

**NORTH CAROLINA EDUCATION LOTTERY**

**REQUEST FOR PROPOSALS #LC-000054**

**ONLINE PLAY SYSTEM, PLAYER LOYALTY PROGRAM AND  
RELATED SERVICES**

**June 15, 2018**

# Contents

1	General Information Regarding the RFP and Proposal Submission .....	8
1.1	Terminology .....	8
1.1.1	Marking of Proposal Sections.....	10
1.1.1.1	Marking of Additionl Sections or Subsections .....	10
1.2	Introduction .....	11
1.3	Lottery and RFP Objectives .....	12
1.4	Glossary of Terms .....	13
1.5	Schedule .....	18
1.6	Issuing Office .....	19
1.7	Purchasing Administrator and Point of Contact .....	20
1.8	Official RFP Website .....	20
1.9	Responding Contractor Contact with the Lottery .....	20
1.10	RFP Clarification Questions.....	21
1.10.1	Submission of RFP Clarification Questions .....	21
1.10.2	Response to RFP Clarification Questions.....	22
1.11	Amendments to the RFP.....	22
1.12	Responsive Proposal Submission Criteria .....	23
1.12.1	Proposal Delivery Location and Process .....	24
1.12.2	Late Proposals .....	25
1.12.3	Pricing Information .....	25
1.12.4	Compliance Table.....	25
1.13	Letters of Transmittal .....	26
1.14	Bid Bond .....	26
1.15	Litigation Bond .....	27
1.16	Public Records and Request for Confidentiality .....	27
1.17	Property of the Lottery .....	28
1.18	Incurred Costs Associated with the Proposal .....	28
1.19	Proposal Content and Format .....	28
1.20	Response to Technical and Non-Price Requirements.....	29
1.20.1	Technical Specifications.....	29
1.21	Price Proposals .....	30
1.22	Multiple Proposals from a Single Responding Contractor .....	30
1.23	Proposal Clarification Process.....	30
1.24	Modification/Withdrawal of a Proposal .....	31
1.25	Acceptance Period.....	31
1.26	Disclosure Prohibition.....	31
1.27	Material/Non-Material Deviations .....	32
1.28	Disqualification for Business Incapability .....	32
1.29	Effect of a Proposal .....	33
1.30	Rejection/Selection of Proposals.....	33
1.31	Independent Price Determination .....	34
1.32	Change of Ownership/Financial Condition .....	34
1.33	News Releases and Advertising .....	34
1.34	Demonstrability of Proposed System .....	35
1.35	Minority Businesses Participation .....	36
2	Lottery Background .....	37

2.1	History.....	37
2.2	General Information .....	37
2.2.1	The Lottery Organization Chart .....	37
2.2.2	Lottery Ethics and Integrity; Corporate Social Responsibility .....	38
2.2.3	The Lottery .....	38
2.2.4	Lottery Commission .....	39
2.2.5	North Carolina Attorney General Contract Approval Requirement .....	39
2.2.6	Current Lottery Business.....	39
2.2.7	Online Play Product Description and Sales Performance .....	40
2.2.8	Online Play Sales/Financial Results .....	42
2.3	Lottery Back-Office Applications .....	42
2.4	Lottery Internal Control System (ICS) .....	42
2.5	Lottery Operations.....	43
2.6	Corporate Social Responsibility (Responsible Gaming) .....	46
3	Terms and Conditions .....	47
3.1	Introduction .....	47
3.2	Scope of the Contract .....	47
3.3	Elements of the Contract .....	47
3.4	Governing Law.....	48
3.5	Term of the Contract .....	48
3.5.1	Emergency Extension.....	48
3.6	Termination of the Contract .....	49
3.6.1	Termination for Default.....	49
3.6.2	Termination for Cause .....	49
3.6.3	Termination for Convenience .....	51
3.7	End of Contract Conversion .....	51
3.8	Severability .....	52
3.9	Prime Contractor Responsibilities .....	52
3.10	Subcontractor Approval .....	53
3.11	Assignment.....	53
3.12	Background Investigations during the Contract Term.....	53
3.13	Lottery Approval of Staffing/Subcontractors .....	54
3.14	Accounting Records .....	55
3.15	Right to Audit.....	55
3.16	Audit Requirements.....	55
3.17	Non-Exclusive Rights.....	56
3.18	Right of Use/USUFRUCT.....	56
3.19	Responding Contractor Ethics and Integrity .....	57
3.20	Disputes under the RFP and/or Contract .....	58
3.21	Cooperation of the Parties .....	58
3.22	Software Corrections, Changes, Upgrades, and Expansion.....	58
3.22.1	Services within Original Scope .....	58
3.22.2	Deliverables and Services Not Originally Defined.....	59
3.23	Liquidated Damages Provisions .....	59
3.24	Ownership of Materials and Intellectual Property .....	65
3.25	Title to, and Use of, Third-Party and Contractor Intellectual Property Rights .....	66
3.26	Patents, Copyrights, Trademarks, and Trade Secrets .....	66
3.27	Intellectual Property Indemnification .....	67
3.28	Indemnification .....	68
3.29	Confidential Information .....	68
3.30	Taxes, Fees, and Assessments .....	69
3.31	Media and Advertising .....	70
3.32	Force Majeure/Delay of Performance .....	70

3.33	Warranties .....	71
3.34	Insurance .....	73
3.35	Compensation Procedures and Mechanisms for Use During the Contract.....	74
3.36	Acceptance Testing .....	74
3.37	Other Requirements.....	75
3.37.1	Ticket Purchase and Prize Payment Restrictions.....	75
3.37.2	Escrow of Source Code and Documentation .....	75
3.37.3	Security Program under the Contract .....	75
3.37.4	Commitment to Nondiscrimination; Affirmative Action .....	76
3.37.5	Attachment of Third-Party Systems, Terminal, or Products.....	76
3.37.6	Performance Bond and Payment Bond.....	77
4	Responding Contractor Corporate Information.....	78
4.1	Introduction .....	78
4.1.1	Corporate Background Overview .....	78
4.1.2	Applicable Experience.....	79
4.1.3	Contract Performance.....	80
4.1.4	Software Development and Support Capabilities.....	80
4.1.5	Research and Development Program.....	81
4.2	Responding Contractor Certification Requirements.....	81
4.3	Financial Data .....	81
4.3.1	Parent Corporation Resources and Subsidiaries .....	83
4.3.2	External Funding .....	83
4.3.3	Bank Ratings and References .....	83
4.4	Disclosure of Litigation and Business Relationships .....	83
4.5	Subcontractors.....	84
4.6	Conflict of Interest .....	85
5	Pricing.....	86
5.1	Appendix Introduction .....	86
5.2	Price Proposal Requirements.....	86
5.2.1	Pricing Format .....	86
5.2.2	Base Price .....	86
5.3	Pricing of Options .....	87
5.3.1	Specified Options .....	87
5.3.2	Invited Options .....	89
5.3.3	Offered Options.....	89
6	Proposal Evaluation .....	91
6.1	Introduction .....	91
6.2	Evaluation Committee.....	91
6.3	Information from Other Sources .....	92
6.4	Demonstrations and Site Visits .....	92
6.5	Evaluation Steps.....	93
6.6	Evaluation of Proposals (or Evaluation Categories).....	93
6.7	Evaluation of Price Proposals.....	93
6.8	Evaluation Committee Recommendation.....	94
6.9	Negotiation and Recommendation .....	94
A	Technical Specifications .....	96
A.1	Summary Level Responses .....	95
A.1.1	Overview .....	96
A.1.2	Flexibility of the System .....	96
A.1.3	Tested and Certified Equipment .....	96

A.1.4 Equipment Standards.....	96
A.1.5 Block Diagrams .....	97
A.1.6 System Hardware and System Software Upgrades .....	97
A.2 Detailed Technical Responses .....	98.
A.2.1 Player Account Management System .....	98
Age and Identity Verification .....	99
Player Registration .....	99
Player Geolocation .....	99
Player Authentication .....	99
Player Wallets.....	99
Responsible Gaming Controls .....	99
Player Communication Preferences.....	100
Player Notifications .....	100
Player Data and History.....	100
Secure Upload Center.....	100
A.2.2 Banking Services.....	100
Banking Services .....	100
Compliance and Risk Requirements.....	101
PCI Certification.....	101
Responsibility of Payment Fees.....	101
A.2.3 Payment Acceptance.....	101
Payment Processing Services .....	101
Backup and Failover Capabilities.....	101
Player Wallet Funding Methods .....	101
ACH Funding Verification .....	101
Player Facing Fees.....	102
Single Debit Funding and Purchase.....	102
Guest Checkout .....	102
Minimum Purchases and Deposits.....	102
Saved Payment Types.....	102
Payment Enablement and Disablement .....	102
Prepaid Acceptance .....	103
A.2.4 Payment Issuance.....	104
Withdrawal Methods .....	103
AML Compliance .....	103
Payment Holds .....	103
A.2.5 Virtual Prize Claim Center .....	104
Immediate Prize Payments .....	104
Large Prize Claim Thresholds .....	104
Claim Center Back Office .....	104
Message Exchanges.....	104
Document Storage .....	104
Offset Management .....	104
Tax Withholdings .....	105
Prize Claim Hold .....	105
Completion of Prize Claim.....	105
Exceptions and Overrides.....	105
A.2.6 Promotions Capabilities.....	106
Promotion Codes .....	106
Free Games.....	106
Deposit Offers .....	106
Discount Offers .....	106
Play and Win Events .....	106

Bonus Payout Events .....	106
Promotion Triggers and Conditions.....	107
General Capabilities .....	107
A.2.7 Lucke-Rewards Loyalty Program ..	107
Earning and Managing Loyalty Points .....	107
Ticket Entry Capabilities .....	108
Lucke-Rewards Tie-ins to Online Play.....	108
Instant Rewards .....	108
Drawing Tools .....	108
Prize Fulfillment.....	108
Security .....	108
Winner Lists .....	109
Rules .....	109
Eligible Games .....	109
Promotional Opportunities .....	109
Additional Opportunities .....	109
Future Development .....	109
A.2.8 User Interface Components and Integration Services .....	110
Central and Persistent Authentication .....	110
UI Components.....	110
API Services .....	110
Shopping Cart Functionality.....	110
Messaging Center .....	110
Player Personalization .....	111
Content Management System.....	111
Mobile App Development Services.....	111
A.2.9 Game Development Services .....	112
Minimum Quantity .....	112
Draw Game Requirements.....	113
Price Point Selection.....	113
Device and Screen Compatibility .....	113
Game Compliance .....	113
Subscription Support .....	113
Winner Determination Capabilities .....	113
A.2.10 Third-Party Game Integration Support...	114
Instant Game Integrations.....	114
Draw Game Integrations.....	114
Existing Integrations and Roadmap.....	114
Third-Party Game Contracts.....	114
Third-Party Reporting .....	114
A.2.11 Software Development Model ..	115
Stand Alone or Multi-Tenant Environment .....	115
Software Development Methodology.....	115
Software Planning .....	115
Release Cycles.....	115
Documentation Standards.....	115
Software Development Resources .....	116
Development Tracking .....	116
Quality Assurance Environment.....	116
Lottery Testing Environment.....	116
Lottery Testing Devices.....	116
Regulatory Compliance Testing .....	116
A.2.12 Customer Service Center.....	117

Support Channels.....	117
Support Availability .....	117
Oversight Capabilities .....	117
Data Retention.....	117
Satisfaction Measurement.....	117
Staffing Levels.....	117
Failover and Disaster Recovery.....	117
Player Hotline.....	117
System Access and Case Transfers.....	118
Subject Matters Supported.....	118
A.2.13 Data Integration Capabilities .....	118
Player Database Integration.....	118
Communication Systems Integration.....	118
Advertising Systems Integration.....	118
Analytics Systems Integration.....	118
A/B Testing System.....	118
A.2.14 Staffing Support Model.....	119
Project Manager.....	119
Solutions Architect .....	119
Data Analyst .....	119
Digital Graphic Designer.....	119
Strategic Planning Services .....	119
Additional Services .....	120
A.2.15 Drawing Operations and Control Center.. ..	120
Control Room .....	120
Drawing Applications.....	120
Control Room and Application Security .....	120
A.2.16 Internal Control System.....	120
Near Real Time Processing .....	120
Scope of Transactions.....	120
Environments.....	120
A.2.17 Reporting Capabilities and Services.....	120
General Services .....	121
Reconciliation Reporting.....	121
Balancing Reports .....	121
Daily Online Play Reporting .....	121
Online Play Game Reporting.....	121
Loyalty Reporting.....	121
Tax Reporting.....	121
Expired Prizes Reporting.....	121
Expired Player Wallet Reporting.....	122
Game Card Reporting.....	122
Geolocation Reporting.....	122
Identity Verification Reporting .....	122
Virtual Claims Reporting.....	122
Back Office User Reporting .....	122
Business Intelligence Reporting .....	122
A.2.18 Facilities and Infrastructure .....	123
Configuration at Primary Data Center .....	123
Configuration at Backup Data Center.....	123
System Performance and Scalability .....	123
System Availability and Monitoring .....	123

	Disaster Recovery Plan.....	123
	Communication Networks.....	123
	A.2.19 Implementation Plan.....	124
	Hosting Environments.....	124
	Migration Strategy and Services.....	124
	Startup Schedule.....	124
	Startup Resourcing.....	124
	A.2.20 Audit Requirments.....	124
B	Lottery Organization Chart.....	126
C	Lottery Annual Report and Lottery Sales.....	127
D	Code of Ethics.....	128
E	Additional Appendices.....	130
F	RFP Compliance Table.....	131



# 1 General Information Regarding the RFP and Proposal Submission

---

## 1.1 Terminology

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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

Significance	Response Type	Standard Text
[MANDATORY/IMPORTANT...]	[NONE/ACCEPTANCE...]	[YES/NO]

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.

The purpose of the following parameter is to allow Responding Contractors to easily identify when the Standard Text has been used and therefore a standard response can be given.

The following definitions apply for the box marked "Standard Text":

**YES** The section or subsection contains Standard Text with no changes OR the paragraph contains Standard Text except for the replacement of the variables indicated in the Standard RFP Template ("SRT") as <variable> with text that is specific to the RFP; for example, dates, contact information, etc.

**NO** The section or subsection contains text that is not Standard Text from the SRT.

It should be noted that regardless of whether YES or NO is used in the box marked "Standard Text," the requirements contained in the main text of the section will always prevail.

### 1.1.1 Marking of Proposal Sections

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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 1.1.1.1 (Marking of Additional Sections or Subsections).

The box marked "Compliance" must indicate the Proposal's compliance with the RFP requirement per the following:

<b>FULL</b>	The Proposal complies fully with the RFP requirement without any changes or reservations.
<b>MODIFIED</b>	The Proposal complies largely with the RFP requirement, but with minor modifications.
<b>N/C</b>	The Proposal does largely not comply with the RFP requirement.

The Lottery reserves the right to reject the Proposal for failure to indicate where the response is less than fully compliant. If the Proposal in the Responding Contractor's opinion is compliant but in an alternate way than required by the RFP, the response shall be marked MODIFIED.

The box marked "Comment" may contain any comment or summary the Responding Contractor may wish to include. It should be noted that the Comment box is only intended for key words or short comments. Actual descriptions, explanations, or expansions of the response to the RFP requirement in question shall be given in the normal text in the section; i.e., not in the Comment box.

#### 1.1.1.1 Marking of Additional Sections or Subsections

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

If there are additional considerations the Responding Contractor would like to present to the Lottery, the Responding Contractor's Proposal must include new sections or subsections at the

end of each section, subsection, or chapter to which the additional feature relates, and must retain the existing outline numbering scheme of the RFP.

In case the use of additional sections or subsections does not adequately support the Responding Contractor’s needs, additional information may also be provided in one or several appendices as applicable, with a clear reference to the relevant appendix(ces) under each applicable section or subsection heading.

All sections or subsections that have been added by the Responding Contractor in the Proposal and that do not appear in the RFP must include the following Proposal Standard Compliance Box:

<b>Significance</b>	<b>Compliance</b>	<b>Comment</b>
[OFFERED INFORMATION/ OFFERED OPTION]	N/A	[Free text...]

The box marked “Significance” must contain the significance assigned by the Responding Contractor per the following:

**OFFERED INFORMATION** This section or subsection contains information that was not requested by the Lottery, but which the Responding Contractor feels is important information to convey in their response.

**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.

**1.2 Introduction**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
INFORMATION	NONE	NO

The North Carolina Education Lottery (hereinafter referred to as the “Lottery”), is issuing this Request For Proposal (RFP) to invite interested Responding Contractors to submit Proposals for the conversion of the Lottery’s current Online Play System and Player Loyalty/Rewards Program and other related products and/or services (“System and Services” or “System”). The Lottery’s current Online Play System does not offer digital instants. In the event that the North Carolina State Lottery Commission approves the launch of digital instants, this RFP anticipates that the new Online Play System will support all game products. Access to the RFP and related documents may be obtained either from the NCEL or through a link on the NCEL’s website, <https://www.nclottery.com/> (the “**Website**”).

The Lottery’s initial five-year Lottery Subscription System and Related Agreement with Scientific Games International, Inc. (“SGI”) is due to expire June 30, 2019. Pursuant to the Instant Ticket Printing and Related Services Agreement with SGI, effective April 14, 2016, the

Lottery exercised its option with SGI to extend the player loyalty/rewards program with the option to terminate at any time.

The Lottery, a North Carolina independent state agency created pursuant to the North Carolina State Lottery Act (G.S. §18C-101 *et seq.*) (“the Act”), began operations in March 2006 and currently has seven (7) draw games consisting of *Powerball*, *Mega Millions*, *Carolina Cash 5*, *Carolina Pick 3*, *Carolina Pick 4*, *Lucky For Life* and *Carolina Keno*. The Lottery launched *Carolina Keno* at selected licensed retailer locations on October 29, 2017. The Lottery also has various instant scratch tickets at various price points ranging from \$1 to \$30. The Lottery currently has over 7,100 licensed retailers.

