

Request for Proposal 08-X-39707

For: Lottery Gaming System and Support Services (Re-Bid)

Event	Date	Time
Bidder's Electronic Question Due Date (Refer to RFP Section 1.8.1 for more information.)	10/26/07	5:00 PM
Mandatory Pre-bid Conference	N/A	N/A
Mandatory Site Visit	N/A	N/A
Bid Submission Due Date (Refer to RFP Section 6.0 for more information.)	11/27/07	2:00 PM

Dates are subject to change. All changes will be reflected in Addenda to the RFP posted on the Division of Purchase and Property website.

Small Business Set-Aside (Refer to RFP Section 4.4.2.2 for more information.)	Status <input type="checkbox"/> Not Applicable <input type="checkbox"/> Entire Contract <input type="checkbox"/> Partial Contract <input checked="" type="checkbox"/> Subcontracting Only	Category <input type="checkbox"/> I <input type="checkbox"/> II <input type="checkbox"/> III
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RFP Issued By

State of New Jersey
Department of the Treasury
Division of Purchase and Property
Trenton, New Jersey 08625-0230

Using Agency

State of New Jersey
Department of the Treasury
Division of State Lottery
Lawrenceville, New Jersey 08625-0041

Date: **October 5, 2007**

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LIST OF ATTACHMENTS

- [ATTACHMENT 1](#) - **Price Schedule**
[ATTACHMENT 2](#) - **No Contact Agreement and Certification**

LIST OF EXHIBITS

- Exhibit 1** - **NJ Lottery Two (2) Plus Years of Sales History**
Exhibit 2 - **Retailers by County and Municipality**
Exhibit 3 - **Lottery Organization Chart**
Exhibit 4 - **List of Current Retailers**
Exhibit 5 - **Demonstrability of System**
Exhibit 6 - **Management and Administrative Reports**
Exhibit 7 - **Retailer Terminal Reports**
Exhibit 8 - **NJ Lottery Code of Ethics**
Exhibit 9 - **Construction Standards issued by the State of New Jersey, Department of the Treasury, Division of Property Management & Construction (DPM&C), Office of Property & Lease Negotiations.**
Exhibit 10 - **NJ Shared IT Architecture J2EE Application Deployment Policy**

CHECKLIST FOR BID RESPONSE

Forms are located at <http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml> unless indicated otherwise.

Items that Must Be Submitted with Bid Proposal

REQUIRED FORM	RFP SECTION	INCLUDED IN BID RESPONSE?
Signatory page	6.4.1.1	
Ownership Disclosure Form*	6.4.1.2	
Disclosure of Investigations/Actions Involving Bidder*	6.4.1.3	
No Contact Agreement and Certification Form*	6.4.1.4	
Services Source Disclosure Form*	6.4.1.5	
Business Registration Certificate from the Division of Revenue (www.nj.gov/njbgs) *	6.4.2	
Bid Bond (\$1,000,000)	6.4.1.7	
Litigation Bond (\$500,000)	6.4.1.8	
Subcontractor Utilization Form**	6.4.1.6	

* Required for each party of a joint venture.

** Required if Bidder is utilizing Subcontractor(s)

Forms that Must Be Submitted Before Contract Award and Should Be Submitted with the Bid Proposal

FORM	RFP SECTION	INCLUDED IN BID RESPONSE?
Notice of Intent to Subcontract Form*	6.4.3.1	
MacBride Principles Certification	6.4.3.2	
Affirmative Action	6.4.3.3	

Documents Required Before Contract Award

FORM	RFP SECTION
"Pay to Play" (N.J.S.A. 19:44A-20.13-25) (http://www.state.nj.us/treasury/purchase/forms.htm#eo134)	7.2.11
Insurance Certificates – General Liability, Auto & Workers Compensation	7.3.3
Performance Bond (\$20,000,000)	7.5.5
Certificate of Authority	7.2.2

1.0 INFORMATION FOR BIDDERS

1.1 PURPOSE AND INTENT

This Request for Proposal (RFP) is issued by the Purchase Bureau, Division of Purchase and Property, Department of the Treasury on behalf of the State of New Jersey, Department of the Treasury, Division of State Lottery. The purpose of this RFP is to solicit bid proposals to engage a contractor to implement a Lottery Gaming System and Support Services ("LGS"), including associated gaming products and services.

Contract award shall be made with reasonable promptness by written notice to that responsible Bidder, whose Bid Proposal, conforming to this RFP, is most advantageous to the State, price, and other factors considered. Any or all Bid Proposals may be rejected when the Director determines that it is in the public interest to do so.

The State reserves the right to separately procure individual requirements that are the subject of the contract during the Contract term, when deemed by the Director to be in the State's best interest.

This is a re-procurement of the Lottery Gaming System and Support Services term contract, presently due to expire on **08/20/09**. Also, be advised that this is a re-bid of RFP#: 06-X-37983, which was canceled.

Bidder/Contractor is advised that the State's Standard Terms and Conditions located on the website at www.state.nj.us/treasury/purchase/bid/summary/08x39202.shtml do not apply to this procurement. The State's Terms and Conditions are incorporated in this RFP under [Section 7.0, CONTRACTUAL TERMS AND CONDITIONS](#).

Bidders who are interested in the current contract specifications and pricing information may review the current contract (Term Contract Number: "T1320") at <http://www.state.nj.us/treasury/purchase/contracts.htm>.

1.2 BIDDER QUALIFICATION

It is required, at a minimum, that any proposing Bidder has one or more current U.S. clients to whom it has supplied a Lottery Gaming System.

1.3 BACKGROUND OF NEW JERSEY LOTTERY

On November 4, 1969, New Jersey voters voted to create a lottery and as a result, New Jersey became the third state, after New Hampshire and New York, to authorize and create a state lottery. Consequently, the Division of State Lottery and State Lottery Commission were concurrently established in 1970, pursuant to the "State Lottery Law" (N.J.S.A. 5:9-1 et seq). The Division of State Lottery operates within the Department of the Treasury. The Commission consists of the State Treasurer and six public members and is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the price or prices of tickets, the number and size of prizes on winning tickets, the licensing of retailers, and the apportionment of ticket revenues.

The Lottery has been a success with the public, and the first-year revenues were \$137 million. The Lottery's phenomenal growth and popularity were reflected recently in gross sales of over \$2.4 billion in fiscal year 2006 and over \$2.3 billion in fiscal year 2007. The Lottery has taken and continues to take the industry lead in innovation with the design of new games and systems, to meet the demands of the buying public and insure honesty and integrity.

The mission of the Lottery is to raise revenue for the maximum contribution to education and institutions, benefiting the citizens of New Jersey through the sale of lottery products. The Lottery accomplishes this by providing entertaining products through a dynamic public business enterprise built upon honesty, integrity, customer satisfaction, teamwork, and public/private partnerships.

1.4 INTRODUCTION TO REQUIREMENTS

The LGS described herein includes, but is not limited to:

- On-line games;
- Instant ticket validation, instant games inventory management, and combined accounting;
- Instant ticket warehousing and distribution (including point-of-sale (POS) materials);
- Communications network;
- Primary and back-up computer system and facilities;
- Business Continuity Site/District Office;
- Repair, maintenance, and updates of equipment and software;
- Associated security requirements.

The Contract will cover an implementation period plus seven (7) years of production operations including such time as is necessary to complete the Lottery business week then in progress. The Contract may be extended, under its original terms, for additional periods (see [Section 7.5.2](#)).

An existing base of approximately six thousand two hundred (6,200) on-line terminals together with all related computer and network hardware and software and their support services must be replaced as a result of this RFP. All proposed system components must be delivered, installed, implemented, acceptance tested, and ready to be operational in accordance with the agreed upon schedule.

The State requires that on the conversion date, at a minimum, the number of installed, operational retailer sales terminals must be equal (identical) to the number of installed, and operational retailer sales terminals on the day prior to the conversion date.

The new system must be capable of supporting the Lottery's then current gaming products offered to the public. The Contractor must also be able to incorporate additional games and promotions into the System to support the Lottery's marketing plans.

1.5 LOTTERY OBJECTIVES

The Lottery has the following objectives in issuing this RFP and entering into a Contract for the LGS:

- Install an integrated Gaming System that will meet the gaming product needs of the Lottery for the entire term of the Contract.
- Obtain retailer equipment, supporting systems, and support services that are operationally sound, incorporate the highest level of integrity and security, and minimize risk for the Lottery.
- Obtain retailer equipment that will lead to high retailer and player satisfaction for quality and performance.
- Obtain a Gaming System that is sufficiently flexible to meet the Lottery's evolving requirements.
- Obtain a highly reliable data communications system that supports the Lottery.
- Ensure that all proposed systems and services are ready to be operational by the agreed-upon schedule.
- Maximize net lottery proceeds for the State of New Jersey.
- Obtain a back office system and equipment in support of the Lottery.

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

1.6 GAMING SYSTEM

Currently, the Lottery conducts the following games:

- Pick 3 plus Pick 3 Instant Match
- Pick 4 plus P4 Instant Match
- Jersey Cash 5
- Pick 6 Lotto
- Mega Millions
- Raffles (Intermittent)
- Various instant scratch games

Sales history by game for at least the last two fiscal years (NJ fiscal year July – June) is included as **Exhibit 1**.

The New Jersey Lottery currently has contractual agreements with a lottery gaming vendor and a communication service vendor. Approximately 6,200 on-line retailer sales locations are operational throughout the State. Retailers sell, validate and pay winners for multiple on-line games and a host of instant scratch ticket games. A list of retailers by county and municipality is included in **Exhibit 2**.

It is the intent of the Lottery to consolidate the functions of both the gaming vendor and the communication service vendor into one contract. Summaries of the existing contracts, including the contractor's responsibilities are described below.

The current lottery gaming vendor operates its Primary Data Center adjacent to the Lottery Headquarters in Lawrenceville, NJ. In addition to the Primary Data Center, the gaming vendor maintains a redundant backup site and communications connectivity in Cranbury, NJ, which is capable of taking over, as a primary operational site should a disruption, occur at the Lawrenceville Primary Data Center. Both sites concurrently process lottery ticket bets and other transactions in real time, with multiple fail-over systems, thereby providing immediate remediation and zero data loss in the event of a system failure at either site. The current gaming vendor is also responsible for all tasks associated with the distribution and sale of on-line and instant lottery tickets. This includes instant ticket warehousing, distribution of lottery materials, validation of winners, and delivery of games and other marketing materials; as well as providing all equipment, systems and software needed to insure the successful operation of the New Jersey Lottery.

The current communication service vendor supplies an ISDN network of multiple drop point-to-point connections to approximately 6,200 retailer sales outlet locations. This network provides monitoring and network management capability for both the communication service provider and gaming vendor. Detection of line and termination point outages are discovered very quickly and then posted for remediation of the problem. This network management system insures that communication outages and problems are resolved in the quickest time possible, thereby mitigating revenue loss. The communication service vendor also provides SONET Ring technology between the central and remote sites so that service interruptions at various points within this ring are automatically rerouted to different communication paths. This configuration provides for automatic and quick resumption of communication service in the event of a major line failure anywhere within the SONET Ring. It is anticipated that the Lottery's communications contract will expire on the same date as the on-line gaming system.

1.7 INTERNAL CONTROL SYSTEM AUDITING AND BACK OFFICE

1.7.1 INTERNAL CONTROL SYSTEM AUDITING

The current gaming contractor (through a subcontractor) provides the Lottery with systems and software to perform an independent daily audit of the bet transaction data through the Internal Control System (ICS). Utilizing this system, all daily transactions are reprocessed to ensure reporting and betting system accuracy. Additionally, field and lottery-centric systems are provided to facilitate the operational phase of the Lottery effort, which includes validation of winning tickets, retailer information systems and the accounting system, which coexist with the current gaming contractor systems protocols and applications (Refer to [Section 3.1.4](#) and [Section 3.4.13](#).)

1.7.2 BACK OFFICE

The current gaming contractor provides the Lottery with hardware, software, technical support and assistance to facilitate back office functions and to provide connectivity to

the gaming contractor's system for applications, retailer management and database inquiries.

Beginning with this RFP the Lottery will operate under a new business model where the Lottery will provide its own back office system (hardware, office productivity software and connectivity to the gaming contractor's system via a web browser for applications, retailer management and database inquiries, etc.

1.8 KEY EVENTS

1.8.1 ELECTRONIC QUESTION AND ANSWER PERIOD

The Purchase Bureau will accept questions and inquiries from all potential Bidders electronically via web form. To submit a question, please go to Current Bid Opportunities web page or to <http://ebid.nj.gov/QA.aspx>

Questions should be directly tied to the RFP and asked in consecutive order, from beginning to end, following the organization of the RFP. Each question should begin by referencing the RFP page number and section number to which it relates.

Any proposed change, modification or exception in the State's terms and conditions by a Bidder must be submitted during the Q&A period. No changes, modifications or exception to the State's terms will be considered or accepted after Bid opening.

Bidders are not to contact the Lottery directly, in person, by telephone or by email, concerning this RFP.

The cut-off date for electronic questions and inquiries relating to this RFP is indicated on the cover sheet. Addenda to this RFP, if any, will be posted on the Purchase Bureau website after the cut-off date (see [Section 1.9.1](#) for further information.)

A Bidders' Conference will not be held for this solicitation.

1.8.2 SUBMISSION OF BID PROPOSAL

In order to be considered for award, the Bid Proposal must be received by the Purchase Bureau of the Division of Purchase and Property at the appropriate location by the required time. **ANY BID PROPOSAL NOT RECEIVED ON TIME AT THE LOCATION INDICATED BELOW WILL BE REJECTED. THE DATE AND TIME IS INDICATED ON THE COVER SHEET. THE LOCATION IS AS FOLLOWS:**

BID RECEIVING ROOM - 9TH FLOOR
PURCHASE BUREAU
DIVISION OF PURCHASE AND PROPERTY
DEPARTMENT OF THE TREASURY
33 WEST STATE STREET, P.O. BOX 230
TRENTON, NJ 08625-0230

Directions to the Purchase Bureau can be found at the following web address:

<http://www.state.nj.us/treasury/purchase/directions.htm>.

Note: Bidders using USPS Regular or Express mail services should allow additional time since USPS mail deliveries are not delivered directly to the Purchase Bureau.

Procedural inquiries on this RFP may be directed to:

RFP.PROCEDURES@TREAS.STATE.NJ.US

The Purchase Bureau will not respond to substantive questions related to the RFP or any Contract. This is for procedural questions only; questions relating to specifics about the RFP are covered by [Section 1.8.1](#) above.

1.9 ADDITIONAL INFORMATION

1.9.1 ADDENDA: REVISIONS TO THIS RFP

In the event that it becomes necessary to clarify or revise this RFP, such clarification or revision will be by addendum. Any addendum to this RFP will become part of this RFP and part of any Contract awarded as a result of this RFP.

ALL RFP ADDENDA WILL BE ISSUED ON THE DIVISION OF PURCHASE AND PROPERTY WEB SITE. TO ACCESS ADDENDA, SELECT THE BID NUMBER ON THE BIDDING OPPORTUNITIES WEB PAGE AT THE FOLLOWING ADDRESS:

<http://www.state.nj.us/treasury/purchase/bid/summary/bid.shtml>.

There are no designated dates for release of addenda. Therefore interested Bidders should check the Purchase Bureau "Bidding Opportunities" website on a daily basis from time of RFP issuance through bid opening.

It is the sole responsibility of the Bidder to be knowledgeable of all addenda related to this procurement.

1.9.2 BIDDER RESPONSIBILITY

The Bidder assumes sole responsibility for the complete effort required in submitting a Bid Proposal in response to this RFP. No special consideration will be given after Bid Proposals are opened because of a Bidder's failure to be knowledgeable as to all of the requirements of this RFP.

1.9.3 COST LIABILITY

The State assumes no responsibility and bears no liability for costs incurred by a Bidder in the preparation and submittal of a Bid Proposal in response to this RFP.

1.9.4 CONTENTS OF BID PROPOSAL

The Purchase Bureau and the Lottery are agencies of the State of New Jersey and subject to the New Jersey Open Public Records Act, N.J.S.A. 47:1A-1 et seq. All information submitted by Bidders in response to this RFP is considered public information, notwithstanding any disclaimers by a Bidder, except information that may be exempt from public disclosure by the Open Public Records Act and the common law.

Because the State proposes to negotiate and/or pursue a best and final offer (BAFO), bid proposals will not be made public until the letter of intent to award is issued.

THE STATE WILL NOT HONOR ANY ATTEMPT BY ANY BIDDER TO DESIGNATE ITS ENTIRE PROPOSAL CONFIDENTIAL AND/OR PROPRIETARY OR TO AFFIX A COPYRIGHT NOTATION TO ITS ENTIRE PROPOSAL. The State reserves the right to determine disclosure requirements and will advise Bidders accordingly. Any areas of a Bidder's Proposal which the Bidder deems worthy of the confidential, proprietary or copyright designation should be clearly designated and must be described in a cover letter attached to the Bidder's Proposal. The description must contain a reference to the location in the Proposal.

1.9.5 BID OPENING

On the date and time Bid Proposals are due under the RFP, only the names of the Bidders submitting Bid Proposals will be publicly announced. The contents of the Bid Proposals shall remain confidential until the Notice of Intent to Award is issued by the Director.

The Director may, pursuant to N.J.S.A. 52:34-12 (f), negotiate with Bidders the final terms and conditions of this procurement, including price (BAFO – [Section 5.8](#)) following the opening of Bid Proposals. All contacts, records of initial evaluations, any correspondence with Bidders related to any request for negotiation or BAFO, any revised technical and/or price Proposals, the Evaluation Committee Report and the Award Recommendation, will remain confidential until a Notice of Intent to Award a Contract is issued.

1.9.6 PRICE ALTERATION

Bid prices must be typed or written in ink. Any price change (including "white-outs") must be initialed. Failure to initial price changes shall preclude a contract award from being made to the Bidder.

1.9.7 BID ERRORS

In accordance with N.J.A.C. 17:12-1.22, "Bid Errors," a Bidder may withdraw its bid as follows:

A Bidder may request that its bid be withdrawn prior to bid opening. Such request must be made, in writing, to the Supervisor of the Business Unit. If the request is granted, the

Bidder may submit a revised bid as long as the bid is received prior to the announced date and time for bid opening and at the place specified.

If, after bid opening but before Contract award, a Bidder discovers an error in its Proposal, the Bidder may make written request to the Supervisor of the Business Unit for authorization to withdraw its Proposal from consideration for award. Evidence of the Bidder's good faith in making this request shall be used in making the determination. The factors that will be considered are that the mistake is so significant that to enforce the Contract resulting from the Proposal would be unconscionable; that the mistake relates to a material feature of the Contract; that the mistake occurred notwithstanding the Bidder's exercise of reasonable care; and that the State will not be significantly prejudiced by granting the withdrawal of the Proposal. Note: a PB-36 complaint form may be filed and forwarded to the Division's Contract Compliance and Administration Unit (CCAU) for handling. A record of the complaint will also be maintained in the Division's vendor performance file for evaluation of future bids submitted.

