

**NEBRASKA LOTTERY
INSTANT AND ONLINE GAMES AND RELATED SERVICES
REQUEST FOR PROPOSALS**

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
SECTION 1: TERMS AND CONDITIONS.....	2
Nebraska Lottery Objectives	3
Definitions.....	6
Background of the Nebraska Lottery	9
Products and Promotions	9
Contact Person, Issuing Office and Inquiries.....	10
Oral Presentation and Demonstration	12
Visits to Vendor Sites	13
Implementation Plan.....	13
Dates Relevant to Award.....	15
Submission of Proposal.....	16
SECTION 2: REQUIRED SERVICES	17
PRODUCT SUPPORT SERVICES—	
Statement of Understanding/Method of Providing Services	17
Product Development and Support.....	17
On-going Marketing Planning	18
Game Design and Development.....	18
Game Planning Meetings	19
Game Concept Licensing	19
Game Marketing and Operational Assistance	20
Promotional Tickets, Free Replays, Coupons	21
Marketing/Sales Report Services	21
Sales, Marketing and Public Relations Support.....	22
Research	23
RETAILER SUPPORT SERVICES	
Retailer Training	24
Retailer Network Support	25
Key Accounts.....	25
Allocation/Credit Limits	26
Retailer Development	26
Retailer Equipment Installation and Maintenance.....	27
Instant Ticket Display Units	28
End Caps.....	29
Hotline Services.....	29

STAFFING AND SUPPORT RESOURCES

Site General Manager 32
Sales Manager 32
Business Analyst 32
Promotions Manager 33
Warehouse Manager 33
Infrastructure Support Manager 34
Lottery Sales Representatives (LSRs)..... 34
Instant Ticket Supervisor and Order Specialist Representatives (OSRs) 37
Field Maintenance Service 38
Special Events, Resources and Staffing..... 39
Field Facilities/Equipment..... 40
Staffing Contingencies..... 41
Retaining Current Contractor Staff 41
Personnel Approval 41
Personnel Oversight 41
Training 42

MISCELLANEOUS

Additional Required Operational Items 43
No Financial Commitment Without Prior Nebraska Lottery Approval 43
Disclosure of Anticipated Subcontractors 43
Advertising Sensitivity..... 43
Procurement Agent..... 43
Courier Services 44
Records Retention..... 44
Industry Conferences 44
Retailer Meetings..... 45
Retailer Advisory Board..... 45
Business Planning Meetings 45
Lottery Meetings..... 45
Website and Mobile Support 45
Hours/Days of Operations 45

SECTION 3: PRODUCTS AND SYSTEM REQUIREMENTS 46

Game Development..... 46

INSTANT TICKET GAME DEVELOPMENT AND PRINTING

Ticket Colors/Ticket Graphics/Ticket Display Areas/Inks..... 46
Ticket Sizes 47
Ticket Stock..... 48
Artwork 48
Prize Structures 49
Working Papers 49

Game Rules.....	50
Ticket Menu Board Cards.....	50
Voids/Samples.....	50
Ticket Prints.....	50
Probability, Pouch and Monitor Games.....	51
Advanced Instant Ticket Games.....	51
Ticket Play Areas.....	52
Overprint Designs.....	52
Rub-off Material.....	53
Scratchability and Shelf Life.....	53
Play Data Symbols.....	53
Security Tint.....	54
Lily Pad.....	55
Coatings.....	55
Validation Number.....	55
Bar Codes.....	56
Uniform Product Codes.....	56
Other Markings.....	56
Perforations.....	56
Ticket Numbering.....	57
Packaging.....	57
Industry Tolerance.....	58
Security Certification.....	58
Ticket Integrity.....	58
Production Ticket Samples.....	59
Nonconformity of Printed Tickets.....	59
Innovations, Limitations and Exceptions.....	60
Security Breach.....	60
Overall Security Specifications.....	60
Ticket Security Requirements.....	61
Odds of Winning.....	61
Invasive Techniques.....	62
Knowledge of Location of Winning Tickets.....	62
Production Documentation.....	62
Ticket Inspection.....	62
Ticket Testing.....	63
Prize Guarantees.....	64
New Game Data.....	64
Shipping and Delivery.....	65
Time Schedule.....	66
Ticket Inventory Control and Management.....	66
Ticket Ordering and Processing.....	68
Retailer Ticket Orders.....	68
Ticket Order Packaging.....	68
Instant Ticket Distribution to Retailers.....	69
Returned Tickets.....	70

Ticket Destructions	71
ONLINE GAME DEVELOPMENT AND MANAGEMENT	
Online Consumables Accountability	72
Online Ticket Stock Development, Delivery and Control	72
INSTANT AND ONLINE SYSTEMS AND COMMUNCATIONS REQUIREMENTS	
Current Online Gaming System.....	73
Retailer Terminals, Peripherals and Support.....	74
Communications Network.....	74
Required Retailer Terminals and Related Equipment.....	74
Validation and Wagering Systems Requirements.....	77
Backup System.....	79
System Growth Path.....	79
Communications Network Systems Requirements.....	79
Proposed System Redundancy	80
INSTANT AND ONLINE SYSTEM	
Instant Ticket and Other Materials Inventory Control.....	84
Instant and Online Ticket Claims Processing	85
Retailer Accounting, Billing and Funds Transfer.....	86
Instant and Online Game Lottery Management Reporting	89
Instant Game and Promotion File Maintenance.....	92
Back Office Management System	92
Internal Control System (ICS).....	92
System Modification and Acceptance Testing	94
Hardware and Equipment-	
Instant and Online Game Hardware	96
SOFTWARE	
Instant Game Software	98
Online Game Software	100
Online Game Draw Management Functions.....	102
Promotion and Coupon Functions	103
Instant Ticket Game and Online Game Software and Data Retention.....	106
Software Security Features	107
Validation Systems Requirements.....	108
Miscellaneous Validation Matters	109
Non-validation Functions	109
ADDITIONAL SYSTEM REQUIREMENTS	
Retailer Information Tracking.....	111
Web-based Retailer Reporting	111
Ticket and Terminal Messaging.....	112
Electronic Display Signage.....	113
Ticket Checking Equipment.....	113
Cash Drawer.....	114
Technical Support and Training.....	114
Installation Schedule	115
Communication Network	115
System Growth Path.....	117

Disaster Recovery Plan	117
CONTRACTOR SITE REQUIREMENTS	
Additional Information	120

SECTION 4: GENERAL PROVISIONS

Contractor/Nebraska Lottery Relationship	121
Governing Law	121
Nebraska Lottery Obligations	122
Right to Alter, Modify, or Amend the RFP	122
Content of the RFP and Structure of Responses.....	122
Contractor Obligations.....	123
Response Components	123
Financial Soundness	126
Experience.....	127
References	129
Transmittal Letter.....	130
Proposal Certification	131
Proposal Security	131
Cost Proposal	131
Nonexclusive Rights	132
Property of the Nebraska Lottery.....	132
Covenant Not to Sue	133
Litigation Security	133
Performance Bond.....	133
Fidelity Bond.....	134
Insurance.....	134
Submission of Disclosure Documents/ Background Investigations/Inspections	135
Proposals Subject to Open Records.....	137
Selection Factors for the Award.....	138
Evaluation Procedure	139
Waiver of Deficiencies and Rejection for Noncompliance	139
Contract Provisions	140
Liquidated Damages.....	144
Miscellaneous Provisions	155
Audits	156
Minority and Female Participation	157
Protest Procedure.....	157
Contract Cancellation	158
Disclosure Prohibition.....	160
Hiring Prohibition	160
 Drug-Free Workplace Policy.....	 160

SECTION 5: VENDOR TURNOVER

Transition/End of Contract	161
SECTION 6: VENDOR TURNOVER TRANSITION/ BEGINNING WITH SIGNING OF CONTRACT	163
SECTION 7: COMPENSATION	
Introduction.....	166
Percentage of Sales	166
Determination of Net Instant Ticket Sales Per Price Point.....	167
Determination of Net Online Sales	167
Payment	168
Bidding	168
APPENDICES	
APPENDIX A – Nebraska Lottery Proposal Certification	169
APPENDIX B – Covenant Not to Sue	170
APPENDIX C – Nondisclosure Agreement	171
APPENDIX D – Advisory Opinion #160 Nebraska Accountability And Disclosure Commission.....	172

EXECUTIVE SUMMARY

The Nebraska Lottery is seeking proposals from qualified vendors for the provision of Instant and Online Games and Related Services on a unified network system.

Proposals must provide for the printing, delivery, storage, and management of Instant and Online Games through a unified Instant and Online Gaming System, including all necessary equipment, hardware, software, communications, networking, and related services for products legally allowed in Nebraska.

The unified system must fully support all aspects of Instant ticket and Online game transactions, including sales, automated validations, ticket activation and confirmation, tracking, record keeping, and all other required logistical and support functions.

Proposals must also provide for field sales and services representatives, marketing support services, training, and all other requirements as contained in this RFP.

The Nebraska Lottery is seeking a Contractor to serve as a single point of contact in the execution of a Contract providing the services discussed in this RFP.

Any Vendor's Proposal may, without any penalty, identify one or more subcontractors to provide any product or service that is required in this RFP. In the event that a Vendor identifies one or more subcontractors in its Proposal, the Vendor, if awarded a Contract as a result of this RFP, will not be relieved of its responsibility and obligation to meet all requirements contained herein. The Nebraska Lottery will incur no additional obligations, and the obligations of the Contractor will not be reduced.

Proposals must encompass delivery of products and services related to Instant and Online games within one of the following contractual configurations:

- a) Cooperative services for a unified system and product delivery of Instant and Online games;
- b) Cooperative services for dedicated delivery of Instant games and related systems, with a subcontracting arrangement for management of delivery of product and systems related to Online games; or Online games and related systems, with a subcontracting arrangement for management of production and delivery of product and systems related to Instant games;
- c) Management services overseeing the production and delivery of Instant and Online games and related systems and support services through one or more subcontractors.

In accordance with State law, preference shall be given to Vendors based in Nebraska if the costs and benefits are equal or superior to those available from competing vendors.

SECTION 1: TERMS AND CONDITIONS

The purpose of this RFP is to secure competitive proposals for an Instant and Online Gaming System, the printing and delivery of Instant and Online Games, and all related operational, support, and marketing services. The Contract awarded as a result of this request will commence on the date the Contract is signed, with compensation beginning no earlier than July 1, 2021, and continue through June 30, 2028 with three (3) two (2)-year options (concluding on June 30, 2034, if exercised) which may be exercised at the discretion of the Nebraska Lottery dependent upon availability of funds, and with the approval of the Tax Commissioner. Optional period renewals shall be automatic unless the Nebraska Lottery gives 180 days' written notice.

The integrity of the Nebraska Lottery is essential. The Nebraska Lottery must maintain control over all of its functions and activities to assure that they are performed to provide the greatest long-term benefit to the State of Nebraska and assure the greatest degree of integrity to the Nebraska Lottery in a manner consistent with the dignity of the State of Nebraska. The Contractor must perform their activities in such a way as to maintain the public's trust and confidence in the Nebraska Lottery and its operation. This RFP outlines the services that must be provided by the Contractor that are essential to maintaining the integrity and success of the Nebraska Lottery.

Prospective Vendors are expected to provide the Nebraska Lottery with information, evidence, and demonstrations that will make possible the evaluation of the information in expectation of awarding a Contract in a manner that best serves the interests of the Nebraska Lottery. The Nebraska Lottery reserves the right to make use of any and all ideas presented in reply to this RFP.

Submissions to this RFP shall be considered agreement by Vendors with the provisions of this RFP, and by extension the successful Contractor shall be expected to comply with the terms of this RFP as well as other terms set forth in any Contract that results from this RFP.

Throughout this RFP statements are made regarding requirements to be met by the successful Vendor/Contractor. As noted above, a response to this RFP shall be considered agreement with those stated requirements.

Also throughout this RFP are more than 240 items preceded by a number which will be specifically considered by the Nebraska Lottery Evaluation Committee. Vendors are advised to pay close attention to the content of these items and address them in any response submitted. These items may not comprise the entire evaluation rubric for this RFP, but are pointed out for the convenience of interested Vendors.

The Nebraska Lottery Evaluation Committee will include three members of the Nebraska Lottery staff and four external representatives of the Nebraska Lottery beneficiary and business communities and Nebraska State government.

The Nebraska Lottery reserves the right to award a Contract based solely on what it considers to be the best response to the RFP, if a Contract award appears to be in the Nebraska Lottery's best interests.

The Nebraska Lottery encourages the greatest flexibility, creativity, and participation in the response process by allowing Vendors to construct their own creative solutions for the Instant and Online Gaming System, equipment, and related services that meet the specific requirements enclosed herein.

Qualified Vendors meeting the requirements and specifications contained in this RFP shall take into consideration all associated costs of the Instant and Online Gaming System, equipment, and related services required in this RFP and offered in their proposal. Any additional cost incurred either in the preparation of the Vendor's response or in the execution of the Contractor's responsibilities under this RFP and any subsequent Contract will not be the responsibility of the Nebraska Lottery.

Nebraska Lottery Objectives

1. As a statewide public business, the Nebraska Lottery has responsibilities to multiple constituencies; players, retailers, beneficiaries, the general public, and elected policy makers. This RFP is an extension of the Lottery's work to maximize efficiency and revenues and optimize service to those audiences, and anticipates an on-going process of working to meet the following objectives. Vendors may address in detail any of the following items in this portion of their response. Vendors are presumed to acknowledge these objectives by submitting a proposal, and the Contractor will be expected to support these and any other objectives established during the term of the Contract.

- a. To commence Instant and Online lottery sales under the new Contract on July 1, 2021, with the ability to validate unclaimed winners from previous draws and subsequent winners from existing advance sales as of July 1, 2021, as well as

winners from Instant games on sale prior to the Contract commencement date, through the 180-day validation period for the respective product lines (Instant and Online).

- b. To operate the Nebraska Lottery in an efficient and secure manner.
- c. To meet the revenue goals which have been established for the Nebraska Lottery.
- d. To maintain an appropriate blended prize payout among Instant and Online products.
- e. To maximize profits from Instant and Online ticket sales to meet the transfer requirement of the Lottery Act which shall equal the greater of (a) the dollar amount transferred to the funds in fiscal year 2002-03 or (b) any amount which constitutes at least twenty-two percent and no more than twenty-five percent of the dollar amount of the lottery tickets which have been sold on an annualized basis. (Neb. Rev. Stat. Sec. 9-812)
- f. To ensure that Lottery Retailers are appropriately compensated for Instant and Online sales.
- g. To provide opportunities for meaningful minority participation in operational aspects of the Nebraska Lottery.
- h. To limit the number of employees required by the Nebraska Lottery.
- i. To provide Instant and Online games that are played and easily understood by the general population of Nebraska.
- j. To obtain an Instant and Online lottery games system that is sufficiently flexible to meet the Nebraska Lottery's changing requirements.
- k. To continue to provide the Multi-State Lottery Association Online games. The Contractor must be prepared to add any additional games or game enhancements that the Nebraska Lottery or the Multi-state Lottery Association (or any other game group to which the Nebraska Lottery may belong) may add during the term of the Contract including any extensions at no additional cost to the Nebraska Lottery.
- l. To continue to provide all other Nebraska Online games at no additional cost to the Nebraska Lottery. The Contractor must also be prepared to add any additional Online games or Online game enhancements that the Nebraska Lottery may request

to be added during the term of the Contract at no additional cost to the Nebraska Lottery.

- m. To secure cost-effective Instant and Online products, equipment and related communication, marketing, promotion, advertising, production, and procurement services.
- n. To secure Instant and Online products, equipment, and related services from a reputable, experienced firm that will work with the Nebraska Lottery as a team to plan and implement marketing strategies.
- o. To secure a Contract that will provide no disruption in Instant and Online sales and services to Retailers and players and that will provide tickets, equipment, and training to Retailers by the dates announced in this RFP or as subsequently modified to meet the objectives of this RFP.
- p. To market Instant and Online games that are fun, exciting, easy to play, and offer players a variety of products.
- q. To market Instant and Online games and game themes that satisfy the preferences of existing and potential Nebraska Lottery players.
- r. To effectively and efficiently produce Instant and Online games in accordance with the highest levels of dignity and integrity.
- s. To conduct promotions, advertising, marketing, and public relations programs in such a manner as to promote the positive image and integrity of the Nebraska Lottery and the programs it supports.
- t. To secure a Contract that is sufficiently flexible to enable the Nebraska Lottery to respond appropriately to marketplace conditions and policy developments.
- u. To maximize the sale of Nebraska Lottery tickets and profitability by maintaining positive public awareness of the Nebraska Lottery's games and operations.
- v. To maintain the public's trust and confidence in the Nebraska Lottery and its operation.
- w. To maintain an environment for the Retailer network that improves upon their current experience as much as possible, including, but not limited to, terminal functionality,

services to players, accounting reports and procedures, and physical space taken in their location by Lottery equipment and supplies.

Definitions

For purposes of this Request for Proposals (RFP), the following terms shall be defined as described below.

Act shall mean the State Lottery Act; (NEB. REV. STAT. Section 9-801 et seq.)

Contractor shall mean a Vendor or Vendor group, including any subcontractor utilized by the Vendor or Vendor group, that has been awarded a Contract by the Nebraska Lottery as a result of a proposal submitted pursuant to this RFP, and shall also include the Contractor's agents and employees, any sub-contractor and its employees or agents;

Vendor shall mean any person or entity that has submitted a proposal to the Nebraska Lottery pursuant to this RFP.

Department shall mean the Nebraska Department of Revenue;

Instant and/or Scratch (ticket, tickets, game or games) shall mean a printed ticket offered by the Nebraska Lottery with pre-determined winning numbers, symbols or letters;

Online (ticket, tickets, raffle, raffles, game or games) shall mean a ticket offered by the Nebraska Lottery where winners are determined by a scheduled drawing;

Duplexed System shall mean that:

- The system shall be designed so that processing will continue even if one component of the system fails or fails to perform as designed;
- The system has the hardware and/or software self-checking logic to detect and report the failure of, or errors made by, any component; and
- The system has redundant components, including: a) central processing unit, b) memory unit, c) controller(s), d) internal data storage and e) removable data storage.

Fault-Tolerant System shall mean:

- There is no single point of failure.
- The system has the capability of fault detection.

- The system provides for isolation and recovery that is automatic and independent.
- The restoration of devices is automatic.
- Online repair is available.
- There is no perceivable degradation caused by failure.

Cooperative Services shall mean providing for the printing, delivery, storage, and management of Instant and Online tickets through a unified system including all necessary equipment, hardware, software, communications, networking, and related services. The system must fully support all aspects of Instant ticket and Online game transactions, including sales, automated validations, ticket activation and confirmation, tracking, record keeping, and all other required logistical and support functions including field sales and services representatives, marketing support services, training, and all other requirements as contained in this Request for Proposals (RFP).

Instant and Online Gaming System (Gaming System) shall mean a single system, including all necessary hardware, software, and equipment to fully support all Instant and Online game transactions.

Terminal shall mean the device, and peripherals, used for the sale and validation of Online tickets and the validation of Instant tickets, the management of Instant ticket inventory, as well as the redemption of coupons and scanning of other media; connected as part of a network to a central processing and reporting system.

Working Papers shall mean the document or documents developed by the Nebraska Lottery and its Contractor(s) describing the construction and production requirements of Instant ticket games.

Specifications shall mean the document or documents developed by the Nebraska Lottery and its Contractor(s) describing the construction and production requirements of all games and related software or systems software.

MUSL shall mean the Multi-state Lottery Association.

Nebraska Lottery or Lottery shall mean the Lottery Division of the Nebraska Department of Revenue.

Claim Center shall mean the offices of the Nebraska Department of Revenue in Lincoln, Norfolk, North Platte, Omaha, and Scottsbluff that redeem winning tickets. This list

of Claim Centers includes the headquarters of the Nebraska Lottery in Lincoln. The Nebraska State Fair offices in Grand Island also serve as a claim center.

Director shall mean the Director of the Nebraska Lottery.

Retailer shall mean a business contracted by the Nebraska Lottery to sell Nebraska Lottery tickets.

Warrants shall mean checks or payments issued by the State of Nebraska.

High Prize Seller's Bonus, Merchandising Bonus or Cashing Bonus shall mean monetary incentives for Retailer participation in automated inventory management systems, specified merchandising arrangements; or such as one percent (1%) paid to a Retailer for selling a winning ticket of \$1,000 or more, with a maximum payout to the Retailer for any one wager of not more than \$50,000.

Field Service Technician (FST) shall mean field services staff who provide installation and maintenance of terminals and related equipment and employed by the Contractor.

Lottery Sales Representative (LSR) shall mean a field sales and services staff promoting Lottery products on behalf of the Nebraska Lottery and employed by the Contractor.

Order Specialist Representative (OSR) shall mean an internal sales and services staff promoting Lottery products on behalf of the Nebraska Lottery and employed by the Contractor.

Point-Of-Sale (POS) materials shall mean marketing materials for use at Retailer locations.

A Key Account shall mean a Corporate account with common ownership having multiple locations. A chain number links the stores in which all of their banking and financial reporting activity is processed.

Common Ownership shall mean selected locations that have the same ownership, but prefer to run each location independently for their banking and reporting needs. Therefore, their locations do not have a chain number, but have a common ownership number.

Subcontractor shall mean a provider of products and/or services that is employed by the Contractor.

Lottery Evaluation Committee shall mean the committee of internal employees and external individuals charged with evaluating proposals submitted in response to this RFP.

Background of the Nebraska Lottery

In November of 1992, 63 percent of Nebraska voters approved a constitutional amendment authorizing the creation of a state lottery. The Nebraska Lottery was created by LB 138, passed by the Nebraska Legislature on February 24, 1993. The Nebraska Lottery, which is a Division of the Nebraska Department of Revenue, began selling Instant games on September 11, 1993. On July 21, 1994, the Nebraska Lottery commenced Online game sales. The Nebraska Lottery currently employs 22 people at its headquarters location. The Nebraska Lottery currently has approximately 1,200 retail stores that are contracted to market all Nebraska Lottery Instant and Online games.

Nebraska Lottery Retailers:

- retain five percent (5%) of the sales price of Instant tickets,
- receive one percent (1%) of Instant ticket sales if the Retailer is compliant with a merchandising agreement,
- may also qualify to receive a one percent (1%) Instant ticket cashing bonus,
- receive five and one-half percent (5.5%) of the sales price of Online tickets,
- are eligible for a high prize seller's bonus on winning tickets of \$1,000 or more of one percent (1%) up to \$50,000 on all games.
- Periodic Retailer and clerk selling incentives are offered.

To date, the Nebraska Lottery has sold over \$3 billion in lottery tickets and provided more than \$750 million to benefit the legislatively mandated funds.

Nebraska Lottery proceeds are allocated according to language established in the Nebraska Constitution in 2004, and applicable legislation. Criteria for proceeds distribution are established by the beneficiary funds in accordance with legislative mandates. Every county in Nebraska has received service from projects funded with Nebraska Lottery proceeds.

Products and Promotions

Instant games currently include \$1, \$2, \$3, \$5, \$10, and \$20 games; in pack values of \$300. Online games include Nebraska Pick 5®, Nebraska Pick 3®, MyDaY®, 2by2®, Lucky For

Life®, Powerball®, and Mega Millions®.

The Nebraska Lottery currently introduces approximately 44 Instant games per year, and these games usually have a relatively short life span (between three (3) months to in excess of one (1) year). There are commonly 30 to 36 Instant games on sale at any given time. Online games are launched less frequently and have a much longer life span, although Online game closings and new game launches do occur.

By statute at least 40% of sales must be returned to players as prizes. Currently, the average payback to the players is approximately 60% to 72% for Instant games, and 50% to 60% for Online games. The overall prize payout for all Nebraska Lottery products combined is 58%.

The Nebraska Lottery's annual marketing budget is 3.5% of sales. Smith Kroeger Advertising is the current advertising agency of record for the Nebraska Lottery.

The Nebraska Lottery designs and implements a variety of product promotions. Some promotions offer an opportunity for players to participate in drawings or redeem coupons, while others are generated and run exclusively on the Lottery terminal.

Contact Person, Issuing Office and Inquiries

This RFP is issued by the Nebraska Lottery. The Nebraska Lottery is the sole point of contact with regard to all procurement and Contractual matters relating to this RFP.

The Nebraska Lottery is the only office authorized to clarify, modify, amend, alter, or withdraw the specifications, terms, and conditions of this RFP and any Contract awarded as a result of this RFP. The Nebraska Lottery welcomes communications with all interested Vendors and will assist prospective Vendors in interpreting RFP specifications. All communications regarding this procurement must be addressed to:

Dennis Nelson, Finance Director
Nebraska Lottery
137 NW 17th
Lincoln, NE 68528

dennis.nelson@nebraska.gov
402-471-6106

Vendors planning to respond to this RFP are encouraged to provide notice of that intent to the issuing office.

The Nebraska Lottery will only respond officially to written communications. Requested information and answers to written questions will be provided in writing or email to all Vendors providing notice of intent.

If a Vendor discovers any ambiguity, conflict, discrepancy, exclusionary specifications, omission, or other error in this RFP, it shall immediately notify, in writing, the point of contact. If a Vendor fails to notify the point of contact of any known error, ambiguity, conflict, discrepancy, exclusionary specification, or omission, the Vendor shall submit a response at its own risk, and, if awarded a Contract, the Vendor shall not be entitled to additional compensation, relief, or time by reason of the error or its later correction.

Any updates to this RFP will be issued via the Nebraska Lottery website at nelottery.com/2021systemrfp

Inquiries concerning this RFP must be received via email by the Nebraska Lottery prior to 4:00 p.m., C.T. April 21, 2020 or will be considered late questions and will not receive a response. All inquiries and answers will be included in the Nebraska Lottery's May 1, 2020 response.

The Nebraska Lottery reserves the right to answer or not answer inquiries it receives. Inquiries received and answers that the Nebraska Lottery chooses to provide will be provided to all known prospective Vendors.

The specific Vendors making the inquiries will not be identified. The Nebraska Lottery will be bound only by the written responses to questions concerning this RFP. At the Vendor's written request and expense, answers to questions may be sent by a service such as Federal Express.

This inquiry procedure provides the only means by which a Vendor may request information on the business, contractual, procedural and technical requirements of this procurement.

Vendors are cautioned that an inquiry must be phrased in generic terms and must not contain a compensation proposal. The inclusion of a compensation proposal in an inquiry may, at the discretion of the Nebraska Lottery, result in the Vendor's disqualification.

Vendors or Contractors and their agents are to make no unsolicited contact with the Tax Commissioner or Deputy Tax Commissioner of the Nebraska Department of Revenue, the

Nebraska Lottery Director, any Nebraska Lottery personnel, spouse of Nebraska Lottery personnel, or Nebraska Lottery Vendors regarding this RFP except the point of contact listed regarding the bidding process and through the conclusion of the evaluation period. If Retailers will be contacted, the point of contact listed must be notified.

Extraordinary requests for exceptions to the prohibition against contact with Nebraska Lottery personnel may be directed to the point of contact. Failure to observe this restriction may, at the discretion of the Nebraska Lottery, result in disqualification of the Vendor's proposal.

This prohibition does not extend to contacts with Nebraska Lottery personnel within the normal course of Nebraska Lottery business and unrelated to this RFP.

Any failure to abide by this process for additional inquiries may, at the discretion of the Lottery, result in rejection of the submitted proposal.

Oral Presentation and Demonstration

The purpose of the oral presentations and demonstrations to the Nebraska Lottery is to provide selected Vendors with the opportunity to showcase their capabilities.

2. Vendors must make oral presentations and demonstrations (including equipment demonstrations) to the Nebraska Lottery Evaluation Committee. The presentation should reflect the Vendor's approach to the specific market situation in Nebraska and the rationale for all recommendations.

The Nebraska Lottery will schedule a time for each oral presentation and demonstration. Presentations and demonstrations must not exceed four (4) hours and must include a minimum of one (1) hour for questions. A Vendor's refusal to honor a request for oral presentation and demonstration shall constitute a basis for elimination. Presentations and demonstrations will be held in Lincoln, Nebraska, at a site selected and paid for by the Nebraska Lottery. A Vendor's presentation must include those persons who would be involved with the Nebraska Lottery account if that Vendor were awarded the Contract.

Presentations and demonstrations will be conducted in an informal manner using whatever method the Vendor selects. Each presentation will be private and held in confidence by the Nebraska Lottery Evaluation Committee. Presentations or meetings held between the Nebraska Lottery Evaluation Committee and a Vendor relating to a Proposal may be electronically recorded. Recordings may be used by the Committee in their review of Vendors' proposals. These recordings and transcriptions will be made a part of the

Contract file for the purpose of determining the intent of the parties in the event of future Contractual disagreements.

Such meeting shall be for the purpose of clarification to ensure thorough mutual understanding. Any verbal statements made by the Nebraska Lottery Evaluation Committee at any time or place shall be considered unofficial expressions.

Visits to Vendor Site(s)

The Nebraska Lottery may, at its discretion and expense, elect to visit a Vendor's facilities during the evaluation process. Following the submission of the proposal, the Nebraska Lottery Evaluation Committee will determine whether Vendor site visits will be required. Vendor site visits would be performed during hours acceptable to management of the facility. Vendor site visits covered in this Section are distinct from on-site inspections that may be required in conducting background investigation(s) of the Vendors. Information obtained during Vendor site visits may be used by the Lottery Evaluation Committee in making its recommendations.

All materials submitted in writing, and other information gained during a site visitation, may be considered as part of the Vendor's Proposal and may be considered in making the award.

Implementation Plan

3. Vendors must provide a summary overview (limited to five (5) pages) of the entire project being proposed. The intent of this requirement is to provide the Nebraska Lottery with a concise but functional summary discussion of each phase of the Vendor's plan.

While the Nebraska Lottery expects Vendors to provide full details in each of the Sections of the RFP relating to their plan, this summary is to provide an outline for the Nebraska Lottery to use while reviewing the Proposal.

Each area summarized must be listed in chronological order to provide a clear indication of the flow of the project proposed by the Vendor. Vendors may take this opportunity to use graphics, charts, preprinted marketing pieces, or other enhancements to support the chronology or add to the presentation. Any such material must be included in the original and all copies of the Proposal. The Implementation Plan must include a proposed organization and staffing plan.

4. The Vendor(s) must provide a chronological implementation plan by which the activities and milestones of the Vendor(s) are graphically presented to allow the Nebraska Lottery to analyze the ordering and time durations of the intended project plan of the Vendor(s). As a part of this Implementation Plan, the Vendor(s) shall prepare a list of items that are to be provided by the Vendor(s) based on the requirements of this RFP and the Vendor(s) proposal. Within thirty (30) days after Contract award, the Contractor will be allowed to revise the implementation plan to more accurately define the required steps and timeline. After approval of the list by the Nebraska Lottery, the list will be utilized to confirm the completion and acceptance of each item. This list will also be used in the assessment of liquidated damages, if any.

Dates Relevant to Award

RFP ISSUED: April 1, 2020

DEADLINE FOR WRITTEN QUESTIONS: 4:00 p.m. C.T. April 21, 2020

NEBRASKA LOTTERY'S RESPONSE TO QUESTIONS
MAILED OR EMAILED NO LATER THAN: May 1, 2020

PROPOSAL DUE: 12:00 p.m., C.T.: June 12, 2020

VENDORS' ORAL PRESENTATIONS AND DEMONSTRATIONS:
likely scheduled July 7, 8 and/or 9, 2020

NEBRASKA LOTTERY EVALUATION COMMITTEE TO MAKE RECOMMENDATIONS TO
LOTTERY DIRECTOR NO LATER THAN: July 30, 2020

RECOMMENDATION FROM DIRECTOR TO TAX COMMISSIONER NO LATER THAN:
August 6, 2020

SELECTION OF THE CONTRACTOR NO LATER THAN: August 13, 2020

PROPOSALS OPENED TO PUBLIC: 9:00 a.m., C.T.: August 18, 2020

CONTRACT NEGOTIATION TO BEGIN NO LATER THAN: August 20, 2020

DISCLOSURE DOCUMENTS SUBMITTED NO LATER THAN: September 1, 2020

ALL PHASES OF CONTRACTOR'S GAMING SYSTEM COMPLETELY OPERATIONAL
BY: June 15, 2021

NEW LOTTERY SYSTEM OPERATIONAL ON: July 1, 2021

Submission of Proposal

The Vendor's proposal, which includes all documents and materials required by this RFP, must be hand delivered or mailed to the Nebraska Lottery. All required components of the proposals must be received at the Nebraska Lottery, 137 NW 17th Street, Lincoln, Nebraska 68528 by 12:00 p.m., C.T., on June 12, 2020. Proposals or portions thereof received after 12:00 p.m., C.T., on June 12, 2020 will be considered late bids and will not be accepted.

The Nebraska Lottery is not responsible for late or lost proposals due to mail service inadequacies, insufficient postage, traffic, or other similar reasons.

Proposals must be submitted with one (1) paper original, eight (8) paper copies, and twelve (12) copies on electronic media.

Proposals must follow the organizational flow of this RFP, and the original and all paper copies must be submitted in three-ring binders. Please do not include formatting features such as section tabs, plastic sleeves, special envelopes, spiral binding, die cut boxes or other decorative presentations.

Proposals must include the Proposal Certification appearing in Appendix A; signed by a person authorized to bind the Vendor/Contractor.

Additionally, proposals must be accompanied by one complete Retailer equipment set-up (terminal and peripherals) in training or demonstration mode. This must be the equipment featured in the Vendor proposal.

All proposals and their content, whether successful or not, become the property of the Nebraska Lottery. Equipment submitted with proposals will be returned to Vendors at the conclusion of the process.

The Lottery Director and/or his or her designee(s) will have access to any and all information and sources cited or used in the development of responses to this RFP.

By submitting a signed proposal, a Vendor agrees that it fully understands this RFP and shall abide by the terms and conditions contained herein. To evaluate the proposals, consistency of terms and conditions between proposals is a necessity. The terms and conditions may be negotiated with the successful Vendor prior to signing of the Contract.

SECTION 2: REQUIRED SERVICES

The purpose of this Section is to provide a general description of the services and resources necessary for the support of Nebraska Lottery Instant ticket games and Online games, including but not limited to product development and support, retailer support and resources, and account staffing and training.

All provisions of this RFP describing Contractor requirements shall be automatically incorporated into, and become contractual components of, any eventual Contract unless otherwise specifically modified in that Contract.

5. Any Vendor exceptions to the described requirements must be clearly stated in the Vendor's Proposal referencing the appropriate section headings.

PRODUCT SUPPORT SERVICES--

-Statement of Understanding / Method for Providing Services

6. Each Vendor shall provide a written statement of its understanding of the Instant ticket and Online game services requested herein as well as a detailed written plan outlining how the Vendor proposes to provide the services required by this RFP.

7. Vendors must provide a narrative that details its understanding of the project's objective.

Product Development and Support

The Contractor shall be required to provide a variety of initial and ongoing products and services, related to the development, marketing and operations of Instant and Online games, as well as retailer support, staff training, and operational support (including but not limited to financial reporting and software development).

The Contractor may be called upon to provide consulting and management assistance in the Nebraska Lottery's operations. The Contractor will be required to play an active role in both the day-to-day and long-term market planning for the Lottery's complete product mix. The Contractor will work closely with the Nebraska Lottery and its advertising agency as decisions are being made regarding games, promotions, research, and implementation schedules.

On-Going Market Planning

The Contractor must work with Lottery in producing and implementing its annual Business Plan. This includes staff time and resources, and necessary accommodations.

Game Design and Development

The Contractor will be required to provide on-going assistance relating to the marketing of the Lottery's Online and Instant games. All such assistance will be developed in concert with the Lottery, and according to Lottery guidelines (managerial direction, contractual obligations, operating policy, and applicable rules and governing law).

8. The Contractor must make strategic recommendations for the Instant and Online product mix on an ongoing basis, or as requested by the Lottery. This should include at a minimum past Instant and Online sales history, Retailer network analysis, and Online game portfolio and Instant game price point assessment.

The Contractor must evaluate and recommend new Online game ideas or enhancements to current games during the term of the Contract.

9. The Contractor must provide on-going assistance in the development of Instant games, including but not limited to assisting the Lottery Products Manager or other Lottery staff in the exploration of game concepts, underwriting product development research, contributing to game licensing fees, monitoring and developing appropriate and innovative distribution methods, and oversight of Instant ticket printing (either through direct business relationships within the Contractor's organization or subcontracted printing relationships). Vendors must include in the RFP response an overview of this type of support provided for any other lotteries under current contracts, including licensed properties that would be available to the Nebraska Lottery.

All original content (game names, play styles, prize structures and related information) developed on behalf of the Nebraska Lottery will become the property of the Nebraska Lottery.

Game Planning Meetings

The Contractor must host and take part in regular meetings in Lincoln with the Nebraska Lottery to discuss Instant game planning, new game concepts, and Online game performance and analysis. Additional meetings may be required by the Nebraska Lottery at its discretion; addressing topics such as sales history, retailer network analysis, Online game portfolio assessment, as well as future research, strategic recommendations, game enhancements, and new Online concepts.