In 2012, the Lottery implemented a player rewards system (Lucke-Rewards) whereby players may enter any instant scratch tickets or any draw game tickets 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 (Online Play system). The current Online Play system offers four (4) draw games consisting of *Carolina Cash 5*, *Powerball*, *Mega Millions*, and *Lucky for Life*. In January 2015, the Lottery implemented play-at-the-pump at select Lottery licensed retailers. The player’s rewards system, Online Play system and play-at-the-pump services (processed by Linq3) are provided through SGI and/or its affiliates or subcontractors. On November 6, 2017, SGI provided the Lottery with a second generation full-service Lottery app whereby players may purchase Online Plays, enter tickets for rewards points, enter rewards and second-chance drawings and scan tickets to determine winning status (winner, non-winner, expired, etc.).

By responding to this RFP, the 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. §§ 1201 *et. seq.*) 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 November 1, 2019.

**1.3 Lottery and RFP Objectives**

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

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

- To acquire the System and Services in accordance with the North Carolina State Lottery Act (Chapter 18C of the North Carolina General Statutes).
- To maximize and increase net revenues, year over year, raised for the education programs identified by the North Carolina legislature.

- To ensure that the System is fully operational, tested and installed prior to November 1, 2019.
- To ensure that the System and Services will provide the Lottery with flexibility to meet changing requirements and upgrades with minimal costs throughout the term of this Contract.
- To ensure that the System and Services will operate with the highest level of integrity and security.
- To ensure that the Successful Contractor is capable of providing the System and Services, and that the Successful Contractor will be capable of continuing to provide the System and Services during the term of the Contract.

**1.4 Glossary of Terms**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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	[STANDARD/NEW]
ACH	Automated Clearing House	NEW
ADA	Americans with Disabilities Act, as amended from time to time, 42 U.S.C. § 12101 et seq., and regulations thereunder, as modified.) – An act that 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.	NEW
AML	Anti-Money Laundering - the methods/controls employed to prevent money laundering activities.	NEW
API	Application Programmable Interface – protocol for connecting and communicating with a software system.	

<b>TERM</b>	<b>DEFINITION</b>	<b>[STANDARD/NEW]</b>
Back-office System	Data processing systems used to support the central business operation of the Lottery, as distinct from gaming systems or systems employed by the retailer at the point-of-sale.	STANDARD
Backup Data Center	The data center that shall be ready at any moment to take over production of the System from the Primary Data Center.	NEW
Balance Classifications	Logical separation of deposits, promotions, credits, and winnings that are intermixed within a simple Player Wallet.	NEW
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.	STANDARD
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.	NEW
CMS	Content Management System – software that will provide the Lottery with the ability to update text, images, and other simple areas of the website without any vendor intervention.	NEW
CSC	Customer Service Center (generally referred to as the call center).	NEW
CSV	Comma-Separated Values File - A file with records whose data fields are delimited by commas, and each record is a separate input line.	NEW
Consortium	An association or a combination of businesses, financial institutions, or investors, for the purpose of engaging in common project(s).	STANDARD
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.	STANDARD
Contract Manager	The manager of a party responsible for the Contract on behalf of the Lottery.	STANDARD

<b>TERM</b>	<b>DEFINITION</b>	<b>[STANDARD/NEW]</b>
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.	STANDARD
Customer Acceptance Testing	An extensive verification process to demonstrate and ensure that the System conforms to all Requirements.	NEW
Customer Site	Site used by or belonging to a customer of the Responding Contractor.	STANDARD
Deposit	A transaction to fund a Play Wallet (debit card or ACH to move funds into a wagering account).	NEW
Digital Instants	Online Play games with wide variety of play styles, themes, price points and instant reveal of any prize winnings, including scratch-style.	NEW
DOR	State of North Carolina Department of Revenue	NEW
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.	NEW
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 Executive Director and the North Carolina State Lottery Commission.	STANDARD
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 and communications channels.	STANDARD
GUI	Graphical User Interface – A computer interface that incorporates, at a minimum, windows, icons, and menus.	NEW



<b>TERM</b>	<b>DEFINITION</b>	<b>[STANDARD/NEW]</b>
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.	STANDARD
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.	STANDARD
Joint Venture	A partnership or conglomerate; see Consortium.	STANDARD
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.	STANDARD
Litigation Bond	Statement to discourage frivolous legal actions by permitting the Lottery to recover damages resulting from a Responding Contractor initiating a frivolous lawsuit.	STANDARD
Logical Day	A one day period on the test system. These days can be compressed so that multiple days may be tested in one physical day.	NEW
Lottery Executive Director	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.	STANDARD
Major Part	A product, system, or service provided, which is essential/critical for an implementation and/or operation of the Lottery.	STANDARD
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.	STANDARD

<b>TERM</b>	<b>DEFINITION</b>	<b>[STANDARD/NEW]</b>
Online Play	Digital distribution of Lottery products (sale of lottery tickets over the internet).	NEW
PAM	Player Account Management – portion of the vendor’s software system that manages the player.	NEW
Party, Parties	The Lottery and the Responding Contractor or Contractor, each being a Party, jointly referred to as Parties.	STANDARD
PCI	Payment Card Industry	NEW
Person	An individual, a partnership, a Joint Venture, a registered limited liability partnership, an association, a corporation, a limited liability company, a trust, an unincorporated organization or any other entity, business or enterprise, authorized to do business in the Lottery’s jurisdiction.	STANDARD
Player Loyalty/Rewards Program	Digital program that extends play value and rewards players by awarding points for lottery games and promotions. Players can use points to enter various drawings for cash and merchandise/experiential prizes.	
Player Wallets	Player-specific deposit accounts.	NEW
Prepaid Cards	Lottery-issued prepaid instruments that may be utilized to fund Online Play deposits.	NEW
Proposal	All materials submitted by a Responding Contractor in response to the RFP.	STANDARD
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.	STANDARD
Responding Contractor	Any entity that has expressed interest in the RFP and may wish to respond or has responded to the RFP, up to the point in time when the Lottery announces the contract award. The entity can be a Consortium, a Joint Venture, an individual company, or any other form of single- or multi-member organization.	STANDARD/NEW

<b>TERM</b>	<b>DEFINITION</b>	<b>[STANDARD/NEW]</b>
Roadmap Features	Potential Contractor's features that have not been developed or delivered, but that are planned.	NEW
RFP	References this "Request For Proposal" document including all appendices and subsequent amendments.	STANDARD
Standard Text	The suggested text provided in the latest officially approved and released Standard RFP Template (SRT) upon which this RFP is based.	STANDARD
Subcontractor	Person(s) to whom the Bidder entrusts a Major Part of the Contract.	STANDARD
Successful Contractor	The Contractor to whom the Lottery awards a Contract pursuant to this RFP, subject to any further negotiation and Contract signing.	STANDARD
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. When used without other qualification, "System" refers to the comprehensive gaming system as per the objective of this RFP proposed by the Responding Contractor.	STANDARD
UI	User Interface	NEW
Webview	An approach where web browser features are viewable within a mobile application.	NEW

## 1.5 Schedule

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	NO

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

<b>Event</b>	<b>Date</b>
RFP Publication	June 15, 2018

<b>Event</b>	<b>Date</b>
Responding Contractor's Written Questions	June 15, 2018 – July 31, 2018 4 PM (ET)
Lottery Written Responses (post when available)	June 16, 2018 – August 3, 2018
Deadline for Proposal Submission	August 15, 2018 4 PM (ET)
Evaluation Period	August 16, 2018 – September 21, 2018
Notification for Responding Contractor Demonstrations and/or Site Visits	August 16, 2018 – August 17, 2018
Responding Contractor Demonstrations and/or Site Visits	September 4, 2018 – September 14, 2018
Evaluation Committee Recommendation and NC State Commission Review and Approval	October 16, 2018
Notification of Apparent Successful Contractor	October 16, 2018
Contract Negotiation	October 17, 2018 – October 19, 2018
NC Attorney General review and approval of Contract per NCGS §143-52.2	October/November 2018
Contract Executed	October/November 2018 (or shortly after AG approval)
Projected Contract Conversion Date	November 1, 2018 – November 1, 2019

## 1.6 Issuing Office

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	YES

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 System 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.

The location of the Issuing Office is 2728 Capital Boulevard, Suite 144, Raleigh, NC, 27604.

## 1.7 Purchasing Administrator and Point of Contact

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

The Purchasing Administrator, 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 Administrator at the address identified in Section 1.6 (Issuing Office):

Anthony Downey  
Purchasing Administrator  
(919) 301-3433  
Bid.Submission@lotterync.net

In case the Purchasing Administrator cannot be reached and urgent contact needs to be made with the Lottery, the following secondary Point of Contact may be used:

Quan Kirk  
General Counsel  
(919) 301-3427  
quan.kirk@lotterync.net

## 1.8 Official RFP Website

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

The Lottery's official procurement website with respect to this RFP is <https://www.nclottery.com/Business>.

This website is the only valid source 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.

## 1.9 Responding Contractor Contact with the Lottery

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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 Administrator, as specified in Section 1.7 (Purchasing Administrator and Point of Contact), Responding Contractors and their agents, including any lobbyists, must not make unsolicited contact with any Lottery personnel, the North Carolina State Lottery Commission members, 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 Online Play and/or player loyalty/rewards system products and/or 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.

**1.10 RFP Clarification Questions**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

It is the responsibility of each Responding Contractor to examine the entire RFP and seek clarification in writing per Section 1.10.1.

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 June 15, 2018 – July 31, 2018 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 1.5 (Schedule) to determine the period of time for submitting written questions.

**1.10.1 Submission of RFP Clarification Questions**

Significance	Response Type	Standard Text
IMPORTANT	ACCEPTANCE	YES

Responding Contractors may submit written questions regarding the RFP to the Issuing Office according to the schedule specified in Section 1.5 (Schedule).

Responding Contractors must submit written questions relevant to the RFP to the Issuing Office via email in 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 a Responding Contractor’s Proposal if the inclusion of pricing information has any adverse effect on competition or otherwise prejudices the procurement process.

**1.10.2 Response to RFP Clarification Questions**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
INFORMATION	NONE	NO

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 1.5 (Schedule). The Lottery’s responses to Questions properly received prior to the Question Deadline will be posted on the Lottery’s Website <https://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 responses electronically in the following read-only format(s): *PDF*
- Post the questions and responses to the specified website as referenced in Section 1.8 (Official RFP Website)

All questions and answers will be formalized as amendments to the RFP; see Section 1.11 (Amendments to the RFP). Any other modification of the requirements of the RFP, except by the issuance of amendments, will not be recognized.

**1.11 Amendments to the RFP**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
INFORMATION	ACCEPTANCE	YES

An amendment to the RFP will 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 1.10 (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 website specified in Section 1.8 (Official RFP Website), which is the only official source of all amendments to this RFP.

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

## 1.12 Responsive Proposal Submission Criteria

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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. The two (2) volumes must be identified as follows:

1. The Technical Proposal volume, which must include:
  - Letter of Transmittal – see Section 1.13 (Letters of Transmittal)
  - The Technical Proposal (the entire response except pricing information)
  - Bid Bond – see Section 1.14 (Bid Bond)
  - Litigation Bond – see Section 1.15 (Litigation Bond)
  - RFP Compliance Table – see Appendix F
2. The Price Proposal volume, which must include:
  - Letter of Transmittal – see Section 1.13 (Letters of Transmittal)
  - Contractor Certification Form – see Appendix E
  - The Price Proposals

Each of the separate volumes listed above must:

- Be submitted in ring binders
- Be submitted on standard size white paper
- Allow a minimum of 20mm (¾”) margins on all sides



- Use a font type no smaller than 11 point

Each volume – that is, either the Technical Proposal or Price Proposal, either of which may consist of more than one physical package if necessary – must be submitted separately sealed and clearly marked with:

- The Responding Contractor’s name and address
- The reference number (LC#000054) of this RFP
- The contents of the package (e.g., “Technical Proposal: 3 Binders, 1 Flash Drive/CD ROM”)
- The sequence number of the package; i.e., “pack X of Y” where Y signifies the total number of packages in the Responding Contractor’s Proposal

Both packages must be specifically addressed to the Issuing Office at the location provided in Section 1.6 (Issuing Office).

Both packages must be sent to and received by the Issuing Office by the time and date specified in Section 1.5 (Schedule).

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

The original of each document must be signed in ink by an officer or agent of the Responding Contractor with authority to contractually bind the Responding Contractor.

Responding Contractors must submit five (5) hard copies of each document.

Responding Contractors must submit one (1) electronic copy of their Technical Proposal on CD-ROM/DVD or Flash Drive in the following read-only and searchable format(s): *PDF*.

***Responding Contractors must submit one (1) redacted hardcopy of their Technical and Price Proposals with redacted information that Responding Contractors deemed as confidential or contained trade secrets or such other proprietary rights as dictated by law.***

**1.12.1 Proposal Delivery Location and Process**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	YES

The Proposals must be delivered to the Point of Contact at the address indicated in Section 1.7 (Purchasing Administrator and Point of Contact) no later than the date and time specified in Section 1.5 (Schedule). The Purchasing Administrator will issue a receipt for each Proposal received before the deadline for Proposal Submission specified in Section 1.5 (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 Administrator 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.

**1.12.2 Late Proposals**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

Proposals pursuant to this RFP must be submitted and received by the Purchasing Administrator 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 submitted 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.

**1.12.3 Pricing Information**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

The Responding Contractor must only include pricing information 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 for inclusion of pricing information anywhere other than in the 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 for inclusion of such statements.

**1.12.4 Compliance Table**

Significance	Response Type	Standard Text
MANDATORY	FULL	YES

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	N/C	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 1.1.1 (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 NO 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.

### 1.13 Letters of Transmittal

Significance	Response Type	Standard Text
MANDATORY	FULL	YES

A Responding Contractor submitting a Proposal in response to the RFP must submit a Letter of Transmittal as required in Section 1.12 (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 1.25 (Acceptance Period).

### 1.14 Bid Bond

Significance	Response Type	Standard Text
MANDATORY	FULL	NO

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

A Bid Bond must be submitted with the Letter of Transmittal, in compliance with Section 1.12 (Responsive Proposal Submission Criteria).

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 1.25 (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 an acceptable Performance Bond and Payment Bond. The Bid Bond will be forfeited to the Lottery if the Successful Responding Contractor fails to submit in a timely manner the Performance and Payment Bonds, or fails to execute the Contract when required to do so by the Lottery.

**1.15 Litigation Bond**

Significance	Response Type	Standard Text
MANDATORY	FULL	NO

The Lottery requires a Litigation Bond.

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.

**1.16 Public Records and Request for Confidentiality**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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 its domicile, 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.

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

The Lottery will hold in confidence all material contained in sections that are marked “CONFIDENTIAL” in accordance with North Carolina law.

**1.17 Property of the Lottery**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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 1.16 (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.

**1.18 Incurred Costs Associated with the Proposal**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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.

**1.19 Proposal Content and Format**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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 1.12 (Responsive Proposal Submission Criteria), Section 1.20 (Response to Technical and Non-Price Requirements), and Section 1.21 (Price Proposal).

All proposed hardware, software, and services must be included in the final delivered System 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.

**1.20 Response to Technical and Non-Price Requirements**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	YES

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 System 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.

**1.20.1 Technical Specifications**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
IMPORTANT	ACCEPTANCE	YES

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, and clearly marked as such in the Cost Proposal. Unless requested by the Lottery for the Responding Contractor to include options in a secondary cost proposal for evaluation purposes, any “options” included in the Technical Proposal shall automatically be deemed part of the base price and shall not be marked as “option” and/or “no charge” (or any similar reference). If an additional service, product, product component, or feature is proposed, it should be clearly marked as an OFFERED OPTION.

### 1.21 Price Proposals

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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

### 1.22 Multiple Proposals from a Single Responding Contractor

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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.

### 1.23 Proposal Clarification Process

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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 fax, mail, overnight courier, or hand-delivered, as 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.

#### 1.24 Modification/Withdrawal of a Proposal

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

The Responding Contractor may modify or withdraw a Proposal by written notice received prior to the deadline for Proposal Submission specified in Section 1.5 (Schedule).

The Responding Contractor may modify or withdraw a Proposal in person before 4 PM (ET) on August 15, 2018 (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 1.23 (Proposal Clarification Process).

#### 1.25 Acceptance Period

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

Proposals must remain valid for one hundred eighty (180) calendar days from the date of Proposal Submission deadline. 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.

#### 1.26 Disclosure Prohibition

Significance	Response Type	Standard Text
IMPORTANT	ACCEPTANCE	YES



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.

**1.27 Material/Non-Material Deviations**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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 Lottery 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.

**1.28 Disqualification for Business Incapability**

Significance	Response Type	Standard Text
IMPORTANT	ACCEPTANCE	YES

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.

**1.29 Effect of a Proposal**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	YES

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

**1.30 Rejection/Selection of Proposals**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
IMPORTANT	ACCEPTANCE	YES

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
- 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).

### 1.31 Independent Price Determination

Significance	Response Type	Standard Text
IMPORTANT	FULL	YES

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.

### 1.32 Change of Ownership/Financial Condition

Significance	Response Type	Standard Text
IMPORTANT	ACCEPTANCE	YES

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 the breach has had a material impact on competition or otherwise prejudices the procurement process.

### 1.33 News Releases and Advertising

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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 the 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.

**1.34 Demonstrability of Proposed System**

Significance	Response Type	Standard Text
IMPORTANT	ACCEPTANCE	YES

The Lottery requires that an Online Play system configuration of the type proposed by the Responding Contractor (i.e., all equipment, software, etc.) 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, common functionality and operations are expected.

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

The Lottery reserves the right to reject a Responding Contractor's Proposal for failure to propose demonstrable products and/or services.

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

- A simulation at Lottery Headquarters or the Responding Contractor's facilities
- The observation of operations at another lottery
- A presentation at some other appropriate venue

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 Online Play system 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 products.