All bid withdrawal requests must include the bid identification number and the final bid opening date and sent to the following address:

Department of the Treasury
Purchase Bureau, PO Box 230
33 West State Street – 9th Floor
Trenton, New Jersey 08625-0230
Attention: Supervisor, Business Unit

If during a bid evaluation process, an obvious pricing error made by a potential Contract awardee is found, the Director shall issue written notice to the Bidder. The Bidder will have five (5) days after receipt of the notice to confirm its pricing. If the Bidder fails to respond, its bid shall be considered withdrawn, and no further consideration shall be given it.

If there is any ambiguity in the pricing and the Bidder's intention is not readily discernible from other parts of the Bid Proposal, the Director may seek clarification from the Bidder to ascertain the true intent of the bid.

1.9.8 NO CONTACT WITH EXECUTIVE BRANCH EMPLOYEES

Neither the Bidder, its directors, officers or employees, nor, on its behalf, the Bidder's consultants, legal representatives, lobbyists, or other agents, shall initiate any Contact with any employee or agent of the Executive Branch of the State during the Procurement Process, except as set forth below in this [Section 1.9.8](#). The Bidder may only contact, or cause or permit its agents to contact Executive Branch personnel or agent(s) during the Procurement Process for the following purposes:

- A, To submit questions about the RFP to the Purchase Bureau, but only in strict accordance with the procedure described in [Section 1.8.1](#) of the RFP.
- B. To submit a challenge to a specification of the RFP in accordance with [N.J.A.C. 17:12-3.2](#);

- C. To submit a Proposal in response to the RFP in accordance with [Section 1.8.2](#) of the RFP;
- D. To submit a procedural inquiry in accordance with [Section 1.8.2](#) of the RFP;
- E. To respond to a request by an authorized representative of the State for clarification of the Bidder's Proposal or other inquiry initiated by the State including any technical inquiry that the State's representatives may pose to Bidder's technical staff concerning the demonstration of the bidder's proposed System in accordance with [Section 5.6](#) of the RFP;
- F. If requested by the State, to engage in negotiations with and/or to submit a Best and Final Offer ("BAFO") to the State, in accordance with [Section 5.8](#) of the RFP.
- G. To submit a protest to the award of the Contract in accordance with [N.J.A.C. 17:12-3.1](#) and [3.3](#). Also, refer to [Section 7.4.2](#).

If it is discovered that there has been any Contact other than that specifically permitted in this [Section 1.9.8](#) during the Procurement Process, the Director may take any reasonably appropriate action in response to such discovery, including but not limited to disqualifying the bidder from bidding or from further consideration of the Proposal (if the Proposal has been submitted), or, if in the best interests of the State, rescinding the Contract award or terminating the Contract, if the Contract has been awarded to the Bidder.

The Bidder must submit with its Proposal the No Contact Agreement and Certification Form provided with this RFP in accordance with [Section 6.4.1.4](#). Form is attached as "[ATTACHMENT 2](#)"

1.9.9 BIDDER/CONTRACTOR REPRESENTATIONS

By submitting a Proposal in response to this RFP, the Bidder/Contractor certifies that all representations made by it in its Proposal or other related and/or supporting materials are true, subject to penalty of law. Further, the Bidder/Contractor agrees that its violation of any statute or regulation related to public contracts and/or its misrepresentation or concealment of any material fact in its Proposal, award or performance of the Contract may be cause for recession or termination of the Contract.

1.9.10 JOINT VENTURE

If a joint venture is submitting a Bid Proposal, the agreement between the parties relating to such joint venture should be submitted with the joint venture's Bid Proposal. Authorized signatories from each party comprising the joint venture must sign the Bid Proposal. Separate Ownership Disclosure Forms, Disclosure of Investigations and Actions Involving Bidder and Business Registration Certificates must be submitted with the Bid Proposal for each party of the joint venture. In addition, an Affirmative Action Employee Information Report, MacBride Principles Certification and Services Source Disclosure Forms must be submitted for each party of the joint venture before contract award.

2.0 DEFINITIONS

The following definitions will be part of any contract awarded as result of this RFP.

3G – Third generation wireless wide area communications systems that are characterized by high-speed data rates capable of data bursting rates (144 Kbps to 2+ Mbps) suitable for multimedia content. 3G technologies typically are packet-switched and use code division multiple access (CDMA) to communicate. 3G will support broadband and bandwidth-hungry applications such as full-motion video, videoconferencing and full Internet access. Examples include GPRS, 1XRTT, EDGE, HDR, W-CDMA.

Accounting Week – The period beginning on Thursday 12:00 AM (midnight) Eastern Time and running through the end of the day the following Wednesday 11:59:59 PM Eastern Time.

Addendum – Written clarification or revision to this RFP issued by the Purchase Bureau.

All-Inclusive Hourly Rate – An hourly rate comprised of all direct and indirect costs including, but not limited to: overhead, fee or profit, clerical support, travel expenses, per diem, safety equipment, materials, supplies, managerial support and all documents, forms, and reproductions thereof. This rate also includes portal-to-portal expenses as well as per diem expenses such as food.

Amendment – A change in the scope of work to be performed by the contractor. An amendment is not effective until it is signed by the Director, Division of Purchase and Property.

Backup Data Center – The contractor's location containing backup systems and communications for the lottery gaming system serving New Jersey. May also be referred to as "Remote Backup Site".

Bidder – An individual or business entity submitting a bid proposal in response to this RFP.

Bid Proposal – Refer to "Proposal" for definition.

Bond – A bond, cashier's check, or alternative security acceptable in form and substance and issued by a company acceptable to the State.

Book – A pack of instant game tickets, with individual tickets uniquely numbered by virtue of game/pack/ticket identifiers. Books contain varying numbers of tickets, depending on the game.

Business Continuity Site (BCS) – A location where the Lottery can continue to administer games in the event that Lottery Headquarters is unable to operate for this purpose. This site also contains a LAPS backup system and office space for a Lottery district office.

Business Day (Work Day) - Any day of the week from 12:00 AM (midnight) Eastern Time and running through the end of the day 11:59:59 PM Eastern Time.

Capability - A feature or capacity of the System as offered for delivery, not to include items that are theoretical or available following a future separate development or purchase effort. Also referred to in the RFP in terms such as “ability,” “able to,” and “capacity.”

Comma-Separated Values (CSV) File - A file with records whose data fields are delimited by commas, and each record is a separate input line.

Consumables – Play slips, ticket stock, printer paper, toner, and/or any other operational supplies required by retailers to operate their terminals. The term "Consumables" does not include point-of-sale promotional items or instant tickets.

Contact - Any direct or indirect communication between the Bidder and a representative of the Executive Branch of the State government of New Jersey with regard to the RFP or other aspect of this procurement for lottery gaming services, whether oral, written or electronic, whether made by the Bidder or any director, officer, employee, consultant, legal representative, lobbyist or other agent of the Bidder.

Contract – This RFP, any addendum to this RFP, and the bidder’s proposal submitted in response to this RFP, as accepted by the State.

Contract Term – The term of the contract as defined in the RFP, including all contract extensions.

Contractor – The bidder awarded a contract resulting from this RFP.

Conversion – The cutover from the existing system currently used by the Lottery for games, sales and management to the new System. Data from the existing System are transferred, for continuity, to the new System.

Corporate Account – Lottery retailer accounts that have multiple distinct retail locations that sell tickets.

Deliverable - A product or service feature required by the RFP.

Director – Director, Division of Purchase and Property, Department of the Treasury. By statutory authority, the Director is the chief contracting officer for the State of New Jersey.

District Office – An office of the New Jersey Lottery other than Headquarters that provides services to retailers and to customers.

Division – The Division of Purchase and Property

Electronic Funds Transfer (EFT) – Electronic transferring of funds through a bank employing the Automated Clearing House (ACH) network.

Enterprise Used to identify the networking component of the State of New Jersey's wide area network (WAN) established and maintained by the Office of Information Technology (OIT). This network is traversed by the New Jersey Lottery to facilitate external office Email, FTP and Internet access.

Evaluation Committee – A committee established by the Director to review and evaluate bid proposals submitted in response to this RFP and to recommend a contract award to the Director.

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

Firm Fixed Price – A price that is all-inclusive of direct cost and indirect costs, including, but not limited to, direct labor costs, overhead, fee or profit, clerical support, equipment, materials, supplies, managerial (administrative) support, all documents, reports, forms, travel, reproduction and any other costs. No additional fees or costs shall be paid by the State unless there is an amendment to the Contract.

First Read Rate – A measure of reader performance, especially bar code reader performance. The measure indicates what proportion of times the reader returns a successful read of a legitimate code on the first try. The "first read" event is defined as the initial effort of an experienced user to read a code, occurring within approximately a three (3) second time window.

Gaming System – Refer to "System" for definition.

Headquarters – Or "Lottery Headquarters". The Lottery offices located at One Lawrence Park Complex, 1333 Brunswick Pike, Lawrenceville, New Jersey, 08648.

Implementation Period – The period from contract award until actual production startup.

Information Management Services (IMS) – The Lottery unit which has the day-to-day responsibility for office automation, database management systems, ad hoc reporting, helpdesk support, telephone support, Internet design and support, networked communications, and general technology support to Lottery employees.

Instant Games – Games sold on pre-printed tickets containing play and validation data under a latex coating or such other coating as may be approved by the Lottery. Instant games will be administered through the terminals provided by the contractor. Also known as rub-off or scratch games.

Instant Ticket Vending Machine (ITVM) – A freestanding self-contained vending machine that is used to dispense Instant Game tickets. An ITVM is a player-operated device that accepts US currency in various denominations, allowing the player to select multi-theme type Instant Game tickets.

Intellectual Property—Patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, trade secrets and similar types of intangible property.

Internal Control System (ICS) – An internal control system that checks the System independently by re-processing transactions, allowing auditing of the daily transactions, winner selection/verification, prize payout calculations, sales summaries, and various inquiry and reconciliation activities.

Joint Venture – A business undertaking by two or more entities to share risk and responsibility for a specific project.

Key Personnel (Contractor's Project Team) – Key personnel shall be defined as the Project Director, Project Manager (or other synonymous titles) and any other technical specialist appropriate for each specified function of the contract.

Kiosk Terminal – Freestanding terminal that plays on-line and instant games.

Lottery Administrative Processing System (LAPS) – Systems, computers, associated peripherals, network appliances, network connections, internal control systems (ICS), software, technical support, and services required to provide the ability for Lottery staff to administer all aspects of the Lottery's operational, financial, security, and marketing and sales processes for all gaming functions.

LAPS Backup Site – The location contained within New Jersey where the Lottery's backup LAPS is located. The LAPS Backup Site shall be incorporated into the Business Continuity Site.

Lottery Gaming System (LGS) and Support Services– The "System" required by this RFP, the software, hardware, and service elements that support the on-line and instant ticket gaming environment in New Jersey. Also refer to "System".

Lottery – The State of New Jersey, Department of the Treasury, Division of State Lottery.

Lottery Enterprise WAN – A wide area network (WAN) connecting New Jersey Lottery facilities, district offices and central administrative computer systems to the Treasury Enterprise provided network, facilitating services which include, Internet Service Provider (ISP), External Mail Gateway and Internet Portal service. This configuration also provides direct secure connectivity to the gaming provider's central system and remote user access ability.

Lottery Executive Director - The chief executive of the Lottery, or an employee authorized to act on behalf of the chief executive of the Lottery. There is also a Deputy Executive Director.

Lottery LAN – A local area network (LAN) serving the offices of the New Jersey Lottery.

Lottery Quality Assurance/Acceptance Testing - The process by which the Lottery separately tests any hardware or software changes to the gaming system. Lottery QA employs a testing environment consisting of test terminals, communications, gaming host systems, and management workstations that run the games management applications.

Lottery QA represents the acceptance testing of the contractor's products and is distinct from the contractor's own quality assurance efforts.

Lottery Sales Representative (LSR) - Marketing/Sales Representative of the Lottery, an individual that supports retailers through direct interaction and retailer-site visits.

May – Denotes that which is permissible, not mandatory.

Near Real-Time – For Lottery purposes, near real time means that the transaction or data is available for use with no significant delay after accounting for processing time.

Net Instant Sales – Gross sales minus free tickets and adjustments for instant games, where adjustments are lost/stolen tickets, full and partial pack returns.

Net On-line Sales – Gross sales minus cancellations, promotional free tickets and adjustments for on-line games.

Net Total Sales – Total of “Net Instant Sales” plus “Net On-line Sales”.

Office of Information Technology (OIT) – The State agency that oversees the mainframes, servers, networks, and databases that make up the state's technical infrastructure (also referred to as the “enterprise”).

On-line Games - Games sold through a computer network at retailer locations. The tickets are generated on demand of the customer.

Option(s) - A system feature or capability for which the Lottery makes no schedule or quantity commitments, but which may, at the Lottery's sole discretion, be included in or added to the System. This RFP does not solicit options.

Pack - A pack of instant game tickets, with individual tickets uniquely numbered by virtue of game/pack/ticket identifiers. Packs contain varying numbers of tickets, depending on the game.

Play – A single set of numbers for a Lottery drawing. A ticket may contain multiple plays, depending on the game.

Play Center – A physical display used as a point of purchase display in retail locations to provide an organized, convenient means for retailers to display lottery communications (brochures, jackpot announcements, bet slips, etc.) for customers and to provide the Lottery with a uniform presence.

POTS – Plain Old Telephone System.

Primary Data Center – A Contractor facility that contains the primary systems and communications for the lottery gaming system serving New Jersey.

Principle of Least Privilege - A design concept describing a system environment in which all services and personnel given access are granted only the privileges necessary to perform their functions.

Privileged Terminal – A management terminal, similar to a retailer sales terminal, with the ability to create "new bet" transactions disabled. The privileged terminal is assigned to a specific Lottery designated retailer number. The privileged terminal has the ability to read ticket information through its scanner and update the contractor's winner's file. The privileged terminal should also be able to generate various reports upon request. The main purpose of a privileged terminal is to update the status of a claimed ticket submitted on a claim form to a "received at Lottery headquarters or district office" status.

Procurement Process - A period beginning on October 20, 2006 (the date of the public announcement by the New Jersey State Treasurer that bid solicitation 06-X-37983 had been cancelled and that the State would re-bid the contract for Lottery Gaming Services), and ending with the award of a contract.

Production Startup – The date that the contractor's complete system (including all retailer terminals) is put into production to sell and process lottery products. This date ends the implementation period.

Project – The undertaking or services that are the subject of this RFP.

Proposal - All materials submitted by a bidder in response to this RFP.

Pull Tabs - Games sold on pre-printed tickets containing play and validation data under a flap removed by the player. Pull-tab games may be administered through the terminals and workstations provided by the contractor.

Report – Information produced by the system that is viewed via display, printed, or saved to a file depending on the needs of the Lottery.

Request for Proposal (RFP) – This document establishes the bidding and contract requirements and solicits bid proposals to meet the purchase needs of the using Agencies as identified herein.

Retailer – A business under contract with the Lottery to sell lottery tickets.

Retailer Master File – The authority file containing the official list and data-defining retailers.

RFID - Radio Frequency Identification, a unique tagging technology to identify objects, in which the object responds to an inquiry radio signal from a reader by broadcasting its identification tag value.

Random Number Generator (RNG) - A software application that uses a math algorithm to produce a pseudo-random numerical output.

RNG Seed - A random value used to begin the processing of an RNG.

Sales Day – The period of time the Lottery's gaming systems support transactions from terminals at retailer locations, currently 5 AM to 12 midnight, seven (7) days a week, subject to future modifications.

Shall or Must – Denotes that which is a mandatory requirement. Failure to meet a mandatory requirement will result in the rejection of a bid proposal as materially non-responsive.

Should – Denotes that which is recommended, not mandatory.

SONET – Synchronous Optical Network, a standard for connecting fiber optic transmission systems.

State – State of New Jersey.

State Contract Manager – A member of the Lottery's management staff, designated by the Lottery Executive Director, who will provide oversight for the deliverables and performance of the Contract on a day-to-day basis.

Substantial Subcontractor: A subcontractor performing major and critical activities specific and customized for the contract, including but not limited to, hardware and software development, production or support, and retailer servicing. This does not include suppliers of consumer-tariffed communication services, suppliers of "off the shelf" (available to the general public) hardware or software when those firms perform only these roles under the contract, or routine service providers such as landscapers or janitorial firms.

Subcontractor – An entity having an arrangement with a State contractor, where the State contractor uses the products and/or services of that entity to fulfill some of its obligations under its State contract, while retaining full responsibility for the performance of all of its [the contractor's] obligations under the contract, including payment to the subcontractor. The subcontractor has no legal relationship with the State, only with the contractor.

Subtasks – Detailed activities that comprise the actual performance of a task.

System – "System" refers to the comprehensive gaming system and services (instant ticket and on-line) proposed by the bidder. Also refer to "Lottery Gaming System (LGS) and Support Services".

Task – A discrete unit of work to be performed.

Terminal - The traditional full function lottery terminal for on-line ticket sales and instant and on-line validations. In the RFP for terminal maintenance and support, and liquidated damages, the term "terminal" includes all associated peripherals. Similarly regarding maintenance, support, and liquidated damages, and where it is logically applicable, other ticket selling devices are covered by the same specifications. These other devices may include ITVMs, kiosk terminals, etc operating from the retailer location.

Using Agency [ies] – The entity[ies] for which the Division has issued this RFP and will enter into a contract.

Validation – Process by which winning tickets are checked against computer files, to ensure that the ticket presented is valid, and that it has not been redeemed previously. Validations apply to both on-line and instant tickets.

Validation Code – A security feature of instant tickets printed under the latex (or other coating). This is also known as a VIRN (Void If Removed Number).

Virtual Private Network (VPN) – A network constructed by using public wires to connect private nodes. These networks use encryption and other security mechanisms to ensure that only authorized users can access the network and that the data cannot be intercepted.

Warehouse –The location to be used by the contractor to maintain the inventory and provide order fulfillment of the Lottery's instant tickets and initial distribution of point-of-sale (POS) materials.

3.0 SCOPE OF WORK

This section describes the systems and services specifications for the Lottery Gaming System (the “System”). Prior to the detailed responses to each paragraph of **Section 3**, the Bidder must provide the following summary level responses for paragraphs A, B and C below (also refer to [Section 6.4.4.1](#)).

Response Note: Only an overview is required here. These capabilities must be described in detail by responses to other RFP sections to follow.

- A. **Overview.** Present an overview of the System’s design and operating experience in the field.
- B. **Certified Equipment.** The proposed equipment must have been inspected for safety and approved by Underwriters Laboratories (or equivalent), must be in compliance with electronic technology manufacturing standards (IEEE, NEMA, OSHA), and all proposed equipment must be in compliance with FCC regulations suitable for devices of the types proposed (FCC Part 15 Subpart B).
- C. **New and Unused Equipment.** All proposed transaction processing administrative computers and database computers, front-end processors, networking equipment, retailer terminals and associated peripherals, diagnostic equipment, etc. must be new and unused. Equipment proposed must be of current manufacture by the Contractor or its suppliers. All hardware models and software versions installed at start-up must represent the then-current equivalent or better version in case a proposed offering is phased out or superseded.