The Contractor must be prepared to host regular conference calls between the Nebraska Lottery and the Contractor's internal assets (such as game development personnel, software developers, field sales staff, and site management) as well as any external resources deemed necessary (such as the Lottery's advertising agency, research vendor(s), intellectual property licensing agency(ies), co-promotional partners, and applicable Instant game printing contractors or multi-state Online game organizations) to discuss Instant or Online game development, assignment of work, and production schedules.

Game Concept Licensing

The Contractor will be required, at its own expense, to obtain a federal and state trademark search of the name selected for each Instant and Online game and also an opinion from counsel on the advisability of the Nebraska Lottery using the selected name. The Contractor must provide such opinion to the Lottery Legal Counsel, or other designee of Lottery, and the Nebraska Lottery shall review such opinions and decide if a selected name is satisfactory prior to the signing of game specifications or Working Papers. If the name is approved by the Nebraska Lottery, such name will be incorporated into final game specifications. The Contractor shall indemnify and hold the Nebraska Lottery harmless from any and all claims, regulatory proceedings and/or causes of action arising from or relating to, directly or indirectly, any claim or assertion by any third party that any game name infringes on the intellectual property rights of any other party.

The Contractor will, at its own expense, conduct all intellectual property searches for all proposed Instant Ticket artwork, game designs, ticket format and layout, graphics, pictures, and other images, to insure that the proposed Instant Ticket does not infringe upon the intellectual property of any third party. The Contractor will indemnify and hold the Nebraska Lottery harmless from any and all claims, regulatory proceedings and/or causes of action arising from or relating to, directly or indirectly, any claim or assertion by any third party that the Instant Ticket infringes on the intellectual property rights of a third party. This intellectual property search and indemnity and hold harmless obligation will not apply to instances in which the Nebraska Lottery exceeds the scope of the limited license that was previously

obtained by the Contractor and agreed to by the Nebraska Lottery or in instances in which the Nebraska Lottery obtained artwork or other materials independent of the Contractor's involvement or creation, and such artwork or other materials were provided to the Contractor and included unmodified for use with an Instant Ticket.

10. Vendors should discuss cost-sharing scenarios regarding fees, including but not limited to trademarks, trade names, service marks, copyrights, patents, and licenses, associated with the use of any game themes or concepts. Approximately three to five licensed properties are launched each year.

The Nebraska Lottery will have sole discretion in determining whether particular game names or concepts will be licensed and utilized as Instant or Online games or promotions.

Game Marketing and Operational Assistance

The Contractor will be required to provide on-going assistance relating to the marketing of the Lottery's Instant and Online games. Such assistance shall include, at a minimum the following:

- a. Instant ticket design, production, warehousing, and distribution.
- b. Retailer network development; field sales support; automated inventory management and inside sales; point of sale (POS) storage, distribution, and placement at Retailers.
- c. Product, premium, and merchandise inventory purchase; warehousing and distribution; equipment maintenance; training; and all related services.
- d. Lottery systems hardware and software, communications between Contractor and Nebraska Lottery Retailers and between Contractor and the Nebraska Lottery, and data processing services and support for the Gaming System.
- e. Automated system(s) consisting of hardware and software to process all lottery transactions including ticket sales, returns, validations, payments, electronic funds transfer (EFT) collections, tax reporting, management reports, Retailer application processing, and inventory control of tickets of the current Instant Ticket Contractor's outstanding tickets.
- f. System and procedures for marketing, distribution and return ticket processing of current Instant ticket remaining inventory that is purchased by the Nebraska Lottery on July 1, 2021.

- g. System and procedures for processing the validation of the current Online game outstanding tickets, and for producing exchange tickets as necessary.
- h. System and procedures for the operation of all Online games.
- i. Sales Reports defined by, and in a format requested by, the Nebraska Lottery.
- j. A method for automated printing of Nebraska Lottery state warrants (checks) at all Claim Centers (including the Nebraska Lottery headquarters) and applying authorized signatures in a highly secure real-time mode for both Instant and Online game winners. Appropriate information must be captured and made available electronically to the Nebraska Lottery for transfer to the Nebraska State Accounting and Bank Reconciliation Systems. Vendors may discuss alternative payment methods such as prepaid debit cards, direct deposit consumer accounts, or other electronic means.
- k. Additionally, conversion of warrant information on-hand as of the start of the Contract period will be required.

Promotional Tickets, Free Replays, Coupons

11. The Contractor must waive commission or compensation on promotional tickets, free replays, discounts, or coupons for all Instant and Online games (including such free tickets issued as prizes in Instant and Online games). Vendors may discuss the merits of coupons and promotional tickets and the potential value of cross-promoting Instant and Online games.

Marketing/Sales Report Services

The Contractor will be required to provide a variety of resources in support of general product development and marketing and promotion efforts, as well as retail network development efforts.

12. Vendors must describe the assistance (including staff, research and reporting) that will be provided in the evaluation of sales data, the development of trend analysis and the implementation of programs (such as incentives, new products, promotions and events) in response to that data. Describe the demographic information available on your system and the methods used to obtain this information. All reports must be available in hard copy and electronic formats, or as otherwise directed by the Lottery.

13. Describe in detail the processing speed, frequency of availability, and format of information that will be available to the Nebraska Lottery for the evaluation of sales, (both total and by individual games), by retailer in the state. Describe in detail the frequency and format (such as graphic and digital) of the reports that will be available to each Lottery Sales Representative for their respective sales region.

14. Describe in detail the frequency and format (such as graphic and digital) of the reports that will be available for each key account (as defined by the Nebraska Lottery) and each common ownership account. Sales reports for individual and key accounts must also be available by transaction type, game or price point, day part or calendar interval, total sales by retailer and by individual game by retailer.

Sales and validation summaries for Retailers, including key accounts, must be available by date range, total sales (Instant and Online), individual game, price point, and transaction value for each location or group of locations (key account, business class, geographic collection, etc.). Additional report configurations may be required at any time by the Lottery.

Sales, Marketing and Public Relations Support

15. Vendors should make recommendations for supporting overall marketing and advertising efforts of the Nebraska Lottery, considering the following requirements:

- a. The Contractor will be required to cooperate in all marketing, promotional, and advertising efforts of the Nebraska Lottery.
- b. The Contractor will cooperate in designing POS materials in conjunction with the Nebraska Lottery's advertising agency and Lottery Marketing and Communications.
- c. The Contractor will work with Retailers to encourage promotions and will provide sales staff support of the promotions by working with the Retailer base. Final approval for promotions will be made by the Director, or his or her designee.
- d. The Contractor will cooperate with the Nebraska Lottery concerning public relations as requested by the Lottery.
- e. The Contractor must establish an annual marketing/promotional budget of no less than the current level of \$210,000 to support Lottery, LSR, OSR, and other Contractor promotional activities. Vendors should describe a proposed budget, and explain recommended elements (areas of application such as signage, premiums, supplies, entertainment, etc.) and funding levels. This budget would be separate from sales

incentives offered to retailers or Contractor staff (OSRs, LSRs, FSTs, etc.), and unused funds will carryover each year, and any remaining funds will be transferred to the Nebraska Lottery at the end of the Contract.

Research

The Contractor must cooperate with all Nebraska Lottery research efforts, including development of an overall research plan. Research methods employed will include, but are not limited to telephone surveys, focus groups, game simulators, Internet surveys, customer intercepts, and mystery shopping. Concepts to be tested, audiences to be included, methodology to be employed, and reporting formats are subject to the direction and approval of the Nebraska Lottery.

The Contractor must establish an annual research budget. The budget must cover opinion and perception tracking, market segmentation, game research and other research efforts to be conducted as deemed necessary by the Nebraska Lottery. Research to be conducted, including the method, content and research vendor, is subject to the direction and approval of the Nebraska Lottery. The Contractor must provide additional research each year of their Contract and in any extension thereof.

The Research budget must cover Market Research and Product Development Research totaling no less than the current contractor-provided level of \$200,000 annually. This money will carryover each year of the Contract if the total amount is not used in a given year, and any remaining funds will be transferred to the Nebraska Lottery at the end of the Contract.

16. Vendors must indicate the level of Market Research support they propose. Vendors must indicate why the proposed level of Market Research funding would be adequate.

17. Vendors must indicate the level of Product Development Research support they propose Vendors must indicate why the proposed level of Product Development Research funding would be adequate.

18. Vendors should discuss optional approaches to market research and product research, including focus groups, segmentation, and tracking studies. Vendors should indicate their capabilities and discuss what methods they would recommend for obtaining appropriate demographic and psychographic player information for all games, particularly in different geographic regions of Nebraska.

All research firms utilized must be independent from the Contractor and will be paid for by the Contractor. Research firm selection as well as the timing and design of all research efforts must be approved in writing by the Nebraska Lottery. Currently, People Principles is the Lottery's research vendor.

RETAILER SUPPORT SERVICES

Retailer Training

The proper training and motivation of Nebraska Lottery Retailers and their staff is a critical task. The Contractor must work with the Nebraska Lottery and other selected Contractors in the development and delivery of training programs approved by the Nebraska Lottery for Retailers and Retailer staff. All Retailer training programs and efforts are subject to approval by the Nebraska Lottery.

The Contractor will be required to perform initial and ongoing training for existing Nebraska Lottery Retailers and new Nebraska Lottery Retailers added through the term of the Contract and any exercised extensions thereof. The Contractor must provide initial and ongoing training of new staff as they are hired by Nebraska Lottery Retailers with regard to equipment, selling, coupon redemption, winning ticket redemption, and other procedures as required by the Nebraska Lottery. The Contractor will be required to perform training for Nebraska Lottery Retailers and their staff regarding new games and technology, at no cost to the Lottery.

19. Vendors must submit a plan describing how they intend to provide the training required above according to the terms herein. Vendors must submit an outline of the suggested training programs, including the topics to be discussed. Vendors must indicate who would deliver the initial and ongoing training program, such as the Contractor's personnel, the equipment provider, or an outside source. Vendors must indicate when the training would take place, how long a training session might be expected to last, and how many individuals could be trained at the same time. Vendors should describe the training method that would be used, such as in-store training and group training sessions.

The Contractor must provide Retailers with training materials and an Equipment and Procedures Manual along with annual updates by July 1 of each year or as often as requested by the Nebraska Lottery. The Contractor must provide copies of all materials to be used in training and in the Equipment and Procedures Manual to the Nebraska Lottery for approval prior to distribution and training.

The Contractor will pay for all expenses related to training Retailers and Retailer staff. The Contractor will pay for the costs of Retailer training materials and the Equipment and Procedures Manual.

Retailer Network Support

20. The Contractor will be expected to be involved in the development, maintenance, and growth of the Retailer network, as well as development of the overall sales acumen of Retailers. Vendors' Proposals should:

- a. discuss possible retailer incentive programs for Instant and Online products, including when such programs should be initiated and the Vendor's proposed role in and funding of such programs.
- b. suggest promotional programs, including in-store promotions, for the introduction and on-going support of Instant and/or Online games and recommendations for transitional events. Describe the assistance that the Vendor will provide for these programs and events.
- c. discuss what role the Vendor will play in Retailer recruitment. While the Nebraska Lottery will maintain control over the Retailer Contracting function, the Contractor will be expected to be involved in the on-site survey, recruitment, development, maintenance and growth of the Retailer network. The selection of Retailers and the rate at which new locations are added to the network is the sole right of the Nebraska Lottery up to the number limit established by Contract and any extensions thereafter.

Key Accounts

21. The Nebraska Lottery Key Accounts Manager works with Key Accounts on compliance, promotions, POS, marketing and sales. Vendors should indicate how they will cooperate with Nebraska Lottery Key Account personnel and describe resources (reports, software, personnel, etc.) that will be available to facilitate the accounting and procedural needs of Key Account operations regardless of the type of chain or common ownership arrangement.

22. Vendors must outline a plan for working with the Lottery Key Accounts Manager in dealing with Key Accounts that would include training, events, and promotions. The Contractor will provide a dedicated Key Account support budget (currently \$20,000). Each

Vendor must propose an annual budget it would sponsor for such activities, which include incentives and events. Unused funds will carryover each year and be transferred to the Nebraska Lottery at the end of the Contract.

23. Vendors must describe special procedures that will be available to facilitate the individual accounting needs of Key Account operations. The Vendor's accounting and reporting system must allow for combining Retailers by Key Account as defined by the Nebraska Lottery, regardless of common banking arrangements.

Sales and marketing reporting capabilities for any type of chain or common ownership group must be identical.

24. Vendors must indicate the type and frequency of reports that will be available regarding Key Account sales activity. There must be an accommodation for chain reporting capabilities both on terminal and back office systems.

25. Vendors must provide examples of successful key account support from other lottery jurisdictions.

The Contractor must, upon request, place non-selling terminals and all related equipment in retailer or chain account training facilities.

Allocation / Credit Limits

The Nebraska Lottery reserves the right to deny or limit the delivery of tickets to Retailers who are delinquent, are considered to be bad credit risks, or for other reasons.

26. The proposal shall include a procedure for limiting the financial liability of an individual Retailer. The Vendor must indicate that the procedure includes steps to ensure that Retailers do not obtain tickets beyond the limits imposed by the Nebraska Lottery.

Retail Development

27. The Contractor will be expected to become involved in the development, maintenance, and growth of the Retailer network, and Vendors must display competency in this field.

28. Development activities go beyond recruiting. Vendors should discuss tools such as promotions and incentives, co-branding, signage and displays, and advertising.

29. Proposals should discuss possible Retailer incentive programs for Instant game price points and/or seasonal offerings, as well as individual Online games and/or game features (multi-draw, multiplier, etc.), including when such programs should be initiated and the proposed role of the Contractor in such programs.
30. Describe the assistance that is proposed to be provided by the Vendor in the evaluation of sales data, the development of trend analysis, and the implementation of promotional or strategic programs in response to that data.
31. Vendors should recommend a program to increase sales at underperforming Retailers.
32. Vendors should recommend a program for recognition of outstanding sales efforts by Retailers.
33. Vendors should describe the additional programs and promotions for corporate accounts in which they would participate.
34. Contractor staff must meet with the Nebraska Lottery and Retailer groups, either on a regional or statewide basis as requested by the Nebraska Lottery. Discuss experience with retailer groups in other jurisdictions.

Retailer Equipment Installation and Maintenance

The Contractor will be responsible for installing and maintaining Retailer terminals in the highest level of appearance and operation.

A Retailer terminal is considered inoperable when any of its features are unavailable or malfunctioning and the unavailability or malfunctioning cannot be resolved over the hotline. A terminal is considered non-operational if it is unable to produce or validate Online wagers (by manual or machine methods), validate Instant tickets, validate Online or Instant ticket coupons or process any promotional activities (including but not limited to coupons, vouchers and live tickets), receive broadcast messages, or display or print reports, or confirm or activate packs of tickets; or are substantially impaired with regard to any of the above.

35. Describe in detail the proposed plan and procedures for preventative maintenance, and repair of all system hardware, network, printers and Retailer operated terminals.

The Contractor must provide an additional on-site terminal at Retailer locations as determined by the Lottery.

The Contractor must maintain a supply of parts adequate to sustain the service of terminals that it has supplied or has agreed to maintain.

The Contractor must maintain and manage a database and reporting system to track and report on the status of problems affecting all Retailer terminals, satellite connections, communications lines, and network functionality whether or not the cause of the actual problem(s) were found. Information for various reports must be available to the Lottery. Various reports should include, but are not limited to, reports by Retailer number for a given period, by circuit or line number for a given period, by part or component, or others as defined by the Lottery. Data is to be kept on all terminals including those in reserve or returned for maintenance.

Contractor field service staff (FST) and field sales staff (LSR) must be cross-trained, communicate regularly, and be appropriately equipped to ensure optimal functionality of retail locations, particularly as to their respective core duties.

36. Vendors must specify where terminal repairs will be made.

Instant Ticket Display Units

Throughout the term of the Contract and any exercised extensions thereof, the Contractor must purchase, deliver, install, maintain, and/or replace Instant ticket display units as new Retailers or games are added, to replace broken, malfunctioning, or unattractive units, to provide greater flexibility to Retailers in selling Nebraska Lottery tickets, and otherwise as required by the Nebraska Lottery. All display unit procurement, delivery, installation, maintenance, and replacement will be at the Contractor's expense and subject to review and approval by the Nebraska Lottery.

37. The Contractor is responsible for retail display units, and Vendors should recommend an annual budget (currently \$40,000) for the procurement of new and replacement display units. Unused funds will carryover each year and be transferred to the Nebraska Lottery at the end of the Contract.

38. Vendors must describe how they propose to timely replace defective display units.

39. Vendors must describe the types of display units that are currently available, including the manufacturing sources, and identify those display units that are recommended. The Nebraska Lottery will select the display units to be used and will choose from various types of display units.

40. Vendors must describe the procedures that will be used for development/procurement, testing, delivery and installation of display units, including multiple or unique configurations for high-volume Retailer locations as well as any new products developed during the life of the Contract.

All display units become property of the Nebraska Lottery at the end of the Contract or any exercised extensions thereof.

End Caps and Play Stations

End Caps are a critical piece of point-of-purchase real estate and play a key role in protecting terminal connections and accommodating POS materials for both Instant and Online games.

41. Vendors should discuss End Caps (their size, configuration and applications for their use), and should indicate what options may be available for use in the Nebraska Lottery Retailer network.

42. Vendors should discuss Play Stations and their usefulness at Retailers and should indicate what options may be available for enhancing the existing Play Stations in use in the Nebraska Lottery Retailer network.

Hotline Services

The Contractor must provide a dedicated Retailer Hotline for purposes of receiving and responding to concerns or questions from Retailers for both Instant and Online games, as well as coupons and promotions, and any and all transactions.

Although tickets cannot be cancelled, the Nebraska Lottery permits credit adjustments to the Retailer for machine damage, misprints, unprinted tickets, or other miscellaneous reasons. The Contractor will be responsible for taking calls on these tickets including entering the tickets into a system for credit approval by the Lottery.

43. Vendors must describe how Hotline services will be staffed and managed to ensure timely, professional, and accurate response to all calls. Vendors should indicate whether

the Hotline staff will be located in centralized or dedicated facilities in state or out of state and discuss the benefits and disadvantages of the proposed solution.

The Hotline must be operational twenty-four (24) hours a day, seven (7) days per week, including holidays.

The Contractor must have all requirements outlined for the Hotline services in place no later than June 1, 2021.

44. Each Vendor must define who is responsible on-site for coordinating and updating Hotline staff on current Lottery programs, promotions, equipment, software, etc.

45. Vendors must define minimum Hotline staff qualifications and training, and the process by which Hotline staff will be kept updated.

46. Vendors must provide documented proof of initial and ongoing training for each Hotline staff member, and demonstrated proficiency for Hotline staff.

47. Vendors must define the processes by which Hotline staff performance will be evaluated, and what quality assurance measures will be applied to performance.

The Contractor is required to provide information on all Hotline changes that would affect the Lottery's Retailer network.

48. Each Vendor must provide a flow chart on how Retailer calls are handled by the system.

The toll-free lines must be interfaced to a recording system that records all phone conversations on the Hotline circuits. Hotline call recordings must be maintained for a period of at least six (6) months.

49. The Hotline call management equipment must be capable of handling all incoming calls on adequate toll free circuits to allow for a maximum hold time of two and one-half (2 ½) minutes. If all circuits are busy, a prerecorded message must be played and the calls must be queued. Indicate how large the queues will be. If the queues should fill up, callers must receive a busy signal. Vendors must indicate how many lines and/or calls can be handled at one time.

The Hotline call management system must provide daily and weekly statistical reports to the Contractor and the Nebraska Lottery.

50. Regular reports must be provided to the Nebraska Lottery on daily queue staffing levels, number of calls received, busy signals, time on hold, abandoned calls, and steps being taken to resolve substandard performance. Vendors must specify the steps that will be taken to ensure that Hotline staff turnover does not degrade the level, quality, and professionalism of the Hotline service.

The Hotline call management system must have the flexibility to customize all reports to meet the needs and requirements of the Nebraska Lottery.

Hotline staff must be trained to perform diagnostic tests to determine network communications, Retailer, or terminal problems. Training must take place before the network is operational.

If requested, the Contractor must provide the Lottery with a copy of recorded hotline conversations within four (4) hours of request. Currently, these are provided by email.

51. The Nebraska Lottery and its current Contractor maintain separate Hotlines for Retailer accounting, ticket ordering, and problem resolution. Hotline staff must have sufficient training to be able to direct Retailers to the proper Hotline. Discuss your Hotline organization solution.

At a minimum, Hotline staff must relay orders for tickets or supplies, troubleshoot equipment issues by phone, and if necessary dispatch technical support.

STAFFING AND SUPPORT RESOURCES

52. Vendors must describe proposed positions outside Nebraska that will act in support of their operations within Nebraska. In addition to daily operations personnel, the Contractor must supply marketing support personnel to assist with high level game planning and marketing support.

53. Vendor must provide resumes or short biographies of all management, supervisory, and key technical personnel planned to be involved in performing the services contemplated under this RFP. Vendor must specify what role the individual will have in the planning, creation, production, procurement, or other service provided in response to this RFP. The resumes must present the personnel in sufficient detail as to provide the Nebraska Lottery with evidence that the personnel involved can perform the work specified in the RFP.

54. Vendors must describe their proposed staffing levels within Nebraska, and provide a general job description of each proposed staff position. Positions (or their equivalents) described in this Section are currently provided by the Contractor. Vendors may propose other staff configurations, but the following functions are required.

Site General Manager

The Contractor will provide a Site General Manager to manage all aspects of Contractor daily operations on behalf of the Nebraska Lottery. The Site General Manager must reside in Nebraska, and will act as a consistent point of contact and direction for the management of human resources, warehousing and distribution, and the coordination of marketing, game development, resource allocation, and strategic planning.

55. In addition to managing daily operations, the Site General Manager will be required to be on-call at all times to assist and report to the Nebraska Lottery in the event of extraordinary circumstances. The Site General Manager will interact regularly with Nebraska Lottery staff and participate in regular status updates, attend Retailer meetings, participate in product and market planning efforts, and participate in periodic business reviews and annual business planning meetings. The proposed individual's name and qualifications must be submitted with the Vendors' proposals.

Sales Manager

The Contractor will provide a Sales Manager to manage all external sales staff, and support all Contractor daily operations on behalf of the Nebraska Lottery. The Sales Manager must reside in Nebraska, and will act as a consistent point of contact and direction for the management of sales and marketing activities at the Retailer level.

In addition to managing daily operations of internal and field sales staff, the Sales Manager will be required to be on-call at all times to assist and report to the Nebraska Lottery in the event of extraordinary circumstances. The Sales Manager will interact regularly with Nebraska Lottery staff and chair regular LSR meetings, participate in regular status updates, attend Retailer meetings, participate in product and market planning efforts, and participate in periodic business reviews and annual business planning meetings.

Business Analyst

The Contractor will provide a Business Analyst to support the Nebraska Lottery in areas such as the planning, execution and analysis of sales and revenue strategies, product and promotion strategies, event planning and management, and coordinate efforts with internal

and external sales staff (LSRs and OSRs), and support all Contractor daily operations on behalf of the Nebraska Lottery. The Business Analyst must reside in Nebraska, and will act as a consistent point of contact for retail recruitment, training, and the development, execution and analysis of sales and marketing activities at the corporate and individual Retailer level.

Promotions Manager

The Contractor will provide a Promotions Manager to develop and oversee execution of promotions geared to sales development, brand loyalty, and brand awareness, and will support all Contractor daily operations on behalf of the Nebraska Lottery. The Promotions Manager must reside in Nebraska, and will act as a consistent point of contact and direction for the management of promotional activities.

In addition to managing daily development and execution of promotions, the Promotions Manager will be required to assist LSRs, OSRs and Retail Accounts personnel with sales-related efforts, and report to the Nebraska Lottery on the effectiveness of promotional activities. The Promotions Manager will interact regularly with Nebraska Lottery staff and take part in regular LSR meetings, participate in regular status updates, attend Retailer meetings, support product and market planning efforts, and participate in periodic business reviews and annual business planning meetings.

Warehouse Manager

The Contractor will provide a Warehouse Manager to oversee receiving and distribution of all Instant and Online games and related materials, manage inventory and oversee receiving and distribution of advertising materials such as POS and premium items, and will support all Contractor daily operations on behalf of the Nebraska Lottery. The Warehouse Manager must reside in Nebraska, must be on-call at all times, and will act as a consistent point of contact and direction for the distribution of materials to LSRs, Retailers, and Lottery and Contractor personnel.

In addition to managing daily warehouse activities, the Warehouse Manager will be required to assist LSRs, OSRs and Key Account personnel with sales-related efforts, and report to the Nebraska Lottery on the status of all items being warehouse and distributed. The Warehouse Manager will interact regularly with Nebraska Lottery staff and, support product activation and demonstration efforts, and participate in periodic promotional events.

Infrastructure Support Manager

The Contractor will provide an Infrastructure Support Manager to oversee systems functionality, software development and testing, and systems staff, and will support all Contractor daily operations on behalf of the Nebraska Lottery. The Infrastructure Support Manager must reside in Nebraska, must be on-call at all times, and will act as a consistent point of contact and direction for the reliable and effective management of systems resources on behalf of the Lottery and the Contractor.

In addition to managing daily systems activities and staffing, the Infrastructure Support Manager will be required to assist Lottery and Contractor personnel with the development of sales-related reports, promotions, and software specifications, and report to the Nebraska Lottery on the status of all systems resources.

Lottery Sales Representatives (LSRs)

It will be the responsibility of the Contractor and its LSRs to provide a variety of services to Nebraska Lottery Retailers. The Contractor and its LSRs will be expected to perform all required functions in a professional manner that is responsive to the needs of all Retailers. The Contractor's personnel must operate in a manner consistent with the dignity of the State of Nebraska and the policies of the Nebraska Lottery, and must in no way represent themselves as employees of the State of Nebraska or Nebraska Lottery, neither of which shall be responsible in any way for the acts or omissions of any LSR. For purposes of responding to this RFP, Vendors may assume that LSR services will be based on a Retailer network consisting of 1,200 Nebraska Lottery Retailers. The Contractor will be responsible for delivering to their LSRs both Instant and Online game POS materials, game support information, trunk stock, premium items, and other materials.

56. Vendors must provide a staffing plan indicating the total number of LSRs proposed, based on 1,200 locations as well as a growth plan. The plan must take into consideration vacations, holidays, training meetings and other job assignments. Indicate the number of supervisory positions that would be required to support the proposed LSR staff and provide an organization plan indicating regional staff assignments. For purely referential purposes, the current Contractor is contracted to have 11 regional LSRs and two (2) senior LSRs to support the other LSRs.

57. The staffing plan for the sales staff should include management functions and responsibilities for the senior LSRs. Discuss territory configuration and staffing levels. Territory configuration is subject to approval by the Nebraska Lottery.

58. All Retailers must be visited on a regular basis (currently biweekly) regardless of sales levels or geographic location. Please describe possible visit and service schedules and criteria as well as sales support software and resources to be used. Discuss methods of independently verifying LSR visits to Retailers and Claim Centers. The Contractor must submit a report of LSR visits to Retailers upon request by the Nebraska Lottery. Failure to visit Retailers as scheduled will result in the imposition of liquidated damages. The visit schedule may be altered by the Lottery.

The Contractor shall provide the Nebraska Lottery with performance data for all Retailers; statewide as well as within geographic areas, and those currently assigned to each LSR.

If compensation is expected to be based in any manner on sales performance, LSRs must be equally supportive of all Nebraska Lottery products (both Instant and Online products).

59. The Vendor must describe the initial training and ongoing training and performance management measures to be applied to the LSRs and other sales support staff. The Contractor must consult with the Lottery regarding materials to be used in LSR training.

The Contractor must ensure that LSRs have a valid driver's license and have not been convicted of, or pleaded guilty to, any crime involving moral turpitude, substance abuse, or theft, and that appropriate action will be taken if employees fail to meet those requirements after being hired.

60. LSRs must deliver trunk stock tickets on an emergency basis. Discuss what security measures will be provided to ensure trunk stock ticket security.

When a Retailer voluntarily quits, or is terminated or suspended from the Retailer network, LSRs will be involved in recovery of all lottery-related equipment and materials provided by the Contractor or the Nebraska Lottery.

61. LSRs will be required by the Nebraska Lottery to recover unsold Instant tickets, redeemed coupons, and other materials from Retailers within their territory. Describe the documentation, recovery, and return of those items. Any costs will be borne by the Contractor.

62. LSRs will be required to deliver promotional materials to all Retailers in their territory within two (2) weeks before the start of each new Instant and Online game or promotion. Describe how materials will be distributed to LSRs to ensure the timely delivery and placement of such materials.

LSRs may be required to install and maintain Instant ticket display units, and terminals, at all Retailer locations.

LSRs will be required to plan, manage, implement, and assist with Instant ticket game and Online game promotional programs with the Nebraska Lottery and Retailers in their territory.

63. Vendors must suggest methods and reports for the Nebraska Lottery to monitor the performance of LSRs on an ongoing basis. The Nebraska Lottery reserves the right to investigate any reports of misconduct on the part of LSRs and to take appropriate action based on the results of the investigation.

64. Vendors must indicate procedures by which they will ensure that LSRs perform their duties in a professional manner. Vendors must also indicate what actions will be taken if performance is not satisfactory.

LSRs must supplement the Contractor's field maintenance services that will be required to maintain the equipment.

LSRs must review sales goals and reports with Retailers on a regular basis.

On an ongoing basis, LSRs will be required to ensure that Retailers are properly displaying and making appropriate use of POS materials and signage, as well as report on other Retailer activities.

The Contractor must notify the Nebraska Lottery as soon as it is aware of any change in ownership of a Retailer or other conditions that might affect the Retailer's contract status.

Each LSR must be sent to an industry trade conference or other professional development conference approved by the Nebraska Lottery at least once every two (2) years. These conferences can include NASPL regional conferences, among others. Costs for attending these conferences will be at the expense of the Contractor.

The Contractor must hold regular LSR meetings (at least quarterly) including Contractor site support staff and Lottery staff.

65. LSRs may be authorized by the Nebraska Lottery to issue credits to Retailers for player redemption of promotional and free ticket coupons. Vendors must describe how they propose to allow LSRs to issue these credits.

The Contractor and its LSRs must assist in managing and implementing Retailer incentive programs upon request.

Instant Ticket Supervisor and Order Specialist Representatives (OSRs)

66. The Contractor must provide staff who act as the back-office sales staff for all Instant and Online games. For reference purposes, the current Contractor provides three (3) OSRs and one (1) Instant Ticket Supervisor who supervises that group. Discuss the following roles of the OSRs and Supervisory OSR:

- a. Support LSRs in all aspects of Retailer customer service.
- b. Assist FSTs and LSRs in coordinating all aspects of Retailer customer service.
- c. Monitoring Retailer Instant game inventory (based on sales, validations, pack activations and pack settlements).
- d. Assuring that Retailers have adequate and appropriate supplies of Instant games, based on sales, validations, pack activations and pack settlements.
- e. Assisting Retailers in managing all aspects of their Instant game inventory and Online game portfolio through automated systems, in-bound or out-bound calls, or other ordering methods.
- f. Preparing and shipping Instant game ticket orders on a daily basis for any and all Retailers in the network.
- g. Preparing relevant POS materials and supplies (or any materials dictated by the Lottery) for inclusion in ticket shipments to Retailers.
- h. Participation in field events and promotions organized by LSRs or the Lottery, as necessary.
- i. Assisting in Retailer training and/or promotional visits as necessary.
- j. Work with LSRs in the marketing and sales of Instant and Online games.

Field Maintenance Service

The Contractor must provide Field Service Technicians (FST) and a FST supervisor. The Contractor must ensure that FSTs have a valid driver's license and have not been convicted of, or pleaded guilty to, any crime involving moral turpitude, substance abuse, or theft, and that appropriate action will be taken if employees fail to meet those requirements after being hired.

67. Describe in detail the proposed plan and procedures for installation, maintenance and repair of Retailer and Nebraska Lottery Claim Center equipment, including terminals, routers, warrant writers, and all other equipment supplied to Retailers and Claim Centers. Include in the discussion:
- a. Repair functions that might be performed by LSRs and the training required.
 - b. A plan and schedule for preventative maintenance of Retailer and Nebraska Lottery Claim Center equipment. Discuss how often maintenance will be performed on each style of recommended terminal, and provide an example of equipment maintenance reporting.
 - c. The staffing levels recommended for covering installation, maintenance and repair functions, including field staff and management staff. (The current Contractor has seven (7) Field Service Technicians (FSTs), one (1) management position, and one (1) depot manager. If a lesser or greater number of FSTs is proposed, the Vendor should include the rationale for the proposed number.)
 - d. The planned location of the field staff and management staff.
 - e. The hours these service representatives will work and how emergencies after hours, and on weekends will be handled.
 - f. The required preventive maintenance and repair functions that will be performed by FST/field services and the training required. At a minimum the Contractor will be required during any service call relating to the terminal to routinely check terminal functionality, mechanical security, safety, ticket stock, installation or any other consumable that may need to be replaced, communications equipment, and any other peripherals.

- g. Discuss the anticipated average response time when an on-site repair is necessary, taking into consideration geographic distribution and retailer density. The Contractor must self-report instances where service was not delivered in a timely manner according to the aforementioned response time(s).

Special Events, Resources and Staffing

68. The Contractor must supply a minimum of five (5) dedicated terminals for special event usage by the Lottery. These terminals must be able to operate on a non-permanent connection method such as satellite or cellular mode, Vendors will be required to describe which methods of communication will be utilized.

The Contractor will be required to install and uninstall these special event terminals on an as-needed basis.

The Contractor will be required to cover all communications costs associated with these dedicated event terminals. The Nebraska Lottery executes approximately 50 to 75 events each year.

The Nebraska Lottery currently has two (2) special event trailers. These fully-equipped sales units can accommodate multiple points of purchase (including sales staff) in a climate-controlled environment. Towed by Contractor-supplied heavy duty pick-up trucks, the trailers are used for multi-day events such as community festivals and fairs, and special retailer events. The Contractor must support these (or similar) units with transportation (towing), storage, service and maintenance oversight, and appropriate staffing.

For reference purposes, the current Contractor provides two (2) full-time Special Event Coordinators who are responsible for the maintenance and transportation of the aforementioned trailers, and who work with Nebraska Lottery staff to plan and execute field promotional events.

The Contractor must provide supplemental staffing (as determined by the Lottery) to assist event and Lottery staff at special events and sponsorships, and may be required to provide procurement and supervisory services for part-time event staff (with direct reimbursement by the Nebraska Lottery).

The Contractor will be required to support recruitment, hiring, training and supervision of part-time event staff to supplement full-time personnel assigned to event management, at the direction of the Nebraska Lottery.

69. Vendors should discuss special events, equipment and communication resources, and staffing options such as full-time dedicated special event staff, part-time temporary event staff, and other marketing support (account support) personnel who will be made available for special events and sponsorships, as well as other activities of the Lottery.

Field Facilities/Equipment

70. Based on the field organization proposed by the Vendor, discuss the types of facilities that would be required to support the LSRs, FSTs, and Retailers.

- a. Describe the activities that are contemplated to be performed at any field home or office locations.
- b. Indicate whether LSRs and FSTs will be expected to work out of their homes or out of an office facility provided by the Contractor.
- c. Include an itemization of vehicles, and other equipment that will be required to support the contemplated LSRs and FSTs. Vehicles must be capable of handling sometimes extreme Nebraska weather conditions.
- d. Discuss whether offices and vehicles might display any exterior identification relating to the Nebraska Lottery.
- e. Include assurances that the acquisition of facilities, vehicles, and equipment will be conducted in a reasonable and appropriate manner so as to maintain the integrity of the Nebraska Lottery.
- f. Each LSR must be supplied with promotional equipment such as a tent or similar outdoor covering, and other equipment necessary to run promotional events. Vendors should discuss the equipment it recommends providing LSRs to support promotional activities. Such supplies will be arranged by the Nebraska Lottery, but at the cost of the Contractor.

71. Vendors should discuss the manner in which equipment and technology resources may enhance the effectiveness of LSRs and FSTs, and Vendors should discuss means of ensuring that field staff have the most up-to-date equipment and technology throughout the life of any Contract resulting from this RFP. Examples of such implementations from other jurisdictions should be provided.

Each LSR must have secure storage facilities for promotional materials and for premium and merchandising items, as well as Online product resources such as ticket stock.

Staffing Contingencies

72. The Vendor must describe supplemental staffing plans to meet service needs and maintain operational integrity during catastrophic events such as equipment failure, natural disasters, acts of terrorism, and public health emergencies.

Retaining Current Contractor Staff

The Contractor will be required to consult with the Nebraska Lottery regarding the retention of LSRs, OSRs, FSTs, marketing support staff, and other staff of the current Contractor.

Personnel Approval

The Nebraska Lottery reserves the right to approve all personnel assigned to work on the Nebraska Lottery account.

Personnel Oversight

The Nebraska Lottery reserves the right to request the transfer, dismissal, termination, or reassignment of any Contractor personnel assigned to the Nebraska Lottery account who, in the opinion of the Nebraska Lottery, poses a perceived threat to the security, integrity, efficiency, or performance of Nebraska Lottery operations.

The Contractor must notify the Nebraska Lottery before dismissing or reassigning any personnel assigned to the Nebraska Lottery account, and shall provide the Nebraska Lottery with specific information regarding the reasons for pending dismissal or reassignment. Failure to do so will result in liquidated damages.