1.35

**Minority Businesses Participation**

Significance	Response Type	Standard Text
MANDATORY	FULL	NO

The Act has specific references to minority participation in the formation and operation of the Lottery and requires compliance with 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 with 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.

## 2 Lottery Background

---

### 2.1 History

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

The N.C. Education Lottery, created by an act of the N.C. General Assembly in 2005, is the official lottery of the State of North Carolina and has the mission of raising money to support education programs in the State. Lottery sales began on March 30, 2006. As of the end of Fiscal Year 2017, the Lottery had annual sales of \$2.428 billion and earnings of \$622.5 million. Currently, the Lottery offers instant and draw games, including the multi-state jackpot games of Powerball, Mega Millions, Lucky for Life, and state games of Carolina Pick 3, Carolina Pick 4, Carolina Cash 5, and Carolina Keno. It launched 53 instant games in Fiscal Year 2017.

In 2012, the Lottery implemented a player rewards system (Lucke-Rewards) whereby players may enter instant scratch tickets or draw game tickets for entry into monthly and weekly drawings and promotions. In December of 2013, the Lottery implemented a web-based Subscription Services System (currently known as Online Play System). The current Online Play System offers four (4) draw games consisting of Carolina Cash 5, Powerball, Mega Millions, and Lucky for Life. On January 26, 2015, the Lottery offered Carolina Cash 5, Powerball, and Mega Millions through Play-at-the-Pump, as provided by Linq3 with Lottery transactions being recorded on SGI's System.

### 2.2 General Information

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

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	Standard Text
INFORMATION	NONE	NO

See Appendix B

### 2.2.2 Lottery Ethics and Integrity; Corporate Social Responsibility

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

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. In addition, the Lottery strives to be a good corporate citizen for the betterment of the State of North Carolina, its communities, retailers, players and employees as reflected in the Lottery's Corporate Social Responsibility Policy.

The current version of the Lottery's Code of Conduct, Executive Order 24, and Corporate Social Responsibility Policy can be found in Appendix D to this RFP.

### 2.2.3 The Lottery

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

M. Mark Michalko serves as the Executive Director of the Lottery and was appointed in March 2018 by the North Carolina State Lottery Commission. Senior management at the Lottery consists of the Lottery's General Counsel and four (4) Deputy Executive Directors, who each lead a division with multiple departments and fifteen (15) Directors. To follow are the divisions and the number of employees in each division:

- Sales - 104.
- Security, Finance and Administration - 73.
- MIS/Gaming System - 36.
- Brand Management and Communications - 24.
- Executive - 18.

Lottery operations are governed by the North Carolina State Lottery Act, which is codified as Chapter 18C of the N.C. General Statutes. The law defines the type of games that the lottery can offer, prescribes the nature of advertising and limits advertising expenditures to no more than 1 percent of lottery revenues, limits administrative expenses to no more than eight percent (8%) of revenues, and allows a seven percent (7%) commission to retailers who sell tickets. The law originally prescribed the education programs that would receive lottery funds, but the General Assembly, in its 2013-14 budget, revised the language to require only that lottery funds be used for education-related purposes. In the budget for Fiscal Year 2019, \$385.9 Million of the money raised by the Lottery will go to non-instructional support personnel, \$78.252 Million to the N.C. Pre-K Program, \$100 Million for school construction and repair, \$117.3 Million for needs-based school capital fund, \$10.7 Million for college scholarships and grants based on financial need, and \$21.386 Million for Local Education Agency transportation.

**2.2.4 Lottery Commission**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
INFORMATION	NONE	NO

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 Chairman, 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 Executive Director, and approves the annual budget of the Lottery each June.

In its 2014 session, the Legislature created the Joint Legislative Oversight Committee on the North Carolina State Lottery made up of legislators.

**2.2.5 North Carolina Attorney General Contract Approval Requirement**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
INFORMATION	NONE	NO

N.C.G.S. §114-8.3 requires the North Carolina Attorney General’s Office to review all North Carolina State Agency contracts exceeding \$5 Million prior to contract execution. The NC Attorney General’s Office has assigned such authority to the Lottery’s General Counsel to review all contracts up to \$15 Million. Therefore, the Lottery anticipates that the Contract resulting from this RFP will be required to be reviewed by the NC Attorney General’s Office, after Commission approval, and prior to execution.

**2.2.5.1 Competition**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
INFORMATION	NONE	NO

The State of North Carolina also has a compact with the Eastern Band of Cherokee Indians that allows for the tribe to operate casinos, including live table games, on its reservations. The tribe currently operates two (2) casinos in Cherokee. 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. The primary competition for the Lottery involves consumers’ choices for how to spend their discretionary income for entertainment purposes.

**2.2.6 Current Lottery Business**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
INFORMATION	NONE	NO



In Fiscal Year 2017, sales of instant tickets accounted for almost seventy percent (70%) of lottery ticket sales, or \$1.7 billion. Other sales came from Carolina Pick 3, thirteen percent (13%); Powerball, six percent (6%); Carolina Pick 4, six percent (6%); Mega Millions, two percent (2%); Lucky for Life, one percent (1%); and Carolina Cash 5, two percent (2%).

Most sales occur at one of approximately 7,100 retail locations across the State. Beginning in January 2015, certain specified retailers have the option of selling Powerball, Mega Millions and Carolina Cash 5 tickets through the Linq3 Play-At-The-Pump program. The Lottery also offers Online Play sales for the Powerball, Mega Millions, Lucky for Life, and Carolina Cash 5 games through its Player’s Club. Lucke-Rewards® is a rewards program where players receive points for their draw or instant tickets and can use those points to enter weekly and monthly drawings for cash and prizes. This is also the system that players use to enter second chance promotions. As of June 3, 2018, the Lottery’s Player’s Club had a membership of more than 992,815 and active users (code claimers) of 628,154.

**2.2.7 Online Play Product Description and Sales Performance**

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

The current Online Play portfolio of draw games includes three (3) multi-state games and one (1) in-state game. The games draw frequency ranges from once a day to two times per week for the multi-state games. Some of the games include add-ons that allow players to add the feature to their base play to enhance the prize structure or provide a chance of winning prizes outside of the base game prize structure.

The Lottery has a full component of draw game promotional offerings.

A complete detailed list of the draw games that will be provided via the Online Play system is provided below:

**CAROLINA CASH 5\***

Matrix:	5/41
Draw Frequency:	Daily 11:22 PM
Play Amount:	\$1.00
Prize Structure:	5/5 – Rolling Top Prize, 4/5 – Pari-mutuel, 3/5 – Pari-mutuel, 2/5 - \$1
Multi-Draw:	Up to 364 consecutive drawings
Advance Play:	No
f Sales:	\$67,106,086 (includes EZ Match sales)

**\* The Lottery intends to change the Carolina Cash 5 game matrix in October/November 2018 to 5/43, \$100,000 starting jackpot and fixed lower-tier prizes.**

**MEGA MILLIONS**

Matrix:	5/70 + 1/25
Draw Frequency:	Twice Weekly (Tuesday and Friday)
Play Amount:	\$2.00
Prize Structure:	Max: Rolling Jackpot starting at \$40 Million / Min: \$2
Multi-Draw:	Up to 104 consecutive drawings
Advance Play:	No
Add-on:	Yes - Megaplier (\$1)
Other:	None
FY17 Sales:	\$53,568,154

**POWERBALL**

Matrix:	5/69 + 1/26
Draw Frequency:	Twice Weekly (Wednesday and Saturday)
Play Amount:	\$2.00
Prize Structure:	Max: Rolling Jackpot starting at \$40 Million / Min: \$4
Multi-Draw:	Up to 104 consecutive drawings
Advance Play:	No
Add-on:	Yes - Powerplay (\$1)
Other:	None
FY17 Sales:	\$148,986,640

**LUCKY FOR LIFE**

Matrix:	5/48 + 1/18
Draw Frequency:	Twice Weekly (Monday and Thursday)
Play Amount:	\$2.00
Prize Structure:	Max: \$1,000/day for life/ Min: \$3, Second Tier Prize: \$25,000/year for life
Multi-Draw:	Up to 104 consecutive drawings
Advance Play:	No
Add-on:	No
Other:	None

FY17 Sales: \$19,376,662

**2.2.8 Online Play Sales/Financial Results**

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

See Appendix C for weekly sales in each product category for the Fiscal Year 18 through June 9, 2018.

**2.3 Lottery Back-Office Applications**

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

The Lottery provides its own back office applications providing supplemental functionality for Instant game management, sales management, retailer management, player management, database inquiries, etc.

The following information is stored on the Back-Office Applications:

- Instant Inventory/Validation Data
- Retailer Data – Status/Financial/Licensing
- Terminal Data
- Clerk Data
- Owner Information
- Sales Data
- Draw Data
- Draw Configuration Data
- Product/Game Setup Data
- User Access and Privilege Data
- Retailer, Clerk, and Terminal Thresholds and Privileges
- Promotion Setup and Configuration
- Claims and Payments Data – Annuities, Cash, and Merchandise Prizes
- Player Data
- Instant Order Information

**2.4 Lottery Internal Control System (ICS)**

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

ICS Traditional and Online Play Transaction Processing and Balancing: The Lottery currently has contracts with Elsym Consulting to provide Internal Control System (ICS) solutions for traditional and Online Play gaming. Four (4) of six (6) ICS servers reside at the Lottery

Headquarters located in Raleigh, NC; within a highly secure monitored dedicated ICS Room meeting all MUSL regulated requirements. The two (2) remaining ICS servers reside at an off-site location that is also within a highly secured MUSL approved dedicated room; and serves as the backup disaster recovery dedicated ICS server.

Online Play transactions as well as Linq3 Play at the Pump transactions are processed daily on each of three (3) dedicated ICS servers. Each ICS server receives Online Play and Linq3 Play-at-the-Pump transactions from each SGI Gaming transaction engine independently in a near real time manner (Primary, Secondary, and Spare). Draw processing occurs on the three (3) Online Play/Linq3 Play-at-the-Pump ICS servers independently as well as nightly processing and balancing against the SGI Gaming Systems.

The three (3) remaining ICS servers are used for traditional lottery transaction processing in the same manner as for Online Play.

The current ICS System traditional and Online Play processing solution allows for the NCEL to meet all MUSL standards and requirements and provides a totally separate processing environment for Traditional and Online Play gaming.

## 2.5 Lottery Operations

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

In 2012, the Lottery implemented a player’s rewards system (Lucke-Rewards®) whereby players may enter any instant scratch-off tickets or any draw games to acquire points for entry into monthly and weekly drawings and promotions. In December of 2013, the Lottery implemented a web-based Online Play System. The current Online Play system offers four (4) draw games consisting of Carolina Cash 5, Powerball, Mega Millions, and Lucky For Life.

### *Online Play System:*

Scientific Games International, Inc. (SGI) is the current contractor that provides a web-based Online Play System for the Lottery. The Lottery’s Online Play System is completely independent of our traditional Gaming System transaction processing. The Online System is integrated into the Lottery’s official website and the Lucke-Rewards Program. Therefore, registered players on the Lottery’s official website who pass all age and identity checks are able to purchase one or more Online Plays via ACH and/or debit card for the Lottery’s four (4) draw games. The actual recording of the Online Plays takes place on a separate, independent backend Gaming System; therefore not passing through the traditional host backend Gaming System that records retailer transactions from retailer terminal play. The Primary and Secondary Online Play System servers and backend host systems are located at QTS Data Center in Atlanta, GA. The disaster recover (backup) Online Play System server and backend host system are located at SGI’s Backup Data Center in Las Vegas, NV.

SGI performs the following functions and services in relation to the Online Play System as required by its Contract with the Lottery:

- Provides the web-based Online Play application integrated within the Lottery's official website
  - o SGI generated pages and functionality
  - o Third party generated pages and functionality
  - o Responsive design and configuration for mobile devices
  - o 24 hrs./7 days a week availability
  - o Support for various web browsers
- Player registration for Online Play purchasing
  - o Performance of identity check via third party
  - o Age Verification
- Wallet funding, management and processing via a PCI compliant third party
  - o ACH funding
  - o Debit Card funding
- Configuration of Purchasing functionality for all games
  - o Group Play
  - o Player Purchasing Limits
  - o Player Self Exclusion
  - o Ineligible Player functionality
  - o Subscription Extension
  - o Geo-Location of player/subscriber at purchase
- Transaction History
  - o Purchase History
  - o Wallet History
- Player/Member Notification
  - o Messaging within the Online Play Application
    - Messaging History
  - o E-Mail Notifications
- Winner payments.
  - o Winnings of \$599 and under automatically posted to member's winning wallet
  - o Mechanism and process to notify High-Tier winners of \$599 and over for processing at the Lottery Headquarters or Regional Office
- Player Member Management System
  - o Player data and information management
  - o Player transaction lookup
    - Ability to change transaction status
- 24/7 Customer Support Line
- Provide an enhanced reporting and Business Intelligence tool
  - o Export capabilities
  - o Report scheduling
- Provide extract data files or ETL data load for import into the Lottery third party or internal created applications

- Configure Setup and Implementation of a backend host system and transaction engine for the recording of Online Play transactions purchased via the Online Play System web-based application.
  - o Recording Online Play transactions
  - o Recording cashing/pay transactions
  - o Ability to perform transaction lookup
  - o Setup and configuration for communication and transactional data transfer to ICS.
- Provides, configures and maintains a back office application (AEGIS/GMS) for the purposes of Lottery personnel to perform and manage the day to day business functions for Online Play:
  - o Perform a real time view of sales and financial data
    - Overall financial and sales data
    - By Game/Product financial and sales data
  - o Performance of drawings
    - Winning number entry and verification
    - Winner selection and prize designation
  - o Real time and daily reporting
- Software development for new games offered through Online Plays, new system functionality, and enhancements
  - o Aid the Lottery in determining the contents and functionality to be contained in a new software release
    - Defining new functionality
    - Defining the scope and timeline
    - Existing issues to be incorporated
  - o Development of Software Specifications
  - o Development of new software, enhancements and functionality
  - o Internal Unit Testing
  - o Aid in the Lottery's Acceptance Testing
  - o Configuration and install of software in production
  - o Support of software after installed in production

*Lucke-Rewards:*

MDI Entertainment, a subsidiary of SGI is the current contractor for the Player Rewards System Contract. Registered players of the Lottery's official website can enter their instant tickets and draw game tickets into the integrated "Lucke-Rewards" area for points that can be used to enter weekly, monthly, second chance drawings, and promotions.

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

- Provides the web-based Lucke-Rewards application integrated within the Lottery's official website.
  - 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 Instant Tickets
  - o Instant Ticket redemption for points via instant ticket serial number
  - o Draw game ticket redemption for points via Lucke-Rewards Entry Code (web code) printed on all draw game tickets generated from the traditional retailer based Gaming System
- Provides listing of eligible games
- Configuration and setup of promotions and second-chance drawings within Lucke-Rewards.
  - o Promotion banner serve capability
- 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
- Lottery Mobile Application(s) with enhancements and new functionality
  - o Mobile application development
  - o Push notifications (as defined by the Lottery)
  - o API based Retailer Locator (with geo-location)
  - o Aid in the development of new rewards redemption promotion and drawings
  - o Mobile ticket checking capability to determine the status of a ticket.
- Provide an enhanced reporting and Business Intelligence tool
  - o Export capabilities
  - o Report scheduling

**2.6 Corporate Social Responsibility (Responsible Gaming)**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
INFORMATION	NONE	NO

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 Corporate Social Responsibility 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 looking out for the best interests of our players. We pride ourselves on operating under our founding principles of fairness, openness, and transparency for the public and players. See Appendix D for the Lottery’s Corporate Social Responsibility Policy.

### 3 Terms and Conditions

---

#### 3.1 Introduction

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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	Standard Text
MANDATORY	ACCEPTANCE	NO

For the Successful Responding Contractor to provide a successful conversion of the Lottery’s current Online Play System, Player Loyalty/Rewards System, including mobile app, to the Successful Responding Contractor’s fully integrated and comprehensive Online Play and player loyalty/rewards system, provision of lottery draw products and services, associated lottery management services, and certain marketing 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	Standard Text
MANDATORY	ACCEPTANCE	NO

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, any clarifications to the Proposal of the Successful Responding Contractor in accordance with Section 1.23, 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	Standard Text
MANDATORY	ACCEPTANCE	NO

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 Dispute Resolutions Procedures (Appendix E), as they may be adopted or amended from time to time by the Commission.

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	Standard Text
MANDATORY	ACCEPTANCE	NO

The original term of the Contract is expected to commence upon execution of the Contract and extend until June 30, 2024 ("**Initial Term**"). The Lottery reserves the right to renew the Contract for up to five (5) one-year renewal periods, under terms and conditions most beneficial to the Lottery and the State of North Carolina, including any mandatory System refresh. The causes for early termination of the Contract are as provided in this Contract.

#### 3.5.1 Emergency Extension

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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 System 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 System after the expiration of any such emergency extension period.

### 3.6 Termination of the Contract

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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	Standard Text
MANDATORY	ACCEPTANCE	NO

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 System 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	Standard Text
MANDATORY	ACCEPTANCE	YES

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 (5) percent 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.
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 System 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 offence 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 is wound up, liquidated, becomes bankrupt or insolvent, a substantial portion of its assets is seized by a creditor or becomes subject to judicial process, or 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**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	NO

The Lottery may, for any of the following reasons, terminate the Contract or any portion(s) thereof upon giving the Contractor not less than ninety (90) days’ written notice, without prejudice to any rights and cause of action the Lottery may have against the Contract, 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 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**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	NO

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.

The continuity of services to the Lottery customers is of utmost importance to the Lottery, especially during a conversion period from one contractor to another. The goal, both during conversion and after, is to minimize confusion and effort for the players. Failure to comply with this requirement may result in disqualification.

**3.8 Severability**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	NO

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**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	YES

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 with the subcontractor in all matters related to the performance of the Contract. The Lottery will keep the Contractor informed in case of such direct communication.

### 3.10 Subcontractor Approval

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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.