3.1 CENTRAL CONFIGURATION

The Lottery requires a configuration capable of handling the immediate and long-range needs of the Lottery, as defined in the following sections.

Response Note: Configuration block diagrams, down to the component level of the proposed System, must be submitted with the Proposal.

Each hardware and software item must be identified by manufacturer, product name, and model number, as applicable. For software, version numbers must be provided, or such will be assumed to be the latest release at the time of conversion. Any deviations from the suppliers’ standard hardware and software products must be disclosed and an explanation provided. (Installation of any such deviations requires prior approval of the Lottery.)

3.1.1 GAMING HOST SYSTEMS AT THE PRIMARY DATA CENTER

- A. **Transaction Processing/Database/Games Administration Hosts.** All games, databases, and games administration functions for mission-critical on-line and instant gaming support must be supported by a protectively redundant configuration. At the Primary Data Center, each processing complex must consist of at least two (2) physically separate systems, networked or coupled for high availability processing and

storage redundancy. A component failure in one Primary Data Center system must not cause a failure in the other system(s).

- B. **Failover.** The remaining system(s) shall immediately provide access and assume the load in case of a failure in one of the systems, without loss or corruption of any data and transactions received prior to the time of the failure.
- C. **Operations Procedures.** Procedures for computer operations staff, especially regarding failure situations, must be an easy-to-understand, documented procedure. It is required that in addition to operator-prompted failover, the System must be able to recover from failures without operator intervention (“auto-failover”).

Response Note: The Proposal must discuss a typical failure scenario and describe the procedures that operators would use for corrections.

- D. **Time Synchronizing.** All gaming hosts at the Primary Data Center must have a time-synchronizing mechanism to ensure consistent time recording and reporting for events and transactions. Synchronization with an external time source is required.
- E. **Disaster Recovery.** In the event of irreparable damages at the Primary Data Center, or of an unplanned, extended abandonment of the Primary Data Center, the Contractor shall provide at no additional cost those host systems, facilities, and other components necessary to resume Lottery sales under an operational scenario using two (2) data centers. Such host systems, facilities, and other components shall be furnished, installed, and operational within thirty (30) days after the disaster. Until a permanent Primary Data Center can be re-established, substitute facilities must meet Lottery-approved environmental and security measures.

3.1.2 GAMING HOST SYSTEMS AT THE BACKUP DATA CENTER

- A. **Backup Gaming Host Systems.** The Contractor shall provide two (2) or more remote backup systems that will take over for the Primary Data Center systems if necessary. Data transferred to and recorded at the remote backup systems shall always contain the most recent transactions, allowing a takeover. The wide-area-network (WAN) connection (covered in [Section 3.3](#)) will provide routing of gaming transactions from the Lottery’s retailers to the backup as well as the Primary Data Center. Games administration functions must be available at the Backup Data Center, as well as being available remotely by communications from the Primary Data Center. The Contractor shall demonstrate on a scheduled basis that the Backup Data Center is fully functional by operating in production from that site upon request of the Lottery.
- B. **Gaming System Backup Sizing.** The remote backup systems must be a mirror configuration of the same processing capacity and architecture as the Primary Data Center host systems.
- C. **Time Synchronizing.** Gaming hosts at the Backup Data Center must have a time-synchronizing mechanism to ensure consistent time recording and reporting for events and transactions. Synchronization with an external time source is required.

- D. **Disaster Recovery.** This section has the same specification as [Section 3.1.1 E](#) above and the response may reference that response, if identical.

3.1.3 LOTTERY ACCEPTANCE TESTING SYSTEM

A testing system for the Lottery must be provided. All of the above production systems must be available for testing by the Lottery, with full support from the Contractor. (The Lottery will work with the Contractor to identify and assess any possible risks or impacts on production operations.)

- A. **Lottery Testing System.** The Contractor must provide a separate system for testing by the Lottery. The testing system must be located at the Primary Data Center and must support certain types of testing from New Jersey Lottery Headquarters as requested by the Lottery. The testing system must be identical in architecture and capacity to each of the production systems provided for all transaction processing, front-end processing, and games management applications. In the event of multiple failures of active production systems, the testing system must be able to be updated and activated for production in case of further hardware or software failure.
- B. **Lottery Testing Retailer Terminals.** The Contractor must equip the permanent acceptance testing facility ([Section 3.7.4](#)) located in the Primary Data Center with ten (10) full function retailer terminals configured with the Lottery designated release of software. The Contractor must also include other ticket selling devices delivered by the Contractor, including ITVM's, kiosk terminals, etc. At least one of each type of terminal and communications combination delivered to the field must be provided for testing. (At times the Lottery may require the installation of more retailer terminals for specialized tests.)
- C. **Management Terminals.** The Contractor must provide connectivity for three (3) testing management terminals to be located in the permanent acceptance testing facility ([Section 3.7.4](#)). Additionally, the Contractor must provide connectivity for ten (10) emergency management terminals to be located at Lottery Headquarters and the Business Continuity Site. The testing and emergency management terminals (personal computers) hardware and software shall also provided by the Contractor (See [Sections 3.6](#) and [3.7.4](#))
- D. **Testing System Communications.** The testing terminals must be supplied with any and all communications mechanisms employed by the Contractor's retailer terminals in the field.
- E. **Contractor's Development and Test System.** The Contractor must not conduct software development or its own quality assurance activities on any of the production systems, nor on the Lottery acceptance testing system identified above, but rather must employ a separate system(s), located conveniently for the Contractor.

3.1.4 INTERNAL CONTROL SYSTEM (ICS) CONFIGURATION

All components for the ICS including but not limited to, hardware, operating system software, any required middleware, third-party ICS software, software development tools, and associated hardware and software licensing, maintenance and support shall be

provided by the Contractor. The ICS systems (primary, backup, and development/test) shall be located in Lottery Headquarters. The ICS must receive a near-real time feed (i.e., remote logging) of gaming transactions. Two (2) ICS systems must be located at Lottery Headquarters and two (2) ICS systems must be located at the Business Continuity Site/District Office, respectively. The backup ICS is required to ensure timely processing in event of failure of the primary ICS. Maintenance of these infrastructure items must be continued by the Contractor for the term of the contract. This configuration must be used solely to support the ICS system.

The ICS third-party application software requirements are provided under [Section 3.4.13](#).

3.1.5 GAMING SYSTEM QUANTITATIVE PERFORMANCE CRITERIA

- A. The System must initially support a network of approximately **six thousand, two hundred (6,200)** on-line retailer clerk operated terminals.
- B. The ability to expand the System to accommodate up to **twelve thousand (12,000)** active retailer clerk operated terminals must be available, should such an expansion opportunity be desired by the Lottery. The State makes no guarantees or representations that the System will expand during the term of the contract.
- C. The System as delivered must be capable of handling up to **seventy five thousand (75,000)** sales transactions per minute on a continuous basis.
- D. The System as delivered must be capable of processing up to **three thousand (3,000)** combined cash (validation) and cancel transactions per minute, while selling at the rate above.
- E. Each single play (single panel) on-line ticket shall be produced in no more than four (4) seconds from completion of data entry ("Send" is pressed or play slip is inserted) to availability of the ticket for the retailer or player.
- F. Variable length, multi-play (up to ten (10) panel) on-line tickets shall be produced in no more than six (6) seconds after completion of data entry ("Send" is pressed or play slip is inserted) to availability of the ticket for the retailer or player.
- G. All other transactions (e.g. instant pack transactions, winning ticket validations, cancels, and brief on-line and instant ticket reports, etc.) shall be produced in no more than five (5) seconds after completion of data entry ("Send" is pressed) to availability of the ticket or report to the retailer.
- H. Primary Data Center system recovery in auto-failover mode from a one-system failure must be accomplished in no more than two (2) minutes while still maintaining current transactions.
- I. Backup Data Center system recovery from a Primary Data Center failure must be accomplished in no more than ten (10) minutes without loss of any transactions or interruption of user access.

- J. The System must have the as-delivered capacity in all hardware and software aspects to accommodate two hundred (200) concurrent instant games being in any status (e.g. loaded, distributed, sold, validated, closed out), an on-line sales day of at least fifty million dollars (\$50,000,000) and an on-line jackpot over one billion dollars (\$1,000,000,000).
- K. The System shall sell a minimum of one hundred (100) single play Quick Pick tickets without requiring operator re-entry.
- L. The System must have the as-delivered capacity in all hardware and software aspects to allow winning on-line tickets to be retained on-line three hundred sixty-five (365) days after the winning draw date.
- M. The System must have the as-delivered capacity in all hardware and software aspects to allow the game, book and VIRN files to be retained on-line 365 days after the official end of the instant game, as announced by the Lottery, plus such additional time as needed for ended games to be reconciled by the Lottery.

The response time specifications of this section shall be considered met if greater than 95% of the transactions of particular types comply with the specifications.

3.1.6 SYSTEMS MANAGEMENT AND MONITORING

Systems management and monitoring capabilities must be available at both the primary and Backup Data Centers. Systems management tools must create visual and/or audible alarms to provide warning of problems with host operating system or system hardware components. The capability must be included to identify whether a failure has occurred in any of the host systems at the Primary or Backup Data Center.

3.1.7 OPERATING HOURS

The ability to accommodate near twenty-four (24) hour-a-day operations is required by the Lottery (specified as a minimum of 23 hours of sales and validations, including instant ticket processing). Current operating hours are 5:00 a.m. through 12:00 midnight (Eastern Time).

3.1.8 HOST SYSTEMS SECURITY

The Contractor shall be responsible for the security of the host systems, which is critical to ensure the integrity of the System. The following security requirements apply to all systems in the Contractor's Primary and Backup Data Center configurations including the production, backup and testing systems as well as any administrative host systems supporting games management or other applications operated by the Contractor.

- A. **Systems Access and Authentication.** All systems and users requiring access (for any purpose) must be approved by the Lottery. Host systems must also support controls and procedures that allow the Lottery to audit all system access. The Bidder's Proposal must clearly identify controls related to user authentication, authorization and access controls for operating systems.

- B. **Principle of Least Privilege.** All systems must be configured to support only those services required to provide the intended System functions. System users must be granted access only to the functions and file systems needed to perform their job functions.
- C. **Compliance with Security Requirements.** Systems must be compliant with all systems security and fault tolerance requirements accepted as operating principles by the Lottery, or promulgated by any multi-jurisdictional game organization (e.g., Mega Millions) of which the Lottery may be a member.
- D. **Protection against Unauthorized Access or Service Disruption.** The Contractor shall ensure that host systems are not vulnerable to unauthorized access. The Proposal must specify the methods by which host systems will be protected against unauthorized access, malware (viruses, spyware, etc.), denial of service, and other attacks.

Response Note: The Proposal must provide any additional information on other systems security components and controls that will be implemented including host intrusion protection, operating system hardening, login and password controls, system security log management, etc. The acceptability of all system security controls shall be subject to Lottery approval.

3.2 RETAILER TERMINALS, PERIPHERALS, AND OTHER DEVICES

The Contractor is required to supply the Lottery with terminals and other equipment as specified in this section. The initial counts are set forth below and the Contractor must be able to deliver, install, and support additional equipment as ordered by the Lottery under the terms defined in the contract.

3.2.1 RETAILER ON-LINE TERMINALS (CLERK OPERATED TERMINALS)

At Conversion the System shall support approximately **six thousand, two hundred (6,200)** full function on-line terminals for retailers. The Contractor must also supply additional terminals for training, testing, and spares, as described in [Section 3.7](#).

3.2.1.1 ON-LINE TERMINAL IDENTIFICATION

No manufacturer or vendor logo or identification shall be attached to any ticket-selling device; however, the terminal may bear a serial number or bar code for maintenance and logistics.

3.2.1.2 RETAILER ON-LINE TERMINAL FEATURES AND FUNCTIONS

Requirements include, but are not limited, to the following retailer operated terminal features and functions.

Response Note: Reliability is considered a critical feature of the retailer terminal and the responses of this section should identify any features that enhance reliability.

- A. **Size.** A compact size is required that will ensure retailer acceptance. If the terminal is modular, then it is important that the connecting data and power cables not be unwieldy or obtrusive.

Response Note: The Bidder shall list the dimensions and weight of the proposed terminal and its peripherals, and shall identify the external data and power cables required.

- B. **Touch screen.** There must be included a touch screen for the clerk that will automatically display the entire transaction being processed, and will accommodate graphics as well as text.
1. The screen must be capable of displaying retailer messages, reports, and transactions using such readability features as fonts, colors, icons and screen layouts to provide displays easily read and operated by the user.
 2. There shall be sufficient screen functions to provide for the current Lottery games, and flexibility for reasonable expansion into new games and gaming options. The colors, locations, graphics, and text labels will be at the discretion of the Lottery.
 3. The screen must be readable from a variety of user distances and viewing angles, and under various lighting conditions as would be likely to exist in a retailer location.
- C. **ID Card Reader.** The terminal shall be capable of reading identification cards using a bar code or comparable machine-readable identifier. A password entry will also be required. The ID cards may be used, for example, by Lottery Sales Representatives (LSRs), other Lottery staff, or the Contractor's maintenance technicians. The ID card shall cause certain capabilities to be made available to the individual via a menu of options, and the System shall record any transactions that may be performed. Privileges for these identification cards shall be set through a games management application.
- D. **Ticket/Report Printer and Stock.** A thermal printer or essentially equivalent alternative must be proposed. The printer must provide high-resolution images (no less than 200 dots per inch) suitable for rendering logos, messages, and symbols, as well as play data. The printer must be fast, quiet, and reliable.
1. The printer must be capable of producing tickets and reports using a variety of fonts as approved by the Lottery. Graphics, such as the Lottery or game logo, or a promotional coupon, must be producible.
 2. The printer must be capable of issuing tickets having uniform size or variable length as determined by the Lottery. Tear off tickets are not acceptable. Each ticket regardless of length must contain a pre-printed stock number on the back.
 3. The printer must provide stacking for printed tickets which will accommodate up to fifty (50) tickets printing serially in a multiple ticket request (bulk buy or repeat).

4. Ticket stock for the printer must be able to be pre-printed front and back with text, images, and colors, using designs provided by, or approved by, the Lottery. At all times the tickets and stock must be in compliance with multi-jurisdictional security standards that apply to the Lottery (e.g., Mega Millions rules).
5. Tickets must be readable for a period of at least one and a half (1.5) years under ordinary consumer use in the New Jersey environment (e.g., ticket folding, hot weather, humidity, rain, spilled potables). Thermal ticket stock must withstand at least 170 degrees Fahrenheit ambient temperature for greater than four (4) hours and must be top-coated and back-coated.
6. The Contractor must provide methods to investigate and verify damaged and altered tickets, and these shall include security features of the ticket stock.

Response Note: Security features of the Bidder's ticket stock and methods to investigate and verify damaged and altered tickets must be addressed.

Response Note: Bidders should include one (1) roll of sample ticket stock with the Proposal. If a roll of sample ticket stock is not included with the proposal, the State reserves the right to request the Bidder provide the sample ticket stock. If the Bidder fails to provide the roll of sample ticket stock within five (5) days of the State's request, the Bidder's proposal may be deemed non-responsive.

- E. **Software Loading.** Gaming software and data must be available via downloading to the terminal and must also be available through a local load by a service technician.
1. Software may be either solicited by the terminal (when such resident software needs replacement) or driven by the central system (when gaming software enhancements, e.g., new Lottery games, or corrections, are required).
 2. Downloading must not preclude near-24 hour operation of the terminal on the network and must make efficient use of the bandwidth available. Software must be downloadable in a modular fashion; only the modules requiring a change shall need to be downloaded. Background downloading with storage of more than one version is required, with prompting from central to activate the new version or return to the prior version. Multicast downloading must be available so that individual terminal downloads are not needed for a general distribution of software or data.
- F. **Secure Sign-On.** The terminal must prohibit unauthorized use through a coded sign-on procedure. The System must permit changing of the code without a service call to the terminal. A password, for security purposes, is not to be displayed, printed or visible in any manner whatsoever at the terminal. The password facility must permit multiple levels of secure access, including Lottery representative, Contractor representative, store manager/owner, and clerks. This capability could be used to restrict privileged transaction types to authorized users; for example, store managers (but not clerks) may be able to display retailer financial reports and monitor transactions by individual clerks.

- G. **User Interface Design.** The design must minimize keystrokes and minimize navigation through levels of nested screens to ensure utility and productivity for the user. Each game shall be set up with default play parameters and a subsequent wager shall use the same parameter setting unless the wager is altered by the retailer.

Response Note: Examples must be provided in the Proposal to depict selling a ticket. The final user interface design shall be developed jointly with the Lottery.

- H. **Play Slip and Document Scanner.** The Contractor shall provide play slip and document scanners able to read player-completed play slips and other gaming relevant documents.

1. At a minimum, the reader must be capable of scanning play slip-sized documents.
2. The reader must provide flexibility in terms of its ability to read various colors and graphics on the play slips, and the latitude it allows for markings by players. Special markers shall not be needed for the play slips.
3. The reader must provide flexibility in the manner documents can be inserted, for example, top or bottom first.
4. The reader must allow the retailer to quickly process a stack of play slips.

Response Note: Bidders shall describe the speed and manner in which the reader is capable of processing play slips.

5. The reader shall be jam-resistant and have a simple mechanism for immediately clearing any jam or non-readable document.
 6. The reader must accommodate documents/forms whose purpose is to collect information at the retailer location, perhaps from retailers, players, or field service or maintenance personnel. The Contractor may be called upon to collect such data and furnish a data file to the Lottery.
- I. **Random Play Generator.** The terminal must have a mechanism for generating one (1) or more random play numbers (quick pick numbers) for any game as requested by the retailer or via play slip. During implementation the random number generator mechanism must be certified by a Lottery-designated testing agency.

Response Note: The Proposal shall describe the algorithms, seeding process, and any other mechanisms employed in the System to ensure that the random number generator produces random outcomes.

- J. **Ticket Serial Numbers.** Tickets produced by the terminals must bear a unique serial number in Arabic numerals and in a code that is readable by the terminal. The serial number must allow tickets to be unambiguously identified for the term of the contract.