The Contractor must obtain written approval from the Nebraska Lottery before any organizational changes are made in local account staffing, and before account personnel may be transferred to or temporarily assigned duties in another lottery jurisdiction.

Nebraska Lottery Security will perform background investigations on each individual assigned to work on the Nebraska Lottery account.

All Contractor personnel assigned to the Nebraska Lottery account working out of the Nebraska warehouse and offices must be supervised by and report directly to the Contractor's Nebraska-site General Manager or his or her designee(s).

All Contractor personnel will be subject to signing non-disclosure agreements as required by the Nebraska Lottery and the Nebraska Department of Revenue.

Training

73. The Contractor will be responsible for delivering training sessions to the Nebraska Lottery, other Nebraska Lottery Contractor staff, and other persons as determined appropriate by the Nebraska Lottery. This training will address the Instant and Online games system(s) functions (order entry processing, inventory management, application tracking and licensing, file maintenance, inventory control and distribution, accounting, validation, and reporting), terminal operation, Instant games and Online games, tickets, equipment, hardware and software, and matters as required by the Nebraska Lottery. Vendors should describe the training programs intended to be provided to meet the requirements of this paragraph. The Contractor will pay for all expenses related to training. All training times, schedules, methods, and manuals must be approved by the Nebraska Lottery.

74. Vendors must describe and indicate the amount of training that would be provided to Contractor staff regarding these operations, both by July 1, 2021, and on an ongoing basis. Provide a proposed initial and ongoing training program and schedule for LSRs, FSTs, and all other Contractor staff. The Contractor must provide copies of all materials to be used in training to the Nebraska Lottery for approval prior to training.

Nebraska Lottery staff will require the same training being offered to Retailers before the network begins operations, as well as training in various system functions.

The Contractor must provide training on equipment and reporting to all Nebraska Lottery claim centers. This training must be done at the convenience of the claim center staff as determined by the Lottery.

MISCELLANEOUS

Additional Required Operational Items

75. Vendors must list all other significant services, procedures, materials, supplies, goods, programs, policies, equipment, facilities, etc., necessary for the successful daily operational aspects of the proposed products and services, even if there is no specific requirement for those items listed in the RFP. The Contractor is not released from the responsibility of providing all needed items to make the proposed products and services successful by failing to indicate necessary items within their proposal.

No Financial Commitment Without Prior Nebraska Lottery Approval

The Contractor will make no financial commitment on behalf of the Nebraska Lottery without having prior, written approval from an authorized representative of the Nebraska Lottery. If the Contractor incurs any expenditure without the prior written approval of the Nebraska Lottery, the Contractor will be responsible for those expenditures without any recourse for reimbursement.

Disclosure of Anticipated Subcontractors

76. If a Vendor proposes to use one (1) or more subcontractors, the Proposal must identify the contemplated subcontractor(s) and must include evidence of each subcontractor's ability to fulfill its respective duties hereunder on behalf of the Vendor.

Advertising Sensitivity

The Nebraska Lottery is a Division of an agency of the State of Nebraska, and all advertising and promotional efforts must be conducted in a manner commensurate with the dignity of the State of Nebraska. Advertising and promotions must be in good taste, should not be of a nature that unduly influences any person to purchase a lottery ticket, must not make unsubstantiated promises, and must not ridicule any group or individual. Advertising and promotions must not encourage people to play excessively and must clearly state the odds of winning, where appropriate. No attempt should be made to conceal or misrepresent the odds of winning.

Procurement Agent

The Contractor must act as a general procurement agent for the Nebraska Lottery upon request. Items that may be subject to procurement by the Contractor may include but are

not limited to vehicles that are offered as prizes in conjunction with Instant and Online games, other game prizes, advertising, marketing and promotional materials, merchandising items, premium items, or any other goods or services as requested by the Nebraska Lottery. The Contractor will not make any procurement on behalf of the Nebraska Lottery without obtaining permission to do so from the Nebraska Lottery's Director. Although the Contractor will receive reimbursement for the actual purchase price of these procurements, the Contractor may not mark up the purchase price nor receive additional compensation for these services.

Courier Services

The Contractor will be required to pick up from the Nebraska Lottery headquarters and deliver to the Contractor's warehouse, and pick up from the Contractor's warehouse and deliver to the Nebraska Lottery headquarters, removable media, packages, and other materials.

- a. Deliveries will take place at time(s) selected by the Nebraska Lottery, daily, or as often as requested by the Nebraska Lottery.
- b. If requested, the Contractor will also be required to pay the costs for morning delivery of removable media from the Contractor warehouse to the Nebraska Lottery.
- c. Use of an independent contractor to make deliveries must be approved by the Nebraska Lottery.
- d. All courier services must be provided at the expense of the Contractor.

Records Retention

The Contractor will be required to adopt a records retention schedule for paper documents and electronic media. The schedule must be approved by the Nebraska Lottery.

Industry Conferences

The Contractor must send two (2) on-site staff members to an industry trade conference or professional development conference every year. Staff members and specific conferences will be mutually determined by the Contractor and Lottery. This is in addition to the requirement that the Contractor send every LSR to an industry trade conference or professional development conference every two (2) years.

Retailer Meetings

The Contractor will be required to participate in periodic Retailer meetings throughout the state. The Contractor must be willing to provide appropriate staff and accommodations for these meetings.

Retailer Advisory Board

The Contractor will be required to provide meeting space large enough to accommodate 40 people comfortably for the Nebraska Lottery Retailer Advisory Board to meet either in Lincoln or elsewhere in Nebraska. This Board currently consists of approximately 12 members and meets quarterly. The Contractor will also be required to provide accommodations and reimburse Board members for mileage at the prevailing Federal rate.

Business Planning Meetings

The Contractor will be required to participate in and provide accommodations at periodic strategic planning and tactical development meetings, such as the annual Business Planning Meeting attended by Nebraska Lottery, Contractor and advertising agency staff.

Lottery Meetings

The Contractor will be required to attend frequent marketing execution and inventory management meetings with the Lottery, and its Advertising Agency. The Contractor must be willing to provide appropriate staff and accommodations for these meetings.

Website and Mobile Support

Nebraska Lottery personnel manage and maintain the Nebraska Lottery website and mobile application. The Contractor may be expected to provide website and application assistance in various capacities.

Hours/Days of Operations

The Contractor offices and warehouse will be required to match the hours and days of public operations of the Nebraska Lottery, and the Contractor must maintain appropriate/agreed upon staffing in all functional areas twenty-four (24) hours per day, three hundred sixty-five (365) days per year.

SECTION 3: PRODUCTS AND SYSTEM REQUIREMENTS

The purpose of this Section is to discuss Instant ticket and Online game functional requirements including but not limited to procurement, products, processes, technology, software, hardware, and facilities.

All provisions of this RFP describing Contractor requirements shall be automatically incorporated into, and become contractual components of, any eventual Contract unless otherwise specifically modified in that Contract. Deviations by the Contractor from the specifications which adversely affect the security, integrity, or marketability of tickets and games are unacceptable.

Any Vendor exceptions to the described requirements must be clearly stated in the Vendor's Proposal referencing the appropriate section headings.

Game Development

77. The Contractor must make available game development resources that consistently work on the Nebraska Lottery account. The resources should include, for example, a representative from senior management, an individual to manage day to day development of the Nebraska Lottery account, a graphic artist, and an individual to develop and manage Instant ticket Working Papers and Online Game Specifications. Identify anticipated game development positions or individuals.

INSTANT TICKET GAME DEVELOPMENT AND PRINTING

Under the direction of the Nebraska Lottery, the Contractor shall provide those services necessary to design and produce secure, high-quality Instant ticket games and security compliance products that are in compliance with, but not limited to, the specifications and requirements in this Section.

Ticket Colors / Ticket Graphics / Ticket Display Areas / Inks

78. Vendors must describe how many colors they are capable of producing on a ticket, including front colors, back colors, full-bleed play area overprints, and overprints on the rub-off play area upon request.

79. Vendors must describe their capability of producing colors and combinations other than those indicated above. The Contractor will be required to provide games using four

(4)-color process printing upon request. The Contractor will be required to provide games that are color pulsed and/or bear multiple scenes upon request.

80. Vendors must itemize available special features such as coatings, inks and/or paper stock, as well as other such treatments to enhance the sales potential of games. The itemized list must specify which options are available at no charge.

Printing methods and processes are to be approved by the Nebraska Lottery in the Working Papers. The Nebraska Lottery reserves the right to modify colors at the time of printing. At the time of printing, display colors will be created to closely match PMS colors presented to the Nebraska Lottery in the Working Papers, and overprint colors will be created to match display colors as closely as reasonably possible.

81. The graphic images on the tickets must be sharp and clearly defined, and the text must be clearly readable with normal vision under normal lighting conditions. Vendors must be capable of at least four (4)-color process printing, not including exposed foil. The Contractor must also be capable of at least one (1) transparent ink to be used for display on -foil tickets.

82. The Contractor must be able to provide montage tickets. Vendors must describe their capabilities in this area.

83. Inks shall be of such a nature that there is no offsetting from the front of tickets to the back of tickets on an adjacent page, and vice versa. Vendors must indicate their capability to print tickets with a full bleed (printing to the edge of ticket or with no border).

Inks shall not smear, run, or stain under normal handling. Inks shall not be chemically or dermatologically irritating under normal handling. Inks, except overprint ink, shall be resistant to water. To improve security, the latex and overprint inks shall be designed to run, or show other damage, when treated with solvents.

Ticket Sizes

84. Ticket sizes will vary at the election of the Nebraska Lottery, but standard ticket sizes shall generally be as follows: 2.4" by 4"; 4" by 4"; 5" by 4"; 6" by 4"; 8" by 4"; 10" by 4"; 12" by 8". The Nebraska Lottery may elect to print tickets in sizes and dimensions other than these, including die-cuts. The Contractor will be required to provide die-cut games as requested. Vendors should indicate what other ticket sizes they are capable of printing. Vendors must describe their capabilities in providing die-cut tickets.

Ticket Stock

85. It is anticipated that white paper card stock will be the standard paper stock used, although, the requirements for the ticket stock may vary for each game. Vendors must indicate what other types of ticket stock they are capable of printing on.

Artwork

86. Vendors must discuss their ticket artwork resources. The Contractor will develop, in conjunction with the Nebraska Lottery, artwork for each proposed Instant game. The Contractor shall provide the Nebraska Lottery a conceptual art design for the front and back of the game tickets. The Nebraska Lottery shall indicate desired changes, and new art shall be made based on those instructions. This process shall continue until the Nebraska Lottery approves final art by signing the Working Papers. Final approval of artwork resides with the Nebraska Lottery. The Contractor will print tickets in accordance with the final artwork established in the Working Papers.

The Contractor will be responsible for obtaining trademarks, tradenames, service marks, copyrights, patents, licenses, names of officials, dates, design, art, and any other requirements for final approved art, at the Contractor's expense. The Contractor will be required to indemnify and hold the Nebraska Lottery harmless against any and all liability to third parties resulting from claims that the Instant or Online game and/or related art, material, supplies, equipment, machinery, and articles employed in the fulfillment of its contractual obligations infringes on or violates any trademarks, tradenames, service marks, patents, copyrights, trade secrets, or other rights of any third party. This indemnification and hold harmless obligation will not apply in instances in which the Nebraska Lottery exceeds the scope of the limited license that was previously obtained by the Contractor and agreed to by the Nebraska Lottery, or instances in which the Nebraska Lottery obtained artwork independent of the Contractor's involvement or creation, and such artwork was provided to the Contractor and included unmodified for use with an Instant or Online game.

Upon final approval of the artwork by the Nebraska Lottery in the Working Papers, the Contractor will supply color and art files for each game to the Nebraska Lottery and its advertising agency prior to game printing.

The Contractor will be required to bear the cost of any photography or illustrations required for ticket and promotional art. The Nebraska Lottery shall determine whether any art is actually used in game tickets and promotional materials.

Prize Structures

Prize structures are developed in collaboration with the Nebraska Lottery before Working Papers are issued. Revisions to the prize structure for each game may continue until the game is printed.

Each pack of tickets must contain a guaranteed dollar value of low-tier prizes (Guaranteed Low-End Prize Structures or GLEPS). The GLEPS used are subject to approval by the Nebraska Lottery in the Working Papers.

High-tier prizes must be randomly distributed within the pools of tickets. The size of said pools will be specified in the Working Papers.

87. Vendors must discuss game documentation and production file security.

Working Papers

88. All Instant game concepts that have been specified by the Nebraska Lottery will be presented to the Nebraska Lottery in Working Papers in a format approved by the Nebraska Lottery. Vendors must describe their capabilities to provide the Nebraska Lottery Working Papers in either electronic or hardcopy formats or both.

Working Papers must identify specifications for each game, including production schedule, ticket stock, ticket size, pack size, prize structure, Universal Product Code (UPC) code, color art (front and back), display colors, overprint colors (i.e., front colors), seal coats, ink and coatings characteristics, the number of void samples and ticket menu board cards required, pool size, validation numbers, bar codes, play data symbols, number of scenes, packs per pool, back color(s), additional coatings, Nebraska Lottery logo, programming parameters, oversized samples, packaging information, shipping deadline dates, game data fonts and sizes, print quantity, perforations, how the game is to be played, game instructions, and any additional information required by the Nebraska Lottery.

Any production or printing deviations from the executed Working Papers must be documented with a Post-Executed Change (PEC) approved and signed by the Director or his or her designee.

The production schedule shall be included in each set of Working Papers. The production schedule shall be dependent upon the execution date of the Working Papers and game shipment date or game launch.

The Contractor must provide draft Working Papers for a game within fifteen (15) working days of request/assignment by the Nebraska Lottery.

Finished product (printed game tickets) must be ready for delivery to the Nebraska Lottery warehouse within thirty (30) working days of signature of the Working Papers by the Director or his or her designee, unless alternative arrangements are specified in writing within the Working Papers.

Game Rules

The Contractor shall draft a complete set of proposed rules for each game for approval and adoption by the Nebraska Lottery for the purpose of defining the rules of the game, what constitutes a winning ticket in the game, the validation tests that a claimed ticket must satisfy in order to be validated as a winner, and conditions that will invalidate a ticket, and for limiting the liability for a misprinted or defective ticket to the replacement of the ticket or retail sales price for the ticket. Final rules will be provided by the Contractor to the Lottery upon final approval of Working Papers by the Lottery.

Ticket Menu Board Cards

The Contractor must deliver Ticket Menu Board display cards of a dimension specified in a game's Working Papers (typically between 2" by 4" and 4" by x 4") suitable for placement in retail display (Ticket Menu Board) units; including if deemed necessary by the Lottery appropriate representative features of the actual game ticket, such as special ink, coatings, die cuts, etc. Quantities will be determined in game Working Papers.

Voids/Samples

The Contractor must deliver sample tickets from the actual press run for each game printed at the same time tickets are delivered to the warehouse. These samples will clearly bear the word "void" on both the front and back of the ticket and must be non-winning tickets. Quantities will be determined in game Working Papers. Nebraska Lottery security will request additional packs of live tickets for use in security testing purposes.

Ticket Prints

The Contractor must notify the Nebraska Lottery weekly regarding future print schedules. During the week prior to a scheduled print the Contractor will provide the Nebraska Lottery with press schedule updates.

The Contractor will pay the reasonable and necessary expenses, including travel (round-trip), meals, and lodging for up to two (2) people to attend occasional game prints.

Game production may not begin until sign-off permission has been received from the Nebraska Lottery. The Nebraska Lottery reserves the right to reject any game if the tickets printed are nonconforming to Working Papers, are not secure, threaten the integrity of the Nebraska Lottery, or for any other reasonable cause.

89. Vendors must include a brief description of each production line (press) to be used for the printing of tickets for the Nebraska Lottery, including any new printing equipment that is planned for use in printing tickets for any lottery clients. The description should include an explanation of potential problems occurring on each press, age of each press, and annual quantity each press produces as well as maximum quantity each press can produce and speed of each press. Equipment restrictions should also be stated (types of paper that can or cannot be used, number of colors available to print, etc.).

90. If multiple printing facilities are available for use, Vendors must include a description of each facility, as well as an indication of which facility would be the primary site for printing Nebraska Lottery tickets. Nebraska Lottery tickets must be printed in North America.

Probability, Pouch and Monitor Games

91. Vendors must discuss the desirability of probability, pouch, and monitor games, and their prospects for success in Nebraska. Vendors should specifically discuss the marketing, staffing, training, equipment, and hardware and software requirements of providing such products. Compensation for the provision of such games will be negotiated separately from that of other portions of this RFP.

Advanced Instant Ticket Games

92. Vendors must describe their capability to provide Internet compatible, mobile, holographic, 3-D, and virtual reality products, and other innovations in technologically advanced Instant ticket games or game options. Vendors must specifically discuss the marketing, staffing, training, equipment, and hardware and software requirements of such technologically advanced games and game options. Compensation for the provision of such games will be negotiated separately from that of other portions of this RFP.

Ticket Play Areas

The design of the overprint shall be such that virtually all of the rub-off material is covered by an overprint color, the overprint ink extends beyond the edges of the rub-off material and into the display area, and the overprinting is uniform so that irregularities caused by tampering may be easily detected by the consumer. The overprint inks shall be of such a nature that there is no offsetting from the front of tickets to the back of tickets on an adjacent page, and vice versa.

The paper card stock, foil laminates, inks, and coatings that comprise the Instant tickets should not be damaged or distorted during normal ticket handling, during normal removal of the rub-off cover, or by exposure to environmental conditions.

To maximize the security and integrity of the game and to maximize consumer confidence in the game, the Nebraska Lottery deems it essential to minimize the possibility of tampering (or maximize the visibility of attempted tampering). Accordingly, visible scratches, holes, or pitting in the surface of the game data covering material that expose any portion of the underlying surface (whether or not any portion of the lottery symbols is exposed) shall be cause for rejection of tickets. Furthermore, the overprinting on the rub-off surface shall be well defined.

Overprint Designs

93. Vendors should be capable of applying at least up to ten (10) separate overprint play areas on each ticket. An overprint design with at least up to four (4) colors shall be printed on the rub-off material. The overprinting shall be a regular, artistic design and shall be clear, un-blurred, and sharp in order to facilitate detection of tampering by consumers. Vendors should indicate on how many separate play areas they could potentially apply overprint designs (Vendors may make reference to different ticket sizes).

The overprinting shall be performed with inks that frustrate compromise of the game data covering. It is mandatory that solvents used in various compromise methods shall cause distortion of, or damage to, the overprint inks.

The border between the rub-off and overprint border surface and the uncovered portion of the ticket shall be sharp and even, that is, the rub-off material and overprint ink may not drip onto the display printing.

Rub-off Material

The rub-off cover material shall be an opaque elastomeric material that fragments without dusting during normal rub-off. Each and every play symbol must be completely covered by the rub-off cover material.

The rub-off material shall not irritate or stain the skin or cause harm to clothing.

The rub-off cover material should be damaged by heat or solvents typically used to compromise the game data cover material on Instant tickets.

The rub-off material shall be readily removed without significant residue when scratched off in a normal manner. The rub-off material should resist damage during normal ticket handling.

94. Vendors should be capable of applying rub-off cover materials in multiple areas on each ticket. Vendors should indicate on how many separate play areas they could potentially print with rub-off cover material (Vendors may make reference to different ticket sizes).

Scratchability and Shelf Life

95. Vendors must provide tickets that retain scratchability, and should discuss the shelf life of games. Tickets must be able to be easily scratched and must remain readable and in good condition regardless of the environments encountered in normal handling and usage. The Nebraska Lottery reserves the right, at its discretion, to stop the sale of any game that it determines to be difficult to scratch without additional compensation to the Contractor. Please discuss any time limitations on game ticket scratchability.

If the Nebraska Lottery determines that tickets cannot be easily scratched, the Contractor must replace the game at no cost to the Nebraska Lottery within thirty (30) days. If the game is not replaced within thirty (30) days, the Nebraska Lottery may impose liquidated damages.

Play Data Symbols

96. Ticket symbols must be printed generally in black ink, although Vendors must indicate their capability of printing ticket symbols in other colors at the request of the Nebraska Lottery. Symbols must be uniformly positioned, uniformly aligned and easily read. Special symbols shall be available as required by game design. Application of ticket

symbols shall be performed in a statistically random method except when required by GLEPS or as otherwise required by the Nebraska Lottery in the Working Papers.

The play data symbols (play symbols, prize symbols, captions, inventory control data, and bar codes) must be printed using a secure method. Each data symbol must be complete and clearly readable with normal vision under normal lighting conditions. The captions beneath the play symbols must match the play symbol data as approved in the Working Papers.

The symbols must not be obscured or obliterated in the course of removing the rub-off cover material, using normal pressure, or after removal of the game data covering, by the application of any common liquids or solvents.

Play data symbols must have the following characteristics:

- The ability to resist fading or bleeding when exposed to normal environmental conditions.
- The data cannot be removed during various types of water exposures unless other game data area inks and coatings are obviously and/or irreparably damaged.
- The ability to float within the play area in order to complicate pick-out techniques, but be uniformly positioned and aligned from symbol-to-symbol.
- Captions must be printed for each play symbol to provide redundancy for security reasons. Each caption must spell out or abbreviate the symbol in type smaller than the symbol itself in a recognizable and easily readable form. Captions to be used for a game must be specified in the Working Papers.

Security Tint

97. Vendors should discuss their capabilities to provide a transparent, colored security tint or an ultraviolet clear seal coat, or both, uniformly on the play area. A colored transparent coating over the game data should exhibit obvious damage when game data alteration methods are employed. In addition, it is desirable that the color of the security tint not be easily reproduced using available color copier technology. Vendors should discuss their capabilities.

Lily Pad

The areas on which the game data are printed (including bar codes and inventory control data when appropriate) shall contain a white background coating (printing or lily pad). This coating shall be free of voids and scratches that are visible without magnification, and shall be devoid of holes or marks that will complicate detection of tampering. The background area must adhere to the underlying surface (foil or otherwise) and must exhibit obvious damage when alteration or delamination techniques are applied.

Coatings

Symbols shall be protected with a transparent protective coating under the rub-off cover material.

Protective coating(s) shall be applied over all of the printed game areas (play data, retailer validation data, and bar code and inventory control data when applicable) on the front of the ticket. A transparent water-resistant coating may be required to be applied over the bar code and inventory control number if this data is printed on the back of the ticket. The protective coating(s) must be free of voids that expose the printed data causing damage during incidental exposure to water or moisture. The integrity, adhesion, and barrier characteristics of these coatings should be such that the printed data (including bar codes) remain readable throughout normal ticket handling, exposure to normal environmental conditions, and ticket handling following various water exposures. This protective coating must pass independent security tests.

98. Vendors must describe capabilities to apply the protective or other special coating, including UV coating, over the entire ticket front.

The protective coating must resist damage during normal removal of the rub-off cover material and normal ticket handling. This coating must not be penetrated by solvents in a manner that will allow game data inks to bleed through the protective coating and, subsequently, through the cover material of unsold tickets. This coating cannot be removed to expose and subsequently remove the game data inks without causing obvious and/or irreparable damage to the ticket.

Validation Number

99. Each ticket shall possess a unique validation number to be used for winning ticket claims validation and reconstruction of lottery game numbers, letters, or symbols that have become mutilated or unreadable. Vendors shall explain in detail the system of assigning

validation numbers to all tickets. Vendors must describe other methods of validation of winners in addition to the validation number they can offer. The number must be covered with the protective coating and may require a separate security tint and rub-off cover material and overprint design system. Tickets must each have a unique validation number that is non-repetitive in the game as a whole and cannot be related in any way to the pack number on the back of the ticket.

The validation number shall be non-locational. The validation number must be reconstructible, generated by algorithms, and must not aid in the identification of a winner, except by the use of a game-specific algorithm.

Bar Codes

The tickets shall be bar coded for inventory control and validation purposes on the front or back, as specified in the Working Papers. The Contractor must be able to produce Instant tickets with bar coding on the front or back or both of the tickets at the request of the Nebraska Lottery. The Nebraska Lottery reserves the right to determine bar code location.

100. The bar code must be printed according to common industry standards. The bar code must meet industry specifications and achieve a consistent read rate of 99% minimum, and must not interfere with play symbol placement or otherwise impact the player experience of the ticket. Please discuss recommended formats.

Uniform Product Codes

The Contractor will be required to print Uniform Product Codes (UPCs) on the back of Instant ticket games and promotional coupons. Each game shall have a unique UPC.

Other Markings

The Contractor may be required to print Nebraska Lottery logo(s), shaded price points, shaded game name, and other markings on tickets as required by the Nebraska Lottery, at no cost the Lottery.

Perforations

Perforations between tickets shall be deep enough, and shall contain adequate open area between the perforations, to allow tickets to be separated from each other by Retailers after one (1) pre-fold, but tickets shall not break apart during normal handling. If an attached stub

to the game ticket or a folded ticket is required, a lesser perforation is possible between the ticket and its stub, but perforations shall not break without pre-fold.

Ticket Numbering

Each ticket must bear a unique number printed on the back and/or front of the ticket (the current Contractor uses a fourteen (14)-digit number). This ticket number must not be duplicated in the game as a whole. This ticket number includes the game number (currently five (5) digits), pack number (currently six (6) digits), and individual ticket number (currently three (3) digits). Numeration and number location must be agreed to in the Working Papers. Ticket numbers must resist alteration.

Each pack and all tickets within the pack must bear a unique pack identification number for use in controlling ticket distribution and accounting. Each ticket in a pack must have a unique sequential number (inventory control number) that identifies the ticket. The Contractor's procedures must be adequate to ensure that the same pack number is on all tickets in a given pack and that no pack numbers are duplicated in the game as a whole.

The Contractor's procedures must ensure that each ticket within a pack must have individual numbers starting with 000 or other number as specified by the Nebraska Lottery in the Working Papers. The ticket numbers must be consecutive in the pack, and no breaks or omissions are allowed within the pack.

Each Instant game will be assigned a unique number by the Lottery.

Packaging

Each pack of tickets will contain precisely the number of tickets specified by the Nebraska Lottery and will not include void tickets. The number of tickets in a pack will vary and will be specified in the Working Papers for each game. Each pack will be assembled so that the first and last ticket numbers are visible.

Packs of tickets must be in rows of fan-folded continuous strips, which will provide pack integrity and proper control. No breaks in packs will be permitted.

Packs shall be assembled to maintain the consecutive order of tickets and to make theft of individual tickets immediately evident.

The Nebraska Lottery may supplement or change any ticket packaging requirements in the Working Papers.

Industry Tolerance

Subject to normal printing trade tolerances and practices, designs, printing inks, and coatings on the tickets must be properly registered and must be free of flaws that are visible without magnification. Subject to normal printing trade tolerances and practices, the packs of tickets must be properly trimmed and slit. Shrink wrapping must be intact and packs must be assembled in a uniform manner.

Security Certification

101. Vendors should discuss applicable laboratory test reports and other certifications assuring the security of said Instant tickets against practical compromise by reasonably comprehensive technical effort. All laboratories supplying any test report must be certified independent laboratories.

Ticket Integrity

The Nebraska Lottery reserves the right to require that the Contractor reprint any game at any time if tests by the Contractor or the Nebraska Lottery, or any entity designated by the Nebraska Lottery, show any representative sample of production tickets to be compromisable. Tickets shall not bear any words, symbols, or numbers that in any way would permit a person to determine the location of a winning ticket. Regardless of the type of ticket design or designs proposed, the final product must be tamper-proof by any practical means. If the Nebraska Lottery determines that tickets printed by the Contractor are compromisable prior to their release, the Contractor must, without cost to the Nebraska Lottery, reprint the tickets and deliver them within thirty (30) days. Failure to reprint tickets within this time period will result in the imposition of liquidated damages. The Nebraska Lottery additionally reserves the right to impose liquidated damages if tickets printed and subsequently distributed by the Contractor are ever determined to be compromisable.

As used in the RFP, a compromisable ticket is a ticket which, as a result of a failure by the Contractor, printing company, or any other contracted party, is misprinted, defective, misprogrammed, or fails to comply in any material respect with the terms of any Working Papers, client standards or game specifications as agreed to by the Contractor and the Nebraska Lottery, including, without limitation, any and all of the security features developed and agreed to by the parties from time to time. Compromisable shall also include instances where printed tickets do not match the game file for that specific ticket.

Production Ticket Samples

102. At the time of submission of the proposal to this RFP, Vendors must submit production samples of various Instant lottery tickets. These samples must have bar codes. Vendors must submit sample tickets of each type of price point the Vendor is proposing in order to establish that they have the manufacturing technology and ability to produce the tickets as specified. Voided (but not sample void) lottery tickets or similar tickets produced for other government lotteries will be acceptable. Tickets submitted may have conforming or nonconforming validation numbers. No samples will be accepted other than those produced by the proposed manufacturing process and from the production facility(ies) proposed to be used to produce Nebraska Lottery tickets. Sample tickets are only necessary with the one paper original of the proposal.

The Nebraska Lottery will have no obligation, financial or otherwise, to Vendors if, after production of these test tickets, a Contract award is not made to those Vendors. The Nebraska Lottery reserves the right to request additional production sample tickets and to subject such tickets to any additional tests, including laboratory, field, or market tests, as deemed necessary.

Nonconformity of Printed Tickets

If a single ticket in any pack fails to conform to specifications, then the entire pack may be deemed to be nonconforming. A ticket may be deemed nonconforming if not complete or in accordance with the Working Papers as specified and approved by the Nebraska Lottery.

If the results of any test or inspection by the Nebraska Lottery establishes that any tickets, prior to being distributed or offered for sale, fail to meet the requirements specified or are otherwise defective due to manufacturing error, the nonconforming tickets/packs may be rejected by the Nebraska Lottery and the Nebraska Lottery may require that the game be reprinted within thirty (30) days. Failure to reprint tickets within that time frame will result in the imposition of liquidated damages.

If any tickets discovered in the field are determined to be nonconforming with Working Paper specifications or are otherwise defective due to a manufacturing error, as determined by the Nebraska Lottery, the Nebraska Lottery may require withdrawal of the remainder of the game, without compensation to the Contractor and impose liquidated damages. In the case of a major error as determined by the Nebraska Lottery, the Nebraska Lottery may recall all such tickets.

Innovations, Limitations and Exceptions

103. Vendors should describe their innovative Instant ticket features and production processes, and any limitations in regard to the capability of printing a variety of words, letters, numbers, characters, or unique symbols in various combinations of colors. Any discussion of innovative features and processes must specify which features involve additional charges to the Nebraska Lottery.

Security Breach

Upon discovery of any breach of security experienced by the Contractor during the term of the Contract, especially theft or disappearance of any paper stock, tickets, waste, printing plates, imager data files, program data files, or the like, the Contractor must immediately notify by telephone and email Nebraska Lottery Security. This must also be followed up with written notification by the next business day detailing the specifics of the occurrence and what steps have been taken to correct the problem. The Nebraska Lottery will determine the adequacy of the steps taken and reserves the right to specify other steps to be taken.

The Nebraska Lottery reserves the right to require, at any time, further and additional security measures as it deems necessary or appropriate to ensure the security, integrity, and efficiency of the operations of the Nebraska Lottery or its Contractors.

Overall Security Specifications

104. Vendors shall provide an overall security plan by which they intend to produce the recommended Instant game tickets, including plant security, game ticket construction security, anti-counterfeiting and validation security, redemption security, game design security, and the like.

105. Vendors must fully describe methods to be employed in the construction of tickets to avoid security problems. These methods include protective measures against unauthorized invasion utilizing all types of known techniques.

106. Vendors shall identify potential security problems in the type of tickets proposed and specify their methods for handling these problems.

107. An understanding of the overriding importance of security in all phases of design, materials procurement, production, transportation, storage, distribution, validation, and disposition of game tickets is to be made manifest in the procedures, methods, controls, and

accounting systems of the program plan. It is intended that all sections and paragraphs of this RFP have implied the essential need for security, though such may not be explicitly stated. The Vendor's proposal must make clear and specify the precautions, safeguards, inspections, reporting, and other measures that will relate to the entire program and its parts. Vendors must specifically note that plant security for ticket production must be approved by the Nebraska Lottery before production ticket printing commences.

If game tickets are produced at a location other than the location where the production media are produced, the Nebraska Lottery reserves the right to accompany the production media to the printer and to accept custody of the production media if deemed necessary: reasonable and necessary travel (round-trip), meals, and lodging costs of Nebraska Lottery personnel would be at the cost of the Contractor.

Media must be transported in secured containers. If a seal is broken, the media cannot be used. Any production data that is transported via satellite or land line, including encryption key transport, must be encrypted and transferred using methods approved by the Nebraska Lottery.

The Nebraska Lottery must be convinced that Vendors have the capability and integrity required to maintain constant vigilance against any breach of security. Failure to meet or to maintain Nebraska Lottery's approved security standards may be grounds of exclusion from further consideration, or if a Contract has been awarded, may be grounds for immediate cancellation of the Contract.

Ticket Security Requirements

The Contractor must provide tickets such that neither winning tickets nor non-winning tickets shall be recognizable by the human eye from any characteristics of the tickets other than by the play symbols concealed by the rub-off material(s).

Odds of Winning

The odds of winning any prize of any level must not vary because of any characteristics of the tickets, including, but not limited to, any variation or irregularity in the front or back display printing, stock, perforations, cuts, exposed pack numbers, exposed ticket numbers, bar codes, staples, folds, packaging, color or thickness or texture of rub-off material, overprints, protective coating, printing registration, misregistration, deficiencies in randomization, including without limitations, the ticket's location in its strip, pack, lot, shipping box, or pool, or those relating to the ticket symbols, whether exposed or covered with rub-off, of any other ticket in the same or neighboring strip (page), shipping box, or

pool. If the game is produced in more than one (1) production batch, winners shall be recreated for each such batch and shall not bear any identifying characteristics. This requirement is not intended to prevent the use of GLEPS as specified in the Working Papers. The Nebraska Lottery also reserves the right to inspect, at any time, the methodology and implementation of randomization whether on its own or with the aid of any independent statistician.

Invasive Techniques

It must not be possible to ascertain whether a ticket is a winning or non-winning ticket, using a practical or economical technique, unless the application of the technique renders the ticket not salable to the public or easily recognizable as having been tampered with. In particular, it shall not be possible to see through the rub-off spots, or the back of paper card stock tickets, with any practically available device or technique, including, without limitation, high-intensity light, infrared light, ultraviolet light, x-rays, microscopics, optical fibers, heat, freezing, mechanical means, cutting or peeling, electrostatics, chemical means, electrical means, copying machine intrusion techniques, microsurgery, photographic techniques, thermal, or other commonly available devices or techniques.

Knowledge of Location of Winning Tickets

No pack number data will be contained on any readily accessible document or computer file that could associate pack number data with play data or the validation number. Maximum protections must be provided to game records such as computer media, computer programs, listings, charts, or algorithms, that connect the location of winning tickets in the game with the exposed pack number on the ticket.

Production Documentation

A report must be provided to the Nebraska Lottery at the end of the production of each game stating the number of pools used to produce the game, the number of tickets shipped and the number of omits.

Ticket Inspection

The Nebraska Lottery requires a product of exceptionally high quality. Tickets will be inspected during manufacturing, after production at the manufacturing facility, and again at the warehouse facility. The Nebraska Lottery reserves the right to inspect up to 100% of the tickets for any and all aspects to assure compliance with the specifications. The Nebraska

Lottery will inventory and inspect, at its option, all shipments of tickets to the Contractor's warehouse. The Contractor will pay all reasonable and necessary expenses.

Tickets printed, up to and including the entire game print, that are not considered acceptable by the Nebraska Lottery for quality, security, or other reason may be rejected by the Nebraska Lottery without additional compensation to the Contractor. Tickets may be rejected by the Nebraska Lottery for any documented reason.

Ticket Testing

The Nebraska Lottery shall arrange for quality, security, and bar code testing of tickets by an independent laboratory selected by the Nebraska Lottery at the time of the initial production of tickets and also as deemed necessary by the Nebraska Lottery thereafter. The number of packs to be tested shall be at the discretion of the Nebraska Lottery. Packs may be randomly selected by a Nebraska Lottery representative out of all packs printed. The Contractor shall be responsible for all costs of all such testing. The purpose of the testing will be to determine if the tickets meet the following three (3) primary quality and security criteria:

- a. Marketability. Whether construction of the ticket is secure enough for the ticket to endure reasonable environmental rigors and still be readily marketable.
- b. Compromisability. Whether construction of the ticket is secure enough for the ticket to withstand attempts to determine if the ticket is a winning or a non-winning ticket without removing a readily noticeable amount of the coatings on the play area of the ticket within a reasonable time frame, by generally available methods and materials.
- c. Alterability. Whether construction of the ticket is secure enough for the ticket to withstand attempts to alter the play data, prize amounts, or bar code and produce a redeemable winning ticket from a non-winning ticket, and/or increase the prize amount on the ticket by methods and materials available to the public.

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

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

Prize Guarantees

The Contractor shall, at no additional expense to the Nebraska Lottery, guarantee the following:

- a. That winning tickets are distributed with no discernible pattern throughout the entire population.
- b. That prizes will constitute no more than the percentage of gross revenue (i.e., prize payout) as determined by the Nebraska Lottery prior to production of tickets and that top-tier Instant prizes are all present in delivered tickets within tolerances agreed to in the Working Papers.