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	Standard Text
MANDATORY	ACCEPTANCE	NO

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	Standard Text
MANDATORY	FULL	NO

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 under N.C.G.S. §114-19-6 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) Fifty thousand dollars (\$50,000) (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. After the Contract is executed, the Lottery will return all fees to the nonselected Contractor(s).

**3.13 Lottery Approval of Staffing/Subcontractors**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	YES

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**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	NO

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**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	NO

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 remedy as specified in the Contract, including terminating the Contract due to the Contractor’s default.

**3.16 Audit Requirements**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
---------------------	----------------------	----------------------



MANDATORY	ACCEPTANCE	NO
-----------	------------	----

The Successful 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 Contractor’s operations, internal controls, system controls for Online Play compliance, and related activities, which includes, but is not limited to, SSAE 18 (SOC I) type 2 & SOC II Type 2 audits reports (or the latest version of such audits as defined by American Institute of Certified Public Accountants (AICPA)). The Lottery also requires a SSAE 18 (SOC 1) Type 2 & SOC II Type 2 report from any subservice organizations.

If the Successful Contractor is a Cloud Service Provider, they must provide assurance that their System has been certified and audited for security testing and compliance standards, i.e., FedRamp Certified or other certification standards provider.

The 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 Online Play System.

The 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 Contractor’s operations, as required by law or as desired by the Lottery and/or the State Auditor’s Office. The Lottery also holds the right to audit the Successful Contractor’s applications and assess security vulnerabilities through penetration testing and other reviews.

**3.17 Non-Exclusive Rights**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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	Standard Text
MANDATORY	ACCEPTANCE	YES

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 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, 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**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	YES

In accordance with the Lottery’s Code of Conduct 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 employee, director, or any other person or organization associated with the Lottery, and, if offered, the Lottery 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	Standard Text
MANDATORY	ACCEPTANCE	NO

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

### 3.21 Cooperation of the Parties

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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, 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 Software Corrections, Changes, Upgrades, and Expansion

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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

#### 3.22.1 Services within Original Scope

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

The Contractor shall provide the following services at no additional cost:

- A. Fixes to all software errors; and improved versions of the software to sustain performance or correct performance problems, to otherwise meet or continue to meet Contract-defined requirements
- B. Maintaining third party hardware and software elements of the System with "supported releases" from the suppliers. This includes, but is not limited to, configurations, reporting

software, management systems, data warehouse system, and other tools. At the time the Contractor is notified by a supplier or the Lottery that a correction, fix or new security certificates exist or a model or release is scheduled to have support dropped, it is the Contractor's obligation to notify the Lottery of such releases, and the parties will discuss in good faith whether such correction, fix, new security certificate and/or upgrade warrants installation, and upon mutual agreement, the Contractor will acquire and install without delay the patch, certificate or an appropriate upgrade upon the Lottery approval. Also, secure file transfer protocol (sftp) services shall be provided on an ongoing basis.

- C. Software changes necessary to support increased volumes of transactions must be included in the Contractor's base price for the System.
- D. The latest system software versions shall be made available at start-up. The Lottery will determine whether features and capabilities of new releases merit installation.

**3.22.2 Deliverables and Services Not Originally Defined**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	NO

Changes and enhancements to software which exceed Contract-specified requirements (and which are not otherwise accommodated by the pricing method and Options in Section 5):

- A. Software changes to software engineered by the Contractor or its Subcontractors and related integration is included in the base price, even if additional software development is required to create or adapt software for the Lottery needs. These software changes include scheduled administrative reports, ad hoc reports, maintenance additions, interfaces, data feeds, features required for the Lottery to manage the System, new games, and new functionality.
- B. The parties will negotiate the terms and price for new third-party software licenses.
- C. If there is conflicting information as it relates to requirements and/or documentation; this must be resolved in accordance with the Dispute Resolution Procedures (Appendix E).

**3.23 Liquidated Damages Provisions**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	NO

The following Liquidated Damages Clauses shall apply to the Online Play and Player Loyalty/Rewards System (if applicable):

- A. Online Play and Player Loyalty/Rewards System Installation.
  - 1. The Contractor must complete installation preparations as required, including any production environment on any supporting system or component, complete Online Play and Player Loyalty/Rewards system testing to the Lottery's satisfaction, pass the Lottery's Acceptance Testing, and comply with all other requirements of the Agreement by the dates specified in the Agreement.
  - 2. The Lottery requires a minimum of one hundred twenty (120) days for Acceptance Testing of the new Online Play and Player Loyalty/Rewards System. Any delays with

Acceptance Testing causing late production launch will directly result in the assessment of liquidated damages of \$500.00 per day.

3. The Lottery Executive Director may impose liquidated damages of twenty thousand dollars (\$20,000.00) per day of delay in operation of the Online Play for draw games and five thousand dollars (\$5,000) per day of delay in operation of the Player Loyalty/Rewards System, beginning with the Start-Up Date. At start-up, network and system requirements must be ready to go live. If digital instants are expected to launch by the Start-Up Date, the Lottery Executive Director may impose liquidated damages of thirty thousand dollars (\$30,000) per day of delay in operation of Online Play for digital instants, beginning with the Start-Up Date.

4. The Lottery Executive Director may impose liquidated damages of ten thousand dollars (\$10,000.00) per day for each calendar day of delay in the operation of the Back-up Computers at the Back-up Site beginning with the Start-Up Date.

5. The Lottery Executive Director may impose liquidated damages of five hundred dollars (\$500.00) per day for each and every failure to provide a deliverable item required by the Agreement or to comply with any other requirement in effect, until such requirement is provided or performed. For the purposes of this provision, "deliverable item" means items specifically required to be delivered by the Contractor under the Agreement prior to the date specified in the Agreement for operation of the new Online Play and Player Loyalty/Rewards System by the Contractor.

B. Online Play System.

1. The Online Play System shall be "Down" no more than twenty-one (21) minutes during any rolling thirty (30) day-period, excluding pre-approved downtime for maintenance. For purposes of this Section, any down time from the mobile application due to the Contractor's System shall also be included. The determination of being "Down" is determined by the Lottery through analysis of system audit files.

2. The Lottery has the right to use a past sales period reflecting similar Online Play levels as a baseline when calculating liquidated damages.

3. The Lottery Executive Director may impose liquidated damages in increments of five minutes when the total time during which the Online Play System is down exceeds twenty-one (21) minutes during any rolling thirty (3) day-period in accordance with the following

**Incident Total** formula:

(1) Average Sales Total for each Incident = Historical sales for each hour of the incident for the same day for the previous five (5) weeks and for five (5) weeks after the incident for a total of ten (10) weeks, and an average sales total for the incident period is calculated based off of this data.

(2) Sales Per Hour = Average Sales total for Incident / (divided by) the number of hours of the incident.

(3) Sales Per Min = calculated as Sales Per Hour / (divided by) sixty (60)

(4) NR/BM (Net Revenue per Bus. Min) = calculated as Sales Per Minute x (multiplied by) Lottery Contractual Net Revenue % (Ex. 40%).

(5) BM Down (Business Minutes Down) = number of selling minutes that the incident occurred

(6) **Incident Total** = NR/BM x (multiplied by) by BM Down

C. Failed or Tardy Completion of Acceptance Testing – Post Start-Up

The Lottery requires a minimum of fourteen (14) days for Acceptance Testing of any monthly releases, twenty-eight (28) days for Acceptance Testing of any quarterly releases, or ninety (90) days for Acceptance Testing of biannual releases. Any delays of Acceptance Testing under this Section will result in the assessment of liquidated damages of \$250 per day.

D. Failure to Place Wager

The Contractor shall pay the Lottery liquidated damages in the amount of \$0.35 x per wager value x per wager as a result of the failure of the System to place a player's wager(s), for any reason, within an agreed time by both the Contractor and the Lottery. The wager value shall be based upon the face value of each game wagered.

E. Failure to Pay Winner(s)

The Contractor shall pay liquidated damages in the amount of \$50.00 per winner/per day to the Lottery, for the System's failure to pay winner(s) the next day after the System has confirmed the win or notify the winner(s) of a win that requires a claim at a Lottery office and/or via the Virtual Claim Center. Said time limit for paying winners shall only be applicable to certain levels of winnings as specified by the Lottery. Higher tiered prize winnings shall require the System to notify the winner to appear at one of the Lottery offices for claim and/or via the Virtual Claim Center. If the vendor fails to identify a winner through the System and the System did not report an imbalance in the System to the Lottery prior to the drawing to which such failure to identify is related, the Contractor shall be responsible to the Lottery for any potential prize claim affected. In such case, the Indemnification under Section 3.28 of this RFP shall also apply.

F. Timely and Accurate Reports.

1. 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.

2. 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 Section F(1) above, the Lottery Executive Director may impose 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.

G. Timely and Accurate Files.

1. The Contractor shall provide timely, sufficient and accurate files and media within the specified times and description as required by the Lottery. Files and media 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 file or other media, deemed by the Lottery as insufficient or inaccurate, the Lottery shall immediately notify the Contractor and provide the Contractor with the file name, date and time that the file or other media was produced, and other identifying information as is relevant to the media.

2. The Contractor shall process uploaded Lottery and other files within the specified times and description as required by the Lottery.

3. For each late file or other media, or insufficient or inaccurate file and other media not delivered or corrected within two (2) hours after notification to the Lottery as described in Sections G(1) and (2) above, the Lottery Executive Director may impose liquidated damages in the amount of one hundred dollars (\$100.00) per hour, per file until the required file or other media is provided, or made sufficient.

H. Failure to Modify Existing Games or to Install Additional Games.

1. The Contractor shall modify existing Games or install additional Games within the time mutually agreed to in writing by the Lottery and the Contractor, including any production environment on any supporting system or component. The Contractor and the Lottery will be required to complete an Acceptance Test of the required modification or additional Game(s), and receive the written approval of the Lottery Executive Director or the Deputy Executive Director of MIS and Gaming Systems of such test, within the applicable time period.
  2. The Lottery Executive Director may impose liquidated damages of up to fifty thousand dollars (\$50,000.00) per day for each day that the additional Game(s) or an existing Game modification is not installed as required by Section H(1) above.
- I. Improper Configuration
1. The Contractor shall install correct software configuration across all supporting systems.
  2. The Lottery Executive Director may impose liquidated damages of up to fifty thousand dollars (\$50,000) for each incident of where modified or updated software has been incorrectly installed or misconfigured in the production environment on any supporting system or component; causing inappropriate or undesired behavior and results.
- J. Unauthorized Software/Hardware Modifications
1. The Contractor shall not modify any software, parameters or hardware used in relation with the Online Play System without the prior written approval of the Lottery Executive Director.
  2. If the Contractor modifies any software, parameters or hardware used in relation with the Online Play and Player Loyalty/Rewards System without the prior written approval of the Lottery Executive Director, the Lottery Executive Director may issue a written notice to the Contractor that the change or modification must be removed and the System be restored by the Contractor to its previous operating state at the Contractor's expense. The Lottery Executive Director 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 Executive Director, in addition to any other damages which may occur as a result of such unauthorized modification.
- K. Unauthorized Access or Compromise
1. The Contractor shall preclude any person who is not authorized by the Lottery Executive Director from accessing the computer facility and/or computerized systems, 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 Executive Director and the Contractor's designated Contract Manager. Unauthorized access shall be defined as each and every act which permits access to use of data or equipment without specific authorization or a series of acts by which unauthorized access to data or equipment is attempted after an initial breach of security.
  2. If the Contractor fails to preclude unauthorized physical access to secured areas, computer systems or data, the Lottery Executive Director may impose liquidated damages up to ten thousand dollars (\$10,000.00) for each occurrence or violation. An occurrence shall be defined as each and every act that permits access by an unauthorized person.
  3. 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 Executive Director may impose liquidated damages up to ten thousand dollars (\$10,000.00) for each occurrence or violation.
- L. Invalid Winning Plays
1. The Contractor shall be liable for the total prize value of each winning play produced by the Contractor's System which is not identified as a valid, winning salable play, or which is

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

2. In addition, the Lottery Executive Director may impose liquidated damages in the amount of one thousand dollars (\$1,000.00) for each incorrect identification of a play as a winning or non-winning play, and for each incorrect prize level identification.

M. Working Papers for Digital Instants (or online instant games) –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 install 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 Executive Director may assess liquidated damages in the amount of one hundred thousand dollars (\$100,000) per incident.

N. 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 Executive Director may assess liquidated damages in the amount of ten thousand dollars (\$10,000) per calendar day until corrected validation files are provided.

O. System Promotions

If the System fails to execute a planned promotion as approved by the Lottery, the Lottery Executive Director may impose damages up to ten thousand dollars (\$10,000.00) per day.

P. Third Party Integration

1. The Contractor is required to successfully implement third party programs, games, or systems upon reasonable request of the Lottery.

2. The Lottery Executive Director may impose liquidated damages in the amount of one hundred thousand dollars (\$100,000) for the Contractor's failure to implement third party programs, games, or systems and may exercise its authority under Section 3.6.1 (Termination for Default).

Q. Failure to Report Incidents

1. The Contractor shall be responsible to immediately report all significant incidents related to the operation of the Online Play System. 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's Deputy Executive Director of MIS and Gaming Systems, or designee, 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:

- (a) System takeovers;
- (b) Significant operator errors;
- (c) Out of balance conditions;
- (d) Emergency software or hardware changes;
- (e) Security violations;
- (f) Any issues involving third party transactions;
- (g) Any payment/funding issues;
- (h) Other conditions as defined by a memorandum of understanding; and/or
- (i) Any situation which may cause the general public to become alarmed and/or which may damage the integrity or public image of the Lottery.



2. In the event that the Contractor fails to report incidents, the Lottery Executive Director may impose liquidated damages of one thousand dollars (\$1,000) per calendar day until an incident is correctly reported.
- R. Failure to Comply with Required Standards or to Remedy Audit Recommendations
1. If the Contractor fails to address recommendations made as a result of an audit or to comply with required Lottery or multi-jurisdictional standards, liquidated damages may be assessed.
  2. 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 five thousand dollars (\$5,000). 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.
  3. In the event the Contractor fails to comply with any required Lottery or multi-jurisdictional association standard, the Lottery Executive Director may assess liquidated damages of five thousand dollars (\$5,000) 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.
- S. Failure to Provide Software Testing and Quality Software Turnovers
1. If for a designated release of software, the Contractor fails to provide a quality assurance test plan or a report on the quality assurance test, or fails to provide quality tested software, there may be a liquidated damage assessment.
  2. In the event that untested or poorly tested software is turned over for Lottery quality assurance testing and that software does not meet the specifications agreed upon by the Contractor and the Lottery, the Lottery Executive Director may assess liquidated damages of five thousand dollars (\$5,000) for the first violation (return or retraction of the software) and ten thousand dollars (\$10,000) for each subsequent associated violation.
- T. Customer Service Center Failures
1. The Contractor is required to provide a seamless, timely service experience for Online Play and Player Loyalty/Rewards users within pre-established metric requirements between the Lottery and the Contractor. Critical system and application problems must be resolved within one (1) hour. Critical issues shall be defined as any problem that prevents the Contractor from taking calls and/or emails/chats.
  2. Weekly Performance Standard – The Contractor shall be assessed liquidated damages at the rate of \$1,000 for failure to meet the minimum pre-established metric requirements during the first week; \$5,000 for failure to meet the minimum pre-established metric requirements during the second consecutive week; and \$10,000 for failure to meet the minimum pre-established metric requirements during the third consecutive week.
- U. Data Breach
- In the event of any error or omission, negligence, misconduct, or breach that compromises or is suspected to compromise the security, confidentiality, or integrity of Lottery data or the physical, technical, administrative, or organizational safeguards put in place by Contractor that relate to the protection of the security, confidentiality, or integrity of Lottery data, Contractor must, as applicable: (a) notify the Lottery as soon as practicable but no later than twenty-four (24) hours of becoming aware of such occurrence; (b) cooperate with the Lottery in investigating the occurrence, including making available all relevant records, logs, files, data reporting, and other materials required to comply with applicable law or as otherwise required by the Lottery; (c) in the case of personally-identifiable information ("PII"), at the Lottery's sole election, (i) notify the affected individuals who comprise the PII as soon as practicable but no later than is

required to comply with applicable law, or, in the absence of any legally required notification period, within five (5) calendar days of the occurrence; or (ii) reimburse the Lottery for any costs in notifying the affected individuals; (d) provide third-party credit and identity monitoring services to each of the affected individuals who comprise the PII for the period required to comply with applicable law, or, in the absence of any legally required monitoring services, for no less than twenty-four (24) months following the date of notification to such individuals; (e) perform or take any other actions required to comply with applicable law as a result of the occurrence; (f) without limiting Contractor's obligations of indemnification as further described in the Contract, indemnify, defend, and hold harmless the Lottery and the State of North Carolina for any and all claims, including reasonable attorneys' fees, costs, and expenses incidental thereto, which may be suffered by, accrued against, charged to, or rec

overable from the Lottery in connection with the occurrence; (g) be responsible for recreating lost Lottery data in the manner and on the schedule set by the Lottery without charge to the Lottery; and, (h) provide to the Lottery a detailed plan within ten (10) calendar days of the occurrence describing the measures Contractor will undertake to prevent a future occurrence. Notification to affected individuals, as described above, must comply with applicable law, be written in plain language, and contain, at a minimum: name and contact information of Contractor's representative; a description of the nature of the loss; a list of the types of data involved; the known or approximate date of the loss; how such loss may affect the affected individual; what steps Contractor has taken to protect the affected individual; what steps the affected individual can take to protect himself or herself; contact information for major credit card reporting agencies; and, information regarding the credit and identity monitoring services to be provided by Contractor. This Section survives the termination of the Contract.

V. Other Breaches of Contract

The Lottery Executive Director may impose 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.