- K. **On-Line Ticket Reader.** The terminal must include a reader that will allow reading of on-line tickets, for validating or canceling a ticket under Lottery-specified terms. (Winners must be able to be validated by manual entry also. Canceling is currently allowed through the reader or manual entry.)
1. First read rate is a key factor in the success of the terminal. A first read rate exceeding ninety-five percent (95%) is mandatory.
 2. The ticket reader must default to ticket validation mode when a play ticket is inserted.
- L. **Instant Ticket Reader.** The terminal must read bar codes, primarily for instant ticket processing.
1. The terminal must be capable of validating winning instant tickets, both through bar code scanning and manual entry, and supporting other administrative functions which employ machine-readable codes such as the interleaved two (2) of five (5) bar code, PDF-417, two-dimensional matrix bar codes, UPC, and other standards.
 2. The Lottery considers the bar code reader's first read rate for validating a winning instant ticket as a key retailer satisfaction item. A high first read rate is mandatory—in excess of ninety-five percent (95%). The bar code reader may not be a pen wand. Other bar code reading technologies, such as Charge Coupled Device, CMOS, and laser, may be proposed.
 3. The terminal must be capable of reading and processing serialized, bar coded coupons. Characteristics of the coupon bar code shall be similar to that for instant tickets.
 4. The retailer terminal's bar code reader must be movable/removable and thus must have a cable or other means to reach at least eight (8) feet from the terminal, giving it the ability to read different size and shape items (such as POS items, bar coded instant ticket packs, on-line ticket stock boxes), and in addition, instant tickets in racks.
- M. **Training Mode.** The terminal must be capable of operating in a training mode. Training mode transactions that generate ticket facsimiles shall be marked "VOID - DEMO - NOT FOR SALE" or equivalent in the body of the ticket. Training mode at retailer locations must be controllable from the central system and create a transaction for the central system advising that the terminal has entered/exited training mode. All retailer-site training transactions shall be logged to the central system and labeled as training transactions. Training mode must be capable of simulating all transactions allowed without updating production files such as the winner file, etc.
- N. **Self-Diagnostics.** The terminal must be equipped with self-diagnostics and indicators that enable the retailer and service technicians to monitor the operating status of the terminal. Terminal diagnostics and internal status conditions must be initiated and observed remotely by technicians or hotline operators.

Response Note: Bidders must submit a listing of all such indicators and operator messages available.

O. Transaction Integrity with Consumables Fault.

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

P. Peripheral Slots/Ports. The Lottery anticipates the possibility of using various peripheral attachments for the retailer terminals. In addition to interfaces for terminal features and peripherals identified in this RFP as required upon delivery, there must be a minimum of four (4) additional, initially unoccupied slots/ports for other peripherals. The slots/ports may be a combination of PCI, RS-232, USB, and other standard interfaces. These slots/ports shall be physically or logically secured when they are not in authorized use.

Q. Environmental Fitness. Bidders shall describe how the terminal is suitable for the conditions of New Jersey retailer locations: dedicated 110V 15 amp electrical circuit; small counter top spaces; difficult environmental conditions such as heat, humidity, cold, moisture, dust, grease, spilled liquids, and operator abuse.

R. Power Cord. Each terminal must come equipped with a power cord at least ten feet (10') in length, with a three-prong grounded plug.

S. Memory and Storage.

1. The Lottery requires the ability to add games and to insert promotions, which may consume terminal memory. It is required that the terminal as-delivered provide at least a fifty percent (50%) margin of available game and promotion memory for future games and promotions as that anticipated to be consumed at conversion time by the current New Jersey games.
2. The terminal must have sufficient memory to support at least two hundred (200) concurrent instant games using up to three (3) different bar code algorithms without an upgrade of terminal resources.
3. The terminal's memory must be upgradeable.

Response Note: The Bidder shall describe the extent of memory upgrade capability.

4. Should AC power to the terminal be interrupted, stored contents such as the gaming software must not be destroyed, modified or lost for a minimum period of one (1) calendar week from the occurrence of such failure.

- T. **Casework Color.** The casework of the terminal and any peripherals must be provided in a color selected by the Lottery among options available, using a manufacturer's standard color chart. The Lottery requires a durable and uniform color.

Response Note: The Bidder must identify whether the color is a surface coating or molded throughout the casework.

- U. **Sound Generator.** The terminal must be capable of producing tones and high fidelity audio when certain transactions or functions are performed, or specified events occur. The use of sounds must not unduly delay the transaction processing time. The Lottery will define to the Contractor which functions shall trigger this feature during implementation. It is required that the terminal be capable of supporting auxiliary speakers as a peripheral.
- V. **Broadcast Messages.** Messages from the central computer must be received and displayed to the retailer. If the terminal is not powered on or communicating with the central system at the time of broadcast, the central system must ensure that the terminal receives the message immediately upon sign on.
- W. **Large Dollar Transaction Verification.** The terminal screen must display a message for each "large dollar" transaction that provides an option to the retailer to stop or take other appropriate action before completing the transaction. The Lottery will define the default amount of a "large dollar" transaction and must approve the terminal messages. The Bidder must propose a feature whereby a specific retailer can identify a default amount different from that selected by the Lottery.
- X. **Previous Transaction Listing.** The terminal must be able to display and print the last twenty-five (25) transactions accepted by the System, upon request of the retailer, in order to compare printed tickets with registered tickets. In display mode all the past transactions need not appear on the same screen at once.
- Y. **Cancellations.** The terminal must support ticket cancellations for those games that permit it. Cancellations must be governed by a set of parameter-driven rules as established by the Lottery.
- Z. **Validation Limits.** The terminal must not cash wins in excess of that permitted by New Jersey regulations and set as a parameter by the Lottery. The current limit is "less than \$600." For larger wins the terminal must return a response as defined by the Lottery, permitting the win to be claimed.
- AA. **Branding.** The retailer terminal must be capable of branding tickets with a programmable message. The circumstance and messages for branding tickets will be worked out in detail between the Contractor and the New Jersey Lottery. For example, when a ticket is cashed or canceled, the ticket must be read by the terminal and branded accordingly. Additionally, tickets that are non-winning tickets may be submitted by players for checking, and these could be branded as non-winners.
- BB. **Language Agility.** The retailer terminal must be able to support foreign languages that are in common use in New Jersey. At a minimum the terminal must support Spanish in addition to English. Since the same retailer terminal may be used by

employees with different language skills, it is required that the terminal be capable of toggling between languages upon user request. Foreign language capability applies to the terminal display, help screens, and possibly to certain retailer reports, as determined by the Lottery, but not to tickets.

CC. Terminal Case Design for Safety. The terminal's design must partition electronic and electrical components from access by the retailer when conducting retailer tasks to operate or maintain the terminal (e.g., changing the paper or cleaning the reader window). Sharp and protruding edges must be minimized.

DD. Cash Drawer Interface. The retailer terminal must support an RS-232 (or alternative) interface to a conventional commercial cash drawer.

EE. Clerk-Associated Transaction Reporting. The System must provide a mechanism that associates a specific clerk with a set of transactions produced by a retailer terminal. The System must produce reports summarizing activities by specific clerks. The Proposal may employ any of several methods for clerk identification, including but not limited to, multiple sign-ons, swiping an ID card, and entry by touch screen.

3.2.1.3 RETAILER ON-LINE TERMINAL ATTACHMENTS

For items C, D, E & G below, the Bidder shall describe the ability to provide additional units of retailer on-line terminal attachments of the same or alternative specifications, designs, or functions. The Lottery may add additional retailer on-line terminal attachments during the term of the contract in an effort to maximize sales. All other items, specifically A, B & F, in this section are required to have attachments for each retailer terminal.

A. Player Jackpot Display. The Contractor must provide a player display for deployment at each retailer terminal. The purpose of this display is to attract the attention of, and inform, potential players. Any such display must be clearly visible from fifteen (15) feet by players. Units must have the capability of being "programmed" using a games management application. Due to the wide diversity of available space in retailer locations, the player advertising display unit must be capable of resting on the counter beside the terminal, or being mounted on or suspended nearby the terminal. The exact location of the player advertising display unit will be decided by the Lottery in conjunction with the retailer on an individual retailer basis to optimize visibility. The display must be capable of advertising a minimum of three (3) different game jackpots.

B. Player Transaction Display. The Contractor must provide a player transaction display for each on-line retailer location. The player transaction display is a discreet, individual-oriented display for the player conducting the current transaction. This display may communicate the amount of the current transaction, or notify the player that he or she has a winning ticket. In the event that the ticket is a winning ticket, an appropriate message may be displayed. When not displaying a transaction, the player display may provide an advertising or informational message. The Lottery must approve the display design and message presentation to ensure functionality and player privacy. The Player Transaction Display must be associated with the retailer terminal in a manner that cannot be detached or rendered inoperable by the retailer.

- C. **Self-Service Validator.** The Contractor must provide **four thousand, one hundred thirty five (4,135)** on-line terminal peripherals that allow players to check their own on-line tickets for winners. These devices would be located either at the play centers (**Section 3.2.4.1**) or otherwise far enough away from the retailer terminal to minimize activity or traffic at the retailer counter. The self-service validator may include advanced features such as player self-checking of instant tickets, or other player assistance features.
- D. **Flat Panel Advertising Display.** The Contractor must provide **one thousand, five hundred (1,500)** flat panel advertising displays as an additional display attachment for the retailer terminal that is suitable for displaying advertising and game information to players within the store. Such a display must be capable of displaying an Amber Alert broadcast. Characteristics must include: flat panel, minimum seventeen inch (17") diagonal, flexibility of placement within the retail establishment, visibility from ten feet (10') or greater, and sound available through auxiliary speakers or through the terminal. The terminal shall be capable of storing sound, static image files, and animations of up to one (1) minute. The stored information shall be downloaded in the background over the retailer terminal network, as well as being loadable at the retailer location.
- E. **Cash Drawers.** The Contractor must provide **one thousand, five hundred (1,500)** cash drawers that connect to the retailer terminals and are triggered to open by the retailer terminal.
- F. **Store Signage.** The Contractor must provide advertising signage for each on-line retailer location for presentation anywhere in the store, especially in the front window. The signage must be visible and legible from at least one hundred (100) feet, bearing a fixed logo and/or advertising message designed in conjunction with the Lottery. LED technologies must be used, since the sign must be clearly visible for indoor, daytime, and nighttime usage.
- G. **Keypad.** The Contractor must provide **one thousand, five hundred (1,500)** supplemental ten-key style keypads for retailer terminals that permit the retailers to enter play data by rapid typing.
- H. **Wireless Peripherals.** The Contractor must provide a mechanism for supporting terminal peripherals around the store on a wireless basis for all retailer locations. Any proposed wireless capability should operate only at short range, nominally on the order of up to one hundred fifty (150) feet. Radio signals must be designed so as not to interrupt or interfere with any electronic devices operated otherwise in the store or carried by store customers or employees.

3.2.2 MULTIPLE TERMINALS PER RETAILER

The System must permit, and the Contractor must support, more than one terminal temporarily or permanently installed at a retailer's location. Approximately one percent (1%) of the Lottery's retailers operate more than one terminal. The System must be able to account for individual and multiple terminals as part of a single retailer account. At

times of large jackpots, or for promotions, the Lottery may require temporary installation of additional terminals at a single retailer location.

3.2.3 SPECIALTY RETAILER TERMINALS

The Lottery is aware that certain needs might be better served by alternatives to the conventional retailer terminals. For purposes of service and support, and any associated liquidated damages, and where it is logically applicable, these ticket-selling devices follow the specifications for on-line terminals. In addition to the specialty retailer terminals required in this section, which shall be provided as part of the cost Proposal by the Bidder, the Bidder shall describe the ability to provide additional specialty retailer terminals of the same or alternative specifications, designs, or functions. The Lottery may add additional specialty retailer terminals during the term of the contract in an effort to maximize sales.

A. Kiosk Terminals

The Contractor must provide **five hundred (500)** kiosk terminals that play on-line and instant games. Kiosk terminals will meet the requirements of the retailer terminals and ITVMs in all areas where applicable. These terminals shall have a touch screen and a bill acceptor. Winning tickets will still require a conventional retailer terminal for cashing. Each kiosk terminal must be placed into retailer locations as directed by the Lottery and must clearly be identified as a New Jersey Lottery on-line and instant ticket vending machine by use of Lottery logos. In addition, warnings must be clearly posted to all machines concerning age eligibility to play.

B. Instant Ticket Vending Machines (ITVMs)

The Contractor must provide **one thousand (1,000)** freestanding instant ticket vending machines (ITVMs). These must not be dual-function instant and on-line selling machines, but instant only. Each machine must be implemented with a continuous data communications connection to the System.

The Lottery anticipates placing ITVMs over the life of the contract resulting from this RFP. The Contractor must provide a type and style of vending machine that will dispense current scratch-off lottery tickets with varying designs. Each ITVM machine must be placed into retailer locations as directed by the Lottery and must clearly be identified as a New Jersey Lottery instant ticket vending machine by use of Lottery logos. In addition, warnings must be clearly posted to all machines concerning age eligibility to play.

Below are detailed ITVM specifications.

1. Capability of handling a minimum of 24 separate scratch-off games
2. Capability of dispensing tickets that are 4 inches in width and from two and one-quarter (2.25) to seven and one-half (7.5) inches in length.

3. Overall machine outside dimensions must be no deeper than twenty-four (24) inches and no wider than forty-four (44) inches. Dispenser height for the highest operator interface button, cash feed or change return, must comply with the Americans With Disabilities Act (ADA), making it wheelchair accessible.
4. Adjustments to the price, type of tickets and ticket display must be easy for the retailer.
5. The machine must have an automatic disablement feature to prevent insertion of currency when insufficient tickets are available for sale.
6. The ITVM bins must be adjustable to allow handling of differently priced and sized tickets.
7. Currency handling must be capable of accepting new and older design currency in denominations of \$1, \$5, \$10 and \$20 U.S. bills.
8. The ITVM must display the amount of available credit easily viewable by the consumer. Information displayed must comply with ADA, making it wheelchair viewable.
9. The ITVM must be designed to be tamper-resistant, and must provide an alert to operator management, any type unauthorized machine access.
10. ITVMs must track inventory and sales and be capable of generating reports on daily and weekly total sales, and current ticket inventories by game.
11. System memory must be able to retain information for at least 72 hours, in the event of a power failure.
12. ITVMs must include an LED message/advertising type display located near the top of the machine to promote sales and provide winner or jackpot information.

C. Privileged Cashing Terminals

The Lottery requires a total of **three (3)** privileged cashing terminals, **two (2)** at its headquarters and **one (1)** at the District Office in Wayne, New Jersey. The privileged cashing terminals must be capable of cashing winners \$600 and greater.

D. Wireless Terminals

The Lottery requires **ten (10)** retailer terminals that are mobile and operate from a temporary location. These ten (10) wireless retailer terminals must have full functionality.

3.2.4 ADDITIONAL RETAILER GAME SUPPORT ITEMS

To enhance customer awareness and facilitate sales, the Lottery requires the following additional retailer game support items. The Bidder shall also describe the ability to provide additional units of retailer game support items.

3.2.4.1 PLAY CENTERS

The Bidder must provide **two thousand (2,000)** play centers and consumables for retailer locations. The final design shall be subject to approval by the Lottery. Responsibilities include purchase/ manufacture, delivery, installation, service, and replacement of worn-out or damaged units as needed or directed by the Lottery. At a minimum, the play center must meet current design features including: be free-standing, provide a work space for the player for filling out play slips, an enclosed storage area underneath for additional player supplies (play slips, pencils, etc.), ample space and capability to mount point-of-sale material (including a large area on the back of the play station for good visibility when viewed from an aisle or a glass window), slots/holders for play slips and brochures, and pencil holders. Play centers must be of a design that allows for retailers to move them and be Americans with Disabilities Act ("ADA") compliant.

The Bidder shall also propose an alternative design that can be used at a small number (estimated at fewer than 200) of retailer locations that cannot accommodate the standard play center design due to space limitations.

3.2.5 RETAILER TERMINAL SECURITY

All ticket-selling devices must exhibit a high degree of security as a device in a location with public access. The local operating system and applications must be "hardened" so that they cannot be co-opted for other usage besides lottery operations. The case must be resistant to disassembly except by an authorized service technician.

- A. **Embedded Operating System Security.** For ticket selling devices utilizing embedded operating systems, the Proposal must provide information regarding the security of this component including but not limited to operating system hardening processes, when and how patches are applied to address critical security vulnerabilities and identification of other software or controls utilized to protect the device.
- B. **Secure Transmissions.** All data communications from all ticket-selling devices to the central gaming host systems must be encrypted. Protected information includes but is not limited to plays, validations, security codes, reports, and downloaded software. Commercially available encryption mechanisms such as Triple Data Encryption Standards (DES) and Advanced Encryption Standard (AES) are required and must be approved by the Lottery and any multi-jurisdictional associations of which the Lottery may be a member.
- C. **Compliance with Security Requirements.** Terminal communications must be compliant with all security requirements related to encryption and hardware authentication accepted as operating principles by the Lottery or promulgated by any multi-jurisdictional game organization of which the Lottery may be a member.
- D. **Protection against Unauthorized Access or Service Disruption.** The Contractor will ensure that terminal operating systems are not vulnerable to unauthorized access. The Proposal must specify the methods by which these systems will be protected.

Response Note: The Proposal must provide any additional information on any other terminal security components and controls that will be implemented. These issues must be addressed for all retailer terminals types proposed.

3.3 COMMUNICATIONS NETWORKS

The Bidder must propose a design for a telecommunications network to serve the Lottery. The Contractor is responsible for seeing that the design is implemented and operated in compliance with RFP specifications, including the responsibility for network management.

3.3.1 NETWORK DESIGN AND IMPLEMENTATION

Response Note: If multiple network technologies are employed in the design, the Proposal must make clear the anticipated distribution of different technologies across the retailer population. All bidder-provided configuration items (that is, those not within a carrier “cloud”) must be identified by manufacturer and model number.

The design must cover at a minimum:

- A. **Retailer Network.** Primarily the design must provide end-to-end connectivity from retailer to data center. Since transactions must be processed at both data centers, there must be links between retailers and both the Primary and Backup Data Centers.
- B. **Inter-Site Connections.** Since transactions must be logged at both data centers on a real-time basis, the Contractor must provide inter-site links for control and data flow.
- C. **Games Management Network.** The design must also accommodate other connections for games administration by the Contractor and by the Lottery. This includes connections from the Primary and Backup Data Centers to the following areas:
 - Permanent Acceptance Testing Facility for the testing management terminals.
 - Lottery Headquarters for ICS, emergency management terminals
 - Lottery Business Continuity Site for emergency management terminals.
 - Lottery Administrative Processing System (LAPS) (see [Section 3.4.4.1](#))
- D. **Instant Ticket Warehouse.** The instant ticket warehouse must be capable of supporting order distribution, inventory management and operations distribution through a connection to the System. This shall also include point-of-sale materials.
- E. **Claim Centers.** The Lottery currently has a claim center at its Headquarters and anticipates installing a second claim center at its Wayne, NJ District Office. For bidding purposes the Bidder must include two (2) claim centers in its Proposal.
- F. **Data Center Local Area Networks.** Within the data centers there shall be multiple LAN connections dependent upon the Contractor’s configuration.