108. Vendors must discuss the methods by which the above requirements of prize guarantees are met and assured, and discuss any appropriate alternative methods and requirements beyond or in lieu of those listed above.

New Game Data

The Contractor will implement procedures to retain the separation of pack and ticket number data from prize data to maintain the security and integrity of each game.

Pack and ticket data will be provided directly to the Contractor's local computer systems staff at least one (1) week prior to the scheduled initial ticket allocation to Retailers.

Prize data will be provided directly to the Nebraska Lottery at least one (1) week prior to the scheduled initial ticket allocation to Retailers.

The installation of parameters and prize and pack data required for each new Instant ticket game into the system will be performed by the Contractor which may be observed by the Nebraska Lottery or a Nebraska Lottery designated representative.

Prior to distribution to Retailers, the Contractor must provide the Nebraska Lottery with an audit report from a certified public accounting firm relating to the Contractor's procedures and controls employed to maintain the integrity and security of each Instant game during production. Audit tests performed will include an audit of the actual game data used to produce the tickets to determine compliance with the Working Papers. If procedures and controls are not employed to prevent jeopardizing the integrity and/or security of the game, or if the game data does not comply with the Working Papers, the Nebraska Lottery must be contacted immediately, followed by written notification. The certified public accounting firm

must be approved by the Nebraska Lottery. Failure to notify the Nebraska Lottery per this requirement will result in the imposition of liquidated damages.

Upon installation of parameters and game data, the system will automatically generate a report summarizing the game data. The Contractor will confirm that the system-generated report and the summary report received directly from the manufacturing site contain the same data to provide assurance that the game data was successfully transferred to the Instant ticket system.

109. Vendors must provide a detailed description of procedures to install new Instant games and revise existing Instant games. This description should include all reports generated as a result of these procedures.

Shipping and Delivery

The number of packs of game tickets, as specified in the Working Papers, less omissions, must be placed in each shipping carton. The Nebraska Lottery will specify packing requirements for each game. Cartons should be uniform in size and not exceed approximately 30 pounds when fully packed, and maintain structural integrity during shipping and handling. Each carton must have the following statement printed or stamped on it, "This carton contains materials that are registered by number and have no value if stolen."

All cartons will be sealed. A bar-coded label will be placed on the outside of each carton--identifying the carton number, game number, game name, quantity of packs enclosed, pack numbers of packs enclosed, and pack numbers of omitted packs, if any.

The Nebraska Lottery may elect how cartons are to be placed on the skids, whether in ascending or descending carton number order. Carton labels are to face outward. Skids are to be arranged on the truck with the lowest numbered skid in the nose of the trailer and the highest numbered skid at the rear of the trailer. All tickets are to be transported on a dedicated vehicle (i.e., no other customer's products may be on board) with all points of entry sealed. The seal(s) are to be broken only by Nebraska Lottery authorized personnel. A seal broken for any other reason may be sufficient cause for rejection of the entire shipment. The truck's seal numbers must appear on the Bill of Lading.

Tickets must be delivered according to predetermined instructions to the Contractor's designated warehouse located in Nebraska, all costs at the Contractor's expense. Continuous and uninterrupted delivery, without storage, must be made in accordance with the delivery schedule specified in the Working Papers.

110. Vendors shall specify the methods and carriers by which packaged tickets are to be transported from Vendor's plant to the warehouse.

Tickets must be delivered to the Nebraska warehouse within one (1) week after they have been printed unless otherwise agreed to between the Lottery and the Contractor.

Every shipment of tickets will include the following for each game:

- a. Bill of Lading summarizing the contents of the shipment and stating the number of the seal(s) for each entry point. The carrier driver, Contractor, and authorized Nebraska Lottery personnel will sign the Bill of Lading upon confirming that the actual truck contents agree with the Bill of Lading summary.
- b. List of all cartons, if any, not containing the number of packs specified by the Working Papers. The list will include carton numbers, number of packs in each carton, and the pack numbers of the packs in the cartons.
- c. A summary report stating the gross number of tickets, number of omitted tickets, net number of tickets, the range of pack numbers (lowest and highest), and the range of carton numbers.
- d. A detailed report stating pack numbers of all packs produced for that shipment. The pack numbers will be listed in numerical order. The pack numbers will be divided by applicable carton and skid numbers. Numbers of omitted packs will be marked as such.

Time Schedule

The Contractor, in cooperation with the Nebraska Lottery, will develop and maintain an updated schedule of game deliveries to ensure an ample supply of tickets for supplying the distribution network.

Ticket Inventory Control and Management

The Contractor must work closely with the Nebraska Lottery to ensure that adequate supplies of tickets are always available. The Contractor must monitor inventory quantities and movement in order that potential out-of-stock or oversupply conditions can be quickly identified.

In order to effectively manage this situation, the Nebraska Lottery must receive regular reports and briefings; format and content subject to approval by the Nebraska Lottery.

111. Vendors must describe how they will accomplish each of the following reporting requirements:

- a. A daily inventory report, indicating the total number of tickets on hand in the warehouse and in trunk stock of each active game, ticket sales to Retailers for the previous day, percentage of inventory remaining per game, unavailable returns per game, and ticket returns from the previous day. This report is due upon request.
- b. A weekly report indicating the total number of tickets on hand of each active game, ticket sales for the previous week, percentage of inventory remaining per game, prizes remaining, unavailable returns per game, ticket returns from the previous week, previous week's validations, and the projected dates on which the current supply of tickets for each current game will be exhausted (based on previous week's sales). This report is due upon request.
- c. A separate weekly report indicating statewide distribution to Retailers by Instant game, statewide validations of Instant games, statewide Instant ticket returns by price point, statewide sales and validations.
- d. A quarterly Instant game report containing a game matrix comparison, including game names and numbers, with games categorized by theme, playstyle, price point, and top prize, prize matrixes, prize payout, odds, features, sales, and other information as requested by the Nebraska Lottery. This report is due upon request.
- e. An annual report analyzing sales by geographic distribution and validations, advertising and promotions, and other information as requested by the Nebraska Lottery. This report is due upon request.
- f. Additional regular and extraordinary reports and analyses as requested by the Nebraska Lottery, including but not limited to information related to game and promotion planning and annual business plan development.
- g. The Contractor must propose a procedure for notifying the Nebraska Lottery of any inventory conditions that will result in the inability to process Retailer orders for a particular game.

Ticket Ordering and Processing

112. Vendors must outline and describe a plan for processing Instant ticket orders for all Retailers. Indicate whether this function will occur at one (1) facility or whether multiple facilities are contemplated. Specify where the functions will occur, and address at a minimum the following:

- a. In addition to automated ticket ordering systems, telesales operations with in-bound and out-bound capability.
- b. Real-time methods for the Nebraska Lottery to monitor ticket orders as they are processed.
- c. The anticipated organization of the order processing operation, including supervisory and nonsupervisory positions and reporting responsibilities.
- d. The minimum qualifications that would be required for supervisory and nonsupervisory positions within the operation.
- e. The Lincoln site hours of operation for ticket ordering and processing, including the days of the week.
- f. A plan for processing ticket orders, including packaging and shipping, during regular business days, holidays, vacations, and other occasions.

Retailer Ticket Orders

113. Vendors must describe their equipment and system capabilities for processing Instant ticket orders from retailers and LSRs.

Ticket Order Packaging

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

The Contractor will be required to include additional materials supplied by the Nebraska Lottery, in packages containing tickets to be delivered to Retailers at no additional cost to the Nebraska Lottery or the Retailers.

114. Proposals must contain a detailed plan for the packaging of tickets for delivery to Retailers. It should address all aspects of the operation, including:

- a. Preparing and shipping procedures and controls, and packing materials;
- b. Reporting capabilities regarding orders received and processed on a daily and weekly basis.

Instant Ticket Distribution to Retailers

115. The Contractor will be responsible for the delivery of Instant tickets to Retailers in every geographic part of the State at no cost to the Lottery. The Nebraska Lottery recognizes that a single strategy for distribution may not be appropriate for all areas of the State, and the Contractor may choose to use hired personnel or subcontracted couriers or a combination of both. However, the Contractor must ensure that the distribution is effective, efficient, and secure and presents a positive image of the Nebraska Lottery to Retailers and others. Vendor proposals must address in detail each of the requirements set out below:

- a. include a complete description of the distribution plan, including staffing.
- b. The proposals must include a discussion of the security features built-in to ensure integrity. A procedure for the documentation of lost or stolen tickets must be included, as well as procedures for notifying Lottery Security. The Contractor will be required to cooperate with Lottery Security in stolen or missing ticket reports and investigations, and in updating the system regarding stolen or missing ticket information upon direction by Lottery Security. Failure to notify Lottery Security of any stolen or missing ticket reports or failure to update the system with stolen or missing ticket information at the direction of Lottery Security will result in the imposition of liquidated damages.
- c. The proposal must identify any subcontractors that will be utilized in the delivery of tickets to Retailers.
- d. Tickets must be delivered as soon as possible after the order is received.
- e. The delivery procedure must provide proof that the tickets have been received by the Retailer, and reporting must be available in real-time showing the status of each game's inventory in the warehouse, packs in transit to Retailers, packs received by Retailers, and games/packs on-sale at Retailers.

- f. The Contractor will be expected to work with the Nebraska Lottery to ensure optimum service to Retailers. As part of this function, the Contractor must be responsive to matters such as:
- The delivery of emergency orders to Retailers.
 - All ticket packs delivered to Retailers are to be shipped in sequential order, unless otherwise specified by the Nebraska Lottery.
 - The Nebraska Lottery may inventory and inspect, at its option, all shipments of tickets to Nebraska Lottery Retailers.

Returned Tickets

The Contractor will be responsible for the expeditious return to the warehouse of undeliverable, unaccepted, and unsold tickets, at no cost to the Lottery.

Returned tickets in full packs from current games must be reissued as soon as possible.

116. Returned partial pack tickets may not be reissued, unless approved in writing by the Nebraska Lottery, and Vendors must detail their system capabilities and procedures for managing such transfers of partial packs, and should discuss the relative merits of partial pack distribution or redistribution.

Unsold tickets from inactive games must be stored separately from active games until game reconciliations are completed, at which time they must be destroyed by the Contractor.

117. The Proposal must address each of the requirements (referenced) set out above and must include a description of the procedures that will be used to:

- a. account for the return and reissuance of full packs of tickets returned from Retailers.
- b. account for the return of and storage of partial packs and damaged packs of tickets returned from Retailers.
- c. account for the reassignment of partial packs among Retailers, if authorized by the Nebraska Lottery.
- d. prevent theft of returned tickets being held in storage.

Ticket Destructions

118. The Contractor will be required to provide at their cost the shredding and disposal of unsold, damaged, and returned tickets in a secure manner. Please describe the method and location proposed.

The Contractor may also be required to shred or otherwise dispose of other materials at the request of the Nebraska Lottery such as entries submitted for second-chance drawings.

119. The Proposal must address the requirements set out above and must include a description of the procedures:

- a. that will provide for ticket destruction in a secure manner to eliminate theft.
- b. that will ensure that the destruction of tickets and other materials will be performed only with permission of the Nebraska Lottery. The Nebraska Lottery reserves the right to supervise destruction procedures or to require a certificate of destruction be provided.
- c. that will prevent the theft of non-winning tickets, coupons, or other materials submitted to second-chance drawings.
- d. for the disposal of shredded tickets and/or other materials in an environmentally responsible manner.

ONLINE GAME DEVELOPMENT AND MANAGEMENT

The Contractor will be responsible for the development and daily operation of no fewer than seven (7) Online games offered by the Nebraska Lottery either on its own or as part of a multi-state organization.

Drawings for those games are currently held seven (7) days a week (some less frequently). Individual game drawings are currently held once a day, but more frequent drawings may be implemented at some point in the future.

The Contractor will provide software, equipment and related services including but not limited to game and promotion software, terminals and related equipment, as well as technical service, customer service and marketing assistance to individual Retailers, chain Retailers, the Nebraska Lottery and other entities as directed by the Nebraska Lottery.

In addition to printing of standard game information such as game identification, valid drawings dates, numbers selected, options selected (i.e., Power Play or Megaplier), and applicable validation codes, the Contractor's system software and terminal equipment must be capable of printing artwork such as game logos, UPC codes, and on-ticket messages.

120. Vendors shall define and provide a system solution for the operational areas of Online game sales, which also accommodates Instant ticket game operations. Game development and operating resources (programming, processes and equipment) must be reflective of the most up-to-date industry standards. All processes and practices must place a premium on accuracy, reliability, speed and integrity.

121. Vendors must provide an overview of their system game development and management environment, as well as any recommendations for operational configuration and updates during the term of the Contract. Specific software and functional requirements are detailed in subsequent sections of this RFP.

Online Consumables Accountability

122. The Contractor will provide the ticket stock, play slips and other game consumables for all terminals. The Contractor must warehouse, distribute to Retailers, and provide inventory control of all ticket stock, play slips, and other consumables in the same manner prescribed for Instant ticket games, and Vendors must provide an overview of their control processes for such items.

Online Ticket Stock Development, Delivery and Control

The Contractor must provide ticket stock of an acceptable weight (such as comparable to 45 lb.), subject to approval by the Lottery. Thermal or standard stock will be allowed depending on terminals provided, but thermal stock is preferred. Any stock used, at a minimum, must be unique using security ink or printed words or symbols on the back of the stock which can be detected under ultra-violet light. Thermal stock must be top coated to maximize image durability and back coated to control curl and improve graphics. Thermal stock must also be heat stable.

The Nebraska Lottery reserves the right to approve all ticket stock printing specifications to assure that all printing and security requirements are met.

The Contractor's ticket stock printer shall directly provide to the Lottery a file that cross-references the carton number and the ticket stock serial numbers in the carton. The carton numbers must be segregated from the serial numbers so the Contractor knows only the

carton number and the Nebraska Lottery is the only entity to know both carton and serial number.

123. The Contractor shall deliver ticket stock in a secure and responsible manner. Vendors must specify how ticket stock will be delivered to Retailers.

The Contractor shall receive, warehouse, and distribute ticket stock, including obtaining proof of delivery from each Retailer in accordance with MUSL minimum game security standards and Lottery specifications.

The Contractor's ticket stock inventory must be at the carton level.

The Contractor must provide reports to the Lottery specifying the locations to which ticket stock boxes were delivered. These reports must be provided on a weekly basis and on-demand when jackpot or other high-tier tickets are presented for validation at Lottery Headquarters. The Contractor must provide this information within fifteen (15) minutes of the request during Lottery business hours.

The Contractor must provide emergency deliveries of ticket stock and play slips.

The Contractor must consult with, and obtain approval from the Lottery in the design of ticket stock and play slips. Samples of ticket stock, play slips, and any other printed materials procured by the Contractor for delivery to Retailers must be approved by the Lottery prior to distribution. The Contractor must contact the Lottery prior to re-ordering ticket stock or play slips to ensure that no changes need to be made, and obtain Lottery approval.

Ticket stock shall contain preprinted sequential numbering and game rules or procedures or other wording approved by the Lottery for placement on each ticket.

INSTANT AND ONLINE SYSTEMS AND COMMUNICATIONS REQUIREMENTS

Current Online Gaming System

The following describes the current Online Gaming System and related services of the Nebraska Lottery, as of the issuance of this RFP.

Retailer Terminals, Peripherals, and Support

The current Contractor is responsible for providing and maintaining Retailer terminals located throughout the state performing the following functions:

- a. Online ticket production, and all forms of validation of Instant ticket games and Online game tickets;
- b. Producing various terminal reports, and an accounting report of all Retailer activity on a daily or weekly basis including an end of week invoice report;
- c. Manual and play slip wager processing;
- d. Randomly generated play combinations (Quick Pick); and
- e. Variable length tickets with a maximum of five (5) Online plays per ticket.

The Lottery currently has available for every terminal in the field a 17-inch flat screen monitor, which displays a multi-slide informational presentation. Currently, messages can be sent to individual displays or to all displays.

Also in the field are devices that allow players to scan the barcode on their Instant or Online ticket to determine if it is a winner.

Digital jackpot signs for three jackpot-driven games are also available at most retail locations; approximately 650 large (36-inch) window signs, and approximately 400 small (8-inch vertical and 14-inch horizontal) counter/wall signs.

Communications Network

The current communications network uses both satellite and cellular connectivity.

Required Retailer Terminals and Related Equipment

The following describes the expected capabilities of the Contractor's network as of July 1, 2021:

- a. The Contractor will be required to provide all terminals to be used by Retailers and the Nebraska Lottery in Claim Centers, at special events where the Nebraska Lottery or a Retailer will be selling tickets, and for testing and tracking purposes. Terminals must include a method of generating wagers and validating tickets, including those produced prior to the start of the Contract, a method or multiple methods of communicating these transactions to the Instant and Online computer system(s), a printer for Retailer information and reports, printer supplies, and the software necessary to perform these

functions. Currently, the terminal network is a mixture of locations configured with satellite connectivity, cellular connectivity and dual connectivity. Some locations (determined by the Nebraska Lottery) have more than one terminal due to sales volume. Only those terminals actively available for the sale of tickets will be counted toward the maximum quantity of terminals to be provided. Terminals such as those used for testing, training, and spare parts, or those used in the Claim centers are examples of terminals that will not count toward the maximum number provided.

- b. The Contractor will install, and have operational, sales and validation terminals at each (currently approximately 1,200) Retailer location by 5:00 a.m., C.T. July 1, 2021. The terminals must be capable of validating all Nebraska Lottery Instant game tickets from games both on the market and in the warehouse as of June 30, 2021, and Online tickets produced by the current Online network that are still active (within 180 days of the drawing in the Online game for which they were issued) as of June 30, 2021, as well as tickets produced by the Contractor after June 30, 2021.
- c. Terminals must transmit data to and from the host computer located at the Contractor's primary and secondary sites, and display validation and other information to the Retailers. The selected Vendor must certify that its terminals and Instant and Online Gaming System(s) can meet this requirement before the Contract is awarded.

124. Discuss minimum and optimal service timeframes. Delays in installation and full operation of Contractor equipment at Nebraska Lottery Retailers and Claim Centers by 5:00 a.m., C.T., July 1, 2021, for any reason are not acceptable and will result in liquidated damages.

Failure of the Contractor to repair or replace terminals at a Retailer, Claim Center, or special event location within the plan described in Retailer Equipment Installation and Maintenance (See 35) according to location after notice of terminal failure will result in liquidated damages. A terminal is considered non-operational if it is unable to produce or validate Online wagers (by both manual and machine methods), validate Instant tickets or acknowledge receipt or activate packs, process coupons, or process any promotional activities (including but not limited to coupons, vouchers and live tickets), receive broadcast messages, or display or print reports, or is substantially impaired in any of the above.

125. Since it is not known what type of reading equipment will be supplied by the Contractor, the Contractor must place the terminal equipment in a location at Nebraska Lottery Retailers suitable for the chosen equipment. If any restrictions on terminal placement apply, Vendors should state such restrictions.

All Retailer terminals must include a high-speed printer (thermal printer preferred) for printing tickets, reports and receipts. Indicate whether the printer provided is integrated into the equipment or is a peripheral device.

Indicate whether the terminal(s) and related equipment will be manufactured or provided by the Vendor or by a subcontractor.

126. Provide a detailed description of the proposed terminal(s) and related equipment and specify in what lottery jurisdictions the equipment configuration is being or has been utilized.

127. Retailer terminals must be capable of reading media such as magnetic card strips and barcodes including, but not limited to UPC codes and serialized barcodes on tickets and coupons, as well as smart-phone screens. Vendors should discuss the accuracy of the reader in terms of read rate percentage and indicate any environmental conditions that may affect the accuracy. Vendors should discuss the capability of equipment to accommodate any emerging media format.

128. The terminal must be able to read barcodes or magnetic card strips in order to enable programming designed to facilitate age authentication through the use of driver's licenses.

129. Retailer terminals must utilize touch-screen operation. Screen layout must be flexible and configurable, and be approved by the Nebraska Lottery. Navigation should be simple and allow quick access for selecting game type and common multi-draw and wager amounts.

130. Retailer terminals must accept wagers manually and via play slip transactions, or other lawfully available methods.

131. Retailer terminals must have a player display screen or screens.

132. Retailer terminals must support a training/demo mode for Retailer training. Vendors should discuss any advanced training features on the terminal, such as the ability to play training videos from CD/DVD, on-line help systems, or other media.

133. All terminals must be capable of delivering on-screen information to Retailers in a bi-lingual mode (i.e. Spanish), by July 1, 2021.

134. All terminals must be capable of displaying on-screen messages (graphics as well as text in formats such as pop-ups, scrolling, and crawling) to Retailers as a means of enhancing communication and awareness of such things as special Lottery announcements, game and drawing information, system status updates, etc.

135. The terminal (and systems) must be capable of delivering on screen and in printed form a variety of reports to Retailers, including but not limited to:

- a. Sales and validation summaries by game and price point; daily and weekly summaries.
- b. Drawing results and prizes won; up to one hundred eighty (180) days previous.
- c. Winning numbers and jackpot amounts; up to ten (10) drawings previous.
- d. Last 50 transactions.
- e. Aggregated sales and validation information by day and week for Retailers with more than one (1) terminal at a location; this option would be enabled by or for retailers if they so choose.
- f. The terminal must recognize if the system goes down and determine whether any transaction in process was completed or interrupted, and display on-screen appropriate information and any necessary Retailer instructions.

Validation and Wagering Systems Requirements

136. The system must be capable of validating valid Online wagers and Instant tickets produced prior to the start of the Contract and those produced after commencement of the Contract. Describe in detail the processing of data between the terminals and primary site computer. Describe how the following requirements will be satisfied:

- a. The system must be capable of performing in real-time Online game and Instant game ticket validations of up to \$500, or any amount set by the Lottery, customizable for all Retailer locations, and provide a continuation prompt for any validation \$25 and above, or any amount set by the Lottery. The Lottery will specify the cut-off point, but the feature must be customizable to the individual Retailer.
- b. Online and Instant high-tier validations--winning tickets above \$500--must be processed in real-time and may only be processed at a Nebraska Lottery Claim Center. The system must prevent high-tier winner validation at any Retailer location other than

Nebraska Lottery Claim Centers. This amount can be changed at any time in the future.

- c. The Claim Center terminals will have privileged functions that other terminals will not have.
- d. The system must prevent the validation and payment of a winning ticket (Instant and Online) more than once.
- e. The system must consistently give only messages (related but not limited to the sales and validation processes, equipment readiness and system availability) approved by the Nebraska Lottery.
- f. The system must be able to immediately selectively disable or enable any or all Retailer terminals.
- g. The system must validate Instant and Online tickets and generate Online wagers and coupons in as little time as possible from the time a validation or wager is entered until the receipt or ticket is cut; and be designed to prevent loss or corruption of validation and wager data (in instances such as power failures, power surges, connectivity interruptions, communications interference, etc.). Vendors must describe their process and the timing associated with it.
- h. All terminals must be able to print graphics and validation barcodes on all Online tickets, and read validation barcodes on all Instant tickets and Online tickets.
- i. The terminal and system must be able to read barcodes on personal electronic devices, coupons, promotional items and register tape, and produce (and account for with corresponding system reports) appropriate responses such as free tickets (plays), value-added tickets (plays), coupons, entry slips, sounds, discount pricing (multiple game, multiple ticket or cross-promotional). The system must provide the ability to track coupons by various criteria.
- j. Terminals must be capable of playing a musical tune or sound triggered by game and validation amount as well as by promotions. It is preferred that the terminal offer administrator level volume and mute controls and support no fewer than three (3) different tunes active at one time.
- k. The terminal must display on-screen a countdown clock beginning thirty (30) minutes before draw break.

- l. The terminal must display on-screen a born-on-or-before date to aid in verification of player age.
- m. Prior to initial testing, the Contractor must provide the Nebraska Lottery with terminal software specifications that include identification of messages displayed or printed under specified circumstances and samples of wagers, reports and receipts that will automatically print or can be requested through the terminal. Revised specifications must be provided with each modification to the terminal software prior to testing.
- n. The Random Number Generator (RNG) that will be utilized by the system or terminal must be certified by an independent party selected by the Lottery, at the Contractor's cost.

Backup System

137. Vendors must propose a hot backup site that will be established in a Lottery approved location separate from the primary site.

138. The hot backup system must be identical in every way to the primary system.

The hot backup system must be fully functional by June 15, 2021, capable of fail-over and back within 10 minutes, and must remain in a continuous state of readiness throughout the term of the Contract and any extensions thereof.

For maintenance purposes, the Gaming System must run on the hot backup system one (1) multi-day drawing cycle each quarter of the year during the term of the Contract.

In the event of a disaster at the Nebraska Lottery's headquarters, the Contractor's primary Nebraska site will function as a backup for the ICS.

System Growth Path

139. Indicate the cost considerations and capacity for upgrading from the system recommended. Discuss the ability of the proposed system to adapt to upgrades in operating systems and systems architectures.

Communications Network Systems Requirements

The Contractor must assure that each Retailer terminal is connected to the central processing system in real-time for the sale and validation of all Instant and Online games.

140. Vendors must discuss the relative merits of various means of Retailer network connectivity, and recommend the method(s) for providing necessary connectivity between the Retailer network and the Contractor's data processing center(s), and the Lottery.

141. Any system implemented as a result of this RFP must be fully functional during adverse weather conditions. The vendor must discuss its plan to prevent and overcome any degraded time and/or system outages due to inclement weather, including, but not limited to rain, freezing rain, and snow (including blizzard conditions). Degraded time and system outages resulting from reasonably anticipated weather conditions, including inclement weather, will not be considered a force majeure circumstance and will result in the implementation of liquidated damages.

The Contractor will be required to provide the data communications network and all related hardware and software. The communications network must connect all Retailer terminals with the Contractor's facility or facilities and systems, the Lottery headquarters and the regional claim centers located throughout the state.

The Contractor must provide appropriate staffing, as defined by the Lottery, for monitoring and maintaining optimal network connectivity via a network management system, including monitoring the status of each Retailer connection and the logging, reporting, and resolution of any and all network problems, and corrective actions taken.

The system must comply with all MUSL rules and regulations.

142. Vendors must propose a plan such that Nebraska Lottery Retailers do not incur additional costs or fees associated with the communications network. The Contractor will be required to provide adequate and ongoing training to Nebraska Lottery staff on the operation of software and equipment at the Contractor's expense.

Any discussion herein regarding the capabilities and requirements of the Instant and Online Gaming System does not preclude the Contractor's system(s) and equipment from fully accommodating all aspects (sales, validations, promotions, messaging, inventory, and reporting, etc.) of both Instant and Online product lines. The Contractor's system is required to provide full functionality for Instant ticket and Online games.

Proposed System Redundancy

143. Vendors must discuss methods of redundancy that will be used to assure continuous system uptime. Vendors must provide detailed information on the procedures that will be

followed in the case of communications network problems, including reporting trouble levels and escalation procedures. The Contractor must include in its Disaster Recovery Plan a description of how it would recover network communications, transactions or other data at any level.

INSTANT AND ONLINE SYSTEM

The current Gaming System is operational from 5:00 a.m., C.T. to 3:00 a.m., C.T., seven (7) days a week, including all holidays. The system is operational during these hours, except for three (3) minute draw breaks.

The current primary and secondary systems are housed in the Contractor's data centers located in Austin, Texas and Lincoln, Nebraska, respectively. The Lottery requires the Contractor to maintain, and provide staffing for the gaming site twenty-four (24) hours a day, seven (7) days a week including all holidays. The primary and secondary systems have a time-synchronizing mechanism to ensure that both systems have all the transaction data in real-time. The Online transactions are copied to the ICS system daily, or more frequently as directed by the Lottery.

The current Gaming System supports approximately twelve hundred (1,200) terminals. Transactions are processed in real-time at a response time of 4 seconds per wager. All transactions processed by the Gaming System are recorded and can be made available to the Lottery upon request.

Day-to-day administration of the current Gaming System is provided via management terminals at the Contractor's site. These terminals allow for the administration of game specific activities such as activating or suspending Retailer terminals, suspending game sales, providing reports and broadcasting selected messages.

144. The Gaming System must have fault-tolerant software and hardware providing for fail-safe operations. This provides for minimal service disruption, with no loss or corruption of data in the event of hardware, software, or network, problems or failures. The Gaming System is required to support all Instant game functions and operate current Online games, and any future games.

145. Vendors must describe and discuss in detail their proposed integrated solutions for the operation and management of all aspects of the Online and Instant ticket gaming operations. Proposed solutions must include a Gaming System consisting of hardware, software, Retailer terminals, communications network, and all other equipment and technology to support game operations. The Contractor may propose options for primary and secondary computer sites for Gaming System processing, provided that one of the

facilities including testing resources is located in Lincoln, Nebraska and the entire system is secure and the system utilizes digitally encrypted communications channels. The Lottery prefers redundant primary systems and hot backup systems, as well as Contractor and Lottery test systems, and redundant ICS systems.

The installation, upgrade, maintenance, monitoring, and other ongoing costs of the Gaming System, including the communications network, software, and equipment are to be provided by the Contractor at the Contractor's expense. This includes the costs of the network installed in the Nebraska Lottery headquarters associated with the administration of any Contract resulting from this RFP.

146. Describe the configuration that would be used to meet these requirements. Vendors must provide a detailed diagram of the Gaming System, citing relevant examples from other jurisdictions.

Failure of the Contractor to install and have fully operational the Gaming System by June 15, 2021 will result in the imposition of liquidated damages.

Failure of the Contractor to provide reports and data as required in this Section will result in the imposition of liquidated damages.

147. The system must be designed to handle 1,500 Retailer terminals and be capable of processing at a sustained rate of at least 20,000 Online wagers per minute while simultaneously processing up to 15,000 cashing transactions per minute. Only those terminals actively available for the sale of tickets will be counted toward the maximum quantity of terminals to be provided. Terminals such as those used for testing, spare parts, or those used in the Claim centers are examples of terminals that will not count toward the maximum number provided. The system must permit sales and all other gaming transactions for a minimum of twenty-two (22) hours per day, seven (7) days per week. Indicate the minimum downtime needed each day for processing, and discuss the system's ability to permit sales beyond twenty-two (22) hours per day. The system must also be accessible by the Nebraska Lottery for administrative functions. Unscheduled System downtime will result in the imposition of liquidated damages.

148. Vendors must propose new equipment and latest generation software; including but not limited to retailer terminals, computing equipment, and communications equipment, and all related software.

149. The Contractor will be required to install and test all equipment and software at all locations pertinent to the operations of the Nebraska Lottery, including Claim Centers, the Nebraska Lottery headquarters and other locations designated by the Nebraska Lottery, as well as the Contractor's own facilities and backup site, to be operational no later than June 15, 2021. Vendors must provide a plan that describes their approach to this requirement.

150. Gaming System hardware and software configuration diagrams and user manuals must be provided by the Contractor, and available no later than June 1, 2021. The Contractor must provide the Nebraska Lottery with updated diagrams and manuals when changes are made to the Gaming System within seven (7) days. The Contractor must employ, wherever possible, standard hardware and software products and utilize an Open Systems Architecture with deviations documented. Vendors must provide sample configuration diagrams with their proposals. Vendors must identify any potential single point of failure and what the maximum repair time would be.

151. Vendors must demonstrate that the total system (equipment and software) has the capacity to handle all transactions and that the system has the flexibility to accommodate a variety of games and play combinations.

152. At a minimum, Vendors must attest and warrant that the system will allow the Vendor to successfully implement games identified in this RFP and the Vendor's proposal within the required time frames.

153. Vendors must identify any and all hardware and/or software limitations of the proposed system.

154. The Vendor's experience in providing the proposed equipment and software at other lottery jurisdictions will be a critical part of the evaluation process. The deliverable software in its proposed form must be currently used in other lottery jurisdictions.

The Contractor will be required to migrate all existing game data regarding any Online games that are active as of July 1, 2021, as well as any unexpired (still within 180 days of the drawing for which they were issued) winning and non-winning wagers from games closed prior to the start of the Contract period from the previous Contractor into the proposed system. Data migration must begin no later than June 15, 2021, and be completed no later than 5:00 a.m., C.T., on July 1, 2021.

The Contractor will be required to begin, by June 15, 2021, to migrate all existing Instant ticket game data regarding any Instant games that are still active or in the warehouse or in any stage of production as of July 1, 2021, from the previous Contractor into the proposed

system. All games migrated must be fully operational within the new system on July 1, 2021. Data migration must begin no later than June 15, 2021, and be completed by no later than 5:00 a.m., C.T., on July 1, 2021.

155. Vendors must describe how this will be accomplished and how the information will be accessible to the Nebraska Lottery. The costs to perform this migration of data into the proposed system will be at the Contractor's expense.

The Contractor will be required to migrate all available historical Retailer sales data and all financial historical information to the proposed system. The costs to perform this migration of data into the proposed system will be at the Contractor's expense.

The proposed system must be able to validate all unexpired (still within 180 days of the drawing for which they were issued) single drawing and multi-draw ticket winning and non-winning wagers, and coupon-produced wagers, from the previous Contractor, as well as issue exchange tickets for any remaining draws.

The Contractor must provide for Internal Control System (ICS) software developed by an independent third party, selected, approved and managed by the Nebraska Lottery.

The Contractor must also provide applicable hardware to run the ICS.

The Contractor must provide immediate notification to the Nebraska Lottery of abnormal system characteristics and their cause, as best can be determined, by telephone call and email to the Director or his or her designee. Abnormal system characteristics will include but not necessarily be limited to validation and wagering problems, communication difficulties, and computer downtime exceeding five (5) minutes. Notification will include specifics regarding the problem and descriptions of what actions the Contractor has taken or intends to take to resolve the problem. A detailed written explanation of the cause, effect, and resolution must be given to the Nebraska Lottery by 9:00 a.m., C.T., the first day thereafter. Failure to notify the Nebraska Lottery of abnormal system characteristics and their causes and proposed resolution will result in the imposition of liquidated damages.

Instant Ticket and Other Materials Inventory Control

156. Vendors should provide details as to how the proposed software will enable the Nebraska Lottery, LSRs and OSRs to track and manage inventory of Instant tickets, POS, merchandising items, display units, and other supplies.

157. The proposal must describe the policies, procedures, and controls that will ensure that access to POS, premium items, merchandise items, display units, and other non-ticket items is restricted and that inventory will be physically counted and documented at least monthly. The Nebraska Lottery must have electronic access at the Nebraska Lottery headquarters to this information.

Instant and Online Ticket Claims Processing

158. All payment and warrant writing functions will be performed by the Nebraska Lottery's Headquarters staff at all Claim Centers. Describe in detail how the proposed software will accomplish Instant and Online claims processing at the Nebraska Lottery's headquarters and the other Claim Centers. Vendors must anticipate the potential of providing additional communications and equipment for additional Claim Centers.

159. Additionally, discuss each of the following requirements:

- a. Ability to print warrants issued for Instant and Online prizes from data provided by the Gaming System.
- b. Ability to print warrants without a valid winning ticket (i.e., second chance drawings, damaged or erroneously validated tickets, and other miscellaneous prize payments). Describe the system controls over issuance of these types of warrants.
- c. The system must be able to record and track which user processed the claim and at what Claim Center payment was made.
- d. Warrant void/reissue feature.
- e. Dual signature application to prize warrants.
- f. Federal and state withholding requirements (resident and nonresident).
- g. Offset (such as back taxes and child support) processing, and other offsets as required, including Instant and Online winning ticket prizes.
- h. The Nebraska Lottery is required to check for delinquent child support and back taxes owed by the winner on all prizes in excess of \$500, and offset balances owed, if any, against the amount paid to the prize winner. Due to confidentiality requirements of the agencies involved, all Contractor staff assigned to the Nebraska Lottery account will be required to sign confidential information agreements.

- i. Offset processing must include the ability to process warrant transactions when an offset is equal to or greater than the amount won.
- j. Daily reconciliation of warrants issued for Instant validations, Online validations, and claim forms.
- k. Mail-in claims processing.
- l. Processing of W2G forms and data, including both Instant and Online winners, as well as files needed for IRS reporting.
- m. Ability to record payments to winners and related tax withholding data when no warrant is issued (i.e., payment is made by wire or ACH transfer by the Nebraska Lottery).
- n. Instant ticket reconstruction process.
- o. Ability to combine payment of multiple winning tickets (both Instant and Online) into one (1) warrant without requiring special handling. Describe any limitations such as maximum number of tickets or types of games that can be combined.
- p. The Contractor will be required to make available to the Nebraska Lottery in the format required by the Nebraska Lottery all required information from the warrant writing processes for input into the Lottery's relationship marketing system, and (including any offsets) the State's accounting system and the State's warrant reconciliation system.
- q. Failure of the warrant printers at the Nebraska Lottery headquarters or Claim Centers to fully function properly will result in liquidated damages.
- r. Technical and systemic features to protect personally identifiable information (PII) from access by non-approved users. The Contractor will be responsible for any data breaches.