**3.24 Ownership of Materials and Intellectual Property**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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 and/or the Contractor's Proposal (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 Title to, and Use of, Third-Party and Contractor Intellectual Property Rights**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	YES

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 Contractor's Intellectual Property Rights contained in Work Product for use in connection with the applicable Work Product on an indefinite basis, and any other Contractor Intellectual Property identified in the Price Proposal for use in connection with Lottery business activities and subject to Contractor's licensing terms and conditions. Compensation for the use of such licensed works, if any, must be clearly defined in the Price Proposal.

**3.26 Patents, Copyrights, Trademarks, and Trade Secrets**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	YES

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 System.

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 System – 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.

**3.27 Intellectual Property Indemnification**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	NO

The Contractor agrees to indemnify and save harmless and to defend all legal or equitable actions brought against the Lottery, the Commission, its Executive Director, 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 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.

**3.28 Indemnification**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

The Contractor must agree to defend, indemnify, and hold harmless the Lottery, the Commission, its Executive Director, directors and officers, the State of North Carolina and its agencies and political subdivisions, and their respective agents, officers and employees, 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.

**3.29 Confidential Information**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

The Contractor is advised to also refer to the requirements in Section 1.16 (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, 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 1.16 of the RFP, the Act, the Governing Laws and Regulations, the Open Meetings Law G.S. §143-318.9 et. seq. and the Public Records Law 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.

**3.30 Taxes, Fees, and Assessments**

Significance	Response Type	Standard Text
--------------	---------------	---------------

MANDATORY	ACCEPTANCE	NO
-----------	------------	----

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.

### 3.31 Media and Advertising

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

Neither the 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 System and Services without the prior written consent of the Lottery Executive Director or his/her 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 his/her designee(s) in each instance.

### 3.32 Force Majeure/Delay of Performance

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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; 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.

### 3.33

### Warranties

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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 proof to the Lottery that they 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, including, but not limited to, the Lottery's functional, technical, and maintenance requirements, 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 (NCGS §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 servicemark searches with respect to the names of all draw 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.

**3.34 Insurance**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

All insurance policies shall name the Lottery 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 financially 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 Online Play System 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;
- Comprehensive General Liability Insurance with limits of not less than five million dollars (\$5,000,000);
- 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, or any error or omission caused by the Contractor, its officers, employees, subcontractors, or assigns, regardless of negligence;
- Automotive Insurance with limits not less than five million dollars (\$5,000,000);
- 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);
- Workman’s Compensation Insurance at or above the levels required by the State of North Carolina; and

- Such other types and amounts of insurance as the Lottery shall from time to time reasonably require.

**3.35 Compensation Procedures and Mechanisms for Use During the Contract**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

**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 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.

**3.36 Acceptance Testing**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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 System 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.

### 3.37 Other Requirements

#### 3.37.1 Ticket Purchase and Prize Payment Restrictions

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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 Lottery products and/or claiming any North Carolina 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 as needed.

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

#### 3.37.2 Escrow of Source Code and Documentation

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

In protection of the Lottery's ability to operate the System in case of the Contractor's inability to fulfill its contractual obligations, the Lottery has the right to request any and all Contractor source code and any and all documentation relevant to the System to be placed in escrow.

The Contractor agrees to escrow the source codes and any and all documentation to all applicable Contractor software and other similar proprietary materials developed or provided by the Contractor or any subcontractor in connection with its performance under the Contract, in accordance with a standard Source Code Escrow Agreement in form and substance mutually acceptable to the Lottery and the Contractor. In the event the escrowed source code is released from escrow pursuant to the Source Code Escrow Agreement, the Lottery shall have a non-exclusive, non-transferable, non-sublicenseable license to use such source code during the term of the Contract and any post termination term, solely to operate, enhance, repair and maintain the Contractor software to which such source code relates and solely in connection with the operation of the Lottery.

Upon the specific request of the Lottery to update the material in escrow, as changes are implemented, not only will the changes be added to the escrow account, but the following will be added to the escrow account as well: documentation including source code procedural changes, the reason(s) for the changes; identification of the personnel instituting the changes; the authorization for the changes; and the date of the change.

#### 3.37.3 Security Program under the Contract

Significance	Response Type	Standard Text
--------------	---------------	---------------

MANDATORY	ACCEPTANCE	NO
-----------	------------	----

Prior to operations under the Contract, the Contract must establish a physical and software security program for the entire System, 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 which shall comply with MUSL Rule 2 requirements. The plan must be approved by the Lottery.

**3.37.4 Commitment to Nondiscrimination; Affirmative Action**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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 System 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.

**3.37.5 Attachment of Third-Party Systems, Terminal, or Products**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

The Lottery reserves the right to integrate with the System 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).

**3.37.6 Performance Bond and Payment Bond**

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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 ten million dollars (\$10,000,000), and (ii) a payment bond (the "**Payment Bond**") or letter of credit with the NCEL in an amount equal to ten million dollars (\$10,000,000), 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	Standard Text
IMPORTANT	ACCEPTANCE	YES

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	Standard Text
MANDATORY	FULL	NO

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 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" 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	Standard Text
MANDATORY	FULL	YES

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 Online Play and Player Loyalty/Rewards systems and/or 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 five (5) 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	Standard Text
MANDATORY	FULL	YES

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 Software Development and Support Capabilities

Significance	Response Type	Standard Text
MANDATORY	FULL	YES

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.

**4.1.5 Research and Development Program**

Significance	Response Type	Standard Text
IMPORTANT	FULL	YES

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.

**4.2 Responding Contractor Certification Requirements**

Significance	Response Type	Standard Text
IMPORTANT	FULL	NO

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.

The Responding Contractor must submit the applicable Certification Certificate(s) as part of their Proposal. It is the responsibility of the Responding Contractor to ensure that the Certification Certificate(s) is current and covers the systems and best practices requested by the Lottery, in accordance with the policies of the respective Certification Programs.

Certified solutions and best practices in the following area(s) are required:

- NSI: Quality Assurance Requirements Definition
- NSI: Quality Assurance Development Process
- WLA Security Control Standard: 2012 (WLA-SCS:2012) or ISO/IEC 27001:2013

**4.3 Financial Data**

Significance	Response Type	Standard Text
MANDATORY	FULL	YES

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.
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	Standard Text
MANDATORY	FULL	YES

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	Standard Text
MANDATORY	FULL	YES

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	Standard Text
MANDATORY	FULL	YES

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	Standard Text
IMPORTANT	FULL	YES

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 that 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 offense. 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 offense. 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**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	FULL	YES

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	Standard Text
MANDATORY	FULL	YES

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 Appendix Introduction

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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

### 5.2 Price Proposal Requirements

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

Each 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	Standard Text
MANDATORY	ACCEPTANCE	YES

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

#### 5.2.2 Base Price

Significance	Response Type	Standard Text
MANDATORY	FULL	NO

Responding Contractor shall submit two (2) separate Pricing Proposals, with one including the base price with Digital Instants and one without Digital Instants. The Pricing Proposals must be stated using the format specified below:

Pricing Proposal I with Digital Instants

A) On-Line Draw Rate: \_\_\_\_\_% of Gaming Revenues (wagers minus cancellations, if applicable)

B) Digital Instant Rate: \_\_\_\_\_% of Net Gaming Revenues (wagers minus prizes)

Pricing Proposal II without Digital Instants

A) On-Line Draw Rate: \_\_\_\_\_% of Gaming Revenues (wagers minus cancellations, if applicable)

The base price for Pricing Proposals I and II stated by the Responding Contractor must be for providing an Online Play System and Player Loyalty/Rewards Program that at a minimum meet all of the terms and conditions, technical specifications, and other requirements of the RFP.

The base price must include all items and/or features required by the RFP and proposed by the Responding Contractor unless the Responding Contractor specifically states that an item or feature will be provided as a separately priced option; see Section 5.3 (Pricing of Options).

The base price must include all expenditure required in this RFP and to fulfill the subsequent Contract. No other payments or reimbursements of any form are due other than those explicitly specified herein or in the Contract.

**5.3 Pricing of Options**

Significance	Response Type	Standard Text
IMPORTANT	ACCEPTANCE	[YES/NO]

The Responding Contractor is encouraged to propose options regarding innovative functions, features, services, and solutions.

The Responding Contractor must present all optional items as separate line items in the Price Proposal. Unless identified as priced at an additional cost, all options will be considered to be included as part of the base price.

Options are required to be deliverable products and/or services during the Term of the Contract.

**5.3.1 Specified Options**

Significance	Response Type	Standard Text
MANDATORY	FULL	NO

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:

- **Game Development Services**

The Lottery may engage the Contractor to produce and deploy additional games on the System. Responding Contractor should describe how game development is managed, including the level of collaboration available to the Lottery. Responding Contractor must specify fixed pricing terms related to the development of new game content.



- **Third-Party Game Procurement**

Successful Contractor will be required to procure third-party games at the direction of the Lottery and shall be reimbursed for any third-party game expenses, as agreed by Lottery, as a pass through cost.

- **Additional Staffing**

The Lottery may require additional staffing as the System and operations expand over time. The Successful Contractor will be required to provide additional staffing as required by the Lottery at a negotiable cost.

- **Digital Marketing Systems**

The Successful Contractor will be required to procure and integrate with digital marketing systems that support the maximization of revenues, performance, and measurement of Online Play operations. Any third-party costs will be passed through to Lottery without any additional markup and are subject to standard payment terms.

- **Additional UI Development**

The Lottery may engage the Successful Contractor to develop and manage additional UI applications that support Online Play and retail gaming activities. Examples may include voice-activated interfaces, social media sales channels, and applications for retail gaming. Pricing shall be negotiated per project.

- **Affiliate Marketing System and Operations**

The Lottery may engage the Successful Contractor to procure, integrate, and operate an affiliate marketing system. This may include support in the recruitment of partners and transfer of payments to affiliates. Pricing shall be negotiated at the time of execution.

- **Packaged Prepaid Cards**

The Lottery may engage the Successful Contractor to create and distribute prepaid cards into physical and digital retail locations. Pricing shall be negotiable at the time of execution. Responding Contractor must describe any relevant experience with prepaid card program management.

- **Virtual Claim Center Operations**

The Lottery may engage the Successful Contractor to staff and manage responsibilities related to the Virtual Prize Claim Center. The Contractor will be required to conform to all statutory laws and procedural requirements that are required to manage prize claims and debt offsets. Pricing shall be negotiated at the time of execution.

- **Play-at-the-Pump Integration**

The Lottery may engage the Successful Contractor to integrate with a qualified third party vendor for lottery sales at fuel pumps, other points of sale, and lottery cards that can be purchased at in-store check-out lanes, as determined by the Lottery. In this instance, the Successful Contractor shall be required to perform the required software integration and shall be responsible for the associated costs. The integration for selling lottery games at fuel pumps shall be completed in a timely manner so as to ensure that there is no interruption in lottery sales at fuel pumps. The Lottery's current Play-at-the-Pump program, as provided through Linq3, includes the following work flow:

- The player navigates through the PATP screens to select the game and number of plays for purchase.
- All numbers selected are Quick Picks
- Only debit card purchases are accepted for PATP.
- The fuel pump then sends the debit card number and lottery play request to Linq3.
- Linq3 validates the request including age verification via date of birth entry by the player (one-time process with each debit card used).

- Linq3 sends a funds authorization request to the customer’s issuing bank through the processor and network.
- Upon funds authorization, Linq3 sends a play request to the Lottery’s Online Play gaming system (to be provided by the Successful Contractor).
- The Online Play gaming system processes, records, and stores the transaction(s) and returns information about each play to Linq3.
- Linq3 logs transactional information (numbers played, batch, terminal number) in its database.
- Linq3 then sends the receipt information to fuel pump for printing.
- If the player has indicated that they would like a text message of their play by providing their cell phone number, Linq3 sends them a message containing the numbers they have played.

The Responding Contractor must submit a price for providing Specified Options. Any item for which there is no additional fee (i.e., it is included in the base price) must be shown as No Charge (N/C).

The Lottery may select Specified Options at its sole discretion.

### 5.3.2 Invited Options

Significance	Response Type	Standard Text
INVITED OPTION	FULL	NO

The Responding Contractor may propose all Invited Options with pricing that would benefit or be of interest to the Lottery. Detailed specifications and pricing for the Invited Options should be included.

If the Responding Contractor includes Invited Options in the Technical Proposal, then the Responding Contractor must also submit prices for Invited Options. Any item for which there is no additional fee (i.e., it is included in the base price) must be shown as No Charge (N/C).

The Lottery may select an Invited Option at its sole discretion, which may be implemented at the discretion of the Lottery over the Term of the Contract.

### 5.3.3 Offered Options

Significance	Response Type	Standard Text
OFFERED OPTION	FULL	YES

If the Responding Contractor includes Offered Options in the Technical Proposal, then the Responding Contractor must also submit prices for Offered Options. Any item for which there is no additional fee (i.e., it is included in the base price) must be shown as No Charge (N/C); see Section 1.12.3 (Pricing Information).

The Lottery reserves the right to waive the Responding Contractor’s right to request additional compensation for an Offered Option (if it is selected as the Successful Responding Contractor

and the Lottery desires the Offered Option) for failure to specifically exclude an Offered Option from the base price.

## 6 Proposal Evaluation

---

### 6.1 Introduction

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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 an Online Play System and Player Loyalty Program 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	Standard Text
MANDATORY	ACCEPTANCE	NO

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 Lottery Executive Director. 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 Lottery Executive Director and to the North Carolina State Lottery Commission. No other information, other than information in the Proposal and information obtained under Section 1.23 (Proposal Clarification Process), Section 6.3 (Information from Other Sources), or Section 6.4 (Demonstrations and Site Visits), 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	Standard Text
MANDATORY	ACCEPTANCE	NO

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 and Site Visits

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

Prior to completion of the Proposal Evaluation process, the Lottery will require the Responding Contractor to discuss and demonstrate its proposed System 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 components of the proposed System.

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 Administrator. 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.

**6.5 Evaluation Steps**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	ACCEPTANCE	YES

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 and/or Site Visits
- Phase 3: Price Proposal Evaluation
- Phase 4: Determine the Best Overall Proposal
- Phase 5: Final Decision on Contract Award Recommendation

**6.6 Evaluation of Proposals (or Evaluation Categories)**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
INFORMATION	ACCEPTANCE	NO

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:

<b>Criteria</b>	<b>Points</b>
Corporate Capability (experience, background, financial viability, ability to perform the contract)	100
Technical Requirements	600
Minority Business	50
Price	250
<b>Total</b>	1000

The Apparently Successful Contractor (subject to approval from the Executive Director 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 maximum point for Price (or 250). 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**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
---------------------	----------------------	----------------------

MANDATORY	ACCEPTANCE	YES
-----------	------------	-----

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 1.12 (Responsive Proposal Submission Criteria) and are compliant with mandatory requirements.

## 6.8 Evaluation Committee Recommendation

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	NO

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 Apparently Successful Contractor. Upon approval by the Lottery Executive Director, 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	Standard Text
MANDATORY	ACCEPTANCE	NO

The final ranking and recommendation(s) of the Evaluation Committee (as contained in the Final Report and Recommendation document) will be presented to the Lottery Executive Director 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).

As noted in Section 2.3.3 of this RFP, any Contract resulting from this RFP must be approved by the NC Attorney General's Office.



## A Technical Specifications

---

This Section describes the technical specifications the Lottery requires of the proposed Online Play and Player Loyalty/Rewards System to be submitted for consideration. The Lottery requires a qualified Contractor to install, operate and maintain a state-of-the-art full service Online Play and Player Loyalty/Rewards system designed for the use by a US lottery. The System will need to include draw games, digital instant games (which will not be launched unless approved by the North Carolina State Lottery Commission), prize validations and payments, ICS integration, player loyalty/rewards and other technologies that may present themselves in the future. The System needs to be fast, reliable, flexible and secure. The Responding Contractor needs to describe their solution to the Lottery in light of the following functional considerations. System components needed to run an Online Play and Player Loyalty/Rewards system, but not discussed in the considerations, need to be included in the Responding Contractor's Proposal. The proposed system needs to be a full functioning, integrated Online Play and Player Loyalty/Rewards system that the Lottery could solely rely on to run a successful Online Play and Player Loyalty/Rewards program. 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 requirement 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

Significance	Response Type	Standard Text
MANDATORY	FULL	NO

The Responding Contractor must provide an overview of the Online Play and Player Loyalty/Rewards system and operational capabilities that will directly support the Lottery's objectives as set forth in the RFP. Minimally, the response should address the following:

1. Provide an overview, including diagrams, of the major software components of the system as they are described in the Proposal.

2. Provide an overview, including diagrams, of the hardware, network and other infrastructure configurations as they are described in the Proposal.
3. Provide a summary of the business capabilities (e.g., customer service, game development, analytics, etc.) as they are described in the Proposal.

### **A.1.2 Flexibility of the System**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	FULL	NO

The Responding Contractor should provide a factual discussion, supported by the responses elsewhere in the Proposal, making it clear how the system is open, flexible, and can be tailored to the business needs and rules of the Lottery. An open architecture, 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**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	FULL	YES

The Responding Contractor must submit proof with the Proposal that the proposed equipment 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 for the jurisdiction of the Lottery (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.

The Responding Contractor must also reference Section 4.2 (Bidder Certification Requirements) to ensure that any additional certification requirements specified in those sections are met in full.

### **A.1.4 Equipment Standards**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	FULL	NO

The Responding Contractor must commit that all proposed transaction processing computers, networking equipment, diagnostic equipment, etc., be compliant with current electronic technology manufacturing standards and be of current manufacture by the Responding Contractor or its suppliers. All 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 Block Diagrams**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	FULL	YES

The Responding Contractor’s Proposal shall include block diagrams at the component level as well as configuration tables for hardware and system software components (manufacturer and model number, release numbers, etc.).

### **A.1.6 System Hardware and System Software Upgrades**

<b>Significance</b>	<b>Response Type</b>	<b>Standard Text</b>
MANDATORY	FULL	YES

All system hardware and system software must be replaceable at any time by more modern models or versions simply by means of system upgrades. All system hardware and system software must be fully supported by the respective manufacturer or supplier at all times during the Contract term 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, if required by the Lottery, the respective hardware modules, components, or system software modules at its own cost prior to the support being discontinued. The Contractor must immediately inform the Lottery of any such support discontinuation as soon as the Contractor is made aware of the discontinuation.