- G. **Retailer In-Store Installation.** If the Contractor employs a communications carrier whose demarcation at the retailer premises is not near the retailer's prescribed location for the lottery terminal, it is the Contractor's responsibility to provide the inside wiring or other telecommunications mechanism to reach the terminal. This connection must be maintained if the retailer adjusts the in-store design.

Other network connections may be relevant depending on the Bidder's proposed design.

3.3.2 NETWORK DESIGN FEATURES

Communications facilities must be designed with monitoring, redundancy, diversity, and security features to reduce the possibility that a disruption could impact the network and the Gaming System.

- A. **Fault Tolerance.** The Proposal must contain an analysis of the proposed configuration with regard to single points of failure, major points of failure afflicting a large proportion of the network, and bottlenecks. (For example, these could include single telephone company central offices, trunk circuits, satellites, or satellite ground stations.) **It is required that the network exhibit redundancy and diversity that demonstrates no single point of failure capable of removing service from most or all of the retailer network.**
- B. **Fault Notification.** The host processor, front-end processor, retailer terminal, and/or diagnostic equipment must be able to notify the network monitor or System monitor of significant transmission failures or outages as soon as possible after occurrence.
- C. **Secure External Transmissions.** All data communications external to secured facilities must be encrypted. All data must be encrypted from point of transmission to point of receipt, including any data transmitted directly from the gaming central systems to the remote backup system, to Lottery regional offices and other remote locations. Protected information includes but is not limited to plays, validations, security codes, reports, and downloaded software. Commercially available encryption mechanisms such as Triple Data Encryption Standards (DES) and Advanced Encryption Standard (AES) are required and must be approved by the Lottery and any multi-jurisdictional associations of which the Lottery may be a member.
- D. **Protocol for Incomplete Transactions.** On incomplete or unresolved transactions between the host systems and the retailer terminals, there must be mechanisms for reconciliation. These must include retries, logging for reporting, and error messages to the retailer, System operators, and Lottery.
- E. **Non-Responding or Failing Terminals.** If the System finds a terminal that is not responding within a set number of re-tries or within a reasonable time window, the terminal shall be logged as not responding. The System shall make allowance for servicing of all other terminals on the network between re-tries of the terminal not responding. Failing terminals shall not preclude communication with other terminals. Non-responding/failing terminals shall be apparent to a network monitoring application.

- F. **Communications Outages:** In the event of a communications disruption between the System and any terminal, the System shall continue to attempt to service the terminal until the problem is resolved or the System is shut down for end-of-day processing.
- G. **Commercially Available Communications Protocols.** To enhance the “open systems” aspect of the System to introducing changes and improvements, it is required that communications protocol be IP (Internet Protocol) for communications between the retailer terminals and the host systems.
- H. **Address Scalability.** The network design must readily accommodate expansion in the terminal base by having additional IP addresses reserved. The design must permit multiple IP addresses at a retailer site.
- I. **Connection to Systems and Networks Not Dedicated/Private.** Any connection made between the System that processes games transactions, and any other systems or networks that are not private and/or dedicated to New Jersey gaming transaction processing (such as the Lottery administrative system and the Contractor’s administrative support system and development/QA system), must be effected through devices that detect and block or filter out unnecessary and unauthorized traffic. Traffic must be supported only from authorized nodes. Software transfers must be secured.
- J. **Network Device Access.** All systems and users requiring access (for any purpose) to the network devices utilized in supporting gaming operations must be approved by the Lottery. Network devices must support controls and procedures that allow the Lottery to audit related network device access. Unused ports must be logically and/or physically secured when not in use.

Response Note: The Proposal must state what TCP/IP logical ports are open on the terminal and what application layer protocols are accepted.

- K. **Principle of Least Privilege.** All networks related to gaming operations must be designed with “Least Privilege” in mind. Network access controls must be utilized to allow only the required network services needed by specific hosts or networks to be routed.
- L. **Retailer Bandwidth.** The Lottery anticipates a high bandwidth retailer network that will support rapid software and data downloads as well as transaction processing. There must be **adequate** aggregate bandwidth at all points in the network so that retailers can typically obtain the nominal bandwidth. Although different communications media may have different bandwidth properties, each type must have adequate bandwidth such that no subset of retailers is unable to receive services available to the remainder of the network.

Response Note: The Bidder must identify the up- and down- bandwidth provided to retailer terminals by each communications medium proposed. If there are concentration points for data flows (e.g., a satellite transceiver, a single backhaul trunk) then the Bidder must estimate the aggregate bandwidth available to carry the traffic.

- M. **Strong Security.** Network security shall be given a high priority. The acceptability of all network security controls will be subject to Lottery approval.

Response Note: The Proposal must provide any additional information on network security components and controls including firewall and Intrusion Detection System protection, network access controls, network device hardening, login and password controls, network device log management, etc.

3.3.3 NETWORK ADMINISTRATION SERVICES

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

- A. **Provisioning.** Under the contract the Lottery will identify new drops along with any moves or deletes. After the order is placed, further monitoring and install/de-install actions shall be performed or supervised by the Contractor.
- B. **Configuration Management.** Configuration changes and asset records must be managed. This includes an inventory of Lottery network resources and their operating parameters. Change management control procedures and on-line storage of network component configuration files are required.
- C. **Carrier Interface.** The Contractor must interface with the communications carriers, the retailers, and the Lottery to schedule installs, correct problems, and improve service delivery. The Contractor shall be responsible for working communications problems to resolution through the common carriers/external suppliers.

Response Note: The Proposal must describe this process, including escalation procedures to resolve problems with the carriers.

3.3.4 NETWORK MONITORING AND FAULT RESOLUTION

- A. **Network Monitoring System.** Communications test and monitor capability must be available at both the primary and remote Backup Data Center sites. Network monitoring tools must be able to interface and analyze protocols, view transaction data for analysis, and create visual and/or audible alarms to provide warning of problems. The capability must be included to determine whether failure has occurred in the equipment at the central or remote backup site, within the wide area communications network, or at the retailer terminal level.
- B. **Network Event Recording.** Communications test and monitor equipment must have recording and recall/reporting capability. The standards for the types of events

recorded, sensitivity levels, and the period of retention will be developed jointly with the Lottery.

- C. **Network Monitoring Protocols.** It is required that network monitoring tools, and the networked devices provided by the Contractor, employ a standard protocol to facilitate monitoring all along the communications path, and to extend this capability to new network devices readily should they be introduced.
- D. **Communications Expertise.** Communications technicians trained in the use of test and monitor equipment must be present at the Primary Data Center whenever the Lottery Gaming System is operational and whenever the New Jersey Lottery requests such support for test purposes.
- E. **Hotline Monitoring of Retailer Network.** Hotline equipment must have a display of terminal status allowing the hotline operator to see if a terminal is down, if a retailer is signed on or not, and other relevant diagnostic information.

3.3.5 SERVICE LEVEL AGREEMENT

The Bidder must propose a Service Level Agreement for retailer network service. Network availability **from the retailer's perspective**, as measured on a monthly basis, must be a minimum of 99.7% of games operation hours. The Service Level Agreement may commit to a higher level of monthly availability. If the Proposal commits to a higher level of network availability, the Contractor shall be held to that standard for the corresponding liquidated damages. See **Section 8** for liquidated damages as a result of communications network outages.

3.4 SOFTWARE CONTROLS AND DATA MANAGEMENT

3.4.1 GAMING SOFTWARE SECURITY AND CONTROL FEATURES AND FUNCTIONS

In addition to selling and cashing tickets, the System must provide particular features and functions to meet requirements for secure and efficient operation.

- A. **Logging.** All game processing activities are to be recorded immediately on electronic media on multiple hosts. Such game processing activities at a minimum include sales, cancels, cashes, validation attempts and other play-related transactions, any other retailer terminal commands, error conditions, operating system entries, job console entries, and any changes using the games management applications. Requirements shall include, but are not limited to:
 - 1. Backup and recovery shall be supported using log files, if necessary, for re-processing.
 - 2. The gaming system – including outages and recovery events – shall be auditable and checked for appropriate usage and freedom from error. There must be a strict relationship between tickets printed, tickets registered in the log files, and ticket transactions forwarded to the ICS.

3. Authorized Lottery personnel shall be able to research transactions and operations when required. The transaction log shall include detailed records of sales, validations, canceled on-line tickets, rejected validation inquiries, terminal outages, system events (e.g., takeovers by the backup system), etc. Reports on transaction log entries must allow standard queries and sorts.
 4. The transaction logging process includes periodic checkpoints including significant totals (counts and amounts) for all games.
 5. The Lottery requires a near real-time feed of the transactions to the Internal Control System (ICS). The near-real time feed shall include periodic checkpoints to ensure that the ICS file is complete at that time. In addition, the Contractor must be able to provide audit files to the Lottery within **five (5) minutes** following the close of sales for any game, and prior to the drawing for that game. A final audit file for the day must be available to the Lottery immediately after close of the Lottery Gaming System each day.
 6. The Contractor shall provide the Lottery with any software necessary to interpret or decrypt any proprietary or unique ICS (audit) record formats.
- B. **Unique Transaction Number.** The serial number assignment method used by the Bidder must account for the fact that transactions resulting from unclaimed winners, from subscription sales, and possible other causes may reside for extended periods in the System. It is required that the ticket serial numbers be unique over the term of the contract.
- A. **Transactions Protected.** The System must ensure that transactions cannot be tampered with, including but not limited to the log files and validation files. The Lottery reserves the right to review any and/or all System narratives, source program listings and operational procedures to ensure data and System integrity.
- B. **Tickets Not Duplicated.** Tickets must not be able to be duplicated on terminal equipment.
- C. **Liability Levels.** When and if applicable, the Lottery shall be alerted immediately when sales of a number in a fixed payout game reach a warning level, and then reach a specified liability level. The System, through a games management application, must provide a payoff figure and a payoff liability, whenever requested by the Lottery. The System shall automatically suspend sales of any number when the liability limit is reached, although the Lottery shall have the ability to override the suspension.
- D. **Operator Console Records.** All operator commands executed by the System and any System warnings or problem messages shall be placed on a non-volatile medium (for example, on a write-once medium). This log must be provided on magnetic media or as an electronically transmitted file to the Lottery, which the Lottery may at its option process and review for auditing purposes.
- E. **Retailer Spoofing.** The System must ensure integrity wherein no action, either by external agents or insiders, can permit duplicate or unauthorized terminals to be established. In all cases correct terminal identification must be ensured.

- F. **One-Time Cashing.** A winning ticket must not be able to be cashed more than once.
- G. **Software Checksums.** Checksums are required for executable programs on the gaming host systems, front-end processors, network equipment, administrative systems, and retailer terminals for auditing purposes. This requirement applies also to the development and quality assurance systems. Checksum information will be provided to the Lottery upon request. The Contractor must maintain control of software distribution such that systems and terminals are not able, inadvertently, to run inappropriate versions of the software.
- H. **Transaction Storage Redundancy.** Every transaction of the terminals must be received in at **least three (3) systems** before authorization to print a ticket, including the gaming transaction system handling the transaction, a local backup transaction system capable of recovering for a failure of the host processing the transaction, and a remote backup transaction processing host.
- I. **Game Monitoring.** Real-time monitoring of gaming transaction traffic and system utilization must be provided. The Contractor must maintain these tools to correspond with the latest gaming system changes and with industry-available improvements. The Lottery shall receive immediate notification of abnormal System operations and their causes, such as validation problems, communication difficulties, computer downtime, etc.
- J. **Transaction Simulation.** A transaction simulator program shall be supplied by the Contractor to generate all types of transactions (terminal and System) in optional percentages for use in testing software quality and performance and System fault tolerance. The program must accommodate simulated instant ticket validations against a validation file as part of the transaction mix. The program must allow manually entered transactions, including instant ticket transactions, to mix with the program-generated transactions.
- K. **Secure On-Site and Off-Site Storage.** The Contractor must provide secure on-site and off-site storage of critical files, software, and back-up data, subject to approval of the Lottery. Stored materials retention shall follow a schedule negotiated with the Lottery. Media stored in archives must be checked and/or exercised periodically to ensure usability. At the Lottery's direction, the Contractor may be directed to restore a backup file to a test system to ensure viability.
- L. **Restoral of Files and Configurations.** The Contractor must use operational practices through report balancing and reconciliation to ensure that current data files and archived backup copies are valid. This is particularly important for validation files and future plays files where recovery by reprocessing large volumes of aged transactions may be impractical. The Contractor must also maintain configuration management files that allow System configurations to be restored.
- M. **Dynamic Pools.** For all matrix-type games, the Contractor must maintain dynamic pools for the current draw, and dollar summaries for all plays for all future draws on sale. The Contractor must also maintain dynamic pools for the current draw and future draws for the numbers-type games. The total dollars played by game by play

type must be maintained for all future draws. The current day's pools must include all current day's sales as well as advance day sales for that draw.

- N. **Ticket Stock Tracking and Security.** Ticket stock is delivered to retailers in cartons having a bill of lading. Each roll inside is to have a unique bar code allowing the ticket stock to be received at the retailer terminal. Ticket stock tracking shall permit returns, re-issues, and destruction of stock, as appropriate, by authorized users. Stock activity reports will be required. The ticket stock tracking information shall be delivered from the ticket stock printer directly to Lottery Security, using a method of secure electronic delivery as prescribed by the Lottery. Contractor staff, by virtue of delivering ticket stock as a consumable, will be permitted to know the carton numbers, but not the contained roll numbers. The Contractor must provide any hardware and software necessary to store, maintain, inquire of, or interpret this information. There must be a backup for this capability at the remote Backup Data Center.

Receipt of ticket stock may be recorded by carton as long as the individual contents of the package are identifiable by the carton control indicator.

- O. **Dual Security System.** The retailer terminal must generate a unique number, aside from the System-logged transaction serial number, that can be used to link winning tickets to selling terminals. This "dual security" approach must be acceptable to any multi-jurisdictional associations of which the New Jersey Lottery is a part or becomes a part. This application must be under the physical and operational control of Lottery Security. The Contractor must provide any hardware and software necessary for the Lottery to decrypt dual security numbers. The methodology must avoid retailers having to save sign-on slips or other materials, and must preclude Contractor staff from decrypting the dual security number. The use of public key encryption techniques is required.
- P. **Anomalous Condition Reporting.** The System must be capable of displaying and reporting anomalous conditions that may indicate operational problems or attempts at fraud. This capability must include, but is not limited to the following:
1. Excessive login attempts.
 2. Retailer "fishing" reports (multiple attempts to cash instant tickets with same game, pack, ticket number, with numerous failures).
 3. Instant ticket cash attempts greater than 365 days after end of game.
 4. On-line cash attempts greater than 365 days old.
 5. Attempts to cash missing or stolen instant tickets.
 6. Excessive cancels and plays.
 7. Systemic events such as no sales for a game scheduled to be operational.
 8. Investigational Information. The Contractor and the System must provide the Lottery's Security staff various reports and displays to support investigations, as needed.

The Contractor must provide, at a minimum, a daily report to the Lottery that records these events.

- Q. **Incomplete Transaction Protocol.** On incomplete or unresolved transactions between the host systems and the retailer terminals, there must be mechanisms for reconciliation. These may include retries, logging for reporting, and error messages to the retailer, System operators, and Lottery.
- R. **Instant Ticket Information Protection.** Instant ticket information and validation data must be protected from unauthorized access during the period beginning with ticket manufacturing, through the period where tickets are being distributed, sold and validated, and ending when the game is no longer active (unavailable to the public).

3.4.2 APPLICATION AND DATABASE SECURITY

Application security controls are another critical component of the Contractor's role in ensuring the integrity of the System. The following security requirements apply:

- A. **Authentication, Authorization and Access Controls.** The Proposal must clearly identify and specify, controls including, but not limited to, user authentication, authorization and access controls for applications (including database applications).
- B. **Audit Trail.** All games management application login attempts, whether successful or not, must be logged. Log entries must reference identifiers such as the time, date, IP address, and login success status. **All transactions from the management application representing modifications to the System (such as game control parameters and winning numbers entry) must be logged and protected by verification steps.** The application must provide display and reporting tools for the Lottery to verify the events recorded in the audit trail.
- C. **Principle of Least Privilege.** All applications and databases must be designed to support only the processes and user access required to provide the intended application functions. Application and database users must be granted access only to the application and database functions and data elements needed to perform their job functions.
- D. **Compliance with Security Requirements.** All applications must be compliant with any application security requirements promulgated by any multi-jurisdictional game organizations of which the Lottery may be a member.
- E. **Protection against Application Compromise or Service Disruption.** The Proposal must provide information on the mechanisms by the Contractor to validate developed code to ensure applications are not vulnerable to Trojan horse attacks, denial of service attacks, or similar security threats.

3.4.3 ON-LINE GAMES DRAWING CONTROLS

- A. **Automatic Close.** At a specified time before the drawing, the System shall automatically close a game without operator intervention.
- B. **Transactions at Close.** The System must maintain control of transactions underway at close time so that all transactions before the game close transaction apply to the

forthcoming drawing and all transactions after the game close transaction apply to the subsequent drawing.

- C. **Drawing Information.** At game cut-off, for any game, the system must display within the games management application the following information for the game:
- Time of day.
 - Net game pool (sales minus cancels).
 - Hash total of plays (including cancels).
 - Pool Status.
 - Draw Identifier.
- D. **Manual Winning Number Entry.** Dual manual entry of drawn winning numbers, prize and jackpot amounts must be supported. All attempts, successful or not, must be logged.
- E. **Suspend Sales After Last Drawing.** The System must provide the option to suspend sales of a game for the remainder of the sales day, after the last drawing of the day. This feature could for example support a game matrix change to take place after the last drawing for the day.
- F. **Closing, Drawing, and Cashing Time Window.** The System shall comply with the time window requirements for closing games, conducting game drawings, entry of winning numbers, and readiness to pay winning tickets. Payout validations must be available within ten (10) minutes after official drawing results. The time window between the close of a game and that game's drawing shall not exceed the current time windows, which is three (3) minutes for all games.
- G. **Roll to Next Day after a Problematic Drawing.** The System shall allow the Lottery to resume ticket sales and operations for retailers and customers for future sales without necessarily finalizing and declaring official the previous drawing for that game.

3.4.4 GAMES MANAGEMENT APPLICATION

The Lottery requires staff access to the Contractor's games management applications for performing functions such as licensing retailers, configuring game settings, managing retailer terminals, performing retailer accounting functions, sending messages to retailer terminals and tickets and accessing management and retailer reports.

3.4.4.1 GAMES MANAGEMENT APPLICATION ACCESS

The Lottery shall have access to the games management application from various locations including workstations on the Lottery's internal LAN at Lottery Headquarters and remote Lottery offices. In addition, remote staff must be capable of performing certain functions via internet access. The Contractor shall provide access to the games management application through a web browser based system that does not require the installation of special client software.

The number of users requiring access to the games management application will be determined by the Lottery. At the present time approximately one hundred sixty (160) users are registered for access to the on-line system, with varying authorizations. The Lottery estimates that at any one time there are fewer than forty percent (40%) of the registered users concurrently accessing the LGS.