Retailer Accounting, Billing and Funds Transfer

160. Describe in detail how the proposed software will accomplish Retailer accounting, billing, and funds transfer for Instant and Online games. The Nebraska Lottery will be responsible for answering Retailer billing questions and resolving billing problems. Therefore, the proposed system must provide the tools needed by the Nebraska Lottery to

respond on demand. Define the time required for and features associated with the following items:

- a. Capability to combine individual Retailers under common ownership and/or EFT account into a chain for accounts receivable processing and reporting and for commission reporting.
- b. Real-time inquiry and viewing of Retailer accounting transactions by specified date range. Date range must not be limited to calendar week or month.
- c. Capability to audit and review an account by a Retailer's accounting period.
- d. Capability for entry of debit and credit adjustments to Retailer accounts. These must include capabilities of LSRs to give credit adjustments in the field. Each credit and debit adjustment, whether by the Nebraska Lottery or the LSR, must be automatically assigned a unique reference number that includes identification of the user making the adjustment and type of adjustment.
- e. All LSR credit and debit adjustments must be separately reported to the Nebraska Lottery in a form and manner approved by the Nebraska Lottery in order to provide the necessary information for general ledger processing.
- f. Capability for entry of debit and credit adjustments to a Retailer's commission to allow proper reporting of IRS 1099-MISC commissions to the IRS, including any sales bonuses or incentives. Each credit and debit adjustment must be automatically assigned a unique reference number that includes identification of the user making the adjustment and type of adjustment.
- g. Capability to automatically credit Retailer commission for cashing or seller's bonuses and incentives. Bonuses and incentives will be automatically calculated based on parameters defined by the Nebraska Lottery.
- h. Capability to define Retailer commission by specific Online or Instant game, Retailer, chain, key account and date range (i.e., double commission during an incentive period).
- i. Capability to view and print both detailed and summary statements for both individual Retailers and chain accounts. Weekly statements must be available for the current period and for at least seventy-eight (78) prior weeks.

- j. Capability to view and print invoice summary for current and up to seventy-eight (78) prior accounting periods.
- k. Capability to monitor delinquent accounts.
- l. Automatic posting of Retailer Contract fees, if any, and Retailer notification of the postings. Currently, there are no such fees.
- m. Processing of Retailer commission for IRS 1099-MISC form reporting purposes, including any sales bonuses, incentives, or other additional commission, and transfer of data to the Nebraska Lottery. Commission computations must be able to be completed on a daily, weekly or monthly basis, or by any other date range as required.
- n. Retailers are required to make payment to the Nebraska Lottery via Electronic Funds Transfer (EFT). The Nebraska Lottery must perform verification and auditing functions before transactions are released to the financial institution. Collection of Retailer payments via EFT shall be performed by the Nebraska Lottery. All reporting must be done in a form and method approved by the Nebraska Lottery. The proposed EFT processing system must, at a minimum, provide the following items:
 - the Contractor will provide weekly settlement statements to Retailers and chain accounts upon request via email, delivery, or other means. Vendors should discuss their ability to provide statement information in other alternate means such as Electronic Data Interchange (EDI), XML or via the Internet.
 - retailer and summary reporting of EFT activity.
 - retailer EFT financial institution data maintenance and audit trail.
 - capability to set a Retailer or chain account so that it does not write to the EFT file.
 - capability to adjust EFT transaction files at both the file and record level with audit trails and corresponding Retailer accounting transactions.
 - capability to provide EFT data for direct transmission in a format compatible with the Nebraska Lottery's financial institution (currently U.S. Bank).
 - all EFT processing must be fully tested, accepted, and approved by June 15, 2021, or the Contractor will face liquidated damages.

- technical and systemic features to protect sensitive Retailer information, including banking, tax identification and sales data from access by non-approved users. The Contractor will be responsible for any data breaches resulting from system design failure or unauthorized access.

Instant and Online Game Lottery Management Reporting

161. The system shall provide a comprehensive selection of inquiry and reporting capabilities for Retailers and Nebraska Lottery staff. Reports must be made available upon request to the Nebraska Lottery in both hardcopy and electronic forms. The proposed system should be designed in such a way that any data element stored by the system can be incorporated into a custom inquiry or report.

Describe in detail and provide examples of the reporting capabilities of the proposed system. Indicate which reports are available at the Retailer location through the Retailer terminals. Discuss the ability of the proposed system to display inquiries at the desktop of Nebraska Lottery staff, print reports in standard formats such as 8.5" x 11" at the Nebraska Lottery headquarters, and export data in common PC formats. The Nebraska Lottery uses Quick Books Pro for General Ledger Processing and financial statement preparation. Any software or process that would interface with Quick Book Pro would be preferred. At a minimum, the Nebraska Lottery will require summary reports that provide the necessary information for entry to Quick Books for financial statement preparation. Summary reports at calendar month end that show sales by game, commissions by type, validations by game, adjustments, warrants written, prizes remaining by game, outstanding receivables by Retailer and any other similar specifications will be required. The system must include, but not be limited to, the following:

- a. Ability to designate customized Retailer groupings such as, but not limited to, Chain Accounts, Common Ownership Accounts, Key Accounts, and SIC code as defined by the Lottery.
- b. Ability to save and export custom reports and report formats for reuse.
- c. Sales activity and analysis functions by time interval, geography (county, city, zip code), LSR region, game, custom Retailer groupings, SIC code, aggregate summaries, and sales averages. Examples include weekly sales for each Online game, comparative sales for each LSR region, and average weekly sales by Retailer for any 13-week period. Discuss the ad-hoc query capabilities for these items.

- d. Promotion, coupon analysis, discounts taken, and bonuses or incentives, along with promotion-to-date summaries including redemption counts, plays issued and qualifying wagers purchased by time interval, geography (county, city, zip), LSR region, game, SIC code, and custom Retailer groupings. Discuss the ad-hoc query capabilities for these items.
- e. Distribution/Inventory: Include reports on timing of deliveries to monitor performance of the distribution system.
- f. Validation information, liability, and prize payment summaries by time interval, geography (county, city, zip code), LSR region, game, SIC code, prize tier, and custom Retailer groupings.
- g. Game data, including odds, payout, initial quantity of tickets, etc.
- h. Inventory counts by game, separately stating virgin, issued, returned, stolen, trunk stock, damaged, etc.
- i. Projections on the exhaustion dates of tickets for current games on at least a weekly basis.
- j. Real-time reports on ticket orders processed.
- k. Pack status, including location of partial and settled packs.
- l. Retailers assigned to each LSR.
- m. Changes in the Retailer network, including any Retailers who have been activated, suspended, or terminated.
- n. Debit and credit adjustments, including Retailer incentives, sales bonuses, seller's bonuses and cashing bonuses by Retailer, chain, or date range.
- o. Retailer statements, including all account activity such as validations, collections, adjustments, etc.
- p. High-tier winner notification reporting.
- q. Warrants issued and voided, and wire transfers.

- r. Ability to produce various field-defined mailing or shipping reports (such as mailing labels), as defined by the Lottery.
- s. Ability to provide sales and analysis and demographic information through the use of graphical reporting tools.
- t. Ability to export sales data in a structured format for integration into a combined Instant and Online sales analysis system.
- u. Ability to view and print daily system reports on Retailer sales amounts, coupon redemption counts, promotions, validation counts and dollar amounts and for specific date range(s).
- v. Multi-draw, multi-board and future draw reporting by game, LSR region, city, zip code, and by selected date ranges.
- w. Comparison reporting of weekly sales to previous years and weekly sales to comparable jackpot levels by selected date ranges.
- x. The proposed system's reporting capability must have the ability to use historical reports in building sales comparison by time interval, geography (county, city, zip), LSR region, game, SIC code, selected date ranges, and custom Retailer groupings.
- y. Daily and week-to-date summary reports and weekly settlement reports showing sales, validation, commission, weekly settlement and promotion/coupon redemption and other relevant items must be available for printing from the Retailer terminal.
- z. The system must be able to produce summary reports of network status and downtime from the network monitoring equipment.
 - aa. The system must be able to produce an expired ticket report.
 - bb. Ability to research ticket history from sale or pack distribution/activation through validation.
 - cc. The ability to provide any reports or inquiries not previously noted above at the direction of the Nebraska Lottery.

Instant Game and Promotion File Maintenance

162. The installation of parameters and prize and pack data required for each new Instant ticket game or promotion will be performed by the Contractor and may be observed by the Nebraska Lottery. Describe in detail the process of adding, modifying, and deleting Instant games and promotions. Specifically address the following:

- a. Confirmation of successfully loading all game data.
- b. Confirmation of successfully loading parameters in accordance with Working Papers.
- c. Real-time modifications to parameters.
- d. Restriction and notification of game data and parameters changes.
- e. Reports generated as a result of adding, modifying, or deleting Instant games.

Back Office Management System

The Contractor will be required to provide the Lottery back office management system for all Online and Instant game administration.

163. The Nebraska Lottery currently handles Retailer inquiries relating to back office activities. Vendors should discuss their capabilities in providing such assistance to Retailers, and include recommendations for such assistance in the proposal.

Internal Control System(s) (ICS)

The Contractor will be required to provide the Internal Control System(s) maintained and controlled by the Nebraska Lottery to verify and confirm all Online and Instant ticket transactions. The configuration and functionality of the ICS system is provided by an independent third party contractor with Lottery approval. The Nebraska Lottery controls all changes and access to the ICS software program. The Lottery's current ICS Contractor is Elsym Consulting.

The ICS will be utilized as a tool to confirm the integrity of the Gaming System. The ICS must generate a report summarizing all transactions accounted for by the Instant Ticket Game Software and Online Game Software within a specified period of time. The Nebraska Lottery may specify the format of the ICS reports.

The ICS will be run on a system provided by the Contractor at a location designated by the Nebraska Lottery. The ICS will reside only on the system designated by the Nebraska Lottery and the Contractor will not have control of or access to the ICS. A copy of the ICS software must be provided to the Nebraska Lottery for archival and audit purposes. An abstract of the ICS program's process rules must be provided to the Nebraska Lottery prior to its acceptance of the ICS.

The ICS software and all ICS future modifications must conform to MUSL rules and regulations, and be tested by Nebraska Lottery staff, with the assistance of the independent third party, and approved by the Nebraska Lottery before installation.

The independent third party must provide in-depth training and an ICS user's manual and software specifications to the Nebraska Lottery prior to initial testing of the ICS. Additional training must be provided and the user's manual must be updated when software modifications are made. Software specifications must also be provided for all software modifications.

The proposed ICS Vendor must be available twenty-four (24) hours a day, seven (7) days a week including holidays for software assistance if an out of balance situation should occur.

164. Describe in detail the proposed system; at a minimum, address the following items:

- a. Automated system balancing and reports. Failure to resolve balancing discrepancies between the Gaming System and the ICS within the time frame established by the Nebraska Lottery will result in the imposition of liquidated damages.
- b. Guarantee of data integrity from the Gaming System.
- c. Methods or procedures to resolve any discrepancies between ICS reports and Gaming System reports.
- d. Method and frequency of Instant and Online game data transmission to the Nebraska Lottery headquarters.
- e. Time needed for ICS data processing.
- f. Proposed procedures and maximum time for resolving an out-of-balance situation.
- g. Controlled access to the ICS.

h. Interaction between the Nebraska Lottery, Contractor, and ICS developer if necessary to modify the ICS.

System Modification and Acceptance Testing

The Nebraska Lottery will request system enhancements, changes, additions, and modifications to Contractor software. The Contractor will be required to provide complete specifications for new software or modifications to existing software within thirty (30) days after written request from the Nebraska Lottery. The Contractor must provide fully operational new or modified software within one hundred (100) days of signed specifications by the Nebraska Lottery. Failure to meet deadlines will result in liquidated damages.

The Contractor must test all operating system updates, hardware upgrades, and software patches, and obtain Nebraska Lottery approval prior to making any such changes to the system.

Prior to making any system hardware or software changes, the Contractor must provide software and hardware specifications detailing proposed changes to any part of the Gaming System to the Nebraska Lottery for approval. The specifications will identify which files will be modified. The Contractor will test all changes, including software and hardware changes, to confirm compliance with the signed specifications and overall functionality. The Contractor will provide the ICS Software Contractor with information concerning the software and/or hardware change if a change to the ICS is necessary.

The Contractor may not make any additions, changes, or modifications to Gaming System software, hardware, or equipment without it first having been approved in writing by the Nebraska Lottery following acceptance testing. All acceptance testing by both the Contractor and the Nebraska Lottery must be successfully completed prior to any addition, change, enhancements, or modification to any software, hardware, or equipment. All software, hardware, and equipment additions, changes, or modifications must be done at no additional cost to the Nebraska Lottery. Any unauthorized changes or modifications to software, hardware, or equipment will result in the imposition of liquidated damages.

Once the Contractor resolves all exceptions noted during their testing, the software and/or hardware will be made available for Nebraska Lottery testing. The Contractor will provide the Nebraska Lottery with a copy of their test script and all test results (interim and final). All testing will be performed on a test system, not the production system. The test system used for Nebraska Lottery testing must reside at the Contractor's Lincoln, Nebraska, location. The test system will mirror the production system and will be available at all times. Any differences between the test system and the production system must be approved in writing

by the Nebraska Lottery. The Contractor must resolve any exceptions noted during the Nebraska Lottery's testing within a time frame agreed upon between the Nebraska Lottery and the Contractor. Failure to resolve exceptions noted within the established time frame will result in the assessment of liquidated damages.

Upon successful completion of the Nebraska Lottery's testing, the Contractor will submit an installation letter for signature by the Nebraska Lottery Director or a designee. The letter will describe the software and/or hardware change, change control identification, and installation schedule. All changes must be accomplished within a mutually agreed-upon time frame determined between the Nebraska Lottery and the Contractor or be subject to liquidated damages.

On-site Contractor staff must be available to assist testing by the Nebraska Lottery, if requested by the Nebraska Lottery. The Contractor must play an active role, as required by the Lottery, during Nebraska Lottery testing. A Contractor representative will ensure that the test system is operational. The Contractor representative must also communicate any exceptions noted during Nebraska Lottery's testing to the appropriate Contractor's personnel for corrective action or explanation. Failure to comply with these requirements will result in the imposition of liquidated damages.

165. Describe in detail the process of modifying the Gaming System. Specifically address the following (citing examples as necessary):

- a. Change request procedures.
- b. Change control method (i.e., checksums, file dates, etc.).
- c. Communication with ICS Software Contractor.
- d. Vendor's testing process, including staffing, documentation, version control, and exception resolution.
- e. Test environment and any deviations from the production system.
- f. Test system's ability to skip dates.
- g. Provide test data to Nebraska Lottery for ICS testing.
- h. Exceptions resolution process.

- i. Installation procedures.

Hardware and Equipment— Instant and Online Game Hardware

The Contractor must provide all hardware required to support the Gaming System at the Contractor's primary and backup facilities and at the Nebraska Lottery headquarters, Claim Centers, and Nebraska Lottery Security. A detailed diagram of the Gaming System hardware configuration must be provided to the Nebraska Lottery.

The Contractor must provide uninterrupted power supplies (UPS) and a backup generator at the Contractor's primary facility.

166. Describe the hardware and hardware configuration proposed for installation at the Vendor's primary and backup facilities, including the following:

- a. A primary system with redundant power supplies and disk arrays in a configuration that allows for single drive failure without downtime and a fully redundant secondary computer system that fully mirrors the primary system. This redundancy must, at a minimum, exist both for the system itself and for the transaction storage database or flat file storage.
- b. If the secondary system solution exists in the same physical site as the primary or within 30 miles of the system.
- c. All systems must have live network links to them so that copies of all transactions exist on all systems at all times, (i.e., the actual posting of the transactions should not occur first to the primary system, then to the secondary, etc., but rather the posting of the transaction should occur to all systems as part of a simultaneous process).
- d. The Gaming System network must be built in such a way as to have no single point of failure. All routers, firewalls, switches and access points must benefit from system redundancy that automatically takes over operations should the primary fail.
- e. The Gaming System network should be protected from other networks, including the back-office network, via firewall appliances that are configured to use stateful packet inspection and controlled by the Nebraska Lottery.
- f. Wide area network links on anything other than point-to-point circuits must benefit from encryption at a level that has yet to be broken.

- g. The primary system must be capable of transferring operational control to the secondary system in less than five (5) minutes and back to the primary system in less than five (5) minutes. Should a communication link change need to be made to effect this change, the total transfer time must be under ten (10) minutes. Vendors must detail how this transfer is to occur. Operators must be able to effect communication link changes either locally or remotely through the communication link provider.
- h. Controls should be in place to prevent the chances of missing or lost transactions. A detailed accounting of the methods proposed to limit this loss is required.
- i. The Gaming System must be architected in such a manner as to allow Computer Operators to run the Gaming System without requiring root access. Should this access be necessary in an emergency, Vendors should describe and provide a means for positive notification to Nebraska Lottery personnel.
- j. Systems must contain removable media devices for system backups and the ability to transfer data to the Nebraska Lottery's system via a connection of the highest speed, capacity and efficiency.

167. Describe the hardware and hardware configuration proposed for installation at the Nebraska Lottery headquarters and Claim Centers, including the following:

- a. Computers must be fault-tolerant, duplexed, or have similar qualities.
- b. Systems must contain removable media devices for system backups and the ability to transfer data to the Vendor's system via a connection of the highest speed, capacity and efficiency.
- c. The Nebraska Lottery intends to continue use of its network for office needs. Describe in detail the hardware, software, and interface that will be provided to operate the Gaming System from the network computers. Include a description of the ability of the Gaming System to transfer selected data to the network.
- d. Nebraska Lottery Claim Centers, including the Nebraska Lottery headquarters, must be provided with one (1) privileged terminal and one (1) warrant writer/signature printer and necessary supplies. The Contractor must also have a backup warrant/signature printer and necessary supplies on-hand. Required signatures may change during the life of the contract, and thus the Contractor will be responsible for updating digital signatures. The Contractor must update digital signatures (preferably electronically) at their cost.

Vendors must anticipate that the number of Claim Centers requiring equipment may increase or decrease. Lottery Headquarters must also be supplied with one (1) terminal for ticket sales and validations, and one (1) terminal connected to the CAT system for testing purposes.

SOFTWARE

The source code for applicable operating software must be resident at the Contractor's primary site, and accessible with Nebraska Lottery approval through appropriate/agreed upon on-site staffing at all times in order to address any and all exigencies pertaining to the functionality and operation of the Nebraska Lottery Online and Instant game systems.

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

At the end of the Contract term, the Contractor will aid in the conversion to any new game products, equipment, and related services as requested by the Nebraska Lottery.

Instant Game Software

The Contractor must provide its Instant Ticket Game Software for control and accounting of the games as well as provide audit trails and reporting capabilities.

The proposed software must be capable of accommodating all active games as of July 1, 2021, including games in the warehouse but not on sale as of that date, as well as games in the Working Paper development process, and unexpired tickets from games closed prior to July 1, 2021 (within the 180-day redemption window).

168. While Vendors are being given considerable flexibility to define and provide a system solution to the operational areas of Instant ticket game sales, each subsystem has specific requirements that must be met. The system must be menu-driven, easy to use, and accessible from the desktop of each user at the Nebraska Lottery headquarters, the primary site, and the backup site. Give a complete description of the software and all functions that are included for each of the areas listed in the sections below. Indicate how the specific requirements will be handled and discuss any other items as they apply to the proposed solution, citing examples from other jurisdictions as appropriate.

169. Subsections of the Instant Ticket Game Software should include, but are not limited to, the following:

- a. Instant Ticket Order Processing and Distribution
- b. Describe the system for picking, packing, tracking, and delivery of Instant ticket orders.
- c. Processing orders for a minimum of fifty (50) active games. Please discuss any system limitations in this regard.
- d. System to provide OSRs and Nebraska Lottery staff with real-time Retailer information including, but not limited to, estimated store Instant ticket inventory, and number and type of games on sale, equipment, account status, sales history, redemptions, validations, and any credit limits that might be imposed by the Nebraska Lottery, as well as warehouse inventory of product, POS, and equipment to assist OSRs in determining the quantity of tickets, POS etc. that the Retailer should order.
- e. System to provide LSRs with access to information electronically from the field via their laptop computer, cell phone or other portable device.
- f. Emergency issuance of tickets.
- g. Real-time monitoring of warehouse inventory by LSRs, OSRs, and Nebraska Lottery staff.
- h. Real-time monitoring of ticket orders as they are processed.

- i. Tracking LSR use and issuance of trunk stock, including return and reissue of full packs from trunk stock by the LSRs.
- j. Tracking reissuance of returned full packs of tickets from the warehouse.
- k. Capability to transfer partial packs of tickets between retailers; including issuing appropriate credit and processing orders for replacement inventory.
- l. Automatic allocation of orders for new games. Vendors should discuss the pros and cons of this type of ordering system.
- m. Indicate how outbound OSR calls could be automatically scheduled by the system, if used.
- n. Describe any automated rescheduling or call-back features available to OSRs when an authorized individual is not available at the Retailer location.
- o. Describe any reconciliation features to ensure that all Retailers have been called, have called into the warehouse, or have had orders placed for them, and that order quantities are reasonable (for example, 5 packs ordered, but 50 packs entered).

Online Game Software

The Contractor must provide Online Game Software that provides control and accounting of the Online games as well as audit trails and reporting capabilities.

170. While Vendors are being given considerable flexibility to define and provide a system solution to the operational areas of Online game sales, each subsystem has specific requirements that must be met. The system must be menu-driven, easy to use, and accessible from the desktop of each user at the Nebraska Lottery headquarters, the primary site, and the backup site. Give a complete description of the software and all functions that are included for each of the areas listed in the sections below. Indicate how the specific requirements will be handled and discuss any other items as they apply to the proposed solution.

171. Describe how the proposed software will handle the management of Online games, game rules, parameters and special features. Vendors should discuss the various game styles available in the proposed system, and any limitations to the number or types of games offered. Additionally, discuss each of the following requirements:

- a. The software must be able to sell, validate, process and report on all current Online games offered by the Nebraska Lottery on July 1, 2021 and any special features of those games (i.e., Powerball Power Play multiplier or Mega Millions Megaplier).
- b. The software must be able to validate any active, unexpired tickets produced prior to the start of the Contract period as well as issue exchange tickets for any remaining draws, including those from closed games, if any.
- c. The software must support both manual wagering, play slips, and quick-pick automated ticket generation.
- d. The software must support fixed prize payouts, multiplier features, pari-mutuel payouts, payouts which grow relative to sales, payouts which grow on a fixed schedule (amounts adjustable by the Nebraska Lottery), payouts which grow based on a roll-down from a higher tier, annuitized prizes, merchandize prizes, free play prizes, raffles, and any combination thereof.
- e. The software must support manual share adjustment for instances when prizes must be paid on a pari-mutuel basis. Describe the procedures and security mechanisms used to ensure proper prize payouts when the manual adjustment is used.
- f. The software must support prize substitution to replace one prize with another, for example, when a game with free issues is closed, or for a “while supplies last” merchandise prize.
- g. The software must, at a minimum, support traditional Online-style games with multiple number/card/symbol pools, numbers-style games, and instant win Online games. Vendors should indicate any limitations to the number of pools available and discuss any additional game styles available. (Instant win Online games are not currently available in Nebraska).
- h. The software must automatically expire un-cashed tickets 180 days after the draw date and prevent validation, and generate a report of un-cashed tickets expired each day.
- i. The software must support and track multi-board and multi-draw wagers as well as future half-year and yearlong subscription plays. Discuss the ability of the system to also allow for sale of date-specific futures as much as 180 days in the future and not be tied to a contemporary drawing. The Nebraska Lottery must be able to access reports on all multi-board and multi-draw wagers and subscription plays. (Subscription plays are not

currently allowed in Nebraska.) Discuss the number of boards that can be printed on one (1) ticket, or the number of advance plays supported. Discuss the advantages of allowing more than five boards per ticket.

- j. The software must support a modifier feature that adjusts payouts based on special conditions, which may or may not require an additional purchase (i.e., Power Play, Megaplier, etc.). The system must be able to report modifier wagers separate from regular sales, as well as tie coupons and promotions to the modifier feature.
- k. The software must support the automatic generation of a free replay ticket as a prize for the current drawing at the time of validation. The system must be able to report these wagers separate from regular sales.
- l. The software must conform to all current and future Multi-state Lottery Association standards, rules and security requirements, or those of any other association in which the Nebraska Lottery may participate.
- m. The system must have the ability to defer ticket validation, temporarily as well as permanently as determined by the Nebraska Lottery.

Online Game Draw Management Functions

172. Describe in detail the proposed system's capabilities for managing Online game drawings, including the following requirements:

- a. Dual entry and confirmation of winning numbers by Contractor staff immediately after numbers are drawn and prior to enabling prize payout.
- b. Capability to determine the number of winners at each prize tier, if any.
- c. Capability to vary pool closing time per game, and accommodate multiple drawings per game per day.
- d. Pool summary data immediately following pool closing and a pool summary report or reports showing the time of day, net game pool and draw sales information broken out by regular plays, free issue, modifier plays, discounts or any other special feature or wager category that is part of the Online game.
- e. Capability for the Nebraska Lottery to select, sort, view and list a detailed transaction listing. This requirement may be implemented on the ICS system.

- f. The ability to establish and monitor liability limits for fixed payoff games and initiate the cut off of wagering as required.
- g. The Contractor must provide a dual-security-type program to determine that winning tickets for prizes awarded for top prize levels as determined by the Nebraska Lottery are correctly produced and printed on the appropriate ticket stock with the appropriate transaction record.

Promotion and Coupon Functions

The proposed system must provide a variety of promotional and coupon functions that are flexible enough to meet the needs of the Nebraska Lottery; multiple and simultaneous offers, promotions, discounts, game features, all with different parameters. The Contractor will not be compensated for promotion-issued or coupon-issued Instant tickets and Online wagers.

The Contractor will be responsible for providing barcode files for both Instant ticket coupons and Online game coupons.

173. Vendors should describe in detail the promotional and coupon capabilities of the proposed system, including, but not restricted to, the following requirements:

- a. The system must be capable of supporting a minimum of 50 concurrent Instant ticket and Online game coupons and promotions active statewide and regionally.
- b. The system must be able to offer coupons and promotions to all Retailers, as well as restricted to individual Retailers, chains, key accounts, geographical area, city, zip code, county, or LSR region. Discuss the required advance time necessary to prepare the system for these coupon functions, other promotional requests, terminal messages, and ticket messages.
- c. The system must be capable of accommodating multiple simultaneous promotions, and assigning a priority value to each promotion in order to arbitrate which promotion will trigger if a purchase is made that qualifies for more than one (1) promotion, or if both promotions should be triggered, or if one promotion should trigger a subsequent promotion(s).
- d. The system must be capable of offering Online game promotions which trigger based on single-board or multi-board, tickets in various dollar amounts.

- e. Instant ticket coupons and Online game coupons or entries generated by the Retailer terminal must allow at least 50 lines of 24 characters per line for coupon/entry text or equivalent. All coupon and entry text must be approved by the Nebraska Lottery prior to being activated.
- f. The system must support “buy X, get Y” style promotions where a quick-pick play, multi-draw play, coupon or entry is printed automatically when a qualifying purchase is made.
- g. The system must support “Nth ticket” style promotions where a quick-pick play, multi-draw play, coupon or entry is printed automatically after a certain number of qualifying purchases or validations are made among the set of Retailers for which the promotion is active.
- h. The system must support automatic printing of at least two (2) coupons with different text when triggered such as for a Retailer clerk incentive program coinciding with a player promotion. The qualifying purchase must include a text message of at least 50 lines of 24 characters per line or the equivalent.
- i. The system must support raffle style promotions where an additional number is printed either on the bottom of the Online game ticket or on a separate coupon; triggered by a qualifying purchase (specific dollar amount or Nth ticket purchase) or Nth transaction validation. The numbers issued should be transferable to a PC located at the Nebraska Lottery. The Lottery will initially administer the drawing, validation and redemption of prizes. The Lottery may choose to have players visit their website to check the numbers posted there. Vendors should discuss the feasibility of handling validations or prize redemptions.
- j. Vendors must be able to identify where/when the number was issued, limit the number issued, and be able to turn the feature on/off for certain games, Retailer groupings or date ranges.

174. Vendors must offer a system that supports discounting of multi-draw tickets, for example, ten draws of a \$1 game for \$8. Discounts must be able to be enabled and disabled as any other promotion, as well as be the trigger for other coupons and promotions. The system must be able to report discount quantity and dollar amounts separate from the number of wagers.

175. Vendors must offer a system that supports grouping games into discounted packages (Discount Across Games), such as two (2) Powerball®, two (2) Nebraska Pick 5® and two (2) 2by2® quick-picks for \$6; capable of assigning variable discount values across multiple games. Groupings must be able to be enabled and disabled as any other promotion. The system must be capable of supporting more than one such discount grouping at a time, regardless of whether the discount packages are offered statewide, within retail chains, based on geographic considerations (city, county, zip code, LSR region, etc.), or based on transaction types (multi-draw, multi-play, quick pick, self-selection of numbers, etc.).

176. The system must be able to report discount quantity and dollar amounts separate from the number of wagers.

177. The system must support the reading and automatic processing of bar coded coupons (for both Instant and Online games) including serialized coupons where the coupon is checked against a master list and is prevented from being redeemed more than once. Coupons, when scanned, must automatically generate the appropriate transactions to be determined by the Nebraska Lottery, including but not limited to the ability to provide immediate Online credit without generating a ticket, and the ability to allow players to select their own numbers. Coupons will be assigned a coupon number that must be at least three (3) digits long. The system must be able to support at least 999 coupon numbers.

178. The system must support coupons for free plays where no purchase is necessary. Upon scanning, the system will generate the appropriate free wagers, if enabled.

179. The system must support coupons for free plays where a qualifying purchase must be made (i.e., buy \$6 worth of Powerball®, get a free Nebraska Pick 5® play). Upon scanning, the system will generate the appropriate qualifying purchase and the free wagers, if enabled. A text message of up to 50 lines of 24 characters per line or equivalent must be included on the qualifying purchase. All messages must be approved by the Nebraska Lottery prior to coupon activation.

180. The system must support issuing free player-selected, quick-pick, single, or multi-board plays for any and all games or any combination thereof for coupon redemption. The system must track free plays separate from regular wagers.

181. The system must support the capability of assigning a commission value paid to the Retailer for redeeming a coupon on a per promotion number basis.

182. The system must provide the capability of limiting the number of redemptions allowed per promotion number, such as a “while supplies last” offer.

183. Vendors must offer the option to have a coupon receipt printed selectively by Retailer each time a coupon is redeemed. The Nebraska Lottery would determine if a coupon receipt would print before the promotion begins.

184. The system must be capable of providing reporting for the (Instant and Online) coupons redeemed and issued, including but not limited to applicable Retailer commission and bonuses, value of coupons redeemed (such as by price point and aggregate value), and value of free tickets issued (such as by Instant price point, Online game, and aggregate value). The reporting must be available to individual Retailer terminals, chain accounts, and at Nebraska Lottery headquarters.

185. The system must be capable of reporting all (Instant ticket and Online game) coupons issued and redeemed in real-time on a statewide basis, as well as by individual retailers and chain accounts. Vendors must offer additional coupon reporting metrics, such as LSR territory, SIC code (business class), geographic area, time of day, etc.

186. Vendors must offer all desired promotions at conversion. Please provide a listing of all promotional features that will be available at the time of conversion.

Instant Ticket Game and Online Game Software and Data Retention

The Contractor must provide an independent service, which must be approved by the Nebraska Lottery, for delivery of media to an independent secure storage facility. The Contractor must also pay for the costs of the storage facility services.

187. Describe in detail the software and data retention procedures, including but not limited to:

- a. Backup procedures.
- b. Frequency of backups.
- c. Type of data and software backed up.
- d. Secure storage of backed-up software and data.
- e. Access to backed-up software and data.
- f. Purging of data from the Gaming System.

The Contractor must store game information on the Gaming System for a minimum of twenty-four (24) months after the last day validations are possible for the game. Prior to removing game information, the Contractor must obtain written approval from the Nebraska Lottery. Failure to retain game information or failure to obtain written approval prior to removal of game information will result in the imposition of liquidated damages.

Software Security Features

All commands executed by the Gaming System operators and any system warning or problem messages must be recorded on unalterable electronic media, a copy of which must be provided immediately to the Nebraska Lottery.

188. Describe in detail the software that at a minimum will provide for the following items:

- a. Security features at file and application levels.
- b. All records time stamped to the nearest second.
- c. All completed and only completed transactions, including validation attempts, will be recorded on the system.
- d. Transactions cannot be duplicated on the system.
- e. If the software permits ticket cancellation, there must be an option to disable ticket cancellation by game.
- f. Online features provided to the Nebraska Lottery to establish identifications and passwords.
- g. Real-time reporting to monitor all wagers and validation attempts.
- h. Real-time reporting of unsuccessful sign-on attempts via Retailer terminals or other access points.
- i. Ability to identify any code modifications to the Online or Instant Game Software.
- j. Ability to restrict issuance of warrants to specified individuals such as Nebraska Lottery and Contractor personnel by Social Security Number.

- k. The Nebraska Lottery will require exception reporting to Lottery Security. The security reports will be in real time, of executed system command or network transactions such as stolen tickets or multiple sign-ons.

The Nebraska Lottery reserves the right to require at any time such further and additional security measures as it deems necessary or appropriate to insure the integrity of the operation of the Online games, and/or compliance with all MUSL rules and applicable security standards, and the operation of Instant ticket games.

Validation Systems Requirements

The system must be capable of accommodating Instant and Online games existing prior to the start of the Contract.

189. Describe how the proposed system will ensure that all validations will be processed in real-time. Validations must access the validation file to ensure that the ticket is a valid winner.

190. The system must be designed to minimize the data entry functions required by the Retailers, while providing adequate ticket security. Describe the proposed system.

The system must provide payment authorization to the Retailer for each validation transaction.

191. Describe the communications methods proposed for the validation system that are able to accommodate all Nebraska Lottery Retailers. An average and a maximum response time for Online and Instant ticket validations must be specified. Failure of equipment to respond within maximum response times will result in liquidated damages.

All validations must ensure that the Instant ticket is from an issued, activated, non-stolen pack, and that the Online game ticket is from an active game with valid drawing dates and results. All attempts to validate an Instant ticket from a pack with a status other than active, such as stolen, virgin, damaged, etc., or from an invalid game or drawing, will result in a message sent to Nebraska Lottery Security in real-time. All attempts to validate a non-winning ticket will result in a message recorded on the system.

The Contractor must provide the Nebraska Lottery with terminal software specifications that include identification of messages displayed or printed under specified circumstances and samples of reports and receipts that will automatically print or can be requested through the terminal. Revised specifications will be provided with each modification to the terminal software.

Miscellaneous Validation Matters

For informational purposes, discuss the following items based on past experience and/or expected validation volumes.

192. Provide a detailed analysis of potential system volume and the capability of the system to process the volume.

193. Terminals must be able, upon a prompt from the Retailer, to validate multiple tickets (Online and Instant) at one time, keeping a running total of redeemed value(s) and then either ultimately rendering a total value to be paid, or crediting subsequent purchases to the accumulated value of redemptions. The Vendor must explain this capability.

194. Terminals should, upon a prompt from the Retailer, have the ability to check a player's ticket, and (having determined if the ticket is a winner or non-winner and facilitated appropriate action such as validation) then produce an identical ticket for the next drawing. Vendor must explain this capability.

Terminals must provide the Pay/Don't Pay analytical feature for both Instant and Online tickets so that Retailers may determine (before having to actually validate a ticket to determine its value) if they have sufficient cash on hand to pay the prize. The Nebraska Lottery will specify the cut-off point, but the feature must be customizable to the individual Retailer.

Non-validation Functions

195. Describe how the following will be performed by the terminal:

- a. Must provide Retailers with summary reports of their validations, sales, commission, settlement, coupon redemption and other account information on a real-time basis as requested. Reports must be available for each day of the week, as well as week-to-date. Copies of reports must be included in the Proposal. Weekly settlement reports, as approved by the Nebraska Lottery, must be automatically printed at first sign-on of a new week and must also be available upon request.
- b. Receive and display messages to an individual Retailer, custom groups of Retailers (such as Key Accounts, Chain Accounts, geographic regions, etc.), or network-wide to all Retailers. Please describe any limitations to network-wide messages that exist with the proposed system.

- c. Verify Retailer receipt of Instant game ticket deliveries.
- d. Accommodate LSR and FST authentication during retail visits.
- e. Terminals must utilize a password system for signing Retailers onto the network prior to allowing wagers or validations.
- f. Vendors must discuss the ability of the terminal and system to track sales and validation by a shift interval and potentially accommodate individual clerk sign-ons within a Retailer's daily operations.

ADDITIONAL SYSTEM REQUIREMENTS

196. Vendors shall list in this section other significant services, procedures, materials, supplies, programs, policies, equipment, facilities, etc., necessary for the successful daily operation of the Vendor's systems not otherwise described in this RFP.

Examples of topics to be discussed include, but are not limited to:

- a. Mobile/hand held sales terminals that could be used to sell quick pick plays and validate tickets during large crowd events.
- b. The ability to sell Online tickets for future dates, beyond the standard twelve (12) week multi-draw window.
- c. The ability to accommodate Online game ticket subscriptions, either as a direct feature offered by the Nebraska Lottery or a third-party vendor.
- d. The ability to accommodate gift card sales and processing, either through direct sales at Nebraska Lottery Retailers, or through third-party locations as part of multiple-brand gift card displays.
- e. The ability to accept transactions using debit cards as means of payment; interfacing terminal sales transaction(s) with a Retailer's own card processing system or service.
- f. The ability of the system to accommodate Instant Ticket Vending Machines (ITVMs), and other such player activated devices (Online kiosks), in the event the Nebraska Lottery receives statutory authority to offer such services. Compensation for the provision of such equipment will be negotiated separately from that of other portions of this RFP.

