sample Contract



DRAFT - 2026
SCRATCH-OFF TICKET

- Vendor Dispute Resolution Procedures



6.02 Contracting and
Bidding Dispute Resol

- Certification of Contractor



CONTRACTOR
CERTIFICATION (2026

- Background Disclosure



Background
Disclosure.docx

- Authorization for Contractor Investigation



Authorization for
Contractor Investigati

- Acknowledgement and Authorization for Background Check



Acknowledgement
and Authorization For

- Scratch-off Ticket Printing and Related Services Check List



Scratch-off Ticket
Printing and Related S

F RFP Compliance Table

Significance	Response Type
MANDATORY	FULL

See Section 1.14.4 (Compliance Table).

		Compliance			Comments
Section	Significance	FULL	MODIFIED	NOT COMPLIANT	
1.1	Mandatory				
1.2	Mandatory				
1.3	Mandatory				
1.6	Mandatory				
1.7	Mandatory				
1.8	Mandatory				
1.9	Mandatory				
1.10	Mandatory				
1.11	Mandatory				
1.12	Mandatory				
1.12.1	Important				
1.13	Information				
1.14	Mandatory				
1.14.1	Mandatory				
1.14.2	Mandatory				
1.14.3	Mandatory				
1.14.4	Mandatory				
1.15	Mandatory				
1.16	Mandatory				
1.17	Mandatory				
1.18	Mandatory				
1.19	Mandatory				
1.20	Mandatory				

Section	Significance	Compliance			Comments
		FULL	MODIFIED	N/C	
1.21	Mandatory				
1.22	Mandatory				
1.22.1	Important				
1.23	Mandatory				
1.24	Mandatory				
1.25	Mandatory				
1.26	Mandatory				
1.27	Mandatory				
1.28	Important				
1.29	Mandatory				
1.30	Important				
1.31	Mandatory				
1.32	Important				
1.33	Important				
1.34	Important				
1.35	Mandatory				
1.36	Important				
1.37	Mandatory				
3.1	Mandatory				
3.2	Mandatory				
3.3	Mandatory				
3.4	Mandatory				
3.5	Mandatory				
3.5.1	Mandatory				
3.6	Mandatory				
3.6.1	Mandatory				
3.6.2	Mandatory				
3.6.3	Mandatory				
3.7	Mandatory				
3.8	Mandatory				

Section	Significance	Compliance			Comments
		FULL	MODIFIED	N/C	
3.9	Mandatory				
3.10	Mandatory				
3.11	Mandatory				
3.12	Mandatory				
3.13	Mandatory				
3.14	Mandatory				
3.15	Mandatory				
3.16	Mandatory				
3.17	Mandatory				
3.18	Mandatory				
3.19	Mandatory				
3.20	Mandatory				
3.21	Mandatory				
3.22	Mandatory				
3.23	Mandatory				
3.24	Mandatory				
3.25	Mandatory				
3.25.1	Mandatory				
3.26	Mandatory				
3.27	Mandatory				
3.28	Mandatory				
3.29	Mandatory				
3.30	Mandatory				
3.31	Mandatory				
3.32	Mandatory				
3.33	Mandatory				
3.34	Mandatory				
3.35	Mandatory				
3.36	Mandatory				
3.37	Mandatory				

Section	Significance	Compliance			Comments
		FULL	MODIFIED	N/C	
3.38.1	Mandatory				
3.38.2	Mandatory				
3.38.3	Mandatory				
3.38.4	Mandatory				
3.38.5	Mandatory				
4.1	Important				
4.1.1	Mandatory				
4.1.2	Mandatory				
4.1.3	Mandatory				
4.1.4	Mandatory				
4.1.5	Mandatory				
4.1.6	Important				
4.1.7	Important				
4.2	Mandatory				
4.3	Mandatory				
4.3.1	Mandatory				
4.3.2	Mandatory				
4.3.3	Mandatory				
4.4	Important				
4.5	Mandatory				
4.6	Mandatory				
5.1	Mandatory				
5.2	Mandatory				
5.2.1	Mandatory				
5.2.2	Mandatory				
5.2.3	Mandatory				
5.3	Mandatory				
5.3.1	Mandatory				
6.1	Mandatory				
6.2	Mandatory				

		Compliance			
Section	Significance	FULL	MODIFIED	N/C	Comments
6.3	Mandatory				
6.4	Mandatory				
6.5	Mandatory				
6.6	Information				
6.7	Mandatory				
6.8	Mandatory				
6.9	Mandatory				
D	Mandatory				
F	Mandatory				