3.4.4.2 GAMES MANAGEMENT APPLICATION FEATURES AND CAPABILITIES

The System shall provide a range of features and capabilities that taken together, accomplish all tasks to manage and control the on-line and instant games. The features and capabilities include, but are not limited to, the following list.

- A. **Management Reports.** The games management application must be capable of producing at a minimum on-line and off-line management reports similar to those found in **Exhibit 6**. (These samples are for informational purposes only and are not to be construed as strict content and format specifications. The Lottery will determine final specifications with the Contractor.)
- B. **Retailer Terminal Management.** Authorized games management application users must have the ability to enable and/or disable any retailer terminal, partially or fully. Actions taken toward retailer management must be effective immediately and must create an audit trail of the changes made, the date of the change, and the user who made the change to a retailer terminal record.
- C. **Retailer Disablement Codes.** The games management application must support a coding scheme for differentiating various retailer "disabling" reasons. For example, if a retailer is disabled for a collection-related problem, for EFT sweeps, and for a disciplinary problem, this multiple-cause disabling must be recorded in the retailer record and clearly displayed upon inquiry. The coding scheme must be able to accommodate up to twenty (20) total disablement conditions with up to five (5) concurrently. The application must be capable of reporting a retailer's history of disablement conditions.
- D. **Dual Entry.** The application must provide the ability to enter critical data such as pay authorizations through two (2) different application user sessions whose results are verified to be the same before allowing the process to continue. All attempts, whether successful or not, must be logged.
- E. **Game Control.** The games management application must support the ability (for an authorized user) to shut off and resume sales and validations on each game independently.
- F. **Retailer Message Groups.** The games management application must support the ability (for an authorized user) to send on-line messages to a specific retailer, or to any group of retailers such as, but not limited to, all retailers, retailers in the same county, zip code, business type, corporate account, or sales level. In addition to game messages, the Lottery also utilizes this functionality to send messages such as "Amber Alerts" to all retailer terminals.

Response Note: The Proposal shall describe how the application allows retailer groups to be designated for message distribution.

- G. **Message Size.** Retailer informational messages up to five hundred twelve (512) characters shall be supported.
- H. **Immediate and Deferrable Messages.** The games management application must support the ability (for an authorized user) to define any retailer message as immediate or deferrable. Immediate messages must be displayed by the retailer terminal immediately. For a deferrable message, the retailer terminal is notified to take a specified message within a certain time, but the message can be taken by the retailer when it is more suitable to player traffic.
- I. **Retailer Site Display Messages.** The games management application must support the ability (for an authorized user) to create and send graphics and messages to the display units at the retailer sites.
- J. **Ticket Messaging.** The games management application must support the ability (for an authorized user) to create and send messages to be printed in banner spaces on the tickets. These messages would be triggered by situation, for example by the game, bet type, or price point. One application will be a unique, by game, marketing message to display on tickets so that a Mega Millions ticket could display a unique message. The Lottery may also utilize this functionality to send messages such as “Amber Alerts” for printing on tickets.
- K. **Game Monitoring.** Authorized games management application users must have the ability to observe real-time statistics on the operation of the System by game, retailer, or group of retailers. (For example, up-to-date statistics on sales by game.)
- L. **Retailer Accounting Support.** The Lottery requires the ability for authorized games management application users to request, process, and print portions of the gaming System's sales and transaction history matching reports seen by the retailers.

3.4.5 SUPPORT OF INSTANT TICKET TRANSACTIONS AT RETAILERS

The System shall be required to support instant games through the retailer terminal and shall include, but not be limited to, the features and transactions noted below.

- A. **Bar Codes.** Many instant ticket transactions depend on bar coded numbers for unique identification of tickets. The System must accommodate reading at least three (3) different bar code algorithms. **If the Contractor has input into the instant ticket identifier and/or bar code encoding scheme, the identifier design and the algorithm must be secure against compromising the integrity of the game.** The System must accommodate the Lottery's current bar code practices.
- B. **Security Grid.** Operations on packs and tickets will depend on a rules-based security grid that defines acceptable status changes. The grid's rules shall be developed jointly with the Lottery.

- C. **Lottery Sales Representative (LSR) Transactions.** The System must support retailer inventory management transactions and messages for LSRs. For each retailer where a LSR conducts book management transactions, LGS must produce an electronic report of all activity. The System must also be able to support individual messages to a LSR based on logon identification. These messages may contain individualized instructional information for each LSR that will be delivered in printed form (on ticket stock).

Capabilities must exist for transferring shipments, packs or tickets to the LSR's inventory for tracking purposes. Each LSR may be allowed a supply of tickets (Trunk Stock), which will be supplied by direct ticket orders and/or packs returned from retailers. The LSR may issue packs to retailers, return packs, or transfer packs to/from another LSR. Additionally, the System must allow for inventory to be transferred and returned to the Lottery via the LSR when a retailer has been terminated.

- D. **Pack Delivery and Returns.** Books delivered to retailers must be registered in the system. The Contractor must provide for the return of unsold instant tickets to the Lottery. The inventory control system must allow for the accountability and deactivation of ticket stock during return transit. Books may also be returned by the retailer via the Sales Representative for return to inventory in the warehouse. The System must support receipt of bulk shipments with one bar code read
- E. **Pack Activation.** The System must allow a retailer transaction to activate a pack of tickets for sales and validation. Auto-activation of packs must be supported. A pack in "confirmed" status will auto-activate if a winner from the pack is validated at the retailer (pack owner) location.
- F. **Instant Ticket Validation.** Instant game validation transactions at the retailer terminal will inquire against a validation database, maintained by the System. The System will respond with a pay/no-pay/claim, etc. transaction sent back to the retailer. This transaction will verify whether the ticket is a winner and specify the amount to be paid. During this process the System must confirm that the ticket is from a pack or partial pack in "payable" status. Tickets sold by one retailer must be able to be validated by any other retailer ("cross-validation"). Accountability must apply to ranges of tickets within a pack if necessary, in the case of stolen packs or partially-settled packs. The System must provide the retailer an option to receive a receipt for each validated ticket or to receive a single receipt for all tickets validated in a batch.
- G. **Settlement.** The terminal must support settlement of packs that have been distributed to, and sold by, the retailers. Packs must be able to be manually settled, and the System must also support automatic settlement based on Lottery-established parameters such as the time since the pack was activated, the percentage of low-tier validations, or settling the oldest pack with a new activation. Settlement parameters may depend on the price-point of the game. The System must accommodate settlement of a partial pack. Currently the parameters are ninety percent (90%) validation of low tier winners (prizes <\$20) or sixty (60) days from pack activation or a third (3rd) pack activated from the same game renders the pack sold.

- H. **Pack Activity Card.** Transactions at the pack level, such as receipt, activation, and settlement, must be supported both by (i) having a pack activity card, and (ii) the ability to operate without a pack activity card, effecting activity through reading the bar code of a ticket from (and identifying) the pack.
- I. **Retailer Status and Reporting.** The retailer must be able to obtain, through the terminal, an appropriate collection of reports summarizing instant ticket status and transaction activity. These include, but are not limited to, (the retailer's own) inventory information by pack status, summary of validations, instant sales and adjustments, game and pack number, and news messages. Retailer reports must indicate that they are "for information only" and "not for sale" to avoid confusion. **The gaming system must provide the retailer with combined business reports incorporating both instant and on-line product results.**

Refer to **Exhibit 7** for descriptions of retailer-generated reports.

3.4.6 INSTANT TICKET ACCOUNTING AND MANAGEMENT

The Contractor shall supply, operate, and maintain the Instant Ticket Accounting and Management System. The instant ticket accounting and management software component of the system must include, at a minimum, the following:

- A. Retailer book inventory and status;
- B. Global inventory and book status;
- C. Real-time processing of orders from the telemarketing system;
- D. Monitor availability of game inventory and accept orders through the last available book;
- E. Maintenance of game ticket validation records, ensuring one-time-only payment of winners;
- F. Monitor individual book status for initiating book settlement;
- G. Provide weekly settlement information to retailers and the Lottery, by group, by game, by region;
- H. Load instant ticket books to inventory, transfer books, and return books to inventory;
- I. Accept and process the loading of game, validation, and book files from CD format as well as a password-secured electronic file transfer (FTP) from the instant ticket vendor;
- J. Maintain and report the history of a book;
- K. Process and account for multiple book sizes of the same game. This functionality may not be required at conversion, however the system must have the ability to accommodate this requirement at a later date;
- L. Integrated business reports incorporating both instant and on-line game information;
- M. Any other activity or process that would be required for a smoothly functioning instant ticket accounting and management function.

3.4.6.1 GAME DEFINITION

The proposed LGS must have the ability to accommodate a game definition identifier for all new instant ticket games, accommodating the validation files of such games, and incorporating them into processing and reporting by other LGS applications.

3.4.6.2 INVENTORY MANAGEMENT

Inventory management shall include, at a minimum, the following:

Response Note: Mechanisms for expeditious inventory handling must be proposed. No specific technology is required but the Bidder may propose such mechanisms as bar code controls, RFID controls, wireless readers, audible cues, color coded screens, and others.

- A. Secure receiving, off-loading, and inventory verification of tickets delivered from the Lottery's ticket manufacturer(s). Providing to the Lottery receiving reports and other documentation as necessary;
- B. Maintaining and reporting book inventory, book history, and sales data;
- C. Monitoring and reporting book status at the warehouse, in-transit, and at the retailer level;
- D. Accepting orders through the last available book;
- E. Transferring or returning ticket stock to inventory;
- F. Service activities such as return books of tickets, process stolen ticket reports, track lost or delayed shipments, and serve as the initial point of contact concerning damaged, misprinted, or mis-packaged books of tickets;
- G. Secure destruction of unsold and returned tickets remaining in the warehouse after the close of a game. No tickets shall be destroyed until the Lottery has accounted for and reconciled the disposition of all inventory for that game;
- H. Provide a service for the return of authorized unopened full packs of tickets to Lottery Headquarters on an at least quarterly game ending batch schedule. The service must provide for retailers to return and ship unopened full packs of tickets within a 30 day announced period;
- I. Any other service, feature, or activity required for an efficient inventory management function.

3.4.6.3 INSTANT GAME INVENTORY SYSTEM PARAMETERS

The System must support Instant inventory parameters using System tools. These tools must be able to be applied globally or to an individual retailer as needed. The System must support the ability to set certain limits and apply individual parameters for retailers. The ability to set inventory limits for all retailers within a chain is also required. The following inventory parameters must be supported at a minimum. The Bidder may offer other methods of preventing excess inventory at retailer locations in addition to the following.

- A. Credit Limit – establishes total inventory values. This calculation includes inventory in all stages of life cycle from being assigned at the warehouse up to settlement. Once the credit limit is reached the system will not allow orders
- B. Nth Pack – establishes how many packs of any one game can be active at one time before the oldest pack active will settle.
- C. Settle on Activations. This tool will settle packs as they are activated.

3.4.6.4 INSTANT TICKET ACCOUNTING

The System must, at a minimum:

- A. Monitor individual book status at the retailer level for the purpose of initiating book settlement;
- B. Provide weekly settlement information to retailers and the Lottery conforming to the weekly accounting cycle;
- C. Provide retailer account record-keeping, including retailer instant ticket inventory and inventory value.

3.4.6.5 INSTANT TICKET INQUIRIES

The System must provide a wide variety of instant ticket inquiries, including shipped and pending orders, instant game pack lookup, retailer inventory, game definition, on-line and instant ticket research, sales activity, returned inventory, settled inventory, ended games, full and partial pack returns, issued packs, LSR inventory, and LSR route listing.

3.4.7 INSTANT TICKET ORDERING: TELEMARKETING SYSTEM

The Contractor must provide a telemarketing system to support instant ticket management. Telemarketing services shall be supplied by the Contractor on the Lottery's behalf. The System must interface with the retailer management application and the instant ticket management application to ensure adequate and desired inventories at retailer locations.

3.4.7.1 TELEMARKETER FUNCTION SUPPORT

The System shall provide a solution for telemarketers with a broad range of features, including, but not limited to, the following:

- A. Monitoring and managing instant ticket inventory at the retailer level, including monitoring of orders shipped but not confirmed, books of tickets confirmed but not activated, and low or high stock levels;
- B. Generating ticket orders for the warehouse to fulfill;
- C. Ability to sort by game number and name, sell priority, price amount, inventory condition;

- D. Ability for the telemarketer to page forward and backward through the application;
- E. Ability to block a game from being ordered by the telemarketer;
- F. Ability to put a retailer on a call back list if the retailer is not ready to order when called initially;
- G. Allow telemarketer to make route, contact, and phone number changes (add or delete);
- H. Ability to display the next retailer on a call list after an order has been placed;
- I. Allow the telemarketer to get out of the sequential call list to perform ordering activities on one particular retailer;
- J. Special-circumstance orders, such as walk-in orders from retailers must be supported;
- K. The retailer call list shall operate according to a set schedule relative to each retailer. The set schedule for a retailer will identify a call day (from Monday through Friday) and also a call frequency (such as one week or two weeks). Call frequency shall be at least every two (2) calendar weeks;
- L. The telemarketing supervisor must be able to view telemarketers' actions by telemarketer name on deferred calls, orders placed, retailers that did not order, call-ins (out of cycle), and be able to see telemarketer's orders as the day progresses;
- M. The System must be delivered with a capability for auto-ordering, in other words generating orders for shipment based on rates of turnover of the inventory at the retailer locations. Auto-order must be set up to allow usage only on certain games. Auto-order parameters must be able to be canceled or adjusted by the telemarketing function;
- N. Any other service, feature, or activity required for a complete telemarketing system.

3.4.7.2 INSTANT TICKET ORDER FULFILLMENT: DISTRIBUTION SYSTEM

- A. The Contractor must provide packaging and distribution services for instant tickets and point of sale materials. The Contractor shall staff the warehouse, operate the system, and arrange for delivery of the tickets and point-of-sale materials, these services shall include, at a minimum, the following:
 - 1. Packaging of ticket orders for distribution (up to generation of pick lists) on the same day an order is placed.
 - 2. Preparation of bulk orders for new games.
 - 3. Packaging, shipment, and delivery of tickets during any business day.

4. Delivery to retailers of packaged ticket orders by the end of the next scheduled delivery day after release for delivery.
 5. Inventory management controls designed to monitor the quality of the about-to-be shipped instant ticket product to the extent that visual inspection and observation would reveal defects (e.g., poor print alignment, scratches in latex, mis-packaged books, missing books, improper ticket quantities in books).
 6. Secure receiving, reconciling, and accounting for tickets returned after shipment out of the warehouse, including the ability to re-stock and re-ship returned tickets where appropriate.
 7. Receiving, shipping, and other activity reports as the Lottery determines necessary to monitor and oversee the storage, packaging, and distribution of instant tickets.
 8. Segregated distribution for targeted or customized distribution to specific defined groups of retailers.
 9. Any other service, feature, or activity required for an efficient and secure instant ticket order fulfillment distribution system.
- B. The design of the distribution and delivery system must allow for an alternative delivery system to be readily integrated. The Contractor must provide a back-up distribution and delivery system should the primary system fail for any reason.

3.4.7.3 ORDER FULFILLMENT REPORTS

The System must generate on schedule and on demand, a series of order fulfillment reports, including the following: packer statistics; game carton lookup; courier manifest reports; inventory reports; retailer information; pending and filled order detail; pack history information; returns information.

3.4.7.4 RETURNS FROM SUSPENDED OR TERMINATED RETAILERS

Full packs may be returned for re-distribution. Partial pack returns are taken out of inventory and will not re-distributed. Partial pack returns must be identifiable to the ticket level within inventory. The System must be able to calculate and credit a retailer's account for partial pack returns based on the ticket cost. The System must have the ability to process partial returns for more than one game in a single return transaction. The partial pack return "batch" will be assigned a unique identifier within the System that can be tracked and reported. Reporting on ticket ranges within a partial pack return must be supported.

3.4.8 RETAILER ACCOUNT CREATION AND MANAGEMENT

The Lottery currently utilizes various applications for managing data related to Lottery retailers. The Lottery will administer licensing and other retailer account management functions using an application provided by the Contractor.

Required functionality associated with the retailer management application interface includes, but is not limited to:

- A. **Retailer Data.** The System must support a comprehensive retailer database, central to all other games management functions. Database elements must include, at a minimum, retailer names, addresses, days and hours of operation, billing data, products, LSR assignments, retailer status and history (i.e. active, terminated), retailer relationships and various codes defining the retailer (SIC, chain codes, geo-codes, etc.).
- B. **Retailer Key Personnel.** The System must support entry of retailer personnel including control persons, clerks and associated contact information.
- C. **Retailer Configuration.** The System must maintain a list of equipment assigned to the retailer
- D. **Retailer Event and Compliance Tracking.** The System must support application processing, retailer security investigations, on-going contract management, retailer compliance with Lottery rules (e.g., ADA compliance), and retailer training status.
- E. **Retailer Activity Tracking.** The System must also be capable of documenting all retailer contacts with the Lottery. These contacts include, but are not limited to, phone calls to and from Lottery, visits from retailers to Lottery offices, visits to retailers from sales, security or account adjuster personnel, etc. Relevant data such as names, dates, issue and resolution must be tracked and be readily available for viewing by Lottery employees.

3.4.9 RETAILER ACCOUNTING

The System must provide an application for accounting of sales commission, validation commissions, bonuses, and any other forms of compensation received by the retailers. The Lottery, as well as the Contractor, will be a user of this application.

- A. **Prospective Retailer Licensing Process.** The System must provide a software application to capture retailer applicant licensing information. This part of the System must allow Lottery management terminal tracking of prospective applicants and must allow for various Lottery entities to approve or deny the application. Upon the necessary approvals the applicant shall be automatically added to the Contractor's retailer master file, as a licensed retailer. At the start of the contract resulting from this RFP, Lottery's then-current Retailer Master File will be provided to the Contractor by the Lottery.

- B. **Retailer Account Setup.** The Contractor shall maintain the authoritative version of the Retailer Master File. The Lottery LAPS database shall obtain updates from this Contractor Retailer Master File on a near real-time basis.
- C. **Retailer Account Management.** Retailer EFT transactions and IRS filings shall be handled by the Lottery, based on files transmitted from the Contractor on a regularly scheduled basis. The State will be responsible for the final production and accounting of retailer 1099 forms and winner W2G forms. The Contractor must maintain retailer 1099 data for at least the two (2) most recent calendar years. The Contractor shall process the EFT files and IRS 1099 files upon the State's request. The Contractor must support combined instant and online product accounting.
- D. **Retailer Accounting Period.** The normal accounting cycle for computing monies owed by retailers and processing EFT files is currently Thursday through Wednesday. This accounting period is also referred to as an accounting week or business week. However, the Contractor's system must provide flexibility to allow for daily or other periods in the event a business need arises for this. The Lottery reserves the right to change the accounting period during the term of the Contract.
- E. **Accounting by Retailer Location.** Some New Jersey retailers have multiple retailer terminals in one (1) location, and these must be accounted for using one (1) retailer account. However, the retailer accounting system must have the ability to segregate the individual terminal transactions for reporting and accounting purposes.
- F. **Change of Ownership.** The System must be able to identify and report sales for a location even if it has undergone a change of ownership.
- G. **Chain Accounting.** The System must provide a mechanism for accounting that accommodates multi-store chains. Chain headquarters must be able to see individual store accounting as well as chain roll-ups.
- H. **Retailer Adjustments and Reimbursements.** The System must provide an application for the Lottery to make retailer account adjustments and reimbursements. Records of such must be fully auditable, including, but not limited to, date of adjustment, lottery employee who made the adjustment and description/reason for adjustment.
- I. **Variable Retailer Commission Rates.** The System must support variable commission rates for retailers. Various rates may be triggered by terms and conditions of retailer contracts, by retailers meeting sales objectives, or for other defined conditions.