Retailer Information Tracking

Retailer management and application processing functions will continue to be performed by the Nebraska Lottery personnel using the Contractor's system. Data migration and transition from the existing system to the Contractor's system must be in place no later than July 1, 2021.

197. Describe in detail the Retailer Tracking and Processing subsystem that is included in the proposed software. The subsystem must include the following:

- a. Capability to retain and maintain Nebraska Lottery Retailer data contained on the application, as modified, such as accounting and financial institution information, contact name, contact telephone number, operation hours, and the like, as well as additional Retailer information deemed necessary by the Nebraska Lottery.
- b. Ability to define, configure and add or remove fields.
- c. Ability to restrict access.
- d. Ability to search and cross reference.
- e. Ability to track sources and times and dates of information changes.

Web-based Retailer Reporting

198. Vendors should discuss their ability to create a password-protected Retailer portal, and the capabilities of such a system to provide accounting information for inclusion on the website, including sales information, validation information, commission and bonus information.

Ticket and Terminal Messaging

199. Vendors should describe in detail the messaging capabilities of the proposed system including, but not limited to, the following requirements:

- a. A sign-on message should appear on-screen and be capable of printing when the Retailer signs the terminal onto the network. The sign-on message must be capable of up to 50 lines of 24 characters each, in addition to identifying the Retailer and time and date the terminal signed on. The system must capture and retain sign-on information for each sign-on that is made by a Retailer. Also describe the procedures for securely providing that information to the Nebraska Lottery when needed.
- b. A ticket message, unique to each Online game, must print at the bottom of each ticket. Ticket messages must be capable of up to 50 lines of 24 characters each. Vendors should discuss any additional ticket messaging capabilities of the proposed system, such as additional messages at the top of the ticket, or the ability to include graphics in the message area(s).
- c. The system must have the ability to broadcast printable terminal messages to terminals in real-time. Terminal messages must be capable of up to 50 lines of 24 characters each.
- d. In addition to broadcasting to all terminals, the system must have the ability to restrict the recipients of terminal messages as determined by the Nebraska Lottery.
- e. The system must be able to selectively broadcast real-time messages to an individual Retailer or customized groups of Retailers (such as Key Accounts, Chain Accounts, geographic regions, etc.).
- f. The system must have the ability to send both deferred and immediate terminal messages. Deferred messages allow the Retailer to view the message at their convenience, while immediate messages must be taken before the terminal will continue to sell or validate.
- g. All terminal messages should be easily accessible from a single button or menu item on the Retailer terminal.
- h. Vendors should discuss message development processes and approval protocols, and best practices for terminal, ticket and sign-on messages.

- i. Message request and creation processes must be in electronic format and include the date range the message will run, which terminals will receive the message, which transactions generate the message, and the number of times per day the message will run.
- j. Vendors should discuss any additional messaging abilities of the proposed system, such as different categories of terminal messages (news, special message), multi-language selection, formatting such as pop-ups, scrolling and crawling, and the ability to make message printing optional or required. Vendors should indicate any limitations to the messaging capabilities of the proposed system, and should discuss internal distribution and confirmation protocols whereby functional areas without ready access to a terminal to view or print messages may be notified and receive relevant supporting background when a message is issued.

Electronic Display Signage

200. The Contractor is required to at a minimum to provide, install, service, and replace LED, LCD, or comparable electronic display signs such as flat panel for each terminal. Messages appearing on such signs will include, but are not limited to, the value of tickets cashed, the cost of tickets purchased, promotional messages, and items of general interest as defined by the Nebraska Lottery. The functionality of the player display screen may be included in this signage. Vendors should describe the proposed equipment in detail.

201. The Nebraska Lottery participates in the Amber Alert and Endangered Missing Alert programs, and other public alert programs, and therefore electronic display signs must be able to be updated immediately. Vendors should discuss experience with such programs.

202. There must be an option to send an electronic message to a single Retailer, any group of Retailers, chain, or the entire network.

Ticket Checking Functionality

203. The Contractor must provide ticket checking functionality at retail and via mobile application for use by players. The Contractor must install, replace, maintain, and repair self-service devices at retail that allow players to check if their tickets are winners or not. Vendors should describe in detail the proposed functionality, including the following requirements:

- a. Vendors should discuss wired and wireless options and the functional distance from the Retailer terminal of ticket checking equipment.

- b. The ticket checking equipment must include a display and a simple means of reading the ticket. The display must clearly indicate if a ticket is a winner or non-winner, or if a read error has occurred. All display messages must be approved by the Nebraska Lottery.
- c. Vendors should discuss any additional capabilities of the ticket checking equipment.
- d. Vendors should discuss experience with other lotteries providing mobile (cellular) device applications providing ticket checking functionality.

Cash Drawer

204 Vendors must describe the availability and features of an attached cash drawer that will be provided to Retailers. These cash drawers may operate as a stand-alone unit, or interface with the terminal.

Technical Support and Training

For the term of the contract and any extensions, the Contractor shall provide technical support in the form of consultation, answering questions, assistance in diagnosing problems, ongoing training, and providing additional hardware and software capabilities and testing as requested by the Nebraska Lottery at no additional cost to the Nebraska Lottery.

205. The Contractor shall specifically describe its plan for providing this support, including staff resources and physical location.

206. Technical Support and Training must at minimum include the following:

- a. Continuous access to a minimum of one (1) full-time U.S. based programmer/developer capable of meeting the Nebraska Lottery's specific needs and modifications.
- b. Nebraska Lottery staff training on the operation of the Gaming System, including terminals, and other software and equipment associated with the Contract. The Contractor will also provide instruction manuals, user guides, diagrams, and training on new or modified features of the system during the course of the contract or any extensions. The Contractor will provide the same training to any new staff member hired during the course of the contract or any extensions.
- c. The Contractor must provide on-site training for the Nebraska Lottery's IT Supervisor on the system administrator features of the Gaming System as they relate to setting up user

accounts, changing passwords, and restricting access. The IT Supervisor must have system administrator access to the Gaming System, and the systems used for the ICS, located at the Nebraska Lottery headquarters.

207. Indicate how many support personnel will be used on a full-time basis from contract award until July 1, 2021. Indicate how many will be available after July 1, 2021, and for what time periods.

The Contractor must provide on-going instruction and training on how to read and interpret system, sales, marketing, and all other reports and data.

Failure to meet any of these technical support requirements will result in liquidated damages.

Installation Schedule

208. Describe the Vendor's anticipated time schedule for the installation of a new Retailer after all appropriate paperwork is completed at Nebraska Lottery headquarters. If proposing using more than one type of communication system, describe the time schedule for each proposed system. Include factors pertaining both to outside communication scheduling and internal scheduling. Describe Vendor's intended plan to notify the Lottery, LSRs and Retailers of this schedule.

Communication Network

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

209 Given the level of technology in Nebraska, the Nebraska Lottery requires the most advanced digital communications network possible. However, Vendors may propose creative solutions to the Nebraska Lottery's network needs that Vendor(s) feel are the most

economically viable, and please indicate where these networks are operational. For any network proposed, discuss the advantages and disadvantages of such a network.

The Contractor must take the appropriate security measures to prevent unauthorized access to any of the networks proposed, and keep the Nebraska Lottery apprised of all activities and involved in the management of all networks.

210. The Nebraska Lottery reserves the right to assume ownership and control of the network at the Lottery's expense at any time during the Contract period. Vendor(s) must discuss the following communications network requirements:

- a. The ability of the network to handle 1,500 Retailer terminals.
- b. Vendors must indicate the expected response times to generate and/or validate one (1) ticket. Response times must not exceed four (4) seconds per ticket.

211. Vendors must provide a complete technical description of the network and equipment to support the Retailer network they are proposing. This includes all network equipment, printers, modems, node equipment, etc., and must include a schematic detailing the proposed network and all equipment.

212. Vendors must explain in detail the redundancy of the equipment and network components and must also explain how the Retailer terminals will communicate with the backup system in the event of a disaster or testing situation.

213. Vendors must describe in complete technical detail all systems, equipment and staffing levels that will be used for network management and communications problem determination within the Retailer network.

214. Vendors must provide detailed information on the procedures that will be followed in the case of communications network problems, including trouble reporting levels and escalation procedures. Include an outline or sample process for recovering communications at any level.

The Contractor must provide all equipment necessary to remain in compliance with all current and future MUSL rules, standards, and security requirements, as well as those of any other game group or association to which the Nebraska Lottery may belong.

System Growth Path

215. Discuss the ability of the solution proposed in response to this RFP to adapt to upgrades in operating systems and systems architectures, as well as the cost considerations, resource capacity, and timing associated with any such upgrades; citing examples as appropriate.

The Contractor must use the same identifying Retailer numbers, chain numbers, common ownership numbers, County Codes, SIC codes, and region codes that are currently being used by the Nebraska Lottery.

Chain/Common Ownership numbers	500000+ and 555000+
Retailer numbers/Second terminals	100000+ and 222000+
Region codes	1-15
County codes	1-99
SIC codes	1-25

Disaster Recovery Plan

The Contractor must submit a written Disaster Recovery Plan (DRP) for Nebraska Lottery approval by March 1, 2021. The Contractor must test all aspects of the DRP by June 30 of each year to confirm that recovery procedures are feasible and would effectively minimize all losses in the event of a disaster. The Contractor will notify the Nebraska Lottery immediately upon identifying a need to revise the DRP. A schedule will be provided to the Nebraska Lottery by June 30 of each year for tests to be performed during the following year. The Contractor will provide written documentation of all tests performed during the year, including test dates, test procedures, and test results, as well as provide an updated DRP to the Nebraska Lottery by June 30 of each year of the contract and any extension thereof. Failure to submit a plan, annually update that plan, or test the plan within the above time frames will result in liquidated damages.

216. Vendor proposals must include either an outline or sample of their Disaster Recovery Plan. The plan must provide for the offsite storage of additional Instant ticket games, and Online game supplies (terminals, play slips and printer paper, etc.). The Plan and annual update must provide a list of items to be stored at the offsite location.

CONTRACTOR SITE REQUIREMENTS

217. Vendors' proposals must include the proposed location(s) of all printing, warehouse and office sites, which must be approved by the Nebraska Lottery.

The Contractor shall not change the location of any facility without first obtaining the written consent of the Nebraska Lottery.

Approval by the Nebraska Lottery of the Contractor's site or any site change shall not confer any liabilities upon the Nebraska Lottery should the site ultimately prove unsatisfactory.

The primary Contractor warehouse, distribution facilities, and offices must be established within the city limits of Lincoln, Nebraska.

Provisions must be made to electronically transfer transaction data from the primary site to a Nebraska Lottery-hosted ICS. The transfer of transaction data for this purpose must either be encapsulated in encrypted data packets at a level that has yet to be broken or sent via a dedicated point-to-point medium.

Should any Contractor primary or backup system be located in an environment that shares space with a Gaming System from another jurisdiction, provisions should be in place to allow the site to be secured in the event of a lockdown. Specifically, the successful bidder must have personnel resources available to dedicate to the secured site and the ability to physically separate Nebraska Lottery computer equipment from the equipment in place for other jurisdictions. This must be done via an opaque wall, separate room, or other provision which prevents visual and auditory communication between hosted sites or between personnel working to correct the lockdown situation and other non-essential personnel. If a remote site is proposed, the Nebraska Lottery will Contract for, train, and supervise its own security staff to oversee lockdowns. The Contractor will be required to reimburse the Nebraska Lottery for this cost.

The Contractor site must provide a secure office for systems equipment and testing of at least 250 square feet available for use by Nebraska Lottery personnel at all times.

All construction, operation, and maintenance costs of the primary and hot backup sites are the Contractor's responsibility, as specified by the Nebraska Lottery.

218. The Nebraska Lottery recognizes that the warehousing requirements can be fulfilled by the Contractor in a variety of ways, including a single location in which all functions are performed, or a distributed method in which regional facilities are utilized. Vendors shall describe how their recommended method is the most efficient and cost effective, and that the method satisfies the potential security concerns of the Nebraska Lottery.

219. The Contractor must provide for a backup warehouse site that will have the capability to store at least six (6) Instant ticket games in case of emergency. Vendors should indicate how many games they would recommend be stored in such a facility for such reasons. The backup warehouse site does not need to be in Nebraska.

The Contractor will be responsible for the storage and distribution of tickets, terminals and related supplies. Facilities, organization, and procedures must be designed to ensure the security and integrity of the games. Procedures and controls must be in place to ensure the confidentiality and integrity of game information.

Contractor warehouse space must not be used to store any materials other than those approved in writing by the Nebraska Lottery. The Contractor must provide dedicated Nebraska Lottery storage space within its warehouse facilities.

Tickets from up to 50 or more active games may be required to be stored and managed at any one time in the warehouse(s).

220. Warehouse facilities, including the areas provided to the Nebraska Lottery for their various uses, must be air-conditioned and heated to maintain temperatures and humidity as close to ideal conditions as possible, and to avoid any extreme temperature or humidity levels in the storage of tickets. Vendors must indicate what temperature and humidity levels would be ideal, and what would be an acceptable range of temperature and humidity levels in their warehouse.

221. Warehouse facilities must contain a minimum of 3,000 square feet of dedicated space and storage area shelving for use by the Nebraska Lottery for storage of tickets, POS items, premium items, merchandising items, paper or media archives, drawing containers, promotional event equipment, and other materials. The proposal must describe the policies, procedures, and controls that will ensure that access to these items is managed and that inventory is monitored and accurately reported.

Warehouse facilities must include dedicated, security office space of at least 150 square feet for use by Nebraska Lottery representatives.

Contractor facilities must additionally provide a conference room able to accommodate meetings of at least 40 people.

Warehouse facilities must additionally provide a security space of at least 150 square feet for security guards and monitoring equipment.

All contractor facilities must be protected from unauthorized access, damage, and disaster, by electronic and physical security systems as specified by the Nebraska Lottery at Contractor cost.

The Contractor must provide uninterrupted power supplies (UPS) and a backup generator at the Contractor's primary facility; back-up facilities must be similarly equipped.

222. Vendors' proposals must include a description of fire prevention and detection, and flood detection procedures, equipment, and monitoring devices that will be installed for all facilities (warehouse, office and conference space, and data center(s), etc.). All procedures and controls must be approved by the Nebraska Lottery.

223. The Contractor will be responsible for the security controls at their facilities. Vendors' proposals must include facility security controls, including the access control system(s) and procedures, security equipment and procedures, and intrusion detection and monitoring. Equipment and procedures must be approved by the Nebraska Lottery. The Nebraska Lottery may elect to hire independent security services to monitor activities at the warehouse facilities. Costs of the acquisition, installation, and maintenance of all security equipment required by the Nebraska Lottery to monitor warehouse activities are the responsibility of the Contractor. Security equipment to be provided by the Contractor includes but is not limited to the following: card access system, card reader with keypads, exit push buttons, electrical door strikes, door contacts sets, alarm contacts, motion detectors, CCTV cameras and monitors, quad splitters, alarm input panels, distress buttons, etc.

224. If regional facilities are utilized for storage and distribution of supplies, equipment and/or tickets, describe the procedures that shall allow the transfer of tickets, equipment and supplies between different facilities.

Contractor facilities must be ready to accept, warehouse, and distribute tickets no later than May 1, 2021; and operational (housing staff, distributing terminals and supplies, and functioning as a data center) no later than June 15, 2021.

Additional Information

225. Vendors should describe any additional features, aspects, or advantages of its products, services or facilities in any relevant area not covered elsewhere in the bid response.

SECTION 4: GENERAL PROVISIONS

The purpose of this Section is to detail the terms and requirements by which Vendors and the Contractor must conduct themselves relative to this RFP and the subsequent Contract.

Contractor / Nebraska Lottery Relationship

The nature of this RFP and the Contract that may result from this procurement will result in a relationship between the Contractor and the Nebraska Lottery that must be founded on mutual trust and respect. The Contractor and the Nebraska Lottery will work together in providing Online game products, equipment, and related services, and Instant ticket game products, equipment, and related services required by this RFP and any contract resulting from this RFP.

It is expressly understood and agreed that the Contractor shall be considered an independent contractor of the Nebraska Lottery. The employees or agents of the Contractor shall not be deemed or construed to be the employees, agents, or partners of the Nebraska Lottery for any purposes whatsoever, nor shall the employees or agents of the Nebraska Lottery be deemed or construed to be the employees, agents, or partners of the Contractor for any purposes whatsoever. Neither the Contractor nor the Nebraska Lottery will assume any liability for any injury to any persons, or any damage to any property or other claim arising out of the acts or omissions of the other party or any of its agents, employees or subcontractors.

Governing Law

All proposals and the Contract are subject to the requirements of, and must comply with, the State Lottery Act (Neb. Rev. Stat. §9-801 et seq.), regardless of whether or not specifically addressed in either this RFP, the proposal, or the contract.

226. All potential Vendors shall read and be familiar with the State Lottery Act.

The Contract shall be governed by and construed in accordance with the laws of the State of Nebraska. Venue for any actions as a result of this RFP or any resulting Contract will be in Lancaster County District Court, Lincoln, Nebraska.

The Nebraska Lottery does not agree to hold the Contractor harmless nor indemnify the Contractor, and any provisions to the contrary are void.

The Contract shall be binding upon any successor, subcontractor, or assignee.

In the event of any default, dispute, or nonpayment, the parties shall be liable for those damages commonly available to the prevailing party under Nebraska law and as provided in this RFP and any resulting contract.

Nebraska Lottery Obligations

The Nebraska Lottery reserves the right to select qualified responses to this RFP without discussion of the responses with the Vendors. It is understood that all proposals except those sections marked “confidential” will become a part of the Nebraska Lottery’s official procurement files and will be available for public inspection if a bid is awarded. No obligation is made by retention of these proposals, nor is the Nebraska Lottery committed to awarding a contract as a result of this RFP.

Right to Alter, Modify, or Amend the RFP

The Nebraska Lottery reserves the right to alter, modify, or amend any provision of this RFP at any time if it is in the best interest of the Nebraska Lottery to do so. The decision of the Tax Commissioner or the Director shall be administratively final in this regard. Any modification of this RFP will be clearly marked as a modification and will be provided at nelottery.com/2021systemrfp

Content of the RFP and Structure of Responses

227. This RFP is designed to provide Vendors with the information necessary for the preparation of competitive Proposals. It is not intended to be comprehensive, and each Vendor is responsible for determining all necessary technical and operational issues for submission of a comprehensive proposal. Vendors must submit a proposal on the whole RFP (organized according to and following the numerical progression of the RFP); and providing details on items specifically noted by reference numbers.

By submitting a proposal, each Vendor agrees that it will not bring any claim or have any cause of action against the Nebraska Department of Revenue, the Nebraska Lottery, the State of Nebraska, or any employee of the Department or the State, based on any misunderstanding concerning the information provided or concerning the Department’s failure, negligent or otherwise, to provide the Vendor with pertinent information as intended by this RFP.

Vendors shall not be allowed to take advantage of any error or omissions in the RFP. Where errors or omissions appear in the RFP, Vendors shall promptly notify the Nebraska Lottery of such error or omission. Inconsistencies in the RFP are to be reported before bids are submitted, wherever found.

Submission of a response to this RFP implies acceptance of all terms and conditions. Vendors shall indicate exceptions to any section or paragraph; otherwise, acceptance is assumed. Exceptions stated by the Vendor may be cause for rejection of the Proposal at the discretion of the Nebraska Lottery.

Contractor Obligations

The Contractor will always be responsible for the performance of all contractual obligations that may result from an award based on this RFP. The Contractor will not enter into any agreements nor use the services of any subcontractor in the performance of any aspect of the Contract without the express, written permission of the Nebraska Lottery. The Contractor's books, records, and other evidence pertaining to the Contract shall be available to Lottery Security, the Nebraska Lottery, and its internal and chosen external auditors at all times during the Contract period and for three (3) full years from the expiration date or final payment on the Contract, whichever is later.

The Contractor shall be solely responsible for all payments to its agents or subcontractors and all compensation, withholding taxes and benefits for its employees, and for providing all necessary unemployment and workers compensation insurance for its employees.

If the Contractor chooses to utilize one (1) or more subcontractors to provide the products or services specified in this RFP, the Contractor will not be relieved in any way of its responsibility and obligation to meet all requirements contained herein. The Nebraska Lottery will incur no additional obligations, and the obligations of the Contractor will not be reduced.

Response Components

This RFP requires Vendors to respond by 12:00 p.m. C.T. on June 12, 2020.

Vendors must make proposals and assurances to all sections and subsections of this RFP; in addition to any other specific requirements within this RFP regarding what must be included in Vendor proposals, each Vendor must submit the following items:

- a. Proposals must be submitted with one (1) paper original, eight (8) paper copies, and twelve (12) copies on electronic media.
- b. Documentation of the financial soundness of the Vendor, including the Vendor's latest annual report and audited financial statements (see 229). The successful Vendor will be required to provide proof of filing of all applicable states' and federal taxes.
- c. Outline of experience in providing Instant ticket and Online game products, equipment, and related services (see 231).
- d. Outline of experience with governmental entities and a listing of any current personnel with experience on lottery accounts (see 232).
- e. A brief history of the Vendor (see 233)
- f. An organizational chart of the Vendor (see 234).
- g. A list of any potential conflicts of interest (see 235).
- h. A list of all relevant political contributions or independent expenditures (see 236)
- i. A summary of all judicial and administrative proceedings involving the Vendor or its parent company (see 237).
- j. References, and listings of current and former accounts (see 239).
- k. A transmittal letter as required (see 241).
- l. The signed Proposal Certification (see 241) and found in Appendix "A".
- m. Proposal Security (see 241)
- n. Sealed cost proposal (see 242)
- o. A signed Covenant Not To Sue (see Appendix "B"), or Litigation Security as required on page 133.
- p. A signed Nondisclosure Agreement see Appendix "C".

- q. Sample tickets must be included in the proposal package, along with an example set of proposed Working Papers.
- r. Vendors must provide a summary overview limited to five (5) pages of the entire project being proposed.
- s. A list of variations, if any, where the products, equipment, and related services proposed differ from the requirements in this RFP. Where variations are not cited, it shall be assumed that the Vendor proposes to meet all the requirements of the RFP. Where a variation is noted, the Vendor must provide an explanation as to why the variation was taken.

All materials submitted in writing and other information gained will be considered as part of the Vendor's proposal and will be considered in making the award; non-written communication not specifically requested by the Nebraska Lottery may, at its discretion, be disregarded by the Nebraska Lottery without consideration. Following the selection of the Contractor, all Vendors who submitted a proposal will receive notification of the Nebraska Lottery's decision.

Vendors must bear all costs associated with their proposals, including but not limited to preparation, copying, postage, and delivery fees. No costs or expenses incurred by Vendors in responding to this RFP and participating in this solicitation will be borne by the Nebraska Lottery.

Each proposal submitted in response to this RFP must be organized and arranged to correspond with this RFP. Failure to arrange the proposal as requested may, at the discretion of the Nebraska Lottery, result in disqualification. Conciseness and clarity of content must be emphasized. The response must be complete. Failure to provide required information may, at the discretion of the Nebraska Lottery, result in disqualification of the proposal. The Nebraska Lottery may waive any nonmaterial deviation in a bid, but shall in no way modify the requirements of this RFP or excuse the Vendor from full compliance with the contract requirements, if the Vendor is awarded the contract.

All pages of the response must be numbered. All proposals shall be prepared simply and economically, providing a direct, concise delineation of the Vendor's proposal and qualifications. All proposals must be typed and signed. Where the written words differ from figures, the amount stated in written words will govern.

Alterations must be crossed out and the corrections thereto printed in ink or typewritten adjacent to the alteration. The corrections must be initialed in ink by the person who signs

the proposal and is named in the transmittal letter. Erasures will not be allowed, and if detected may, at the discretion of the Nebraska Lottery, constitute cause for rejection of the proposal.

In addition to the items listed above, Vendors will be required to provide oral presentations and demonstrations to the Nebraska Lottery Evaluation Committee.

228. Vendors must submit a Proposal that sufficiently addresses each requirement, service, and deliverable outlined in this RFP. Vendors shall provide information specifically describing their approach to providing each service, deliverability of services listed, the manpower that will be devoted and required to fulfill each task, and the proposed schedule of time to complete the task. Vendors shall identify all employees by name who would participate in any contract awarded pursuant to this RFP, and the nature and scope of the duties and responsibilities of each such employee.

Financial Soundness

229. The Nebraska Lottery must be provided with adequate information to permit an evaluation of Vendor's financial capability to undertake and satisfactorily complete any contract awarded by the Nebraska Lottery as a result of this RFP.

Acceptable documentation includes annual reports and audited financial statements. Vendors are also required to include a list of all liens filed on or against the Vendor or filed on or against persons with a substantial interest in the Vendor. The Nebraska Lottery reserves the right to obtain supplemental information if it determines that any provided documentation is inadequate.

If, during the period prior to award of a contract pursuant to this RFP and through the end of the contract and any exercised extension thereof, the Vendor experiences a substantial change in its financial condition or a change of ownership, the Nebraska Lottery shall be immediately notified in writing. Failure to notify the Nebraska Lottery of such a substantial change in financial condition or ownership will be sufficient grounds for rejecting the Vendor's response or terminating any contact.

If any Vendor makes a material misrepresentation in submitting information under this section or any section of this RFP, such misrepresentation will be sufficient grounds for rejecting the Vendor's response or terminating the Contract.

Financial information that a Vendor seeks to remain confidential must be indicated in a separate section in the introduction that identifies by page, paragraph, and sentence what

information or materials they consider to be confidential and must stamp “confidential” on each page of the data or other materials sought to be protected as confidential. The Vendor must state in the introductory section the reasons such confidentiality is necessary. This information will be kept confidential unless otherwise required by law. However, under no circumstance will the Nebraska Lottery be liable to any Vendor or to any other person or entity for any disclosure of any confidential information. Any portion of the proposal that has been declared and marked as confidential information must be included in a separate envelope and marked “confidential” on the outside.

The Vendor awarded a Contract resulting from this RFP must annually submit copies of their annual report for the term of the Contract and any exercised extensions thereof. Failure to submit the information required by this section may be cause for the Nebraska Lottery to terminate any Contract resulting from this RFP.

Experience

Due to the complexity of the Nebraska Lottery, its games, operations, marketing activities, retailer network, it is imperative that Vendors submitting responses to this RFP demonstrate sufficient experience to assure their ability to assume the responsibilities contained in this RFP.

Vendors, including any subcontractor(s), must be experienced in providing Online and Instant ticket products, equipment, and related services in the United States.

230. Each Vendor must outline its experience in providing Online game products and Instant ticket products in the United States; as well as equipment, and related services and the expertise of personnel rendering the requested services.

231. Vendors shall provide a detailed narrative setting forth the qualifications of the Vendor and its participating staff members. The narrative should focus on Online and Instant ticket products, equipment, and related services.

232. Vendor(s) must also specify the following:

- a. Any experience by the Vendor or its staff with governmental entities.
- b. List any current personnel with experience on lottery accounts.

233. All Vendors in their proposal must provide a brief history of their company, including but not limited to:

- a. The name and address of the business entity submitting the proposal.
- b. The type of business entity (i.e., corporation, partnership).
- c. Place of incorporation, if applicable.
- d. Name and location of major offices and other facilities that relate to the Vendor's performance under the terms of this RFP.
- e. Name, address, and business and home telephone numbers of the Vendor's principal contact person regarding all contractual matters relating to this RFP.
- f. Name and address of each lobbyist representing the Vendor in Nebraska, a client list of each lobbyist, and all accounts and money managed by those lobbyists.
- g. The Vendor's Federal Employer Identification Number and Nebraska tax identification / registration number (if any).
- h. Full name (last, first, middle), address, and date of birth for each partner, member, officer, and director of the Vendor assigned to the Nebraska Lottery account, and also full name, address, and date of birth for each person who owns ten percent (10%) or more of the stock or other interest in the Vendor.
- i. A statement regarding the financial stability of the Vendor, including the ability of the Vendor to perform the functions required in this RFP and represented by the Vendor in its response.
- j. Any parent / subsidiary affiliation with other entities.

234. All Vendors must provide an organizational chart of their company in general and also for the Nebraska office that will be providing services on the Nebraska Lottery account, including all personnel located in that office. The chart must specifically highlight the names, positions, and the geographic locations of persons who will work on the Nebraska Lottery account.

235. Each Vendor must disclose any potential conflicts of interest relative to performance of the requirements of this RFP. Any personal or business relationship between the Vendor

or its principals or any affiliate or subcontractor, and any employee of the Nebraska Department of Revenue, the Nebraska Lottery, or Nebraska Lottery contractors must be disclosed. Failure to disclose any such relationship may, at the discretion of the Nebraska Lottery, be cause for contract termination or disqualification of the proposal. Vendors must also disclose any current clients that offer gaming within Nebraska (e.g., casinos, cash devices (skill games), horse racing, pickle cards, keno, bingo, etc.).

236. Each Vendor must list the details of any contributions to or independent expenditures by the Vendor, an officer of the Vendor, a separate segregated political fund established by the Vendor as provided in Neb. Rev. Stat. §49-1469, or by a person, including any lobbyist acting on behalf of the Vendor, officer, or fund for any candidate for the office of Governor, Lieutenant Governor, Secretary of State, Auditor of Public Accounts, State Treasurer, Attorney General, member of a board or commission with one or more election districts of more than one county, or member of the Legislature or contributions to or independent expenditures for any political party that has supported candidates for the above listed offices since March 31, 1997. See Advisory Opinion #160 of the Nebraska Accountability and Disclosure Commission in Appendix “D.”

237. Each Vendor must list (identifying caption, case number, and jurisdiction) and summarize all judicial and administrative proceedings involving its Vendor activities, claims of unlawful employment discrimination, and antitrust suits in which the Vendor has been a party within the past five (5) years. If the Vendor is a subsidiary, this information must also be submitted for all parent companies.

Failure to provide this information will be sufficient grounds to reject any proposal or terminate any contract.

238. Each Vendor must also disclose any assessment and/or notification of liquidated damages occurring during the last five (5) years, whether it paid such liquidated damages or not, received in conjunction with providing products or services for any North American State or Provincial Lottery.

References

239. Vendors must provide the Nebraska Lottery with a client list. This client list must include only those companies with whom the Vendor has worked during the past five (5) years. Vendors must list all lotteries for which they have provided Online and Instant ticket game products, equipment, and related services in the last five (5) years. Vendors must provide the following information on all clients' names submitted:

- a. Contact Name
- b. Company Name
- c. Address
- d. Telephone Number
- e. Years of Association with Client
- f. Type of Online and Instant ticket game products, equipment, and related services performed.
- g. Dates when Online and Instant ticket game products, equipment, and related services were performed.
- h. Value (approximate) of Online and Instant ticket game products, equipment, and related services performed, delivered or otherwise rendered.

240. Vendors must also list all lottery clients that were lost between January 2013 and the present if for some reason other than competitive bidding.

The Nebraska Lottery reserves the right to contact any accounts listed in this section.

Transmittal Letter

241. A Transmittal Letter must be submitted as part of the proposal. The letter:

- a. must clearly indicate that it is the Transmittal Letter, identify the Vendor submitting the proposal, and indicate the name, title, address, and telephone number of the person in the Vendor's organization to be contacted concerning the proposal. The letter must also contain any requests for treatment of information submitted by the Vendor as confidential information as required in this RFP. This letter shall clearly indicate that no relationship exists between the Vendor and the Nebraska Lottery that interferes with the fair competition or is a conflict of interest, and no relationship exists between the Vendor and another person or organization that constitutes a conflict of interest with respect to this RFP.
- b. includes a commitment by that entity to provide the Online and Instant products, equipment, and related services required by the Nebraska Lottery in this RFP. The letter must state that the proposal is valid for 180 calendar days following the date on which the proposals are due. Any proposal containing a term of less than 180 calendar days for acceptance shall be rejected. The Letter must be signed by a person legally authorized to bind the Vendor to the representations in the response. The Vendor shall also indicate in its Transmittal Letter why it believes it is the most qualified Vendor to perform, produce, and deliver the Online games and Instant ticket game products, equipment, and related services required by the Nebraska Lottery in this RFP.

- c. include a statement of acceptance of the terms and conditions of the contract indicated in this RFP. If the Vendor takes exception to any of the proposed terms and conditions, those exceptions must be noted in the Transmittal Letter and must contain specific numerical references corresponding to the relevant paragraphs of this RFP. Vendors must realize, however, that failure to accept the terms and conditions specified in this RFP may, at the discretion of the Nebraska Lottery, result in disqualification of the proposal.
- d. includes attachments of the Proposal Certification and the Proposal Security as described below.

Proposal Certification

The Transmittal Letter must be accompanied by a single, signed copy of the Proposal Certification, which is included with this RFP as Appendix "A." The certification must be signed by an official having authority to bind the Vendor.

Proposal Security

Each Vendor must submit a Proposal Security made payable to the Nebraska Lottery in the form of a certified or cashier's check in the amount of \$50,000, or a Proposal bond in the amount of \$50,000 issued by a surety licensed to do business in Nebraska on a form acceptable to the Nebraska Lottery, or an irrevocable letter of credit in the amount of \$50,000. The Proposal Security shall be forfeited if the Vendor chosen to receive the contract award does not honor the terms offered in its Proposal or does not negotiate contract terms in good faith. Security submitted by unsuccessful Vendors will be returned when the Proposals expire or are rejected, or when the Nebraska Lottery enters into a contract with the successful Vendor, whichever is earlier.

Cost Proposal

Cost is an important factor in deciding whether the proposal meets the immediate and long-term needs of the Nebraska Lottery. The goal is to determine compensation that rewards the Contractor while assuring the Nebraska Lottery that it is achieving the desired operating efficiency. It is anticipated that compensation will be keyed to sales. The basis for compensation will be determined by rates quoted in the proposals and as agreed to in the Contract. This basis for compensation may be renegotiated by the Nebraska Lottery and the Contractor if the Nebraska Lottery chooses to extend the Contract.

242. Vendors must state their pricing for the Online and Instant ticket game products, equipment, and related services described herein, including any and all costs involved. Pricing should be segregated by Online game products, equipment and related services, and by Instant ticket game products, equipment and related services. Further, Vendors should detail any possible scenarios in which discount or bonus pricing for the respective Online and Instant ticket game products, equipment, and related services may apply.

The Contractor will receive no compensation other than as indicated in their cost proposals. All pricing information submitted must be in a separate sealed envelope and clearly marked as such. The sealed cost proposal must be included in the original proposal only. Only one (1) original cost proposal is required. The Vendor shall not disclose its cost proposal or other cost information in the body of written proposal. Including cost information in the written proposal may, at the discretion of the Nebraska Lottery, be cause for proposal disqualification.

Vendors should assume that there will be no opportunity to amend their cost proposal, and thus should submit their most competitive and realistic offer.

Nonexclusive Rights

While the Nebraska Lottery anticipates that the Contractor, including any subcontractor, will be expected to serve as the primary source for all Online game products, equipment and related services and Instant ticket products, equipment and related services, any contract or agreement resulting from this RFP shall not grant to the Contractor exclusive rights. The Nebraska Lottery reserves the right to secure Online and Instant products, equipment, and related services from any Vendor the Nebraska Lottery deems appropriate without additional compensation to the Contractor. If the Nebraska Lottery exercises this right, the provisions of any contract resulting from this RFP will not be required to be renegotiated unless such provisions are materially affected by the new contract.

Property of the Nebraska Lottery

All materials and proposals submitted by Vendors become the property of the Nebraska Lottery upon receipt and will not be returned to the Vendor. The Nebraska Lottery shall have the right to use all materials, ideas, or adaptation of the ideas contained in any proposal received in response to this RFP as the Nebraska Lottery deems appropriate without compensation. Selection or rejection of the Vendor's proposal will not affect this right.

Covenant Not to Sue

If a Vendor submits a Covenant Not to Sue it must be on a form approved by the Nebraska Lottery. An example of a Covenant Not to Sue is attached; see Appendix "B."

Litigation Security

In lieu of a Covenant Not To Sue, a Vendor may submit with the proposal a litigation security in the form of a certified or cashier's check in the amount of \$500,000 made payable to the Nebraska Lottery, or a litigation bond in the amount of \$500,000 issued by a surety licensed to do business in Nebraska on a form acceptable to the Nebraska Lottery. The certified or cashier's check will be forfeited and a claim will be made on the bond if:

- a. the Vendor or any agent of the Vendor sues the Nebraska Lottery, the Nebraska Department of Revenue, the State of Nebraska, or any officer or employee thereof regarding any matter relating to this RFP or regarding any matter related to the awarding of a contract pursuant to this RFP, and
- b. the Nebraska Lottery or other defendant is the prevailing party in such a suit.

The purpose of the litigation security is to discourage unwanted or frivolous litigation by permitting the Nebraska Lottery, the Nebraska Department of Revenue, the State of Nebraska and any officers or employees thereof to recover damages, including attorney fees and court costs resulting from such litigation.

The litigation security will be retained for a period of two (2) years from the date of the submission of the proposal.

As an alternative to the litigation security, the Vendor may execute and release a Covenant Not to Sue (Appendix "B").