## **A.2 Detailed Technical Responses**

### **A.2.1 Player Account Management System**

Responding Contractor must describe in detail the features, capabilities, and configurable parameters of its Player Account Management system (“PAM”). The description must address the following minimum requirements:

Requirement	Yes	No
<p><b>Age and Identity Verification</b> The System must have capabilities to perform verification of players, with strict protocols to block attempted registrations that do not meet the most stringent age and identity verification controls. The verification method must also be able to determine player residency and allow or disallow access based on Lottery-specified criteria.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Player Registration</b> The System must provide capabilities to support the registration of players and must be designed to ensure that only one (1) account can be created per person. Player accounts are multi-purpose and enable loyalty, Online Play, and any future programs that require registration.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Player Geolocation</b> The System must have capabilities to perform geolocation of players across land-based, Wi-Fi, and cellular connection types. The System must apply the most stringent controls to ensure that all wagering occurs within State boundaries and within any designated exclusion zones within the State as determined by Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Player Authentication</b> The System must support a secure method to login users, including mandating minimum password security criteria. Support for two-factor authentication is desired. The System must have capabilities to restrict player accounts from login for any Lottery-specified reason.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Player Wallets</b> The System must provide capabilities to fund player-specific deposit accounts (“Player Wallets”) that can be utilized for player transactions. The Player Wallets must have full-featured (i.e., no limitations) availability for third-party integrators, including game library providers, as specified by the Lottery.</p> <p>Player Wallets must utilize logical separation of deposit, promotion, credits, and winnings (“Balance Classifications”) with the ability to strictly control which Balance Classifications are available for withdrawal by the player. Additionally, the varying Balance Classifications should be available for display to players and Lottery back office users through user interface (“UI”) components.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Responsible Gaming Controls</b> The System should utilize a diverse and progressive mix of responsible gaming (“RG”) controls. The RG controls must allow the Lottery to establish minimum, maximum, and default responsible gaming settings for player accounts including loyalty and Online Play.</p> <p>The System must provide capabilities for players to define personal limits, within defined time periods, for deposit and loss amounts, and within loyalty. The RG controls should allow players to instantaneously enable stricter settings (e.g., smaller deposit limit) while imposing buffer periods (e.g., 48-hour waiting period) for any attempts to increase limits.</p> <p>The System must also provide capabilities to track the duration of logged-in sessions and any net losses during that session. RG controls are desirable to allow players to assign play session time limits or loss limits. Triggered prompts that remind the player how long they have been playing in a session are also desirable.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p>The system must allow players to define periods of exclusion from accessing the System. The solution should ensure that any Balance Classifications eligible for withdrawal can be issued back to the player prior to exclusion lockout. Additionally, the system should update all communication systems (including any third-party systems) in real-time of a player exclusion event and provide a subsequent update when that exclusion period has expired. Self-exclusion should extend to loyalty program participation. Refer to the Lottery’s WLA Level 4 Application to see additional responsible gaming controls desired. Due to the size of the file for the application, please contact the purchasing administrator if a copy is desired.</p>		
<p><b>Player Communication Preferences</b> The System must support capabilities for players to manage opt-in communication preferences including the ability to opt-in and opt-out of promotional email messaging, text messaging, and push notifications with fully configurable custom options based on criteria provided by the Lottery. Preferences will be inclusive of Online Play, loyalty, jackpot alerts, and all other facets of player communication.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Player Notifications</b> Responding Contractor should describe the transactional notifications (e.g., emails, text messages, etc.) and marketing notifications that will be managed by the System. Additional UI components controlled by the PAM, such as in-site dynamic notices, should also be available for customization and deployment by the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Player Data and History</b> The System must maintain a complete history of player transactions including deposits, purchases, winnings, claims, uploaded documentation, loyalty activities, and any other transactions that are associated with a player. This data and history must be made accessible to players and back office users through UI components. The Lottery will be the exclusive owner of all data that is recorded on the System and the Contractor shall have a limited use license to the data during the term of the Contract.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Secure Upload Center</b> The System must provide capabilities for registered players, and certain qualified failed registrations, to upload and transfer documents in a secure manner to the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>

### A.2.2 Banking Services

Responding Contractor must provide comprehensive banking services in order to support the payment transactions enabled on the system. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Banking Services</b> Contractor must have capabilities to establish a bank account that will hold all Player Wallet funds and must meet any requirements as designated by the Lottery. The bank account must be FDIC insured and held in trust of the Lottery. The bank account will be utilized for reconciliation between the Lottery and the Contractor in order to conduct any financial transfers owed to the Lottery. Reconciliation between the Contractor and Lottery shall occur weekly through electronic means.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Compliance and Risk Requirements</b> Contractor will be responsible for ensuring compliance with all state, federal, anti-money laundering (“AML”), and payment card industry (“PCI”) imposed regulations associated with the acceptance of payments and external transfer of funds. Contractor shall be solely liable for all risk, such as chargebacks, related to payment activities.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>PCI Certification</b> Contractor must meet PCI requirements that are necessary to conduct efficient operations in a manner that does not impede player’s ability to easily use the system. Proof of PCI certification must be provided to the Lottery on an ongoing basis.</p> <p>The scope of PCI compliance must not implicate the Lottery in any manner, and Contractor shall be required to modify its systems in a manner that absolves the Lottery from any PCI scope.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Responsibility of Payment Fees</b> Contractor shall be responsible for all fees, processing or otherwise, associated with the acceptance and transfer of payments to players, including fees associated with the implementation of any future payment methods added to the Online Play system.</p>	<input type="checkbox"/>	<input type="checkbox"/>

**A.2.3 Payment Acceptance**

Responding Contractor must describe in detail the features, capabilities, configurable parameters, and operational support related to payment acceptance. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Payment Processing Services</b> The System must provide all necessary components and services in order to accept financial transactions from players and to issue financial payments to players.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Backup and Failover Capabilities</b> The payment acceptance system should be configured in such a way that it can easily switch to additional service providers (e.g., payment processor, acquiring bank, etc.) in order to maintain uninterrupted payment operations.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Player Wallet Funding Methods</b> Contractor must provide a solution that minimally accepts debit card payments and automated clearing house (“ACH”) bank transfers in a manner that provides the most immediate availability of funds to players. The inclusion of additional payment options is highly desirable, although credit cards are presently prohibited for the purchase of lottery games in North Carolina.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>ACH Funding Verification</b> Contractor must provide and describe the bank account and owner verification process for ACH funding, including capability to pre-note for new funding sources.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Player Facing Fees</b> Contractor must disclose all fees that may be assessed against players, including but not limited to, payment errors, chargebacks, insufficient funds, etc. All fees must follow ecommerce best practices. Contractor’s process must ensure that players have every opportunity to avoid unnecessary fees.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Single Debit Funding and Purchase</b> Please provide and describe in detail a feature that allows a registered player to purchase any games with a debit card without funding a wallet. The payment card information would not be retained. Please list any limitations of this requirement.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Guest Checkout</b> Please provide and describe in detail a feature that allows a player to fund and purchase as a guest checkout (without registering with the system). The system must still require the player to provide sufficient personal information to conduct an ID check, the ability to notify via email on a win and prize payment to the player for prizes under \$600 on the debit card used to purchase the game. Please list any limitations of this requirement.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Minimum Purchases and Deposits</b> The System must include the capability to adjust minimum purchase and deposit amounts. The Lottery requires a minimum deposit of four dollars (\$4.00) to be configured on the System.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Saved Payment Types</b> The System must save previously utilized payment types in a manner that is secure and meets any payment card industry (“PCI”) requirements. Players should be able to remove a saved payment type from their profile, and the System must retain any historical reporting in such cases.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Payment Enablement and Disablement</b> The System must support the ability to place a specific payment instrument on hold within a player account while also supporting the ability to re-enable the payment type.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Prepaid Acceptance</b> The System must be configured to enable the redemption of Lottery-issued prepaid instruments (“Prepaid Cards”). Reporting must also be made available to the Lottery for each of the Prepaid Card options supported by the System.</p> <p>Capabilities are desired to support the following Prepaid Card redemption methods:</p> <ol style="list-style-type: none"> <li>1. A method whereby redemption codes can be loaded onto the System and validated upon submission. This supports a method whereby codes can be distributed, such as on an instant ticket, and validated through a defined expiry date.</li> <li>2. A method whereby redemption codes can be decrypted and validated against a predefined pattern. This supports a method whereby codes can be printed on-demand, such as on a lottery terminal, and validated through a defined expiry date.</li> <li>3. A method whereby redemption codes can be verified against a third-party system through the use of an application programmable interface (“API”) call. This supports a method whereby codes can be preprinted and not yet validated, such as merchandised prepaid cards, and validated through a third-party issuance system.</li> </ol> <p>For the purposes of clarity, the Lottery shall be responsible for creating, distributing, issuing, activating, and expiring Prepaid Cards and the benefactor of any expired funds shall be determined by the Lottery. The System, however, shall be responsible for enabling the redemption of Prepaid Cards.</p>	<input type="checkbox"/>	<input type="checkbox"/>
---	--------------------------	--------------------------

**A.2.4 Payment Issuance**

Responding Contractor must describe in detail the features, capabilities, configurable parameters, and operational support related to payment issuance. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Withdrawal Methods</b> The System must provide methods by which a player can quickly withdraw winnings available from within a Player Wallet. Responding Contractor may propose technology solutions that can leverage the Lottery’s existing assets (e.g., retailers, etc.) to enable the withdrawal of winnings by players.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>AML Compliance</b> The System must provide all necessary validations to ensure that AML and any other regulatory validations are properly performed prior to the release of any payments.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Payment Holds</b> The System must support the ability to place a specific payment instrument on hold within a player account while also supporting the ability to re-enable the payment type.</p>	<input type="checkbox"/>	<input type="checkbox"/>



### A.2.5 Virtual Prize Claim Center

Responding Contractor must describe in detail the features, capabilities, configurable parameters, and operational support related to enabling the Lottery with software to manage a virtual prize claim center. The description must address the following minimum requirements:

Requirements	Yes	No
<p><b>Immediate Prize Payments</b> The System must have capabilities to issue immediate prize payment to a player without any manual intervention. The Lottery requires prizes less than six hundred dollars (\$600.00) to be paid instantaneously to a Player Wallet.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Large Prize Claim Thresholds</b> The System must have capabilities to move a prize into a pending status that requires further manual processing by the Lottery. The Lottery requires prizes equal to or greater than six hundred dollars (\$600.00) to be placed into a pending status.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Claim Center Back Office</b> The System must provide a back office capability that enables Lottery staff to access a queue of all pending prize claims. The System should provide ease of use to the Lottery staff for prioritizing, searching, tracking, processing, and closing all steps required in order to issue a prize payment of six hundred dollars (\$600.00) or more, including annuities. Lottery staff must be able to view any processed claims and details including tax withholdings, offsets, and amount paid to Player Wallet.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Message Exchanges</b> The System should trigger automated messages to players, as defined by the Lottery, in order to request any documentation necessary to complete a prize claim. The Lottery should receive a notification in the back office system when a player has sent a correspondence or document upload. The Lottery should be able to view and download the correspondence or document upload and send a customized message to the player from within the back office if necessary.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Document Storage</b> The System must retain any documentation related to claims for each player in a manner that is compliant with any state, federal, PCI or other regulations. When a player makes a subsequent claim, the System should not trigger automated messages to players when necessary documentation is already on file. In these cases, the System should allow the Lottery to expedite the prize claim process.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Offset Management</b> The System must provide capabilities for Lottery staff to apply an offset against a pending prize claim and log any necessary comments. All offset payments must be tracked separately in the System and made available within reporting to Lottery staff. An export file of all offset payments by player must be made available to the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Tax Withholdings</b> The System must be configured to automatically calculate tax withholdings for standard federal and state rates. An export file of tax withholdings must be available to the Lottery. This includes an annual file, rolled up by player for all wins, which will be transferred to Lottery for W2-G filing.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Prize Claim Hold</b> The System must be configured to automatically place prize claims on hold based upon criteria/threshold as defined by the Lottery. The hold may only be lifted/bypassed by designated Lottery personnel.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Completion of Prize Claim</b> The System must allow the Lottery to mark a claim as approved, while removing any tax withholdings and offsets, and initiate a final credit to the Player Wallet that is available for immediate withdrawal. The System must support a two-person verification process before the claim is approved.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Exceptions and Overrides</b> The System must allow for exception claims and overrides that do not meet the defined workflow associated with a prize claim. This includes, but is not limited to, the ability to override default tax withholdings or to mark prizes as paid through external systems. An export file of exception claims must be available to the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>

### A.2.6 Promotions Capabilities

Responding Contractor must describe in detail the features, capabilities, and configurable parameters related to enabling and managing promotions on the system. The description must address the following minimum requirements:

Requirement	Yes	No
<p><b>Promotion Codes</b> The System must support the ability to define and accept a wide variety of promotion codes that can be redeemed by players in order to trigger an offer, including Player Loyalty/Rewards Program offers for points and other prizes. The System must support the ability to issue multiple promotion codes concurrently. The promotion codes must be captured by the System and available for reporting or extraction (to third-party systems or otherwise) on a per-player basis.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Free Games</b> The System must have the ability to assign free games to players. It is desirable for the System to support variable parameters such as the quantity, price point, or play settings associated with free games.</p> <p>The free games should be assignable with a variety of criteria, such as login, registration, or a qualifying purchase. Free games assignment is required for all games that are provided under the RFP and is highly desirable for any third-party games that are integrated with the system.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Deposit Offers</b> The System must have the ability to configure offers that provide a percentage or fixed-value bonus in combination with a transaction to fund a Player Wallet (“Deposit”). This should include the ability to assign a maximum limit for the Deposit bonus.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Discount Offers</b> The System must have the ability to configure offers that provide a discount on the purchase of plays. This must include all games that are provided under the RFP and is desirable for any third-party games that are integrated with the System.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Play and Win Events</b> The System should provide capabilities to log qualifying activities (e.g., wagers on certain games, deposits, etc.) as entries into a prize giveaway. The System should allow for the random selection of prize winner(s), in addition to capabilities to issue prizes as a payment directly into a Player Wallet.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Bonus Payout Events</b> The System should support the ability to define time periods whereby prize payments, at defined levels, for certain games are enhanced by a percentage value or dollar amount. For example, prizes of \$500 and greater earn a twenty percent (20%) bonus from 4pm to 8pm on a specific day.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Promotion Triggers and Conditions</b></p> <p>The System must support a wide variety of qualifying parameters in order for a promotion to be available to a player. For example, qualifying parameters may include a new registration, login, player segment, deposit activity, wager on a specific game, watching a responsible gaming video, loyalty activities, engaging with Lottery-specified content, or a date-specific event such as a birthday. The System must support any specifications as determined by the Lottery for each promotion such as eligibility dates, expiry dates, or limitations.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>General Capabilities</b></p> <p>Each promotion must have a unique identifier (not promotion name) on the System in order to support reporting capabilities. The Lottery must have the ability to run varying promotions concurrently on the System, and the Responding Contractor should describe its capabilities and limitations associated with concurrent promotions. The System must have capabilities to ensure that individual players are not assigned conflicting promotions at the same time. The Lottery must also have the ability to run reports at custom intervals (real-time, hourly, daily, weekly, etc.) based upon the specific promotional offers for any promotions (i.e., redemption of promotional offers).</p>	<input type="checkbox"/>	<input type="checkbox"/>

### A.2.7 Lucke-Rewards Loyalty Program

Launched in 2012, the Lottery Player’s Club has over 845,715 confirmed members as of June 3, 2018. Of that number, 628,154 participate in the Lucke-Rewards loyalty program with an average monthly growth of 17,391 new users.

The Lottery’s goal for Lucke-Rewards is to reward loyal players, enhance the non-winning experience with extended play, and engage players in new and exciting ways. The Lottery must respond to the ever changing digital environment so that it can interact with its players in a more meaningful way. The Lottery would like to fully integrate loyalty with retail gaming, Online Play, and interactive play-for-fun games in a robust and flexible platform.