3.4.10 CLAIMS VALIDATION

The System must provide a robust mechanism to validate winning tickets. The System must be capable of validating winning tickets by means of a reader and by manual entry.

- A. The System must validate winning tickets presented within a validation period as determined by the Lottery. Currently the schedule is three hundred sixty five (365)

days after the drawing for on-line games, and three hundred sixty five (365) days after the official close of instant games.

- B. Winning tickets must be validated with a display and/or report stating "pay" and the amount of payout, or "claim" should it be determined by the Lottery that claim instructions be provided. The validation ticket transaction as logged on the System must be referenced to the original sell transaction.
- C. The Lottery expects retailers to pay winning tickets valued less than the statutorily established limit, currently six hundred dollars (\$600.00). An on-line ticket may incorporate one (1) or more plays under a single unique serial number; multiple winners on the same ticket still observe the winning amount parameter.
- D. When cashing a multiple draw ticket prior to the last draw on the ticket, an exchange ticket for the balance of the plays must be printed. The exchange ticket must have a distinct serial number from the original ticket but the System must be capable of relating the two.
- E. The System must retain cashed winners on-line for at least three hundred sixty five (365) days, including preserving a mechanism for accessing, summarizing, and researching cashed winners.
- F. The System must be able to turn off cashing at the terminal for a specific game and specific draw.
- G. The System must provide the Lottery with a daily validation file for both on-line and instant games. From the information provided, the Lottery will generate winner's checks and IRS filings as necessary for winning players.

3.4.11 DATA MANAGEMENT AND REPORTING

- A. **Database Access.** The Lottery requires access to New Jersey related gaming information collected by the Contractor, including retailer data, sales records, terminal maintenance data, and daily transactions, for scheduled and ad hoc reporting. Queries and reports must be supported within the games management application.
- B. **Sales Reporting Tool Set.** The Contractor must provide software tools for accessing, reporting on, and downloading gaming information. The Lottery's access to data on the active gaming systems may be read-only. For reporting and inquiries the Lottery may employ a separate copy of the data on a separate host from that of the active gaming systems, since the Lottery does not intend any negative impact on production operations or gaming response time while obtaining reports on retailers and sales.
- C. **History.** The on-line database must contain summarized sales history for the term of the Contract. Recent detailed transaction history must be on-line, and older transaction detail must also be available, at a minimum, from archives. Historical sales [minimum of two (2) years] and inventory information, as well as current active

sales and inventory information must be joined together in reports available to the Lottery

- D. **Report Export.** Reports generated by the System must be exportable to Excel and other common data formats.

3.4.12 SYSTEM INTERFACES

The System must interface with several applications in the Lottery's environment, including but not limited to those identified below.

- A. **Integrated Instant and On-Line Information.** The System must integrate seamlessly between on-line game and instant game information when providing data for Lottery accounting and management applications. No data conversion and merge efforts shall be required for the files and reports that the Lottery receives for separate product lines.
- B. **Lottery Access to Data through File Transfers.** The Lottery requires various forms of data provisioning to feed Lottery administrative and gaming support systems. For some applications, a data file must be supplied of a specified format and frequency.
- C. **Data Interfaces.** The Contractor shall provide and host a data warehouse/data mart for the data that is associated with the functionality and solutions provided through this Contract. This data warehouse/data mart shall also be capable of capturing additional data, which will be provided by the Lottery outside of the scope of the solutions provided by the Contractor for inclusion into this data warehouse/data mart. This data may come from the State's other operational systems.

The Contractor shall provide the Lottery with software tools that shall allow for the mining of data against the data warehouse/data mart for the purpose of ad hoc reporting and analysis.

The Lottery requires Business Objects software for this application. Business Objects is part of Treasury's "Strategic Platform" of software for data warehouse/data mart analysis and reporting. Refer to **Exhibit 11 (NJ Shared IT Architecture J2EE Application Deployment Policy)**.

In addition to reports that might be developed by the Contractor, Lottery staff will also be developing reports using these tools. The user developed reports shall be stored within the software and be reusable and sharable among all clients.

The Contractor shall provide dashboard software so that information from the data warehouse/data mart can be customized for executive presentation and use.

General access to the data warehouse/data mart must be through a thin client browser except that power users may be thick client. The State requires 180 licenses of general reporting and analysis software and 180 dashboard licenses. The Contractor shall be required to maintain these software licenses and releases current throughout the term of the Contract. Software versions installed shall not be

more than six (6) months older than the latest release date. The Contractor shall also provide for implementation and conversion of the data warehouse/data mart, reports, and associated tools during the term of the Contract. At termination of Contract, the Contractor is required to provide the Lottery with a full copy of the data warehouse/data mart, including data, database table descriptions, documentation, and existing reports logic developed by the contractor or developed by the Lottery and stored on the software.

- D. **NASPL and NACS XML Project.** The Lottery expects to participate in the National Association of Convenience Stores (NACS) Extended Markup Language (XML) project with the North American Association of State and Provincial Lotteries (NASPL). The Contractor shall support these initiatives and any future industry initiatives in which the Lottery participates.

3.4.13 SYSTEM INTERFACE SUPPORT

The Contractor shall provide technical support and assistance to Lottery with regard to generating reports and data interfaces on an as needed basis (see [Section 3.8.10 D](#))

3.4.14 INTERNAL CONTROL SYSTEM (ICS)

The Contractor must provide the Lottery an ICS through a qualified third party. The ICS shall include all hardware and software elements including maintenance and continuing support from the ICS Subcontractor for the term of the Contract.

The Internal Control System (ICS) must check the System independently by re-processing transactions, allowing auditing of the daily transactions, winner selection/verification, prize payout calculations, sales summaries, and various inquiry and reconciliation activities.

- A. **Reports.** Reports generated by the ICS must be organized and formatted like the related reports of the gaming system for efficient review and balancing.
- B. **Suppliers.** The ICS must be supplied by an independent, third party software Subcontractor subject to Lottery approval. The Proposal must identify three (3) such alternative Subcontractors from which the Lottery can select. The Lottery reserves the right to obtain documentation verifying the ICS Subcontractor's independence from the Bidder and/or any of its affiliates.

The Bidder must provide evidence that the ICS Subcontractor is experienced and qualified in providing an ICS to lotteries of similar size and scope.

- C. **ICS Operations by the Lottery.** The Contractor and the selected Subcontractor shall provide operating instructions and training to the Lottery. The Lottery will conduct all daily operations in support of the ICS systems.

3.4.15 LOTTERY FIELD EMPLOYEE AUTOMATION SOFTWARE

The Contractor shall provide field employee automation software capable of supporting sales representatives, security investigators and account adjusters. At a minimum the software shall have the following capabilities:

- A. **Route Call / Retailer Contact Management:** Identify stops and dates for route management, support a calendaring function related to sales calls, allow recording of detailed notes related to sales calls and other retailer contacts;
- B. **Sales Performance:** Track sales performance and associated sales activity for all products. Track performance with respect to sales goals for each retailer on the route. Sales trend reporting, cross-retailer comparisons;
- C. **Access to Retailer Data:** Provide real time data such as licensing, sales, invoicing, instant ticket inventory, equipment, etc.:

Under this section, the Contractor shall provide field automation software for seventy-five (75) table computers. The State is providing the computers, connectivity and a Windows operating system.

Response Note: The Bidder shall describe the proposed software and describe any past experience they has had in providing other state lotteries with SR automation type software.

3.5 GAMES AND MARKETING

The Contractor must apply its best efforts to support the Lottery in retailer placement and network planning, game design, and marketing, assisting the Lottery to achieve its financial and public policy objectives.

3.5.1 CORPORATE MARKETING SUPPORT

The Lottery will require new games and features over the term of the contract. The Contractor must be able to accommodate the Lottery's marketing plans and efforts with corporate marketing support that includes, but is not limited to:

- A. **Marketing Strategy Meetings.** Quarterly strategy meetings shall be held with the Lottery for (i) formulating the slate of games, games changes, and promotions to be introduced in the coming twelve (12) months, and (ii) monitoring and analyzing progress.
- B. **Contractor "State of the Industry" Presentation.** The Contractor shall provide an annual review of the industry, identifying new games, new gaming media, relevant technologies, sales trends, and public policy developments. The Contractor shall also identify its own new developments, capabilities, and directions relevant to supporting the Lottery.

- C. **Gaming Product Planning.** Associated with the meetings and presentations cited immediately above, the Contractor will be expected to propose product and promotional releases and changes for consideration by the Lottery.
- D. **Market Surveys, Market Research, Focus Groups:** The Contractor must provide marketing surveys and focus group research twice annually. The Contractor may choose to offer services provided by staff or by subcontracting to a private market research firm. These services shall include various forms of market studies, such as testing potential games with focus groups, market research for propensity to play and player demographics, and market surveys to determine attitudes towards Lottery products, policies, and image. Market surveys may be able to take advantage of retailer terminals as reader devices for collecting data and forwarding it for analysis.

Response Note: As part of the Proposal, the Bidder must provide a brief analysis of the Lottery's current slate of products and promotions (see RFP Section 1.6), and propose changes, if any, for the next two (2) years.

- E. **Gaming Concept Design and Development.** The availability of new gaming products and product ideas is critical to the Lottery. The Contractor is expected to have a continuous program of research and development into gaming concepts and products.

Response Note: The Proposal must contain a brief description of the Bidder's gaming R&D program.

- F. **Marketing Plan.** The Contractor shall assist the Lottery in the development of an annual marketing plan. The marketing plan will have goals and objectives that outline marketing and product development strategies and tactics.

Response Note: The Proposal must contain a brief description of the Bidder's experience in the development of marketing and product development plans.

3.5.2 PLAYER ANALYSIS AND RETAILER PLACEMENT

The Lottery requires that a geo-demographic study be provided annually by the Contractor to allow analysis of sales, game and player markets, and suitable locations for placing retailers. The databases of this product must be updated annually. The Contractor is required to incorporate training for the Lottery in the analysis of the geo-demographic reports.

The results of this annual study may be the basis to add additional retailer terminals (above the 6,200 initially required).

3.5.3 SALES ANALYSIS SYSTEM

The Contractor must provide a Sales Analysis System to assist the Lottery's decision-making regarding, for example, effective marketing and advertising, and game and promotion offerings. The Sales Analysis System must incorporate historical information

now maintained by the Lottery, which consists of weekly sales by retailer, by game, for at least, the most recent two (2) years.

Additionally, the Sales Analysis System shall incorporate the tools to support recommendations regarding marketing direction through use of market research or survey results.

3.5.4 GAMES MENU

The Contractor must support the current set of Lottery game offerings and provide flexibility for growth into new games, game features, and play types.

- A. **Current Games and Play Types.** The Contractor must include all games currently being offered by the New Jersey Lottery, at the time the new Lottery Gaming System is to take over. Refer to the New Jersey Lottery website www.njlottery.net for description of current games.
- B. **Additional Games and Play Types from the Contractor.** The Lottery reserves the right to add games, game features, play types, and promotions for start-up, or at any time later in the contract. Emerging game types must be available to the Lottery.

Response Note: The Bidder's Proposal shall address the depth and breadth of the games library. The Proposal must describe the Bidder's ability to expand beyond traditional games and play options.

- C. **Association-Based Games.** The Contractor must support games from any multi-jurisdiction associations with which the Lottery may become affiliated.
- D. **Third Party or External Games.** The Lottery may identify games or game concepts not from the Contractor's library that the Lottery may determine could be productive if made available in New Jersey. As the New Jersey Lottery may direct in such a case, the Contractor is obligated to provide its best effort to implement a version or variation of such a game, or if need be to acquire rights and/or software and any other mechanisms on behalf of the Lottery to produce such a game, assuming that it could be effectively supported on the Contractor's System. Additional licensing or brand costs would be subject to negotiation (see **Section 7.7.9.4** and **Section 7.7.10**).

3.5.5 PROMOTIONAL FEATURES

The System must be capable of providing a broad range of promotional features should the Lottery opt to include them. The System must include a promotions generator capability. Tracking and reporting of all promotions is required. Specific promotions required at a minimum are as follows:

- A. **Multiple Drawings per Day.** Multiple drawings for the same game within one day, including Day/Night feature with the same play for the day and night drawings of a game.
- B. **Bonus Draw.** Drawing of more than one (1) winning number (set of winning numbers) at the Lottery's option.

- C. **Bonus Payoff.** A specified increase in the payoff for specified winning plays at the Lottery's option.
- D. **Drawing Events.** Varying the number of drawings per game per week and/or the days the drawings are conducted.
- E. **Regional Marketing.** Sale of specified games/products/features (e.g., couponing, discounting) through selected retailers, retailer groups, and/or selected geographical areas.
- F. **Sampler Ticket.** A multi-game quick pick where the System will automatically generate plays of multiple games.
- G. **Variable Commission Rates.** For various on-line and instant products, defined by the Lottery, commission rates may be set differently from the default value. Additionally, for various retailers or retailer subsets, commission rates may temporarily or permanently be set differently from the default, as defined by the Lottery.
- H. **Second Chance Drawing.** Under conditions specified by the Lottery, the retailer terminal must be capable of issuing a voucher to the customer for a second chance drawing.
- I. **Retailer Clerk Incentive.** Under conditions specified by the Lottery, a ticket sale or other action must prompt the retailer terminal to issue a form for a clerk to enter a drawing, or other clerk incentive.
- J. **Free Play:** Free play when several plays are purchased or other conditions specified by the Lottery.
- K. **Cross Promotion:** Promotions between products that allow for discounts (e.g., buy "x" amount of Game A and get "y" amount of Game B free). Both on-line and instant products may be cross promoted in combinations, namely on-line to on-line, on-line to instant, etc.
- L. **Prize Types:** The System must support prizes that are cash; merchandise; cash/merchandise; and annuity (weekly, monthly, annually)

Response Note: If the System has been used to implement other types of on-line and instant promotions, the Bidder shall describe the capabilities available.

3.5.6 INSTANT GAME SUPPORT

The proposed System must handle all instant ticket transactions through the retailer terminals.

- A. **Game Volumes:** The System must accommodate large game volumes. As an example from current practice, the Lottery typically introduces two new games every two weeks providing for up to fifty (50) instant games simultaneously for sale at one

time, ranging from approximately one million (1,000,000) to twenty million (20,000,000) tickets per game. Approximately fifty-two (52) new games are introduced annually. In addition, four (4) to six (6) core games remain on sale throughout the year with inventory replenished and distributed based on demand.

- B. **Validating Winners:** Winning instant tickets must be validated up to three hundred sixty-five (365) days following the announced official close of the game.
- C. **Current Ticket Identifiers:** The System must accommodate up to a four (4) character game number. The current ticket numbering configuration is as follows:
 - (1) A three (3) character game identifier;
 - (2) A six (6) character book number;
 - (3) A three (3) character ticket number.

The format is GGG-BBBBBB-TTT.

Each ticket contains a twenty (20) character barcode printed utilizing interleaved 2 of 5 symbology. These twenty (20) characters are comprised of:

- (1) The three (3) character game identifier, the six (6) character book number, the three (3) character ticket number, the eight (8) character validation number – the first eight (8) characters of the validation number. The barcode format is GGGBBBBBBTTTVVVVVVV.
 - (2) Validation Number: The twelve (12) character validation number printed on each ticket is unique to every ticket in the games and appears under the latex. The number consists of an eight (8) character serial number, two (2) character check code, and two (2) character prize code. The last four (4) characters are manually keyed in by the retailer. The format is XXXXXXXX-XXXX.
- D. **Future Ticket Identifier.** The System must be able to accommodate a twenty-two (22) character ticket identifier. The prospective format is a four (4) character game number, a twelve (12) character encrypted number including the book number and validation number, a three (3) character ticket number within the book, and a three (3) character check- character.
 - E. **Prize Payouts:** The System must support prize structures for low, mid, and high tier levels, with numerous subdivisions. Currently the Lottery can support up to fifty (50) prize levels, of up to approximately five million dollars (\$5,000,000) as a top prize, however LGS must not be limited to those levels. High tier prize levels will require the ability to determine if a prize payout involves the file claim process. LGS must support prizes that are: cash; merchandise; cash/merchandise; and annuity (weekly, monthly, annually).

Response Note: The Proposal must identify any limitations the System may have in prize tiers or payout levels. High tier prize levels require the ability to determine if a prize payout involves the file claim process.

F. Flexibility in Instant Products: The System must accommodate new instant ticket products that may be of different sizes and shapes, bar code qualities, book quantities, prize structures, and price points, from those described as current products. In particular, the System must be able to incorporate break-open tickets, if the Lottery commits to offering them as a product.

3.5.7 EXTERNAL COUPONS

The Lottery may employ coupons produced by third party sources for sales promotions. For example, a coupon may permit the bearer to obtain a free ticket from the retailer. The coupons shall have bar code reading specifications similar to instant tickets. The Contractor's application software must permit the use of coupon promotions. As part of this capability, the System must read coupons with a unique bar code/serial number (i.e., accounting using a validation file).

The system must support single campaigns of greater than 5 million coupons.

3.5.8 SYSTEM-GENERATED COUPONS

The retailer terminal and System must be capable of generating a coupon used as part of a cross promotion. System-generated coupons may be generated by a similar mechanism to that which provides gift cards for customers. The System shall produce summary reports of such transactions. The reports shall define the outstanding liabilities and claimed amounts, as appropriate.

3.6 EMERGENCY MANAGEMENT TERMINALS

The Contractor shall provide and maintain ten (10) emergency management terminals (personal computers). The purpose of these terminals is to provide a fail-safe method of accessing all gaming data necessary to continue normal lottery operations in the event that normal modes of communications are disrupted.

The Contractor shall be 100% responsible for all hardware, software, connectivity, maintenance and support of these terminals to assure the terminals remain operable. These terminals must be available for use at all times during gaming hours and for the duration of all pool closings.

Eight (8) terminals shall be located in Lottery Headquarters and two (2) terminals shall be located at the Business Continuity Site. The Contractor shall also provide three (3) printers capable of printing at least 35 PPM in black and white. One of these printers shall be located at the Business Continuity Site and networked to the two (2) emergency management terminals to be located there and two printers shall be located at Lottery Headquarters and networked to the eight (8) management terminals located there.