Performance Bond

Pursuant to Neb. Rev. Stat. §9-836 of the Act, the Contractor, at the time of executing the Contract resulting from this RFP, must submit a performance bond in the amount equal to the amount estimated to be paid annually to the Contractor (currently approximately \$12 million). The bond shall provide funds to the Nebraska Lottery in the event that the Nebraska Lottery suffers any liability, loss, damage, or expense as a result of the Contractor's failure to fully and completely perform all requirements of this RFP and the resulting Contract, which include, without limitation, the Contractor's obligation to pay liquidated damages, to indemnify the Nebraska Lottery under circumstances described by

this RFP and the resulting Contract, including any exercised extensions thereof. With the exception of the liquidated damage amounts set forth in this RFP, bond payments shall be considered limited to actual damages that are sustained. The performance bond will guarantee the faithful performance of the Contractor for the duration of the Contract, and proof of its validity must be provided annually. Failure to meet the obligations set forth in this RFP and the resulting Contract will be grounds for forfeiture of the bond. The terms, conditions, and coverage levels of such bond may be modified at any time by the Director.

Fidelity Bond

It shall be the responsibility of the Contractor to make sure that all the Contractor's employees and agents, and any subcontractor and its employees or agents, are covered by a fidelity bond in the amount of \$4,000,000. This bond shall be in effect throughout the initial term and any and all renewal terms of the contract. This bond coverage must indemnify the State of Nebraska, Nebraska Department of Revenue, or the Nebraska Lottery for any errors or omissions due to any fraudulent or dishonest act on the part of the Contractor and its officers and employees, and agents, and of any subcontractor and its officers and employees, and agents, regardless of negligence.

This bond shall be written as continuous, with an endorsement requiring notice of cancellation sent to the Nebraska Lottery at least thirty (30) days in advance of effective termination. The bond shall be written on a discovery form providing an unlimited discovery period.

Continuous will mean that notice is required and there must be no gaps. Discovery means that the bond covers events occurring during the effective period that are not discovered until years later.

Insurance

The Contractor shall be required to provide and/or carry the following types of insurance. A current certificate of insurance must be submitted by the Contractor to the Nebraska Lottery:

- a. General liability insurance.
- b. Property insurance.
- c. Errors and omissions insurance, covering an ultimate net loss of \$5,000,000. The Contractor will indemnify the Nebraska Lottery for:

c1. Over-redemption: Any excess of valid prize winnings the Nebraska Lottery becomes legally obligated to pay beyond 100% of the authorized prize amount as documented using the approved Game Specifications or Working Papers and the final level of tickets sold.

c2. Ticket Take-Back: The expenses of the Nebraska Lottery (e.g., advertising and promotion) for which the Nebraska Lottery did not receive full value due to the termination of the game due to an over-redemption.

d. Automotive insurance.

e. The terms, conditions, and coverage levels of such insurance may be modified at any time by the Director.

Submission of Disclosure Documents / Background Investigations / Inspections

As integrity is of utmost importance, the Nebraska Lottery requires a variety of disclosure documents which must be completed in full and submitted by deadlines established by Nebraska Lottery Security

The officers, directors, shareholders of 10% or greater, and key employees of only the selected Vendor, including any parent or subsidiary entity, and all subcontractors, are required to undergo a thorough background investigation. A review and evaluation of the selected Vendor's competence, integrity, background, and character, and disclosure of the nature of the ownership and control of the Vendor must be completed prior to entering into a contract. The successful Vendor must disclose all information as required under Neb. Rev. Stat. §9-834 and as otherwise required in this RFP.

Background investigations and inspections will be conducted by Nebraska Lottery Security. Nebraska Lottery Security reserves the right, at its discretion, to modify the requirements of this background investigation if a similar background investigation has recently been performed or due to some other reason.

Vendor background investigations may, at the discretion of the Nebraska Lottery, include inspection of any Vendor, or subcontractor, facilities or offices. Such inspections are distinct from and would be in addition to any Evaluation Committee Vendor site visits.

The Vendor selected to provide products, equipment, and services per this RFP must submit completed Personal Background Disclosure Forms and supply requested fingerprint

cards, financial and tax statements and records, and other information on all persons and entities set forth in Neb. Rev. Stat. §9-834, as well as other individuals and entities as determined by the Nebraska Lottery, potentially including any and all Vendor employees. No contract will be awarded to a Vendor unless the required Disclosure Documents have been submitted.

Background investigations and inspections shall be performed at the expense of the relevant Vendor. The Vendor will pay for all reasonable and necessary expenses, including travel (round-trip), meals, and lodging, for up to two (2) individuals designated by the Nebraska Lottery for the purpose of conducting these background investigations and inspections. The Nebraska Lottery will not cap the costs of completing background investigations for either Vendors or the selected Contractor.

Any information provided to the Nebraska Lottery in the Disclosure Documents, as well as the results of the background investigation conducted by Nebraska Lottery Security, may at the discretion of the Nebraska Lottery, be used to disqualify a Vendor who does not meet the Nebraska Lottery's standards.

Lottery Security will confer with Vendors, upon request, regarding the completion of the Disclosure Documents. Vendors who wish to discuss completion of the Disclosure Documents should contact Steve Anderson, Nebraska Lottery Security Director, Nebraska Lottery, 137 NW 17th, Lincoln, NE 68528, telephone: (402) 471-5941.

Throughout the initial term of the Contract and during any and all exercised extension terms, the Contractor must file addendums to its Vendor Information Form or any supplied Personal Background Disclosure Forms to report any changes in the above-requested data immediately to Nebraska Lottery Security. Failure to immediately notify Lottery Security and the Nebraska Lottery of changes to the information on the Vendor Information Form or Personal Background Disclosure Forms shall result in the imposition of liquidated damages.

Throughout the term of the Contract and any exercised extensions thereof, additional background investigations and inspections of the Contractor may be conducted by Nebraska Lottery Security or the Nebraska Lottery to inspect any changes to the Contractor's offices, manufacturing, warehousing and other facilities, or any of those venues during any phase of the Contractor's operations, without prior notice, for the protection of the security, integrity, and efficiency of the Nebraska Lottery as deemed appropriate by Lottery Security or the Nebraska Lottery. Additional background investigations will be conducted on any additional or new personnel assigned to the Nebraska Lottery account.

Any Contract entered into in which the Contractor, including the Contractor's owners, officers, directors, and employees, fails their background investigation, fails to cooperate in their background investigation, or fails to cure concerns raised in their background investigation is voidable at the election of the Nebraska Lottery.

The successful Vendor agrees to use a federal immigration verification system to determine the work eligibility status of new employees physically performing services within the State of Nebraska. A federal immigration verification system means the electronic verification of the work authorization program authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996, 8 U.S.C. 1324a, known as the E-Verify Program, or an equivalent federal program designated by the United States Department of Homeland Security or other federal agency authorized to verify the work eligibility status of a newly hired employee.

Proposals Subject to Open Records

All data, material, and documentation originated and prepared for the Nebraska Lottery pursuant to this RFP shall belong exclusively to the Nebraska Lottery and will be available to the public no later than August 18, 2020, at 9:00 a.m. C.T., unless the response or specific parts of the response can be shown to be exempt from the Nebraska Open Records Act or the State Lottery Act or no Vendor is selected and all responses are returned.

The Nebraska Lottery will make reasonable attempts to maintain the confidentiality of any trade secrets or proprietary information identified by a Vendor if such Vendor properly identifies the particular data or other materials that are trade secrets or proprietary information. Vendors must include a separate section in the introduction of their proposal that identifies by page, paragraph, and sentence what information or materials they consider to be confidential trade secret or proprietary information and must stamp "confidential" on each page of the data or other materials sought to be protected as confidential trade secret or proprietary information. The Vendor must state in the introductory section the reasons such confidentiality is necessary. However, under no circumstance will the Nebraska Lottery be liable to any Vendor or to any other person or entity for any disclosure of any such trade secret or confidential information.

The Nebraska Lottery may not, at its discretion, consider any proposal that is declared, or a substantial portion of which is declared, by the Vendor submitting such proposal to constitute trade secrets or proprietary information.

Selection Factors for the Award

The Nebraska Lottery will award the Contract to the Vendor submitting the proposal that best maximizes the benefits to the Nebraska Lottery in the areas of security, competence, reliability, adaptability, efficiency, cost, and timely performance to benefit the public purpose of the Act. The lowest cost proposal is not necessarily the best proposal. The most suitable proposal will be determined in relationship to the Online game products, equipment and related services, and Instant ticket game products, equipment and related services promised using both objective and subjective criteria.

The Nebraska Lottery reserves the right to accept or reject any or all proposals, or any part of any proposal, and to waive any defect or technicality, and to advertise for new proposals where it would be in the best interest of the Nebraska Lottery. Contract award will be based on compliance with mandatory requirements, evaluation of desired capabilities, and precision and accuracy of the proposals. Complete and accurate responses to all items are necessary for the complete and fair evaluation of proposals.

Collusion between bidding Vendors will cause rejection of all bids of Vendors so involved. By submission of its Proposal, and in the case of a joint proposal, each party must certify, as to its own organization, that in connection with this proposal:

- a. compensation in the proposal has been arrived at independently without consultation, communication, or agreement for the purpose of restricting competition as to any matter relating to such prices with any other Vendor or with any other competitor.
- b. unless otherwise required by law, the compensation quoted in the proposal has not been knowingly disclosed by the Vendor and will not knowingly be disclosed by the Vendor prior to the opening of the proposals directly or indirectly to any other Vendor or to any competitor.
- c. no attempt has been made or will be made by the Vendor to cause any other person or firm to submit or not to submit a proposal for the purpose of restricting competition.

The proposals will be reviewed initially by the Nebraska Lottery Evaluation Committee. The Nebraska Lottery Evaluation Committee will make its recommendation to the Director of the Nebraska Lottery. The recommendation by the Nebraska Lottery Evaluation Committee and subsequent selection by the Director of the Nebraska Lottery with approval of the Tax Commissioner shall be based upon all relevant factors.

Evaluation Procedure

The Nebraska Lottery reserves the right to obtain, from any and all sources, information concerning a Vendor or a Vendor's products, services, personnel, or subcontractors that the Nebraska Lottery deems pertinent to this RFP and to consider such information in evaluating the Vendor's proposal. If the Nebraska Lottery receives any information not contained in a Vendor's proposal that may have a material adverse effect on such Vendor, such information will be shared with that Vendor, who will be given an opportunity for a written response.

The Nebraska Lottery Evaluation Committee will conduct an independent review of each proposal submitted. The Nebraska Lottery reserves the right to contact Vendors after the submission of proposals for the purpose of clarifying information or representations made in a proposal to ensure mutual understanding and to request clarification of the information or representations in a proposal before completing the initial evaluation. A Vendor's failure to respond to a request for additional information may result in rejection of that Vendor's proposal.

All materials submitted in writing and other information gained during Vendor presentations, if any are requested, will be considered as part of the Vendor's proposal and will be considered in making the award. Vendor presentations, if any are requested, are not open to the public. Failure to make clarifications as requested may, at the Nebraska Lottery's discretion, result in rejection of a Vendor's proposal.

When the evaluation is completed, the Committee will then prepare a recommendation to the Director and Tax Commissioner, who may meet with the Committee to ask questions regarding the recommendation. The Director will review the recommendation and award the contract with the approval of the Tax Commissioner. The Nebraska Lottery reserves the right to contact Vendors at any time in this process to discuss proposals and seek clarifications or modifications to proposals.

A written notice of award will be sent to all Vendors who have timely submitted a proposal in accordance herewith immediately following execution of the contract.

Waiver of Deficiencies and Rejection for Noncompliance

The Nebraska Lottery reserves the right to waive minor deficiencies in a proposal. The decision as to whether a deficiency will be waived or will require rejection of a proposal will be solely within the discretion of the Nebraska Lottery. Vendors are specifically notified that

the failure to comply with or respond to any part of this RFP that requires a response may, at the discretion of the Nebraska Lottery, result in rejection of its proposal.

Contract Provisions

The contract that the Nebraska Lottery expects to award as a result of this RFP will be based upon this RFP and the proposals submitted by the Vendors. The Nebraska Lottery reserves the right to either award a contract without further negotiation with the selected Vendor, or to negotiate all terms and conditions, including compensation terms, with the selected Vendor if the best interests of the Nebraska Lottery would be served. The selected Vendor may be required to reduce its price if the Nebraska Lottery reduces the requirements placed upon the Vendor or if the Nebraska Lottery assumes some of the Vendor's responsibilities. If Contract negotiations cannot be successfully concluded with the initially chosen Vendor, the Nebraska Lottery may negotiate a Contract with the next selected Vendor.

All costs associated with complying with these requirements must be included in the compensation quoted by the Vendor.

The following contract terms are not intended to be a complete listing of all Contract terms, but are provided to enable the Vendor to better evaluate the Vendor's costs associated with the provision of products, equipment, and services this Request for Proposal. Unless otherwise provided in the Contract, the following terms are hereby incorporated in any contract awarded as a result of this solicitation:

- a. The Contract term will commence on the date the contract is signed and continue through the performance of the contracted services. The basis for compensation will be determined by the price quoted in the proposal and as further negotiated in the Contract.
- b. The Contractor shall obtain any permits, licenses, or other authorizations required in connection with the performance of the work under the contract. The Contractor shall also comply with all tax laws and other applicable laws, ordinances, rules, orders, and regulations relating to the performance of the Contract.
- c. The Contractor certifies that the products, equipment, and services requested under this RFP will be supplied or will perform in accordance with this RFP and with any other requirements incorporated into the contract. The Contractor expressly warrants that the Online games products, equipment and related services, and Instant ticket games products, equipment and related services are fit for use in the Nebraska Lottery's marketing and sale of Lottery tickets.

- d. The Contractor will indemnify and hold harmless the Nebraska Lottery against any and all liability to third parties resulting from claims that the Online games products, equipment and related services, and Instant ticket games products, equipment and related services infringe(s) on or violates any patents, copyrights, trade secrets, or any other intellectual property rights of a third party. The Contractor guarantees that it will have full legal right of material, supplies, equipment, machinery, articles, or things involved in the Contract.
- e. The Nebraska Lottery is not liable for any form of taxation and assumes no liability as a result of this solicitation. Specifically, the Nebraska Lottery is not subject to federal excise tax, Nebraska sales tax, or any form of county or city tax. Property tax payable on Vendor-owned equipment installed in a state-owned facility remains the responsibility of the Vendor. The Nebraska Lottery will not be able to grant the Contractor an exemption from state or local property taxes.
- f. Nonperformance by the Contractor of the material terms of the contract shall be a basis for termination of the contract by the Nebraska Lottery. Termination of the contract may, at its discretion, be made by the Nebraska Lottery for nonperformance upon thirty (30) calendar days, written notice to the Contractor. The performance bond shall be forfeited, at the option of the Nebraska Lottery, in that instance. For purposes of this section, "nonperformance" shall mean the neglect, failure, or refusal to do or perform an act required to be done pursuant to the contract.
- g. Unsatisfactory performance by the Contractor of the material terms of the contract shall be a basis for termination of the contract by the Nebraska Lottery. The Contractor will receive a written notice giving them ten (10) calendar days to correct the unsatisfactory performance. If the performance is not corrected, the Nebraska Lottery may terminate the Contract within thirty (30) calendar days' written notice to the Contractor. Further, the Nebraska Lottery shall not pay for work not done or for work done in an unsatisfactory manner per contract terms. The performance bond shall be forfeited in that instance. For purposes of this section, "unsatisfactory performance" shall be construed as meaning that the performance is such that a reasonable person would not be satisfied with it.
- h. The Nebraska Lottery shall give the Contractor fifteen (15) calendar days' written notice of termination of the contract without penalty in the event there is a lack of available State funds to continue the contract or a change in law, or the Nebraska Constitution, that invalidates the Contract. If any Contract entered into as a result of this RFP is terminated for lack of sufficient funding, or a change in Nebraska Law or the Nebraska

Constitution, the Nebraska Lottery and the State of Nebraska shall not be liable to the Contractor for any damages, losses, financial obligations, breach of contract, or any other claims or amounts arising from or related to any such termination.

- i. This RFP and any subsequent amendments, and the Contractor's proposal (hereinafter "proposal"), are hereby incorporated by reference as fully set forth herein, and the terms and conditions of the RFP and the proposal hereby become contractual obligations of the parties. To the extent that there may be a conflict or inconsistency between the Act, the provisions of this RFP, the Contract, and the proposal, then the provisions of each of these documents shall be given effect in accordance with the following order of priority: (1) the Act, (2) the Contract, (3) this RFP and its amendments (if any), and (4) the Contractor's proposal.
- j. Any or all of the Online game products, equipment and related services, and Instant ticket game products, equipment and related services to be performed or provided by the Contractor shall not be assigned, subcontracted, or transferred without the prior written approval of the Nebraska Lottery, nor shall the Contractor assign any monies due or becoming due under any contract entered into with the Nebraska Lottery pursuant to the Contract, without prior written approval of the Nebraska Lottery.
- k. It is agreed that nothing herein contained is intended or should be construed in any manner as creating or establishing the relationship of co-partners between the parties hereto with respect to any Online game products, equipment and related services, and Instant ticket game products, equipment and related services provided, performed or delivered under the Contract. The Contractor represents that it has, or will secure at its own expense, all personnel required in performing services under the Contract. The Contractor or other persons engaged in work or services required by the Contractor under the Contract shall not be considered employees of the State. All claims on behalf of any person arising out of employment or alleged employment, including without limit, claims of discrimination against the Contractor, its officers, or its agents, shall in no way be the responsibility of the State; the Contractor will hold the State harmless from any and all such claims. Such personnel or other persons shall not require nor be entitled to any compensation, right or benefits from the State, including without limit, tenure rights, medical and hospital care, sick and vacation leave, severance pay, and retirement benefits.
- l. The Contractor agrees that during the term of the Contract it will not discriminate against any employee, applicant, or recipient of services in accordance with the Nondiscrimination Statement below, and the Contractor will include similar provisions in all subcontracts entered into for the performance of the Contract. The Contract may, at

the discretion of the Nebraska Lottery, be canceled or terminated by the Nebraska Lottery and all funds due or to become due thereunder may be forfeited for a violation of the terms and conditions of this paragraph. The performance bond shall also be forfeited.

- m. The Contractor shall comply with all applicable local, state, and federal statutes and regulations regarding civil rights laws and equal opportunity employment. The Nebraska Fair Employment Practice Act prohibits Contractors of the State, and their Subcontractors, from discriminating against any employee or applicant for employment, with respect to hire, tenure, terms, conditions, compensation, or privileges of employment because of race, color, religion, sex, disability, marital status, or national origin (Neb. Rev. Stat. §§ 48-1101 through 48-1125). The Contractor guarantees compliance with the Nebraska Fair Employment Practice Act, and breach of this provision shall be regarded as a material breach of contract. The Contractor shall insert a similar provision in all Subcontracts for goods or services to be covered by any contract resulting from this solicitation.
- n. The Contractor will be required to submit background information to the Nebraska Lottery, upon request, that will allow the Nebraska Lottery to evaluate any and all employees, officers, agents, or subcontractors of the Contractor who are involved in performing under the contract.
- o. All required bonds, security, and insurance must be issued by companies or financial institutions which are financially rated "A" or better and duly licensed, admitted, or authorized to do business in the State of Nebraska. The Nebraska Lottery shall be named as the Obligee in each required bond and as an Additional Insured in each required insurance contract, except that with regard to errors and omissions insurance, the Nebraska Lottery would be paid on behalf of an insured. Required coverage must remain in effect throughout the term of the contract and the Contractor must submit copies of each required insurance contract, and any renewals thereof, to the Nebraska Lottery.
- p. There will be substantial penalties for default, including liquidated damages for various breaches of the Contract.
- q. The Contractor's employees and agents who work in the Contractor's Nebraska warehouse and offices or who are otherwise assigned to work on the Nebraska Lottery account, and also their immediate families who reside in the employee's or agent's residence, are prohibited from purchasing or redeeming any Nebraska Lottery Instant or Online games, including any multistate games which the Nebraska Lottery offers,

wherever they are played. It shall be the Contractor's responsibility to establish a policy to make its employees and members of their immediate family aware of this prohibition. The Contractor must also take reasonable steps to insure compliance. Liquidated damages will be imposed if Contractor employee or Contractor family members residing in their household purchase or redeem Nebraska Lottery tickets.

- r. The Nebraska Lottery has the right to inspect, announced or unannounced, the Contractor's facilities at any time and may, at the discretion of the Nebraska Lottery, require the Contractor to secure a right of inspection on the Nebraska Lottery's behalf from any subcontractors involved in the provision of equipment, products, and related services.
- s. Assignment or subcontracting of any portion of the Contractor's obligations will not be allowed without prior written approval of the Nebraska Lottery, which may be withheld for any reason.
- t. The financial obligations of the Nebraska Lottery under any Contract resulting from this RFP are payable solely out of the receipts of the Nebraska Lottery and are subject to statutory and budgetary restrictions and appropriations.
- u. The Contractor agrees not to use the Nebraska Lottery's name, logos, images, nor any data or results arising from this procurement process or contract awarded pursuant to this RFP as a part of any commercial advertising without prior written approval of the Nebraska Lottery.
- v. The Nebraska Lottery reserves the right to approve the hiring and to request the removal of any Contractor employee assigned to work on the Nebraska Lottery account. The Nebraska Lottery may disapprove the hiring or transfer of any Contractor employee to the Nebraska Lottery account or request the removal of any Contractor employee from the Nebraska Lottery account at its discretion. The Contractor shall comply with all Nebraska Lottery requests in this matter.

Liquidated Damages

Strict adherence to the terms of the Contract, and by extension to the terms of this RFP, is critical in order to assure optimum operational effectiveness of the Nebraska Lottery. Deficiencies in operations can result in lost revenues for the Nebraska Lottery and its beneficiary programs, and therefore Liquidated Damages may be imposed. By submission of a proposal to this RFP, the Contractor acknowledges:

- a. If the Contractor does not fulfill the obligations of the contract, damage to the Nebraska Lottery will result.
- b. The amount of damages suffered, including lost sales and profits, is particularly difficult to establish and therefore the liquidated damages assessed in these provisions are the parties' best attempt to calculate those damages and lost sales.
- c. The damages specified herein are good faith efforts to quantify the damages that could be reasonably anticipated at the time of the making of the Contract.
- d. The Nebraska Lottery may, therefore, in its discretion, deduct liquidated damages from the compensation otherwise due to the Contractor. All assessments of liquidated damages shall be within the discretion of the Nebraska Lottery and shall be presumed reasonable. As part of any assessment process, (i) Contractor will be allowed to submit evidence, when available, of the Nebraska Lottery's actual damages resulting from any incident subject to sanctions, and (ii) the Nebraska Lottery may consider such evidence in determining the amount of the final assessment.
- e. The Nebraska Lottery shall notify the Contractor in writing of the assessment of liquidated damages for any default specified herein and such liquidated damages shall be paid within thirty (30) days of receipt of the assessment notice by deducting such liquidated damages from the compensation otherwise due to the Contractor. If payment is not made within such thirty (30) day period, the Nebraska Lottery may, at its discretion, collect such liquidated damages by making a claim against the performance bond or by any other lawful method.
- f. The assessment of liquidated damages shall be within the discretion of the Nebraska Lottery and shall be in lieu of the right of the Nebraska Lottery to institute a cause of action in a court of law to recover consequential damages.

In the event the Contractor fails to provide the Instant ticket products, equipment, and related services and Online game products, equipment and related services as required in this RFP, or to otherwise fail to perform in accordance with this RFP or any Contract resulting from this RFP, the Nebraska Lottery may, at its discretion, impose liquidated damages as set forth below.

Any liquidated damages imposed by the Nebraska Lottery may, at its discretion, be deducted from scheduled payments to the Contractor. If multiple liquidated damages provisions could apply to particular circumstances, it shall be the sole discretion of the

Nebraska Lottery to determine which, if any, liquidated damage provision(s) shall apply.

To the extent that the language in this section conflicts with the language of any other section in this RFP, the language of this section shall be controlling. All cross references in this section are meant for illustrative purposes only and are not meant to provide comprehensive reference information for the applicable liquidated damage subsection. It shall be the responsibility of the Vendor to read and understand all requirements of this RFP.

The following liquidated damages will apply to the following events during the term of the contract and any extensions thereof:

- g. Failure to install, have in place and have fully operational the Gaming System, and all other systems, hardware, software, equipment, games, field and management staff, and all other necessary requirements (but excluding Retailer terminals, which are governed under j. below) for Instant and Online game operations as scheduled by the Nebraska Lottery during the period beginning June 15, 2021 and ending June 30, 2021: \$25,000 per day until resolved. Beginning July 1, 2021, the amount assessed will be the dollar amount equal to the daily average of Instant Ticket sales for the six (6) months prior to July 1, 2021 per day, and/or the daily average of Online game sales for the six (6) months prior to July 1, 2021 per day, until remedied.
- h. Failure to satisfactorily complete Contractor and Nebraska Lottery acceptance testing of all applications on the Gaming System: \$25,000 per day during the period beginning June 15, 2021 and ending June 30, 2021. Beginning July 1, 2021, the amount assessed will be the dollar amount equal to the daily average of Instant Ticket sales for the six (6) months prior to July 1, 2021 per day, and/or the daily average of Online game sales for the six (6) months prior to July 1, 2021 per day, until resolved.
- i. Failure to have all EFT processing fully tested by June 15, 2021: \$2,500 per day during the period beginning June 15, 2021 and ending June 30, 2021, until resolved. Beginning July 1, 2021, the amount assessed will be \$20,000 per day, until remedied.
- j. Failure to install fully operational sales and validation equipment at every Nebraska Lottery Retailer and Claim Center by 5:00 a.m., C.T., July 1, 2021: \$500 per day per location.
- k. Failure to provide sufficient staff, as determined by the Nebraska Lottery, on-site to assist during turnover transition for acceptance testing of the Gaming System, or failure to have programmers on-site to correct any problems found during the Nebraska Lottery's acceptance testing: \$5,000 per day beginning June 15, 2021.

- l. Failure to fully perform any other required function, other than those listed in Liquidated Damages, g. and h. that causes a delay of the selling or validating of Instant and/or Online tickets by July 1, 2021: the dollar amount equal to the daily average of Instant Ticket sales for the six (6) months prior to July 1, 2021 per day, and/or the daily average Online game sales for the six (6) months prior to July 1, 2021 per day until remedied.
- m. For any liquidated damages assessed under Liquidated Damages g., h., and i. for which the Nebraska Lottery is entitled to collect the dollar amount equal to the daily average of prior Instant Ticket and/or Online game sales, the Nebraska Lottery will assess no more than one such liquidated damage amount per day.
- n. Failure to meet required production schedules in the Working Papers or Game Specifications that causes a delay in a new Instant or Online game introduction: \$5,000 per day.
- o. Failure to repair or replace an Online game or replace an Instant Ticket game due to defect related to programming or manufacturing error, scratchability, compromisability, or other nonconformity issues within thirty (30) days of request by the Nebraska Lottery: \$15,000 per day.
- p. If tickets are produced or printed and issued by the Contractor and then are determined by the Nebraska Lottery to be compromisable, at the Lottery's option, it may elect to assess any combination damages as follows:
 - Up to three times the face value of the compromisable ticket for each compromisable ticket sold.
 - Reimbursement of costs incurred by customers attempting to claim the winnings of their compromisable ticket(s).
 - Reimbursement for the cost of any coupons or vouchers issued by the Nebraska Lottery as a goodwill gesture to the customer(s).

At the Nebraska Lottery's request, the Contractor will publicly disclose acknowledgment of the error which led to the compromisable ticket(s). This acknowledgment will be developed according to the Lottery's guidance, and may be posted to the Lottery's website, social media channels, and provided to media outlets.

- q. Failure to deliver Online game supplies (such as ticket stock or play slips) or Instant game tickets as required in this RFP after request by a Retailer, LSR, OSR, or the Nebraska Lottery: \$100 per incident. The Contractor will not suffer liquidated damages if the failure to deliver Online game supplies or Instant Tickets is due to courier service interruption due to

causes beyond the carrier's control such as weather, riots, strikes, or other labor disputes.

r. Failure to contact or visit a Retailer as required by the Nebraska Lottery: \$50 per visit or contact missed.

s. Failure to submit a written Disaster Recovery Plan that meets the requirements as specified in this RFP to the Nebraska Lottery by March 1, 2021; \$200 per day until the Disaster Recovery Plan is received.

t. Failure to test all aspects of the Disaster Recovery Plan by June 30 of each year and to provide to the Nebraska Lottery written documentation of all tests, test dates, test procedures and test results, and a signed confirmation that the recovery procedures are feasible and would effectively minimize all losses to the Nebraska Lottery in the event of a disaster: \$200 per day until received.

u. Failure to deliver an audit report or have in place procedures and controls to prevent jeopardizing the integrity and/or security of the game(s), or if the game data or printed tickets do not comply with the Game Specifications or Working Papers: \$15,000 per day until remedied.

v. Failure to update the Gaming System for missing or stolen tickets: \$500 if the Contractor fails to update the Gaming System for missing or stolen tickets within fifteen (15) minutes of proper notification from Nebraska Lottery Security. Additional liquidated damages will be imposed equal to the value of any prizes paid on tickets reported missing or stolen by Retailers or the Nebraska Lottery after the fifteen (15) minute notification period until the Gaming System is updated.

w. The Contractor will produce and deliver sufficient and accurate reports and data at the Nebraska Lottery's request and within reasonably specified time frames. If the Contractor fails to provide the Nebraska Lottery on the date determined by the Nebraska Lottery an adequate and complete report or data, as reasonably determined by the Nebraska Lottery, the Nebraska Lottery may assess the following liquidated damages per report or data, until the report or data is provided, made sufficient, or is corrected:

<u>Type Name:</u>	<u>Type Description:</u>	<u>Liquidated Damages:</u>
Type one	Critical	\$400/hour
Type two	Functional	\$100/hour
Type three	Informational	\$100/calendar day

Report and data types will be determined and descriptions assigned by the Nebraska Lottery at the time individual reports and tapes are defined and requested. Sample categories and descriptions could be as follows:

<u>EFT:</u>	file-critical
<u>Retailer List:</u>	file-informational
<u>Processing:</u>	file/media-critical report-functional report-informational
<u>Testing:</u>	file-critical
<u>Chain Statements:</u>	file-critical
<u>Retailer Statements:</u>	file-critical
<u>1099/W2G:</u>	file-functional
<u>Warrant file:</u>	file-critical

There may be additional reports and data that will be defined and designated by the Nebraska Lottery.

- x. Failure to provide the Nebraska Lottery with complete Gaming System hardware and software configuration diagrams and user manuals by June 1, 2021: \$500 per day

- y. Failure to repair or replace terminals at a Retailer, Claim Center or special event location within the schedule as established in the Contract resulting from this RFP: \$50 per day for normal retail operations, and \$500 per day for special events or Claim Centers.

- z. Failure of the warrant printers at the Nebraska Lottery Headquarters or any of the Claim Centers to fully function: \$100 per hour whenever the Claim Center is open and the warrant printer(s) are not fully functioning.

aa. The Nebraska Lottery will assess liquidated damages for Online game degraded time based upon the percentage of Retailer Terminals that are unable to sell, validate or process any promotional activities (including but not limited to coupons, vouchers and live tickets) associated with any Online game(s) within the parameters as mandated in this RFP, the resulting Contract, or the terminal specifications due to a hardware, software, network, communications, Contractor operator, or other system error, malfunction, or outage. The Contractor will be provided with a five (5) minute grace period before the imposition of any liquidated damages under this section. The liquidated damage amount will be as provided in the following table. (For purposes of assessing liquidated damages under this section, “day” shall mean the 24-hour period beginning 12:00 a.m., C.T. and ending at the expiration of 11:59 p.m., C.T. “Daily average” shall mean the dollar amount equivalent to an Online game’s average daily sales total for the previous six months.)

Percentage of Retailer Terminals That Are Unable to Properly Sell or Validate any Online Game(s)	Per Minute Liquidated Damages Following the Five (5) Minute Grace Period	Maximum Liquidated Damages Per Day
10 percent to less than 20 percent	\$50 per minute	The lesser of (a) \$15,000 or (b) the combined daily average of each affected game
20 percent to less than 50 percent	\$100 per minute	The lesser of (a) \$50,000 or (b) the combined daily average of each affected game
50 percent to 80 percent	\$150 per minute	The lesser of (a) \$80,000 or (b) the combined daily average of each affected game
More than 80 percent	\$200 per minute	The lesser of (a) \$100,000 or (b) the combined daily average of each affected game

bb. The Nebraska Lottery will assess liquidated damages for Instant Ticket degraded time based upon the percentage of Retailer Terminals that are unable to properly confirm, activate, or validate Instant Tickets or associated promotional activities (including but not limited to coupons, vouchers or live tickets) within the parameters as mandated in this RFP, the resulting Contract, or the terminal specifications. The Contractor will be provided with a five (5) minute grace period before the imposition of any liquidated damages under this section. The liquidated damage amount will be as provided on the following table. (For purposes of assessing liquidated damages under this section, “day” shall mean the 24-hour period beginning 12:00 a.m., C.T. and ending at the expiration of 11:59 p.m., C.T.)

Percentage of Retailer Terminals That Are Unable to Properly Confirm, Activate, or Validate Instant Tickets	Per Minute Liquidated Damages Following the Five (5) Minute Grace Period	Maximum Liquidated Damages Per Day
10 percent to less than 20 percent	\$25 per minute	\$7,500
20 percent to less than 50 percent	\$50 per minute	\$25,000
50 percent to 80 percent	\$75 per minute	\$40,000
More than 80 percent	\$100 per minute	\$50,000

The Contractor will be allowed no more than a total of five (5) grace periods for any one calendar week. Further, no liquidated damages will be assessed for any Nebraska Lottery approved scheduled downtime.