Responding Contractor must describe in detail the features, capabilities, and configurable parameters of its Player Loyalty Program (“PLP”). The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Earning and Managing Loyalty Points</b></p> <p>The System must have capabilities to allow players to earn points by entering eligible game codes, automatically receiving points with Online Play (including Online Play), redeeming promo codes for birthday or other promotional awards, and through additional earn opportunities such as participating in research, watching a video, participating in play-for-fun games, and signing into the mobile app for the first time. The System should include the capability to track and expire points, with proper notification to players, based on rules and promotion periods. The System must include promotional configurations for points multiplier promotions by game or set of games and other types of promotional opportunities. All points earned should be accrued in real time.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Prize Structures and Points Values</b> The prize structures and points values must be fully configurable and flexible based on criteria provided by the Lottery on a per game and additional earn opportunity basis. Prizes that may be awarded include bonus points, experiences, merchandise, and cash.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Ticket Entry Capabilities</b> Ticket entry must include all tickets/plays, instant and draw, winning and non-winning, purchased through any channel and provide for entry using manual and automatic (scanning) methods, including via the Mobile App. The System should have capabilities to allow the Lottery and/or players to set ticket entry limits (a responsible gaming consideration).</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Lucke-Rewards Tie-ins to Online Play</b> The System must have capabilities to award automatic points and second-chance promotion entries for tickets entered and for Online Plays.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Instant Rewards</b> The System must have capabilities to instantly award automatic prizes upon ticket entry. These prizes and the structure for awarding them must be fully configurable based on criteria provided by the Lottery. Prizes that may be awarded include bonus points, experiences, merchandise, and cash.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Drawing Tools</b> The System must have capabilities to provide flexible drawing offerings including weekly, monthly, specialty, and second-chance drawings each with cash, merchandise, and/or experiential prizes. Second-chance drawings should be configurable for auto entry or with opt-in based on criteria provided by the Lottery. For auto entry, an entry would be awarded along with loyalty points upon the player entering a qualifying game code or online purchase. For some second-chance promotions, the Lottery may want to have an opt-in, with a pop-up or other mechanism, to ensure the player has taken an action to accept the entry. The Contractor must facilitate drawings by managing user entries and providing necessary entry files to the Lottery to conduct drawings. Drawings must be configured in the back end with a unique identifier (not the drawing name) to facilitate ease of tracking and reporting.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Prize Fulfillment</b> Responding Contractor should describe how they would provide a winner notification and prize fulfillment database system with an interface for Lottery personnel, including Marketing, Security and Prize Validation departments, to streamline the awarding of drawing prizes. This System should have necessary integration to allow for streamlined workflows, including pushing real-time winner notifications to players and publishing winner lists within the loyalty platform.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Security</b> Responding Contractor should describe their capabilities for validating drawing entry files, ticket entry codes, and related security measures. This may include the ability to flag lost or stolen ticket entries for back end system alerts.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Winner Lists</b> The System must provide a user-friendly interface for displaying winner lists for drawings/other promotions to front end users. Responding Contractor must provide a streamlined system for updating these lists daily with winner information provided by the Lottery, including an initial update letting players know that a winner has been notified but has not claimed yet. It is strongly desired that such a system be integrated with the winner notification and prize fulfillment database system mentioned in Prize Fulfillment to provide automated updates based on claims status of winners.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Rules</b> Lucke-Rewards rules and other required legal notices must be hosted or linked within the platform and all legal requirements adhered to Lottery-specified criteria.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Eligible Games</b> The System must provide an easily accessible list of active and rewards-eligible games that is dynamically updated and accurate at all times.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Promotional Opportunities</b> Responding Contractor should describe the promotional capabilities of their loyalty platform. The System must have ample promotional opportunities within the platform including, but not limited to, banner spaces (with banners and update schedule to be provided by the Lottery) and visually appealing drawing graphics and descriptions. Responding Contractor should describe additional promotional opportunities within the platform for the Lottery to display marketing messages.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Additional Opportunities</b> The System must provide flexibility to include additional features and functionality including play-for-fun games, lucky number tracking, video views and in-platform research (surveys).</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Future Development</b> Responding Contractor must demonstrate the ability and flexibility to make regular enhancements, upgrades, and adjustments in a timely manner.</p>	<input type="checkbox"/>	<input type="checkbox"/>

### A.2.8 User Interface Components and Integration Services

The Lottery requires that a single and integrated web, mobile, and app experience is provided to players for retail gaming, loyalty, Online Play, and all other player-facing features. Responding Contractor must describe in detail its capabilities and approach to provide a seamless experience for players. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Central and Persistent Authentication</b> The System must provide a method whereby a player can login to the site one time and remain logged in throughout the entire experience, including any Lottery maintained or third-party portions of the site.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>UI Components</b> UI components must be provided for each player-facing feature of the system (e.g., games available, PAM features, transaction history, payment features, loyalty features, etc.) that can be integrated into the Lottery’s sites in a manner that is responsive to device type and screen size. Transaction history should include, but not be limited to, points, drawing entries, ticket entries, and purchases. The UI components must be customized to meet the brand guidelines of the Lottery. Responding Contractor should also describe how UI components comply with current accessibility and American Disability Act (“ADA”) standards.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>API Services</b> Each of the UI components must be made available as an API service that the Lottery, or its designated third-parties, can integrate with to create fully-customized UI components. The API services must be highly-scalable with constant availability and redundancy to support the capacity needs of the site. Documentation and integration support, including testing services, related to the API’s must be provided when directed by the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Shopping Cart Functionality</b> The System must include the functionality to support shopping cart sessions for users, whereby products such as draw game plays and Deposit amounts can be added into a virtual shopping cart and purchased in a standardized checkout flow that is conventional to current internet commerce sites.</p> <p>Shopping cart functionality should be supported, and customized, for non-logged in users, new registrants, and registered users with a Player Wallet balance.</p> <p>The System should provide capabilities to retain shopping cart contents, for returning players, when a purchase is not completed.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Messaging Center</b> The System must include a notification area where secure messages can be sent to players with a prominent notification on the player UI. Messages may include promotional offers, requests for documentation, and other notifications.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Player Personalization</b> The System must support the ability for UI components to dynamically display content that is personalized to individual players. For example, if a player is eligible for a Deposit promotion then the site experience is customized to display this offer to the user.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Content Management System</b> The System must provide a content management system (“CMS”) that can support the Lottery’s need to update areas of the site with operational ease and minimal technical skills. This should include, but is not limited to, advertising banners and static content pages. Responding Contractor should describe how the CMS must be managed in order to maintain an optimized user experience across different device screens (e.g., mobile, desktop, etc.).</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Mobile App Development Services</b> Responding Contractor must provide a solution, which may include subcontracting with an experienced mobile app developer and/or service provider, subject to the Lottery’s approval, to deliver an iOS and Android mobile application that provides full service with a comprehensive set of features for customers, loyalty, and Online Play. Minimally, this includes:</p> <ul style="list-style-type: none"> <li>a) checking winning numbers</li> <li>b) viewing jackpots</li> <li>c) scanning tickets for potential winnings (requires integration with current gaming system)</li> <li>d) scanning tickets to enter loyalty automatically</li> <li>e) finding a retailer</li> <li>f) viewing a list of all games sold at retail and online</li> <li>g) registering for an account</li> <li>h) logging into an account</li> <li>i) funding a Player Wallet</li> <li>j) purchasing all Online Play games</li> <li>k) withdrawing funds from a Player Wallet</li> <li>l) uploading documentation</li> <li>m) delivering push notifications</li> <li>n) viewing a historical record of Online Play and loyalty transactions</li> <li>o) viewing a loyalty points balance</li> <li>p) viewing loyalty current and past loyalty drawing entries</li> <li>q) entering drawings offered in loyalty</li> <li>r) viewing winner lists</li> <li>s) a menu navigation.</li> </ul> <p>The solution may leverage an approach where web browser features are viewable within the mobile applications (“Webview”). It is highly desirable for the app to contain natively developed features that deliver optimal usability and performance to players.</p> <p>The System should be designed to ensure that if any portion of the app (i.e. funding</p>	<input type="checkbox"/>	<input type="checkbox"/>



<p>or purchase) is offline, services such as ticket checker and points entry, messages, etc. should be still be available to the player.</p> <p>Responding Contractor must describe in detail a mobile app solution that includes a breakdown of native features versus Webview features. The development languages, and any conversion tools, that will be used to implement the applications must also be disclosed in the Proposal, including a detailed explanation as to the advantages of the chosen languages and tools.</p> <p>Contractor is required to provide ongoing development services, maintenance, backend application hosting, and regular production releases in coordination with ongoing changes to retail, Online Play, and loyalty programs. Responding Contractor should describe a maintenance plan, with specific details on how software will be delivered (e.g., project management process, release cycles, etc.), to support the mobile applications.</p>		
---	--	--

### A.2.9 Game Development Services

Responding Contractor must propose a portfolio of Online Play games to be deployed on the System. These games must be customized to meet the specifications of the Lottery, such as game logos, play symbols, and prize allocations. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Minimum Quantity</b> A minimum of fifty (50) games must be provided to the Lottery at no cost. Mega Millions, Powerball, Carolina Cash 5, Lucky for Life, Carolina Keno (Online Play version if approved by Commission) and at least sixteen (16) additional Responding Contractor-proposed games must be available by the defined System startup date. At least thirty (30) additional Responding Contractor-proposed games must be provided within twenty (20) months after the defined System startup date.</p> <p>Desired and acceptable games include draw games, keno games, and instant games. Casino slot and table games are strictly prohibited. In the event that a Proposal is accepted, the Lottery has the sole authority to deem any games as inadequate and a replacement game must be provided at no additional cost.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Additional Games</b> The Lottery must be able to procure additional games, beyond the minimum quantity provided, from the Contractor at a fixed cost per game. Responding Contractor shall provide pricing terms for additional game types in the separately sealed pricing proposal.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Draw Game Requirements</b>  Responding Contractor must provide all necessary requirements to manage any draw games (e.g., Mega Millions, Powerball, etc.) that are available on the System. Responding Contractor should describe key features and restrictions as it relates to draw games such as the variety of wager options supported, draw break management, or any processing downtime.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Price Point Selection</b>  All games should support a wide range of price point selections in order to provide maximum consumer choice. In no event may the total play price be less than fifty cents (\$0.50).</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Device and Screen Compatibility</b>  Games must be developed in a manner that is optimized for desktop, tablet, and mobile devices. The Contractor will be responsible for adapting games, at no cost to the Lottery, to meet evolving trends in technology. For example, if Flash Player is no longer supported in the future then any games relying on such technology must be adapted in a manner that creates no interruption in game availability to players.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Game Compliance</b>  Games must meet all standards and requirements as imposed by the Lottery or any associations that are affiliated with a particular game, such as the Multi-State Lottery Association (“MUSL”).</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Subscription Support</b>  The System must provide support to sell games on a renewal basis (“Subscriptions”) and must manage any associated payment implications to support the automatic purchase without player intervention, provided that payment card information on file for the player is still valid.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Winner Determination Capabilities</b>  The System must support at least one (1) method to randomly determine winning prize shares in a manner that is consistent with defined prize tables for each game. The ability to support a variety of winner determination methodologies is desirable. Any winner determination processes and technologies must be certified by an accredited third-party and provided to the Lottery no less than once per year.</p>	<input type="checkbox"/>	<input type="checkbox"/>

**A.2.10 Third-Party Game Integration Support**

Responding Contractor must describe in detail the features, capabilities, configurable parameters, and operational support related to supporting third-party game integrations. The description must address the following minimum requirements:

Requirement	Yes	No
<p><b>Instant Game Integrations</b>                      The System must support the ability to integrate with third-party instant games. A minimum of one (1) third-party game library of games must be integrated at the conclusion of each contract year. Responding Contractor should describe, in detail, its methodology to support third-party instant game integrations.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Draw Game Integrations</b>                      The System should support the ability to integrate with third-party draw game systems. Responding Contractor should describe, in detail, its methodology to support third-party draw game integrations.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Existing Integrations and Roadmap</b>                      It is highly desirable for the Responding Contractor to provide third-party game content in a streamlined manner to the Lottery. Responding Contractor may describe any existing third-party integrations that will be available to the Lottery immediately, and shall include the pricing terms related to these games in the separately sealed pricing proposal.</p> <p>Additionally, Responding Contractor may include a roadmap of third-party integrations that are planned but not yet available. For each provider, Responding Contractor should indicate if it already has a contract in place that would allow them to begin implementing third-party game content or if that contract is yet to be established.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Third-Party Game Contracts</b>                      The Successful Contractor shall be responsible for contracting with all third-party game providers and shall impose the same, or greater, standards for game performance as specified in the Contract. Any liquidated damages originating from third-party games shall be imposed upon the Successful Contractor by the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Third-Party Reporting</b>                      The System must provide reporting that is inclusive of third-party games.</p>	<input type="checkbox"/>	<input type="checkbox"/>

**A.2.11 Software Development Model**

Responding Contractor must describe in detail the services and methodologies that are utilized to develop software. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Stand Alone or Multi-Tenant Environment</b>                      Responding Contractor must indicate if the System, as described in the Proposal, will be delivered as a stand-alone or multi-tenant environment. If multi-tenant, describe the level of customization that is generally available to the Lottery and any impact to the timing of software/system updates.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Software Development Methodology</b>                      Responding Contractor must describe its software development methodology with relationship to waterfall or agile practices, including any processes that are utilized to ensure that software is developed with high-quality and meets business requirements.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Software Planning</b>                      Responding Contractor must describe how new software will be planned, in collaboration with the Lottery, and to what extent the Lottery will be able to influence the development of new features.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Release Cycles</b>                      Responding Contractor must describe the release cycles (e.g., quarterly) that will be provided to the Lottery to enhance and adapt the software after the initial startup date. Additionally, the Successful Contractor will be responsible for periodic system changes related to the games.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Documentation Standards</b>                      Describe the typical documentation and collaboration process, involving the Lottery, as it relates to delivering new software features. Indicate any tools that are used to manage documentation.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Software Development Resources</b>  Responding Contractor must provide the Lottery with ample resources to modify the system during the Contract Term. System change requests must be estimated by the Successful Contractor using a points-based methodology. As a recommended framework, a simple change may be estimated at two (2) points, four (4) points, or eight (8) points as effort increases. A moderate change may be estimated at sixteen (16) points and a complex change may be estimated at thirty-two (32) points.</p> <p>The Lottery must be provided with a minimum of sixty-four (64) points of software changes per month of the Contract after the system startup date. Responding Contractor must propose a sample three (3) month software release plan that leverages the allotment of sixty-four (64) points per month or larger point allotment if Responding Contractor is proposing resources above the minimum. This sample plan should include sample point estimates for common changes such as the modification of existing reports, an update to a game’s prize structure, modification of a UI component, enhancements to the loyalty system, and the addition of a third-party game integration.</p> <p>Any unused points in a given month shall roll forward into subsequent months and shall never expire. Points may not be applied to any software deliverables or services in the RFP that are specified as required, or that have been proposed free of charge by the Responding Contractor.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Development Tracking</b>  Responding Contractor should describe the process for estimating, tracking, and reporting development progress to the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Quality Assurance Environment</b>  Responding Contractor must provide a distinct quality assurance environment for the purposes of its own testing of software prior to the delivery to the Lottery for acceptance testing. Describe to what extent this environment mirrors the production environment.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Lottery Testing Environment</b>  Responding Contractor must provide a distinct user acceptance testing environment to Lottery, which is exclusively used for testing by the Lottery or its authorized designees. Describe to what extent this environment mirrors the production environment. Describe the capabilities of the testing environment, such as the ability to time travel, which will enable the Lottery’s ability to test efficiently.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Lottery Testing Devices</b>  Responding Contractor must furnish testing devices to the Lottery, on a quarterly basis, that reflect the lesser of eighty percent (80%) or the top ten (10) devices that are currently visiting the Lottery’s sites.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Regulatory Compliance Testing</b>  Responding Contractor should describe how testing method will be utilized to ensure that age verification and geolocation technologies are performing as expected, and in compliance with all regulatory requirements.</p>	<input type="checkbox"/>	<input type="checkbox"/>

**A.2.12 Customer Service Center**

Responding Contractor must describe in detail the capabilities and operational support related to managing customer service center (“CSC”) activities. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Support Channels</b> Responding Contractor must describe the features and methods by which player communication channels are enabled. At a minimum, voice, email, and live chat support must be provided.</p>		
<p><b>Support Availability</b> Responding Contractor must provide CSC support to players on a continuous basis (i.e., 24/7/365) without interruption over the term of the Contract.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Oversight Capabilities</b> The Lottery must be provided with adequate oversight (including access to CSC personnel) and reporting capabilities to establish final operational control and ability to measure performance. The CSC reporting must be searchable and support the ability to view a complete record of historical correspondences. The ability to view aggregate CSC reporting, such as total inquiries per time period, must be supported by the system.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Data Retention</b> The System must retain all CSC correspondences for a period of no less than three (3) years. The Lottery must be provided with access to all correspondences.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Satisfaction Measurement</b> The System must provide the capabilities to collect satisfaction sentiments from players based on CSC interactions, and to provide detailed reporting to the Lottery in a quantitative and qualitative manner.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Staffing Levels</b> CSC staffing levels must be provided, at no cost to the Lottery, on an ongoing basis in a manner that scales to meet the capacity requirements and service levels as established in the RFP.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Failover and Disaster Recovery</b> The CSC must be equipped with staffing and technology redundancy in a manner that mitigates risk (e.g., backup CSC on different electric grid) and ensures continuous operations. A disaster recovery plan must be provided and approved by the Lottery prior to the startup date and on an annual basis.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Player Hotline</b> Responding Contractor must provide an interactive voice response (“IVR”) system, and dedicated toll-free hotline, that will be published for player inquiries.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>System Access and Case Transfers</b> The Lottery must be provided with direct access to CSC system components in a manner that meets all Lottery-specified requirements to establish operational efficiency and a seamless player experience. The System must be able to receive and transfer case history notes and live calls between the CSC and the Lottery’s designated internal systems.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Subject Matters Supported</b> The CSC staff must be trained to provide support for all features as outlined in this RFP including but not limited to Online Play, loyalty, and the mobile apps. CSC staff must also answer and manage any calls related to winning numbers information and any questions that are of a general nature that do not require specialized training.</p>	<input type="checkbox"/>	<input type="checkbox"/>

### A.2.13 Data Integration Capabilities

Responding Contractor must describe in detail the features, capabilities, and configurable parameters related to the integration of data with external systems. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Player Database Integration</b> The System must have the ability to export all system data (e.g., wagering, non-wagering, loyalty, etc.) to external system(s) as required by the Lottery. This data must be exported, at a minimum, at the close of business each day.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Communication Systems Integration</b> The System must be readily integrated with external communication systems in order to trigger player communications such as email, SMS, or push notifications. Some data will be required to be fed in regular intervals to third party communications partners, such as Salesforce Marketing Cloud, for external campaign development and triggering.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Advertising Systems Integration</b> The System must have the ability to integrate with advertising tracking mechanisms such as advertising pixels or affiliate-specific tracking parameters.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Analytics Systems Integration</b> The System must provide support for site analytics tracking mechanisms, such as Google Analytics, on all pages or UI components that are provided on the site. This must support the ability to establish and track conversion funnels with the capability to pass parameters in order to relate purchase value back to specific campaigns or site conversion paths. The Lottery will provide a Google Analytics Tracking ID for each portal as necessary.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>A/B Testing System</b> The System must have the ability to integrate with an A/B testing system, as provided by Lottery. This includes integration of the player-facing UI components of the System in addition to any data integration that must be passed back to the A/B testing system for measurement.</p>	<input type="checkbox"/>	<input type="checkbox"/>