For any 24-hour period beginning at 12:00 a.m. C.T. and ending at the expiration of 11:59 p.m. C.T., the Nebraska Lottery reserves the right to assess up to the maximum daily liquidated damage allowed under aa. and bb. at the moment of greatest terminal degradation. The Nebraska Lottery will adjust per minute liquidated damages on an hourly basis as required.

cc. Failure to provide the Nebraska Lottery with a written notice of abnormal system characteristics and their cause, including specifics regarding the problem and what actions the Contractor has taken or intends to take to resolve the problem by 9:00 a.m., C.T. on the following workday: \$ 2,500 for each failure or untimely notice.

dd. Failure to retain game information or failure to obtain written approval prior to removal of game information: \$500 per day after notification until the game data improperly removed is restored.

ee. Failure to resolve balancing discrepancies within the timeframe established by the Nebraska Lottery: \$1,000 per hour until resolved. Liquidated damages for the failure to resolve balancing discrepancies will be assessed against the Contractor, without regard to the fault of any third party, such as the ICS Vendor.

ff. Failure to provide complete specifications for new software, or complete specifications for modifications to existing software (including, in both instances, a statement clarifying the impact the to the existing system, if any) within thirty (30) days after a written request from the Nebraska Lottery: \$600 per day until acceptable specifications (as determined by the Nebraska Lottery) are provided. The thirty (30) day deadline may be extended if mutually agreed upon.

gg. Failure to provide fully operational system enhancements to Contractor software and hardware within 100 days of specification approval, or within an earlier time frame if mutually agreed to between the Nebraska Lottery and the Contractor: \$500 per day. All Contractor-required acceptance testing must be performed within this time frame. Nebraska Lottery acceptance testing does not need to be completed within this time frame.

hh. Failure to provide the Nebraska Lottery with required technical support, including training, instruction manuals, user guides, or diagrams on new or modified software, hardware, and equipment: \$100 per day until these requirements are met.

ii. Unauthorized Software/Hardware/Equipment Modification: \$50,000 per incident of modification of software, hardware, or equipment without the Nebraska Lottery's prior written approval. In the event of an emergency, the Contractor may rely on the oral authorization by the Nebraska Lottery Director or designee without imposition of liquidated damages.

jj. Failure to provide sufficient staff on-site throughout the term of the Contract and any exercised extensions thereof to assist the Nebraska Lottery during acceptance testing, or failure to have programmers on-site to resolve any problems found during the Nebraska Lottery's acceptance testing (if requested by the Nebraska Lottery): \$5,000 per calendar day until these requirements are met.

kk. Failure to provide at least one (1) full-time, on-site programmer, on call 24 hours a day, seven (7) days a week, who has the ability, authority, and requisite training to access

and change the operating software source code to address any and all exigencies pertaining to the functionality and operation of Nebraska Lottery Instant and Online games: \$1,000 per day.

ll. Failure to resolve exceptions noted during Nebraska Lottery acceptance testing within the time frame established by the Nebraska Lottery: \$500 per day.

mm. Failure to file addendums to Vendor Information Forms or Personal Background Disclosure Forms with Nebraska Lottery Security within ten (10) business days after being aware of information changes: \$500 per day.

nn. Instant ticket game inventory shrinkage resulting from theft or mishandling: \$5,000 per incident plus the face value of any prizes awarded from tickets missing, lost, or stolen from the Contractor.

oo. Failure to receive written approval from the Lottery Director for the hiring, dismissal, transfer, or temporary reassignment of any Contractor on-site personnel assigned to the Nebraska Lottery: \$20,000 per incident

pp. Failure to implement audit recommendations determined appropriate by the Nebraska Lottery: \$2,500 per calendar day from the date determined by the Nebraska Lottery as a reasonable implementation date until the recommendations are implemented.

qq. If an employee (or immediate family member within same household) of the Contractor claims any Nebraska Lottery prize or game prize from any multistate lottery in which the Nebraska Lottery participates: \$10,000 per incident plus the amount of the prize.

rr. Failure to comply with Nondisclosure Agreement: \$5,000 per incident plus documented actual damages.

ss. The Vendor at the time of the proposal, as well as the ultimate Contractor and its agents and employees shall execute a nondisclosure agreement similar to the example provided in Appendix "C." Failure of a Vendor to provide an applicable non-disclosure agreement at the time of the proposal submissions will be grounds for rejecting the proposal. Failure of the Contractor to provide a non-disclosure agreement by July 1, 2021: \$500 per day until received.

tt. Failure of the hot backup site to be fully operational in support of the Gaming System, including the ability to seamlessly switch over from the primary and/or secondary site to the hot backup within fifteen (15) minutes, without any loss of transactions, data, or functionality, and then to seamlessly switch back to the primary and/or secondary site within fifteen (15)

minutes, without any loss of transactions, data, or functionality: \$ 100 per day until resolved for the period beginning June 15, 2021 and ending June 30, 2021; and \$1,000 per day until resolved for the period beginning July 1, 2021.

uu. Failure to run the Gaming System from the hot backup site for one (1) multi-day drawing cycle each quarter of the year: \$1,000 per incident.

vv. Failure of the Test System and Backup System to mirror Primary Production System: \$1,000 per day.

ww. Failure to provide the Nebraska Lottery with updated diagrams and manuals within seven (7) days when changes are made to the Gaming System: \$100 per day until resolved.

xx. Failure to answer 85% of all calls placed to the Contractor's hotline within one (1) minute during each day (beginning 12:00 a.m., C.T. and ending at 11:59 p.m., C.T.): \$50 multiplied by the number of calls per day under the 85% requirement.

yy. Placing any call to the Contractor hotline on hold for longer than two and one-half (2 1/2) minutes: \$50 per call.

zz. Failing to provide a federal and state trademark search of the name selected for each Instant and Online game, and an opinion from counsel on the advisability for using the selected name: \$5,000 per game.

aaa. Failure to migrate by 5:00 a.m., C.T., July 1, 2021, all existing Instant and Online game data for all active tickets, or tickets still in the warehouse utilized by the Nebraska Lottery, or for any Instant and Online game in any stage of production as of July 1, 2021: \$500 per day for each Instant and Online game until resolved.

bbb. Failure to self-report to the Nebraska Lottery in writing any circumstance for which liquidated damages are applicable within twenty-four (24) hours of its occurrence (unless a different time frame is specified in this RFP, in which case that time frame shall be applicable): \$500 per incident, unless another amount is specified.

ccc. Failure of the Contractor to satisfactorily assist the Nebraska Lottery and/or the successor Contractor during the turnover transition/conversion process: \$250,000.

ddd. Escalation of Damages – Lottery. During times of high jackpots as set forth below, any issue that would slow down or stop sales would result in an increased loss of sales to the Nebraska Lottery. As such, this provision is intended to adjust the damages applicable for the periods where a jackpot is high. On the day of any failure where the jackpot for any draw game exceeds the amounts listed below, damages assessed for failure to repair or

install any terminal or for failure to deliver supplies will be increased by the factors as follows:

\$250 million up to and less than \$500 million: 1.5 times;

\$500 million up to and less than \$750 million: 1.75 times;

\$750 million and over: 2 times.

eee. Escalation of Damages – Instant Tickets. Certain instant tickets are specially promoted and if an issue arose regarding those specific games, it would cause a higher degree of damages to the Nebraska Lottery's sales and its reputation in the eyes of the consumer. As such, this provision is intended to adjust damages applicable when these games or their substitutes are subject to liquidated damages. For any issue relating to Trucks & Bucks, the annual winter holiday games, special promotional game, or any game with a multi-state prize, damages will be doubled.

Waiver of Assessment of Damages. Any formal or informal waiver of the assessment of damages for a specific incident is limited to that incident and does not constitute a waiver of any future incident and liquidated damages which the Nebraska Lottery may be entitled to impose.

Miscellaneous Provisions

Except as otherwise provided in this RFP or the Contract, neither the Contractor nor the Nebraska Lottery shall be liable to the other for any delay in, or failure of performance of, any covenant contained in the contract that is caused by any event of force majeure. For purposes of this RFP, "force majeure" shall include acts of God, war, civil disturbance, and other causes that are beyond the control and anticipation of the party affected and which, by exercising reasonable diligence, the party was unable to anticipate or prevent, including the act or omission of any third party not controlled by the party affected. The existence of such causes of delay or failure shall, in the exercise of reasonable diligence, extend the period of performance for a reasonable period, until after the causes of delay or failure have been removed. Degraded time and system outages resulting from reasonably anticipated weather conditions, including inclement weather, will not be considered a force majeure circumstance and will result in the assessment of liquidated damages.

If, for any reason other than breach of contract by the Nebraska Lottery, the Contractor should lose its ability to perform its obligations under the Contract resulting from this RFP, the Nebraska Lottery shall acquire a usufruct in all contractual items owned by the Contractor in conjunction with the contract and the provision of which are necessary to

Online game products, equipment, and related services, and Instant Ticket game products, equipment, and related services required under this RFP.

The Nebraska Lottery is an extremely sensitive enterprise because of the nature of the lottery industry and its status as a governmental entity of the State of Nebraska. Therefore, it is essential that its operation, and the operation of other enterprises that would be linked to it in the public mind, avoid not only actual impropriety but also the appearance of impropriety. Accordingly, the Contractor is required to follow the rules and regulations established by the Nebraska Lottery. The Contractor will be expected to develop, disseminate, and enforce a Code of Conduct for all employees, independent contractors, and subcontractors that recognizes the public perception and sensitivity of the operations being performed on behalf of the State of Nebraska.

The Contractor can make no commitment on behalf of the Nebraska Lottery without full disclosure of all pertinent information (including all contractual arrangements with any third party) and prior written approval. The Nebraska Lottery reserves the right to cancel any approved project or any of its contracts at any time, in which case the Nebraska Lottery would be responsible only for actual costs prior to notification of such cancellation.

Prior to the beginning of warehouse/data center operations, at a date selected by the Nebraska Lottery, the Contractor shall establish a physical security program for the protection of the Online game products, equipment, and related services, and Instant ticket game products, equipment, and related services, and all related procurements, subject to the prior written approval of the Nebraska Lottery. Such plan must be approved by the Nebraska Lottery and shall minimally require a system of 24-hour per-day / 7-day-per-week security be in force.

The Nebraska Lottery reserves the right to require at any time such further and additional security measures as deemed necessary or appropriate to ensure the integrity of the Contractor's operations or the game(s).

Audits

The Contractor and its authorized subcontractors will be subject at any time to audits by the Nebraska Lottery or by the Nebraska Lottery's regulatory authorities, such as the Auditor of Public Accounts (APA) or other entities as authorized by the Nebraska Lottery.

In addition to providing the Nebraska Lottery with all normal certification from the Contractor's external auditors regarding the internal controls of the Contractor, the Contractor and its authorized subcontractors must, at all times during the contract and for

three (3) years following termination of the contract, provide all duly authorized representatives of the Nebraska Lottery with full access to all of the Contractor's pertinent contracts, databases, books, and records in any form, including access to individuals with knowledge of the systems and financial records for any audit purpose determined proper and necessary by the Nebraska Lottery, and otherwise fully cooperate in any audit conducted.

Duly authorized representatives of the Nebraska Lottery may examine, review, and copy, at the Contractor's Nebraska site or at any other mutually agreeable site, all relevant hardware, software, equipment, contracts, databases, books, and records in any form as determined by the Nebraska Lottery. Authorized Nebraska Lottery personnel may also have access to interview any Contractor or subcontractor employee or authorized agent in conjunction with any audit, review, or investigation deemed necessary by the Nebraska Lottery. The Contractor will pay the reasonable costs of any audits during the initial term of the contract and any audits performed during the course of any extension of the Contract. The Nebraska Lottery or the State of Nebraska shall approve the auditor(s) who performs the audits under this section. Auditors will report to the Nebraska Lottery.

Audit Requirements: Each audit's objectives will be defined by the Nebraska Lottery and may include an audit of internal controls, data, security system, electronic data processing, hardware, administrative software, application software, operating software, compliance with the contract and statutory and regulatory provisions, financial records or a combination thereof, and related activities. The Contractor, its subcontractors, and its external auditors will work cooperatively with the auditors. The Contractor will be required to implement all audit recommendations agreed to by the Nebraska Lottery on the date assigned by the Nebraska Lottery at no expense to the Nebraska Lottery.

Minority and Female Participation

243. The Contractor must adopt the same attitudes and concerns toward minority and female participation as held by the Nebraska Lottery. Although minority and female participation in the operational aspect of the Nebraska Lottery is not mandated by the Act, the Nebraska Lottery requests that Vendors describe efforts that have been undertaken to recruit qualified minority and female employees named in this RFP, and efforts that will be undertaken to recruit minority and female employees for positions that are not yet filled.

Protest Procedure

Any Vendor who claims to be aggrieved in connection with the RFP or award of a Contract may formally protest the Nebraska Lottery's action. To protest the issuance of the RFP, a

written protest must be filed with the Nebraska Lottery within five (5) business days after the issuance of the RFP. For the protest of a Contract award, a written protest must be filed with the Nebraska Lottery within five (5) business days after receipt of notice of the Contract award. Protests not timely filed will not be considered. To be filed timely, a protest must be physically received by the Nebraska Lottery.

To be considered, the protest must contain an identification of the statutory provision or RFP procedure allegedly violated, a brief statement of the relevant facts, an identification of the issue or issues to be resolved, arguments and authorities in support of the protest, an affidavit that the contents of the protest are true and correct, and a certification that a copy of the protest has been served on the selected Vendor (assuming the action protested is a Contract award.)

The selected Vendor may file a written response to the protest of the non-selected Vendor with the Nebraska Lottery within three (3) business days following the Nebraska Lottery's receipt of the protest. To be filed timely, a response must be physically received by the Nebraska Lottery.

The Nebraska Lottery will review the protest, any response, and the Contract file, and deliver their findings and recommendations to the Tax Commissioner. After reviewing the protest, any response, the Contract file, and the Nebraska Lottery's findings and recommendations, the Tax Commissioner will make and issue a written determination on the protest, which may include an order voiding the Contract. The Tax Commissioner's written determination will be served on the protestor and the selected Vendor, by certified mail, return receipt requested, and the determination shall be administratively final when issued.

Contract Cancellation

The Nebraska Lottery may, at its discretion, cancel, suspend, or declare void said contract for any of the following reasons or any other infractions not hereby stated:

- a. Failure in whole or in part to fulfill the contract.
- b. Whenever it is the opinion of the Nebraska Lottery that the Contractor has obtained the contract by fraud, collusion, conspiracy, or other unlawful means.
- c. In the event of willful attempt to overcharge and/or not invoicing in accordance to Contract.

- d. To impose on the Nebraska Lottery articles of workmanship, services, or materials inferior to those required.
- e. Failure to meet specifications or special conditions as set forth by this request for proposal, which shall be made a part of any and all contracts awarded.
- f. Failure to meet specified delivery dates and requirements.
- g. Subcontracting or assigning work without proper notification and consent by the Nebraska Lottery.
- h. If any statement, representation, warranty, or certificate made or furnished by the Contractor to the Nebraska Lottery in connection with the Contract is materially false, incorrect, or incomplete.
- i. If a court of competent jurisdiction finds that the Contractor has failed to adhere to any laws, ordinances, rules, regulations, or orders of any public authority having jurisdiction; or the Contractor fails to communicate with the Nebraska Lottery as required by the Contract.
- j. If the Nebraska Lottery makes a written determination that the Contractor has failed to substantially perform under the Contract, which determination shall specify the events resulting in the Nebraska Lottery's determination that the Contractor has failed to substantially perform under the RFP or subsequent contract.
- k. If the Contractor fails to comply with any of the terms, conditions, or provisions of the RFP or subsequent Contract in any manner whatsoever.
- l. Failure to completely perform any other obligation under this RFP or the resulting Contract.
- m. If the actions or inactions of the Contractor threaten the security or integrity of the Nebraska Lottery or its operations.
- n. Failure to pass or cure any incomplete or failed background investigation.
- o. For other reasons as stated in this RFP or the Contract.

- p. In the event of such cancellation, the Nebraska Lottery shall notify the Contractor in writing stating the reason for such cancellation. Upon notification the Contract shall be null and void and the performance bond shall be forfeited; any applicable liquidated damages shall be owed by the Contractor.

Disclosure Prohibition

Until a Contract resulting from this RFP is executed, no employee, agent, or representative of any Vendor shall make available or discuss its Proposal with the media, any elected or appointed official or officer of the State of Nebraska, or any employee, agent, or representative of the Nebraska Lottery, or members of the Nebraska Lottery Evaluation Committee, unless specifically authorized in writing to do so by the Nebraska Lottery.

Hiring Prohibition

At all times during the proposal evaluation period, beginning with the issuance of the RFP and ending with either a contract awarded or the rejection of all proposals, Vendors are prohibited from officially making any employment offer or proposing any business arrangement whatsoever to any Nebraska Department of Revenue employee, or any elected or appointed official or officer of the State of Nebraska, or any employee, agent, or representative of the Nebraska Lottery, or members of the Nebraska Lottery Evaluation Committee, or individuals involved in the evaluation of the proposals, the Contract award, or contract negotiations. Vendors making such an offer or proposition shall be disqualified from further consideration.

Drug-Free Workplace Policy

By submitting a signed proposal, the Vendor certifies that it maintains a drug-free workplace environment to ensure worker safety and workplace integrity. The Vendor agrees to provide a copy of its drug-free workplace policy at any time upon request by the Nebraska Lottery.

SECTION 5: VENDOR TURNOVER

TRANSITION/END OF CONTRACT

At the end of the Contract term, the Contractor shall, in good faith and with reasonable cooperation, aid in the conversion to any new Online game products, equipment, and related services, and Instant ticket game products, equipment, and related services as requested by the Nebraska Lottery.

The Contractor must recognize that the services provided by any Contract entered into following issuance of this RFP are vital to the Nebraska Lottery; that continuity thereof must be maintained at a consistently high level without interruption; that a successor may continue these or similar substitute services; that the successor will require turnover support; and that the Contractor must cooperate fully to effect an orderly and efficient transfer to the successor.

In the event that the turnover is to the Nebraska Lottery, beginning with the last six (6) months of the term of the contract, the Contractor shall provide turnover services during which the work being performed by the Contractor will be turned over to the Nebraska Lottery. During the turnover period (not to exceed eighteen (18) months), the Contractor shall provide, at no cost, copies of all current source listings, data files, programs, job control language, and all other elements required to install and operate the Online game products and Instant ticket game products in machine-readable form. Source coding, along with all required technical, user, and programmer documentation as the Nebraska Lottery may require, must also be provided. Through the turnover period, the Contractor shall provide sufficient experienced personnel, resources, and facilities to assure that the services called for by the Contract are maintained at a high level of proficiency.

In the event the turnover is to another Contractor, the existing Contractor shall prepare, at no cost and in a format that is acceptable to the Nebraska Lottery, all data for transfer to the new Contractor. All historical data shall be available for transfer no later than two (2) months prior to the termination of the Contract. From that date forward, daily transaction records shall be transferred on a daily basis to the Nebraska Lottery. Preparations for transfer shall begin no later than six (6) months before the scheduled termination date. The following points apply:

- a. These orderly turnover requirements are deemed to apply to any current Vendor submitting a response to this RFP
- b. The Contractor shall not be reimbursed for any turnover services.

At the end of the term of the Contract or any exercised extensions thereof, the Nebraska Lottery, the succeeding Vendor and the Contractor shall negotiate the “fair market price” for tickets in the Contractor’s warehouse and not yet distributed to Retailers that are accepted by the Nebraska Lottery for distribution after the end of the term of Contract and any exercised extensions. “Fair market price” for Instant tickets shall be determined by averaging the price paid by three (3) lotteries of similar population and average weekly per capita sales, as determined by the Nebraska Lottery, for tickets of similar size and quantity.

SECTION 6: VENDOR TURNOVER TRANSITION/BEGINNING WITH SIGNING OF CONTRACT

244. Although the Online game and Instant ticket game sales will not formally begin until July 1, 2021, the selected Vendor must meet with Nebraska Lottery personnel immediately after contract award to begin learning about the Nebraska Lottery account. Vendors must provide in their Proposal a plan describing the anticipated transition and how the Vendor will provide Online game products, equipment, and related services, and Instant ticket game products, equipment, and related services beginning July 1, 2021.

Turnover transition begins when the Contractor is selected and concludes when the Nebraska Lottery has determined that the Gaming System is performing at an acceptable level sometime after sales begin. The Nebraska Lottery will determine when turnover transition has concluded. All Contractor transition staff will remain on-site until the Nebraska Lottery determines the turnover transition is concluded.

The Contractor will be required to have all systems, hardware, software, equipment, games, field and management staff, and all other necessary requirements tested by both the Contractor and the Nebraska Lottery and in place selling and validating tickets on July 1, 2021. The Contractor will not be given any latitude for unpreparedness to begin selling and validating tickets on this date. Failure to meet this starting date will result in liquidated damages.

The Contractor will provide software and hardware specifications detailing all parts of the Online game and Instant ticket system to the Nebraska Lottery for approval. The Contractor will perform acceptance testing, including software and hardware, to confirm compliance with the signed specifications and overall functionality. The Contractor will provide the ICS Software Contractor with information necessary to develop or modify ICS software. Once the Contractor resolves all exceptions noted during their testing, the software and/or hardware will be made available for Nebraska Lottery testing. The Contractor will provide the Nebraska Lottery with a copy of their test script and all test results (interim and final). The test system will mirror the production system. Any differences between the test system and the production system must be approved in writing by the Nebraska Lottery. The Contractor must perform all acceptance testing and resolve any exceptions noted during the Nebraska Lottery's testing on a schedule determined by the Nebraska Lottery. Failure to complete all acceptance testing and resolve exceptions noted within the schedule established by the Nebraska Lottery will result in the imposition of liquidated damages. Upon successfully completing the Nebraska Lottery's testing, the Contractor will submit an installation letter for the Nebraska Lottery Director's signature.

A systems acceptance test plan and script must be submitted for the Nebraska Lottery approval for all systems within 90 days after the contract award. The plan must address the test and the expected results.

The Contractor's acceptance testing will include, at a minimum, the following:

- a. Confirmation of existence and application of hardware and software written installation procedures.
- b. Confirmation of compliance with signed software and hardware specifications.
- c. Confirmation of overall functionality.
- d. System recovery tests.
- e. High-volume tests.
- f. System response time.
- g. Confirmation of accurate accounting and reporting of all transactions – including pack issues and returns, validations, debit/credit and promotion/incentive adjustments, draw processing, electronic funds transfers, selling bonuses, chaining and unchaining of accounts, etc., over two (2) consecutive billing cycles.
- h. Written documentation of expected and actual test results.
- i. List of all exceptions, including deviations from the specifications or overall functionality, and the status of each exception.

The Contractor shall provide sufficient staff on-site to assist the Nebraska Lottery while testing. Programmers must also be on-site to fix any problems found during the Nebraska Lottery's acceptance testing. All acceptance testing by both the Contractor and Nebraska Lottery must be successfully completed prior to installation of any system, system change, game, or equipment.

245. Vendors must describe how they will handle the sale, distribution, prize redemption, and return of Instant tickets produced by the current Instant ticket Contractor that are accepted by the Nebraska Lottery as of July 1, 2021, as well as the sale and validation of all Online game tickets produced by the current Online Contractor as of July 1, 2021.

The Contractor must submit a proposed installation plan for the Gaming System and all aspects of their Instant ticket game and Online game operations and support within thirty (30) days after receipt of the Contract award.

The Contractor must submit a proposed communications plan for updating the Nebraska Lottery, and other parties as directed by the Lottery, on the status of the conversion process. The following apply:

- a. At a minimum, the plan must include a timeline for meeting relevant elements of this RFP.
- b. The plan must include weekly updates to the Nebraska Lottery Director and other designated Lottery personnel.

SECTION 7: COMPENSATION

Introduction

Cost is an important factor in deciding whether the Proposal meets the immediate and long-term needs of the Nebraska Lottery. The goal is to develop a program of compensation that rewards the Contractor while assuring the Nebraska Lottery that it is achieving the desired maximization of revenue and operating efficiency.

Each Proposal must include a precise statement of the Vendor's proposed compensation for providing all phases of the provision of games, equipment, and related services requested and outlined in this RFP.

The evaluation of the cost proposal will take into account the statutory and budgetary restrictions and requirements of the Nebraska Lottery.

Percentage of Sales

246. The method of compensation that will be utilized is a percentage of total net Online ticket sales and Instant ticket sales achieved by the Nebraska Lottery during the term of the Contract. Vendors must state their compensation proposal required to accomplish the tasks specified in this RFP as a percentage of net sales by Nebraska Lottery Retailers of Instant tickets and Online game tickets. Each cost quotation should be expressed as a numeric percentage of net sales carried to no more than four (4) decimal places (e.g., 1.0000%). Vendors may bid different percentages for different Online games and for different price points of Instant tickets sold.

247. To promote flexibility and creativity, Vendors may additionally propose different cost percentages for different sales levels and different time periods during the term of the Contract.

248. It is anticipated that the Nebraska Lottery will purchase some saleable Instant tickets remaining in the current Instant ticket Contractor's warehouse as of July 1, 2021. Vendors must present their compensation schedule for the sale, distribution, ticket return, and collection process for any Instant tickets purchased from the current Instant ticket Contractor's remaining inventory. This compensation schedule should be stated as a percentage of sales and be separately identified from the percentage of sales compensation figure described above.

Determination of Net Instant Ticket Sales Per Price Point

At the end of each full four-week period of sales, total net sales of Instant tickets during the period will be calculated, on a per price point basis, to determine the amount subject to compensation. The following factors will apply:

- a. Total net sales shall equal the dollar value of tickets settled during the four-week period.
- b. Total net sales will be reduced by free ticket prizes redeemed during the period. The Contractor will not be compensated for free ticket prizes.
- c. Total net sales will be reduced by full and partial packs of Instant tickets returned during the period. The Contractor will not be compensated for tickets returned.
- d. Total net sales will not include promotional tickets or coupons issued or discounts offered by the Nebraska Lottery during the period. The Contractor will provide the Nebraska Lottery with promotional tickets upon request to promote Instant ticket play. The Contractor will not be compensated for promotional tickets .
- e. Total net sales will be reduced by the tickets given to Nebraska Lottery players for redeeming promotional coupons and free ticket coupons. The Contractor will not be compensated for tickets given to Nebraska Lottery players or retailers for redeeming promotional coupons and free ticket coupons. The Nebraska Lottery may issue or authorize to be issued promotional coupons and free ticket coupons to promote Instant ticket play.

Determination of Net Online Sales

At the end of each full four-week period of sales, total net Online lottery sales during the period will be calculated to determine the amount subject to compensation. The following factors will apply:

- a. Net Online game sales shall be equal to all Online tickets sold during the period. (Free replays as prizes are not considered a ticket sold).
- b. If sales are the result of advance purchases, the amount of advance purchases shall be counted as sales in the weeks when the purchase occurred.
- c. Promotional tickets and coupons are not counted as sales for compensation calculations.

- d. Sales of discounted tickets are included at the discounted amount for compensation calculations.
- e. Damaged tickets shall be included in compensation to the Contractor, unless the damage is a result of faulty equipment owned by the Contractor, or by fault of Contractor's employees.

Payment

Upon determination of the amount due the Contractor for any period, payment (less applicable liquidated damages and penalties that may be deducted) will be processed in the normal payment cycle.

Bidding

Vendors must propose compensation as described above. In addition to proposing compensation along the conditions described above, Vendors are requested to suggest any alternative methods of calculating compensation or determining payment schedules, which will be considered during Vendor selection and contract negotiations.

All cost information submitted must be in a separate sealed envelope and clearly marked as such. The sealed cost proposal must be included in the original proposal only. Only one (1) original cost proposal is required. The Vendor shall not disclose its cost proposal or other cost information in the body of written proposal. Including cost information in the written proposal may, at the discretion of the Nebraska Lottery, be cause for proposal disqualification.

**APPENDIX “A”
NEBRASKA LOTTERY
PROPOSAL CERTIFICATION**

(To be signed and submitted with the proposal by the Vendor. Failure to sign this certification will cause rejection of Vendor’s proposal.)

We propose to provide any and all of the Instant and Online game products, equipment, and related services named in the attached proposal for which prices have been set. The price or prices offered herein shall apply for the period of time stated in the Request for Proposals (RFP).

We further agree to strictly abide by all terms and conditions contained in the Nebraska Lottery Act as modified by any attached special terms and conditions, all of which are made a part hereof. Any exceptions are noted in writing and included with this proposal.

It is understood and agreed that we have read the Nebraska Lottery’s specifications shown or referenced in the RFP and that this proposal is made in accordance with the provisions of such RFP and any modifications made thereto.

I certify that this proposal is made without prior understanding, agreement, or connection with any corporation, firm, or person submitting a proposal for the Instant and Online game products, equipment, and related services and is in all respects fair and without collusion or fraud. I understand collusive bidding is a violation of state and federal laws and can result in fines, prison sentences, and civil damage awards. I agree to abide by all conditions of the proposal and certify that I am authorized to sign this Proposal and bind the Vendor indicated below to these specific terms, conditions, and specifications required in this RFP. I further certify that all representations made and facts presented in this Proposal and any supporting documents are true and correct as of the date submitted to the Nebraska Lottery (the “Submission Date”). I hereby agree to immediately notify the Nebraska Lottery of any change in fact that arises after the Submission Date which renders any facts or representations contained in this RFP untrue or misleading.

Authorized Signature

Date

Title

Company Name

APPENDIX "B"
COVENANT NOT TO SUE

Subscribed and sworn before me this _____ day of _____, 2020

In consideration of the Lottery Division of the Nebraska Department of Revenue (Nebraska Lottery) waiving the Litigation Security requirement of the Request for Proposals (RFP) for Instant and Online Gaming System and Related Services, dated April 1, 2020,

_____ agrees that it will and hereby does unconditionally release and forever discharge the Nebraska Lottery, the Nebraska Department of Revenue, the State of Nebraska, and any officers and employees thereof, of and from any and all causes of action, liabilities, costs, expenses and damages of any kind or nature whatsoever, which have arisen or may arise in the future deriving from the RFP or deriving from the award of any contract resulting from the RFP.

This Covenant Not to Sue encompasses any and all causes of action, including appeals, suits, motions for reconsideration and their equivalents, writs of mandamus and their equivalents, administrative actions, and any other type of action before all executive, legislative, administrative and judicial tribunals of any state.

I do hereby certify, by my signature below, that I am fully authorized to execute this Covenant on my behalf and on behalf of the Vendor and all Vendor employees, agents, and representatives.

Signed _____ Title _____
Date _____

State of _____)
County of _____)

The foregoing Covenant Not to Sue was subscribed, sworn to, and acknowledged before me this _____ day of _____, 2020

(seal)

Notary Public

APPENDIX "C"
NONDISCLOSURE AGREEMENT

In consideration of the Nebraska Lottery retaining the Instant and Online Gaming System and related services from _____ (Contractor) and because of the sensitivity of certain information that may come under the care and control of the Contractor, both parties agree that all information gathered, produced, or derived from this project (Confidential Information) shall remain confidential subject to release only by written permission of the Nebraska Lottery, and more specifically agree as follows:

1. The Confidential Information may be used by the Contractor only to assist the Contractor in connection with its engagement with the Nebraska Lottery.
2. The Contractor will not, at any time, use the Confidential Information in any fashion, form, or manner except in its capacity as independent Contractor with the Nebraska Lottery.
3. The Contractor agrees to maintain the confidentiality of the product in the same manner that it protects the confidentiality of its own proprietary products of like kind.
4. The Confidential Information may not be copied or reproduced without the Nebraska Lottery's written consent.
5. All Confidential materials made available to the Contractor, including copies thereof, shall be returned to the Nebraska Lottery upon the first to occur of (a) completion of the project, or (b) request by the Nebraska Lottery.
6. The foregoing shall not prohibit or limit the Contractor's use of the information (including, but not limited to, ideas, concepts, know-how, techniques, and methodologies) (a) previously known to it, (b) independently developed by it, (c) acquired by it from a third party, or (d) which is or becomes part of the public domain through no breach by the Contractor of this agreement.
7. This agreement shall become effective as of the date Confidential Information is first made available to the Contractor and shall survive the contract and be a continuing requirement.
8. The Contractor will require that this agreement be signed by all its employees and/or subcontractors involved with the Nebraska Lottery account.

By _____ Title _____ Date _____

APPENDIX "D"

OPINION NUMBER - 160

ADOPTED - 1995/06/16

SUBJECT - Campaign Financing/Lottery Contractors and Lobbyists.

REQUESTED BY: Judy Monaghan, Lobbyist for Scientific Games, Inc.

QUESTION: 1) Does the Nebraska Political Accountability and Disclosure Act prohibit a Lobbyist for a lottery contractor from making a contribution to a candidate for state elective office? 2) Is a lottery contractor prohibited from making a contribution to a political party?

CONCLUSION

See analysis.

FACTS

Scientific Games, Inc. is a lottery contractor as defined by §9-803 R.S. Supp, 1994. That is, it holds a contract with the Lottery Division of the Nebraska Department of Revenue to provide goods or services for the state lottery. Inasmuch as the value of the contract exceeds \$15,000, the contract is considered a major procurement. During the 1995 Legislative Session, Legislative Bill 28 was introduced and passed. It was signed by the Governor on February 28, 1995. LB28 included an emergency clause and is now in effect.

Section 5 of LB28 includes the following provision:

A person who is awarded a contract by the Director of the Lottery Division as a lottery contractor for a major procurement as defined in §9-803 may not make a contribution to or an independent expenditure for a candidate for a state elective office during the term of the contract or for three years following the most recent award or renewal of the contract. A person shall be considered to have made a contribution or independent expenditure if the contribution or independent expenditure is made by the person, by an officer of the person, by a separate segregated political fund established and administered by the person as provided in §49-1469, or anyone acting on behalf of the person, officer, or fund. A person who knowingly or intentionally violates this section shall be guilty of a Class IV felony.

Section 49-1444 of the Nebraska Political Accountability and Disclosure Act defines the term state elective office as "the office of Governor, Lieutenant Governor, Secretary of State, Auditor of Public Accounts, State Treasurer, Attorney General, member of a board or commission with one or more election districts of more than one county, and a member of the Legislature."

Scientific Games, Inc. is the principal of a lobbyist. That is, it has retained the services of an individual to represent its interests before the Legislature. The lobbyist is not an officer or an employee of Scientific Games, Inc. The relationship of the lobbyist to Scientific Games, Inc. is that of an independent contractor. The lobbyist has been involved in Nebraska politics for at least twenty years and has a long history of making political contributions to candidates and to one of the political parties. She wishes to know if she may continue to make political contributions to candidates for

state elective office and political parties as long as she is not making them on behalf of Scientific Games, Inc.

Scientific Games, Inc. wishes to know if it may make contributions to political parties in Nebraska.

ANALYSIS

As stated, a contribution or independent expenditure may not be made to a candidate for state elective office by a lottery contractor, an officer of that contractor, a separate segregated political fund established and administered by that contractor, or anyone acting on behalf of the contractor, one of its officers, or its separate segregated political fund. A lobbyist who makes a contribution to a candidate for state elective office violates the provisions of section 5 of LB28 if he or she is also an officer of the lottery contractor. It would also be a violation of that section for a lobbyist of a lottery contractor to make a contribution to or an independent expenditure for a candidate for state elective office if the contribution or expenditure is made at the direction of the lottery contractor, one of its officers, or its separated segregated political fund. That is, the lobbyist would be "acting on behalf of" a person or entity which may not make a contribution. In addition, a lobbyist would be prohibited from making a contribution to a candidate for state elective office or an independent expenditure if the lobbyist is reimbursed for the contribution or expenditure by the lottery contractor, an officer of that contractor, or a separate segregated political fund administered by the contractor. Stated succinctly, a lobbyist acting on behalf of him or herself and using his or her own money may make contributions to or independent expenditures for candidates for state elective office as long as he or she is not also an officer of the lottery contractor.

We turn now to the question of whether a lottery contractor is permitted to make a contribution to a Nebraska political party committee.

Section 9-835 of the state statutes as amended by LB28 provides in part as follows:

The director may not award and the Tax Commissioner may not approve a contract with a person to serve as a lottery contractor for a major procurement if the person has made a contribution to a candidate for state elective office as defined in section 49-1444 after the effective date of this act and within three years preceding the award of the contract. A person shall be considered to have made a contribution if the contribution is made by the person, by an officer of the person, by a separate segregated political fund established and administered by the person as provided in section 49-1469, or by anyone acting on behalf of the person, officer, or fund. Any contract awarded in violation of the subsection shall be void.

Section 49-1438 of the Nebraska Political Accountability and Disclosure Act includes within the definition of the term person a ". . . corporation, association, committee, or other organization or group of persons acting jointly."

Section 49-1440 defines the term political party committee as "a state central, district, or county committee of a political party which is a committee."

It should be noted that for the purposes of this opinion, the terms political party and political party committee refer to Nebraska political parties and Nebraska political party committees.

A political party committee could, under certain circumstances, be a person acting on behalf of a

lottery contractor, an officer of the lottery contractor, or a separate segregated political fund of the lottery contractor, if the political party accepts a contribution from one of them with the understanding that the contribution will be forwarded to a candidate for state elective office. The question then becomes whether any contribution to a Nebraska political party committee by a lottery contractor, an officer of the lottery contractor, or a separate segregated political fund of a lottery contractor constitutes a violation of the provisions of LB28.

A review of a colloquy occurring during the hearing on LB28 may be helpful.

LB28 was heard by the Legislature's Committee on Government, Military and Veterans Affairs on January 18, 1995. Committee Member Senator David Bernard-Stevens posed a question to Senator Jerome Warner, the sponsor of the bill:

Senator Bernard-Stevens: Jerome, as I read through this last night I'm trying to remember it deals with directly and indirect contributions to a candidate?

Senator Warner: Yes.

Senator Bernard-Stevens: So that would, just to make sure, then that would include donations, say to a political party?

Senator Warner: Yes.

It is clear that the sponsor of the bill intended that contributions by lottery contractors not be funneled through political parties to candidates for state elective office. However, LB28 does not specifically prohibit contributions to political parties by lottery contractors. In viewing the plain language of the statute, it is our opinion that a lottery contractor, an officer of a lottery contractor, or a separate segregated political fund of a lottery contractor is only prohibited from making a contribution to a Nebraska political party when the contribution is for the support of a candidate for statewide office.

Given the fact that a violation of section 5 of LB28 is a Class IV a felony, a further explanation is appropriate.

Clearly, a lottery contractor may not make a contribution to a Nebraska political party committee which is earmarked for a candidate for state elective office. Merely ensuring that contributions are not earmarked to support or oppose candidates for state elective office may not be sufficient. The Commission recommends that contributions to a Nebraska political party committee by a lottery contractor, an officer of a lottery contractor, or a separate segregated political fund established and administered by a lottery contractor be earmarked such that they will not be used to support or oppose candidates for state elective offices. That is, the contribution could be earmarked for administrative expenses of the party, or it could be earmarked for candidates other than candidates for state elective office. Contributions to political parties should not be earmarked for projects which benefit a number of candidates, such as the mass mailing of brochures, if a candidate for state elective office benefits therefrom.

In focusing on Nebraska political parties and Nebraska political party committees, it is not the intent of the Commission to imply that lottery contractors may make contributions to political parties or political party committees in other states which are earmarked for candidates for state elective office in Nebraska. An out of state political party or political party committee under such circumstances

would be acting on behalf of a lottery contractor and the contribution would still be illegal. Instead, it is the Commission's intent to make clear that a contribution by a lottery contractor, an officer of a lottery contractor, or separate segregated political fund established and administered by a lottery contractor is not, under all circumstances, a violation of the provisions of LB28.

It is important that the Commission make its position clear. We do not view the provisions of LB28 as an invitation to gamesmanship. In determining if there has been compliance with the provisions of LB28, the Commission will always look for the ultimate source of the contribution and for the ultimate beneficiary of the contribution. The penalties for violations are harsh. The person making an illegal contribution may be guilty of a Class IV felony. A violation can result in a major procurement contract being denied or voided. A candidate or candidate committee knowingly accepting a contribution barred by the provisions of LB28 could be guilty of a Class III misdemeanor.

SUMMARY

A lobbyist whose principal is a lottery contractor may make a contribution to a candidate for state elective office as long as the lobbyist is not an officer of the lottery contractor or acting on behalf of the lottery contractor, an officer of the lottery contractor, or a separate segregated political fund established and administered by the lottery contractor. A lottery contractor, an officer of a lottery contractor, or a separate segregated political fund established and administered by a lottery contractor may not make a contribution to a Nebraska political party for the purpose of supporting or opposing a candidate for state elective office. Therefore, the Commission strongly recommends that a contribution to a Nebraska political party committee be earmarked in such a way that it will not be used to support or oppose candidates for state elective office.