### A.2.14 Staffing Support Model

The Lottery must be provided with ample and experienced staffing services to support the startup and ongoing Online Play, Loyalty, and digital operations. Any dedicated staff, as required in the RFP, must be provided in addition to any existing staff that may already be in place to support the Lottery’s current operations. Responding Contractor must describe in detail the staff and professional services that will support the product and marketing operations of the Lottery. The description must address the following minimum requirements, which must be in addition to current staffing:

Requirement	Yes	No
<p><b>Project Manager</b> The Successful Contractor will be required to provide a project manager that is onsite and exclusively dedicated to the Lottery. This individual will be responsible for coordinating all documentation, project schedules, meetings, and all other communications required to manage the System and supporting operations. The project manager must be able to facilitate timely changes and adjustments on the fly, especially to live features and promotions, and respond promptly to all requests. The Successful Contractor shall provide a process for the Lottery to seek additional assistance if issues arise with the performance or responsiveness of the project manager.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Solutions Architect</b> The Successful Contractor will be required to provide a solutions architect that is specialized in understanding the System and readily available to the Lottery for consultation. This individual will be responsible for gathering Lottery’s requirements and identifying viable technical solutions.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Data Analyst</b> The Successful Contractor will be required to provide a data analyst that is onsite and exclusively dedicated to Online Play and loyalty for the Lottery. This individual will be responsible for compiling data, synthesizing data patterns, performing segmentation, capturing insights into written reports, and maintaining dashboards and distribution reports.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Digital Graphic Designer</b> The Successful Contractor will be required to provide a digital graphic designer that is onsite and exclusively dedicated to the Lottery. This individual will be responsible for creating onsite assets, UI component designs, and paid media advertising assets in a manner that is optimized for each channel (e.g., web, mobile, etc.).</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Strategic Planning Services</b> Responding Contractor must include an initial two (2) year strategic plan for Online Play and loyalty products and marketing initiatives in their Proposal. The strategic plan should include specific details on the rollout of new proposed products and the reasoning as to the timing.</p> <p>The Successful Contractor will be required to collaborate onsite with Lottery at least quarterly in order to determine long-range planning activities that will contribute towards the established revenue goals for Online Play.</p>	<input type="checkbox"/>	<input type="checkbox"/>



<b>Additional Services</b> The Lottery is interested in additional services that will support the development of campaigns, promotions, and game portfolio management. Responding Contractor may propose any additional services, not considered above, that will be included to support the Lottery's product and marketing initiatives.	<input type="checkbox"/>	<input type="checkbox"/>
--	--------------------------	--------------------------

### A.2.15 Drawing Operations and Control Center

The Responding Contractor must describe in detail the services and capabilities to support the operations of draw games. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<b>Control Room</b> The Responding Contractor must describe any anticipated facilities, such as a control room, and staffing related to the operations of draw games.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Drawing Applications</b> The Responding Contractor must describe the software related to the support of draw games and any specific controls that are in place to ensure the continuity and integrity of scheduled drawings.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Control Room and Application Security</b> The Responding Contractor must describe any security features of the drawing applications, or any physical and procedural controls that ensures the security of the control room. The control room, software, and operations must meet any compliance standards imposed by multi-state game associations.	<input type="checkbox"/>	<input type="checkbox"/>

### A.2.16 Internal Control System

The Lottery has a Contract with Elsym Consulting to provide an Internal Control System (ICS) for retail and Online Play gaming. Two (2) of three (3) ICS servers reside at the Lottery Headquarters located in Raleigh, NC; within a highly secure monitored dedicated ICS Room meeting all MUSL regulated requirements. The remaining ICS server resides at an off-site location that is also within a highly secured MUSL approved dedicated room; and serves as the backup disaster recovery dedicated ICS server.

Responding Contractor must describe in detail an approach to integrate Online Play gaming activities with the Lottery's existing ICS system and operations. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<b>Near Real Time Processing</b> System transactions must be transmitted to the ICS in a near real time manner.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Scope of Transactions</b> The System must transmit all wagering, promotional and prize related transactions, including certain deposit transactions, to the ICS.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Environments</b> The System must send independent transactions to each of the three (3) distinct ICS environments, which includes primary, secondary, and a spare.	<input type="checkbox"/>	<input type="checkbox"/>

### A.2.17 Reporting Capabilities and Services

The Responding Contractor must describe in detail the features, capabilities, and support services related to creating and managing reports. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>General Services</b> The Successful Contractor will be required to provide ongoing support for reporting development, customization, and distribution to the Lottery. Certain reports will be required to be automated and scheduled on a recurring basis.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Reconciliation Reporting</b> The System must generate a reconciliation report that applies all financial conditions, including commission payments, to determine an exchange of funds due to the Lottery as a result of Online Play gaming profits.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Balancing Reports</b> The System must generate reporting that enables the Lottery to perform all balancing functions between the central gaming system and the ICS. A mirror copy of all financial reports must be configured on the ICS.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Daily Online Play Reporting</b> Reports must be automated that provide visibility into daily Online Play activities such as new registrations, returning players, deposits, wagers, prizes paid, prizes pending and breakdowns for the various sales channels (e.g., desktop, mobile, app, etc.).</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Online Play Game Reporting</b> The System must provide reporting related to wagers and wins of all games. This includes any third-party games that are integrated with the System.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Loyalty Reporting</b> The Responding Contractor must track player engagement, including ticket entries, drawing entries, and other behavior within the platform. The System must have robust capabilities to provide site analytics, real-time data analysis and reports to the Lottery, including demographics and consumer information as desired by the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Tax Reporting</b> The System must have capabilities to export files in a format, as specified by Lottery, which can be combined with retail claim center data in order to create all required tax reporting.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Expired Prizes Reporting</b> The System must have capabilities to export a file of expired prizes, as defined by the Lottery, which have not been claimed by a player. All unclaimed prizes will be transferred directly to the Lottery and are not subject to Successful Contractor's commissions.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<p><b>Expired Player Wallet Reporting</b> The System must have capabilities to expire Player Wallet balances, as defined by the Lottery, after a defined period of player inactivity. Any expired Player Wallet balances will be subject to State escheat laws.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Game Card Reporting</b> The System must have capabilities to report on game card activities such as number of redemptions, value redeemed, and any associated bonuses.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Geolocation Reporting</b> The System must provide reporting related to the performance of geolocation services such as the number of successful and blocked connections. The ability to drill down into performance data is desired in order to inform any potential areas for optimization.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Identity Verification Reporting</b> The System must log any parameters associated with identity verification, and must be available on a player-specific basis. An immediate export of failure reasons must be logged and made available to the CSC in order to inform customer support activities.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Virtual Claims Reporting</b> The System must provide reporting related to virtual prize claim center activities, such as a detailed report of all prizes paid and the staff member that authorized the claim. Reports must be provided daily in a manner that meets the operational needs and requirements of the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Back Office User Reporting</b> The System must provide reporting that allows the Lottery to pull a manifest of all active and disabled users of the back office system, along with the assigned permission settings by user.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Business Intelligence Reporting</b> The System must be integrated with a business intelligence software application that can provide adaptable reporting, scheduling, and automation to the Lottery. A minimum of twenty-five (25) user seat licenses to the business intelligence software application must be provided to the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>

### A.2.18 Facilities and Infrastructure

Responding Contractor must describe in detail the facilities and infrastructure associated with the Online Play System. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Configuration at Primary Data Center</b>                      The primary data center must conform to all federal and state regulatory requirements, and must be located in the continental United States. The primary data center must also conform to any relevant PCI requirements or security requirements imposed by the Lottery and any associations (e.g., MUSL) that provide game oversight.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Configuration at Backup Data Center</b>                      The backup data center must conform to all federal and state regulatory requirements, and must be located in the continental United States. The backup data center must also conform to any relevant PCI requirements or security requirements imposed by the Lottery and any associations (e.g., MUSL) that provide game oversight.</p> <p>The backup data center must be located in an area that minimizes and separates risk of concurrent failure with the primary data center, such as isolation on separate power grids. Additionally, the backup data center must be tested every six (6) months for readiness in a planned failover.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>System Performance and Scalability</b>                      The System must be designed to maximize performance and speed across a wide variety of devices and connection types. Successful Contractor must provide response and load times for common user interactions (e.g., load an instant game, make a wager, call the registration page, login, etc.) in a table format with an average time to completion. The table must contain two (2) columns and indicate an average response time for a broadband connection and a cellular connection.</p> <p>The System must be scalable to meet the growing traffic needs of the Lottery and must not experience degraded performance. Responding Contractor must describe the capacity of the System to handle high volumes of traffic while providing any quantitative figures such as throughput.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>System Availability and Monitoring</b>                      The System must be available on an ongoing basis without interruption (i.e., 24/7/365) and must provide at least seven (7) days advance notice for any planned downtime for system maintenance that must be pre-approved by the Lottery.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Disaster Recovery Plan</b>                      A disaster recovery plan must be provided to the Lottery for approval prior to the system startup date and at the start of each contract year.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Communication Networks</b>                      Responding Contractor must describe the communication networks utilized in establishing connectivity between the data centers, the ICS, and the player-facing site. Describe any security features or processes in place to ensure the integrity and continuity of operations.</p>	<input type="checkbox"/>	<input type="checkbox"/>

<b>Hosting Environments</b> Responding Contractor must describe the hosting environments related to each of the major applications (e.g., player facing UI components, games, back office application, etc.) of the System.	<input type="checkbox"/>	<input type="checkbox"/>
--	--------------------------	--------------------------

### A.2.19 Implementation Plan

Responding Contractor must describe in detail the plan that supports the implementation of the startup requirements for the System. The description must address the following minimum requirements:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
<p><b>Migration Strategy and Services</b> Responding Contractor shall provide a plan related to the migration of all current player accounts, saved player payment information including banking accounts, customer support history, loyalty activity, and internet wagering history. For the purposes of clarity, there will be no requirement to transfer any existing wagers into a new system. However, active loyalty promotions, drawings, and features will need to migrate seamlessly and made available in the new platform with little to no disruption on the front end.</p> <p>Migration must include a plan for ensuring that players can continue to enter all available ticket entry web codes for earning points in the loyalty program. Codes can only be redeemed once so the plan must ensure previously entered codes are excluded from entry with appropriate error messages developed with criteria provided by the Lottery.</p> <p>The current player database includes two levels of registration. One for loyalty, which allows out-of-state residents, and another for Online Play players that have passed know your customer (“KYC”) criteria and are in-state residents. All player types must be migrated into the new system, including a strategy to maximize data hygiene (i.e., removal of inactive or duplicative profiles) as part of the migration process.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Startup Schedule</b> The Successful Contractor will be required to startup a system within twelve (12) months of contract execution. Responding Contractor must describe a project plan to support a timely delivery while indicating the major milestones and key activities to be completed.</p>	<input type="checkbox"/>	<input type="checkbox"/>
<p><b>Startup Resourcing</b> Successful Contractor should describe the staffing resources, including any third-parties, which will be deployed to support migration and startup activities.</p>	<input type="checkbox"/>	<input type="checkbox"/>

### A.2.20 Audit Requirements

The Contractor must, at a minimum, meet specific auditing and accounting obligations as specified below:

<b>Requirement</b>	<b>Yes</b>	<b>No</b>
The Successful 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	<input type="checkbox"/>	<input type="checkbox"/>

<p>requires (and will retain) an electronic and hardcopy of an annual third-party audit of the Successful Contractor's operations, internal controls, system controls for Online Play compliance, and related activities, which includes, but is not limited to, SSAE 18 (SOC I) type 2 &amp; SOC II Type 2 audits reports (or the latest version of such audits as defined by American Institute of Certified Public Accountants (AICPA)). The Lottery also requires a SSAE 18 (SOC 1) Type 2 &amp; SOC II Type 2 report from any subservice organizations.</p>		
--	--	--

## B Lottery Organization Chart

---

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

See Section 2.2.1 (Lottery Organization).

Org Chart – click icon to open



## C Lottery Annual Report and Lottery Sales

---

Significance	Response Type	Standard Text
INFORMATION	NONE	NO

See Section 2.2.8 (Lottery Sales/Financial Results).



NCEL-Weekly Sales  
- FY 2018 - 6-9-18).xl:

NCEL Sales Data

Lottery Annual Report



## D Code of Ethics

---

Significance	Response Type	Standard Text
MANDATORY	ACCEPTANCE	YES

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

### North Carolina Education Lottery Commission Code of Ethics

#### Purpose and Intent

Public confidence in the operation of the North Carolina Education Lottery (NCEL) is essential to fulfilling its mission as established in N.C.G.S. Ch. 18C. Such public confidence requires that the NCEL Commission (“the Commission”) and its membership conduct its business in a manner that demonstrates the highest ethical standards. In addition to [Governor Easley’s Executive Order Number I]\* (attached) and applicable statutory requirements *including N.C.G.S. Sec. 133-32, 14-234* this Code of Ethics is adopted by the Commission to provide standards to ensure its business is performed with honesty, integrity and fairness.

#### Conflict of Interest

Members of the Commission shall exercise the utmost good faith in conducting the business of the Commission. Members shall not knowingly engage in any activity that creates a conflict between their personal financial interest, the financial interest of any family member, or the interests of any business organization or group with which the member is associated, and their duties as a Commissioner. Members shall make every effort to avoid the appearance of a conflict of interest. Commission members shall inform the Chairman of any situation that may raise a conflict of interest or the appearance of a conflict of interest, and where conflict may exist, recuse themselves from voting on such matters.

#### Gifts and Entertainment

Members of the Commission and their immediate family shall not accept anything of value, including, but not limited to gifts, meals, travel, or entertainment from any contractor or potential contractor to the NCEL or any other potential interested parties seeking to do business with the NCEL.

#### Communications

The Commission shall conduct its business in conformance with the open meetings and public records laws of the state. Material communications between contractors or potential contractors and Commission members concerning the business of the Commission shall be made during lawfully noticed meetings of the Commission and its committees. Individual contacts with Commission members are specifically discouraged and the interested parties shall be referred to the full commission or appropriate committee for consideration of any questions and/or proposals. Communications protocols related to procurement of services, materials or other business shall be set forth in relevant request for proposals and shall be strictly followed. Commission

members shall not disclose or use for their own personal gain any confidential information gained by virtue of their position as a Commission member.

### Other Provisions

Commission members should also be aware of the following prohibitions:

- a) No ticket or share in any lottery game shall be purchased by, and no prize shall be paid to, a member of the Commission, the Director, or employee of the Commission, or to any spouse, parent, or child living in the same household as a person disqualified by this subsection. N.C.G.S. 18C- 132 (i).
- b) For a period of two (2) years following the expiration of his or her tenure, Commission members are prohibited from the following:
  - a) Representing any vendor or lottery retailer before the Commission or Lottery staff;
  - b) Participating in a contract or agreement with the NCEL in a managerial, entrepreneurial, or consulting capacity;
  - c) Knowingly making, with the intent to influence, any communication to or appearance before any outside entity in connection with a particular matter in which the NCEL has a direct and substantial interest.

- \* Superseded by Executive Order 24



ExecutiveOrder24Gi  
ftBan.pdf

- Corporate Social Responsibility



10.2  
CorporateSocialResp

## E Additional Appendices

---

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



Minority Business  
Forms.docx

- Sample Contract



Online Play  
Standard Contract.d

- Vendor Dispute Resolution Procedures



6.02 Vendor  
Dispute Resolution

- Certification of Contractor



Certification of  
Contractor.docx

- Background Disclosure



Background  
Disclosure.docx

- Authorization for Contractor Investigation



Authorization for  
Contractor Investiga

- Authorization for Individual Investigation



AUTHORIZATION  
FOR INDIVIDUAL IN

## F RFP Compliance Table

Significance	Response Type	Standard Text
MANDATORY	FULL	YES

See Section 1.12.4 (Compliance Table).

Section	Significance	Compliance			Comments
		FULL	MODIFIED	N/C	
1.4	Mandatory				
1.5	Mandatory				
1.6	Mandatory				
1.7	Mandatory				
1.8	Mandatory				
1.9	Mandatory				
1.10	Mandatory				
1.10.1	Important				
1.11	Information				
1.12	Mandatory				
1.12.1	Mandatory				
1.12.2	Mandatory				
1.12.3	Mandatory				
1.12.4	Mandatory				
1.13	Mandatory				
1.14	Mandatory				
1.15	Mandatory				
1.16	Mandatory				
1.17	Mandatory				
1.18	Mandatory				
1.19	Mandatory				
1.20	Mandatory				
1.20.1	Important				
1.21	Mandatory				

		Compliance			
Section	Significance	FULL	MODIFIED	N/C	Comments
1.22	Mandatory				
1.23	Mandatory				
1.24	Mandatory				
1.25	Mandatory				
1.26	Important				
1.27	Mandatory				
1.28	Important				
1.29	Mandatory				
1.30	Important				
1.31	Important				
1.32	Important				
1.33	Mandatory				
1.34	Important				
1.35	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				
3.9	Mandatory				
3.10	Mandatory				
3.11	Mandatory				
3.12	Mandatory				
3.13	Mandatory				

		Compliance			
Section	Significance	FULL	MODIFIED	N/C	Comments
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				
3.22.1	Mandatory				
3.22.2	Mandatory				
3.23	Mandatory				
3.24	Mandatory				
3.25	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				
3.37.1	Mandatory				
3.37.2	Mandatory				
3.37.3	Mandatory				
3.37.4	Mandatory				
3.37.5	Mandatory				
3.37.6	Mandatory				
4.1	Important				

Section	Significance	Compliance			Comments
		FULL	MODIFIED	N/C	
4.1.1	Mandatory				
4.1.2	Mandatory				
4.1.3	Mandatory				
4.1.4	Mandatory				
4.1.5	Important				
4.2	Important				
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				
5.3	Important				
5.3.1	Mandatory				
5.3.2	Invited Option				
5.3.3	Offered Option				
6.1	Mandatory				
6.2	Mandatory				
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				