3.7 CONTRACTOR FACILITIES AND DISASTER RECOVERY PLAN

The Contractor must support a Primary Data Center that is dedicated to the operation of the New Jersey Lottery, a remote Backup Data Center, warehouse space, Business Continuity Site (which will also serve as District Office space), permanent retailer training facility, permanent acceptance testing facility and any additional facilities as needed.

The Primary Data Center and Backup Data Center are the only facilities that must be remote from each other. All other required facilities may be co-located.

All site specifications must be consistent with standards of any multi-jurisdictional associations in which the Lottery may participate.

3.7.1 PRIMARY DATA CENTER SPECIFICATIONS

The Contractor must provide a Primary Data Center in New Jersey not further than approximately ten (10) miles from Lottery Headquarters. The Primary Data Center must be ready one hundred twenty (120) days prior to production start-up for Lottery acceptance testing. The Contractor will be responsible for building out the space provided, subject to the approval of the Lottery.

Response Note: The Proposal shall contain specifications and a description for the Bidder's proposed space utilization and proposed locations.

3.7.1.1 ENVIRONMENT AND SECURITY AT PRIMARY DATA CENTER

The Contractor's Primary Data Center must include appropriate safety, security, and environmental controls equipment for a computer facility, as described below. It must meet any security and lockdown specifications promulgated by any multi-jurisdiction affiliations the Lottery may join.

All construction and furnishings must comply with fire, safety, building, and ADA codes. Any upgrades, servicing, or replacement required to maintain compliance with such codes shall be the Contractor's obligation.

- A. Emergency exit doors must be provided and must be equipped with alarms.
- B. Locking devices must be installed on all doors or other entry points.
- C. An electronic access system shall be installed at entrances to the computer room(s), media library and other secure areas. The access list shall be authorized by the Lottery.
- D. The Contractor must install and administer a digital CCTV system with enough camera capacity to monitor all gaming systems, games management activities, and sensitive facility areas, as determined by Lottery Security. Cameras must have tilt, pan, and zoom features.
- E. The computer room(s) must be protected by an automatic fire extinguishing system based on FM-200 or another Lottery approved method. The system shall be installed

and maintained as specified by applicable National Fire Protection Association (NFPA) guidelines. When triggered, the automatic fire extinguishing system shall be equipped with alarms that sound locally and at an off-site security center as well.

- F. Construction shall support fire safety as noted in NFPA guidelines. Computer room(s) with mission critical equipment must be separated from the other areas by non-combustible materials having at least a one-hour fire resistance rating, and in addition:
 - 1. Walls must be extended from structural floor to structural floor (or roof) above.
 - 2. Fire doors must be provided on all entrances into the computer room with a fire resistance rating at least equal to the wall in which the door is located.
 - 3. All penetrations through the computer room floor, wall or ceiling must be tightly sealed with material equivalent to existing floor, wall or ceiling construction to prevent passage of heat, smoke and water.
 - 4. Fire and smoke dampers must be provided in ducts that pass through the computer room walls, floor or ceiling.
- G. An air conditioning system with humidity control must be provided for the computer room(s). This system must be of sufficient capacity to maintain a stable environment within original computer equipment manufacturer specifications. An air conditioning failure detection mechanism must be provided. The air conditioning system(s) must be interlocked to shut down upon activation of the fire extinguishing system or the automatic system must compensate for loss of extinguishing agent through operation of the air conditioning systems.
- H. Power-conditioning equipment shall be provided by the Contractor for the computer room(s) and shall provide an uninterruptible power system with both battery backup and electrical generator. Should a utility power failure occur, the UPS must provide at least one hundred fifty percent (150%) of the capacity needed to sustain all hardware, environmental equipment, communications equipment, fire protection equipment, alarm systems and necessary lighting to indefinitely conduct full capacity business. During the contract, the generator must be exercised for extended periods on a Lottery-approved schedule, and the generator must be maintained according to its manufacturer's recommendations.

3.7.2 BACKUP DATA CENTER

The Contractor must outfit a remote Backup Data Center where gaming transactions are logged and processed. The retailer network, the Primary Data Center, Lottery games management workstations, and the Lottery's ICS must connect to this facility. The Contractor will be responsible for the lease and build-out, including all building system infrastructure.

- A. The remote Backup Data Center shall be identified in the Proposal and may or may not be within the State of New Jersey, but must be within the United States, subject to Lottery approval. It is required that the remote Backup Data Center be separated from

the Primary Data Center adequately so as to virtually preclude simultaneous loss due to the same disaster.

- B. The remote Backup Data Center must be operated under the safety and security requirements of the Primary Data Center. If the remote Backup Data Center is in a facility that shares other business operations of the Contractor, then the New Jersey Lottery equipment must be physically separate and secure from all other Contractor operations, subject to the written approval of the Lottery.
- C. The remote Backup Data Center need not be attended during all lottery business hours and may be a “lights-out” operation. It must however rapidly support a failover in case the Primary Data Center can no longer serve and is unable to manage a failover.

3.7.2.1 BUSINESS CONTINUITY SITE, LOTTERY DISTRICT OFFICE & LAPS BACKUP SITE

The Bidder must provide space for the Lottery’s Business Continuity Site (BCS) that will also function as a District Office under normal conditions.

A. Location

The BCS/District Office must be located within New Jersey in accordance with following criteria:

- Shall be separated from Lottery Headquarters so as to significantly reduce the risk of simultaneous loss of both Lottery Headquarters and the BCS due to a localized disaster occurring at either site.
- Shall be located no further than approximately ten (10) miles from Lottery Headquarters.

At the Bidder’s option, the BCS/District Office can be co-located with the Bidder’s Primary Data Center, warehouse(s) or other location proposed by the Bidder.

In the event of a disaster occurring at Lottery Headquarters, the space shall serve as the BCS site, including a backup for LAPS.

B. Requirements

The Contractor shall be responsible for the design and build-out of the BCS/District Office site, including but not limited to, building infrastructure and systems, which includes general contracting, architectural/engineering, construction, permits, township inspections, Township CO, finishes, HVAC, plumbing, electrical, carpeting, painting, lighting, burglar and fire alarm systems, and voice and data wiring installation, connectivity and testing. The final design shall be subject to Lottery approval before implementation.

The Contractor shall comply with the construction standards (parts 1, 2, 3 and 4) included in “SCHEDULE B” issued by The State of New Jersey, Department of the Treasury, Division of Property Management & Construction (DPM&C), Office of Property & Lease Negotiations (**Exhibit 9**)

The following are other requirements and responsibilities for the BCS/District Office:

- i. **Lottery Provided Items:** The Lottery will supply its own furniture, telephone system (separate from the LAN wiring), and security system.
- ii. **Additional Contractor Provided Items:** The Contractor shall provide all the electrical wiring and voice and data wiring, jacks, surface mounted faceplates, and testing (see DPM & C "SCHEDULE B" Section J. Telecommunications) for all offices, conference/training rooms and furniture workstations. The Contractor shall provide all electrical, voice and data wiring, jacks and lines (both network and POTS, as required), and all necessary door hardware (electric strikes) and connectivity for the installation of an intrusion and card access security system.

The Contractor shall be responsible for, and/or provide, utilities and taxes, building maintenance (including 24/7 emergency building maintenance response), trash removal, snow removal, landscaping and lawn maintenance, recycling, organic (non-chemical spraying) pest control, janitorial services during occupied business hours, and sufficient parking.

- iii. **Lottery Space and Layout:** The Contractor shall provide a minimum of twenty-seven hundred (2,700) square feet, which includes five hundred (500) contiguous square feet of raised floor computer room space and twenty two hundred (2,200) square feet for offices. The office layout shall be designed for modular office furnishings for Lottery staff and must include a conference room, a secure storage room, rest rooms and break room. Should Contractor facilities be co-located, restrooms and a break room may be shared with the Contractor.
- iv. **Entry/Exit:** Should the BCS/District Office be co-located with Contractor facilities, the BCS/District Office must be separate from the Contractor's, with separate interior access. An external entrance may be shared so long as the Lottery's access cards will function. Contractor staff shall have access to BCS/District Office only with permission of the Lottery.
- v. **Security Access System:** The BCS/District Office must be protected by the same security system as the Lottery's Headquarters, and will be monitored by Lottery. The Contractor must provide a telecommunications circuit for carrying video monitor traffic to Security Operations in Lottery Headquarters.
- vi. **Security of Lottery Area:** To ensure physical security of the Lottery's space, where walls are adjacent to a non-Lottery space, they must extend from structural floor to the structural ceiling (or roof) above.
- vii. **Power for Lottery Configuration:** The Lottery's equipment shall be supported by power conditioning equipment, HVAC, and an uninterruptible power supply. Should the BCS/District Office be co-located with Contractor facilities, these resources may be shared.

3.7.3 TRAINING FACILITIES

The Contractor shall provide group retailer training facilities during the implementation period and must furnish terminals and supplies as well as a permanent training facility during the term of the contract (see [Section 3.8.5](#) Retailer Training Programs).

3.7.3.1 IMPLEMENTATION PERIOD TRAINING

The Contractor shall provide training facilities around the State during the implementation period. These facilities may be temporary, such as hotel meeting rooms, and must be approved by the Lottery. Facilities shall be rented in conjunction with the Lottery's process of scheduling retailers for training. Retailer training sites shall be within a fifty (50) mile radius of retailer locations to limit the driving distance for those attending a training class. The Contractor may also provide retailer training at the retailer's corporate headquarters or store sites.

3.7.3.2 CONTRACT PERIOD TRAINING & PERMANENT TRAINING FACILITY

Subsequent to the implementation period, the training of retailers shall be conducted jointly by Lottery and Contractor personnel in a permanent training facility provided by the Contractor.

The Contractor shall provide a permanent training facility for a minimum of twenty (20) retailer terminals to be used by Lottery and the Contractor to train retailers during the term of the contract. This facility may be co-located with the Contractor's Primary Data Center, warehouse or other location proposed by the Bidder. The permanent training facility shall be located no further than approximately ten (10) miles from Lottery Headquarters.

The room must be adequately sized (by all applicable codes) to accommodate twenty-five (25) people. The Contractor shall be responsible for the design and build-out of the training room, including but not limited to, interior finishing, carpeting, plumbing, lighting, and electrical service. The final design shall be subject to Lottery approval during implementation.

The Contractor shall provide building maintenance, security, utilities, grounds care, pest control, sufficient parking, and janitorial services.

All construction and furnishings must comply with fire, safety, building, and ADA codes. Any upgrades, servicing, or replacement required to maintain compliance with such codes shall be the Contractor's obligation.

The Contractor must equip the permanent training facility with full function retailer terminals configured with the current release of software, which includes all updates. The training facility must also include all other ticket-selling devices delivered by Contractor, including ITVMs and kiosk terminals (dual function on-line/instant player-activated terminals).

The terminals must be equipped with the peripherals delivered to retailers in the field, including, but not limited to, jackpot and transaction displays, self-service validators, and others as specified in this RFP and as may be delivered under the contract.

The permanent training facility must be equipped with audiovisual equipment and retailer training documentation designed for an educational environment. In addition the facility must be designed to encourage understanding as to how the terminals and other products will fit into and operate within a retail environment.

The Contractor shall be responsible for maintenance of the equipment in the training facility, and all supplies to conduct retailer-training classes.

Lottery shall have priority use of the room.

3.7.4 PERMANENT ACCEPTANCE TESTING FACILITY

The Primary Data Center shall include a permanent acceptance testing facility (not used for any other function) for use by the Lottery in confirming product releases. It is not required that this facility be separate space within the Primary Data Center, but must be clustered in one area.

The Contractor must equip the permanent testing facility with ten (10) full function retailer terminals configured with the Lottery-designated release of software. The testing facility must also include all other ticket-selling devices delivered by Contractor, including ITVMs and kiosk terminals. At least one of each type of terminal and communications combination delivered to the field must be provided for testing.

The terminals must be equipped with the peripherals delivered to retailers in the field, including but not limited to, jackpot and transaction displays, self service validators, and others as specified in this RFP and as may be delivered under the contract. (refer to [Section 3.1.3 B](#))

The testing facility must also have at least three (3) testing management terminals provided by the Contractor (refer to [Section 3.1.3 C](#)). These and the testing terminals will be connected via data communications to the testing system(s) resident at the Primary Data Center.

The permanent testing facility shall be designed to incorporate all of the testing equipment and materials as well as workspace and desks for up to four (4) testers at a time.

The Contractor shall be responsible for maintenance of the equipment in the testing facility, and all supplies to conduct acceptance testing.

3.7.5 INSTANT TICKET WAREHOUSE

The Contractor shall provide one (1) or more secure warehouses for instant ticket products, located within the State of New Jersey. The warehouse facilities may be co-located with another Contractor facility in the State, such as the Primary Data Center. The warehouse must accommodate enough instant tickets to support annual instant sales in excess of one and a half billion dollars (\$1,500,000,000). The warehouse(s) is also required to store Lottery retailer point-of-sale (POS) materials.

3.7.5.1 WAREHOUSING REQUIREMENTS

The Contractor shall provide secure warehousing facilities throughout the State or as needed to facilitate the storage and distribution of all instant ticket game inventory and supplies to Lottery retailers. At a minimum, security must include a complete 24-hour security system, CCTV's, intrusion detection, fire detection and suppression, access control. Security features of the warehousing facilities must be approved by the Lottery. The Contractor shall further maintain adequate supplies at each retailer location to prevent out of stock conditions from occurring. The Contractor shall provide monthly inventory reporting by warehouse location and in a summary format to the Lottery. The Lottery reserves the right to perform unannounced inspections to ensure compliance.

The warehouse must be equipped with a loading dock and be capable of accepting bulk deliveries of instant tickets and supplies. The Contractor shall be responsible for receiving shipments at the warehouse.

The Contractor shall indicate the number and general geographic area of warehouse facilities to be maintained throughout the State.

The primary warehouse shall be located within the State of New Jersey, no further than approximately ten (10) miles from the Lottery Headquarters. The warehouse power shall be protected with an uninterruptible power supply).

3.7.6 SERVICE CENTERS AND DEPOTS

The Contractor shall provide and operate maintenance centers and depots to fully support the terminal maintenance and repair program, and consumables warehousing and distribution. Facilities for storage of consumables and terminal repair facilities are not required to be within the boundaries of New Jersey.

3.7.7 SYSTEM DISASTER RECOVERY PLAN

The Contractor must provide and annually update a disaster recovery and contingency plan for the data centers and its other sites used in this Contract. The plan must be delivered by the production start-up date. The plan must also be updated when there is a material change made to the system that would affect the plan.

Such plan shall take into account disasters caused by weather, water, fire, environmental spills and accidents, malicious destruction, acts of terrorism, and contingencies such as strikes, epidemics, etc. The plan must ensure continuity of the System and the Lottery's

games. Provision shall also be made for the safe, secure off-site storage of all scheduled backup data and programs.

The Contractor must provide contact information and detailed System recovery procedures and documentation and must coordinate with the Lottery's production of its own disaster plan. Should implementation of any portion of the disaster recovery and contingency plan become necessary, all costs associated with the plan shall be borne by the Contractor.

Response Note: The Proposal must contain an outline for, or sample of, such a disaster recovery plan.

3.7.8 CONTRACTOR CORPORATE INFRASTRUCTURE PROTECTION PLAN

The Contractor must also produce a disaster plan for its own additional facilities and capabilities necessary to support the New Jersey Lottery. For example, the Contractor's terminal manufacturing and central software development and support facilities are critical for the term of the Contract. This protection plan shall be due at production start-up.

Response Note: The Proposal must contain an outline for, or sample of, such a corporate infrastructure protection plan.

3.8 STAFFING, SERVICES, AND OPERATIONS SECURITY PLAN

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

3.8.1 BIDDER PERSONNEL

The Bidder must provide information, as specified below, that documents the organizational structure and staffing with which Lottery operations will be implemented and run. The Bidder must identify Subcontractor staff and consultants by name, where such are anticipated to be part of the implementation and ongoing operational support efforts.

Response Note: The Proposal must make clear which proposed individuals are company employees and which are Subcontractors or consultants.

- A. **Implementation and Conversion Staff.** The Bidder shall provide an **organization chart** showing names of all **management, supervisory, and key technical personnel** who will be active in the implementation and conversion of the System. There shall be a dedicated technical project manager assigned to the implementation project who must be on-site during Lottery quality assurance and conversion. Further, the Bidder must indicate what specific contract function(s) staff will perform and how long it is anticipated they will be engaged. For staff not yet identified, the Proposal shall identify and quantify them by title, and state what qualifications they can be expected to have.

- B. **Ongoing Lottery Operations Staff.** The Bidder shall provide **brief position descriptions and an organization chart** showing names of all **management, supervisory, and key technical personnel** who are expected to be active in the ongoing operation of the System. For staff not yet identified, the Proposal shall identify and quantify them by title, and state what qualifications they can be expected to have.
- C. **Resumes.** The Bidder shall provide one-page resumes of all **management, supervisory and key technical personnel** planned to be involved in the installation, implementation, and operation of the System, and shall provide for each such person:
1. Full name;
 2. Most recent five (5)-year employment history;
 3. A specific description of experience that person has in connection with lottery gaming systems;
 4. Specific indication of the role the individual will have in this project;
 5. Any additional helpful information to indicate the individual's ability to successfully perform the work involved in the contract.
- D. **Key Staff Continuity.** The Bidder must commit to a good faith effort to retain proposed key staff for the implementation/conversion phase and the ongoing operations phase of the project.

3.8.2 GAMING AND NETWORK OPERATIONS SERVICES

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

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

The Contractor's staff shall continuously monitor the systems and networks, and must be trained in the System's monitoring tools for this purpose. Any System faults must be detected, diagnosed and corrected.

Response Note: The Proposal shall indicate what monitoring tools are proposed for operators and communications technicians.

- B. **Secure Operating Principles.** The Contractor must operate the System on the basis of the Principle of Least Privilege, observing need-to-know and segregation of duties, to limit the ability of staff to misuse the System. The Contractor must highly restrict "superuser" capabilities to access and change System components.

3.8.3 TERMINAL PROVISIONING SERVICES: MOVES, ADDS, CHANGES, REMOVAL

The Contractor is responsible for providing terminals (ticket-selling devices- includes ITVMs and Kiosk terminals) and related peripherals, and a communications interface to the WAN, at the retailer locations. Besides installing a new retailer (“add”) it may be necessary to serve an existing retailer from a new physical location (“move”), to relocate the retailer’s terminal within the premises (“inside move”), or to de-install a retailer.

The Lottery shall identify the authorization for a retailer change, and then advise the Contractor in writing that a retailer requires provisioning. This advisory starts the provisioning clock.

A terminal shall be considered to have completed provisioning and be ready when it has been installed at the designated location; is in good running and working order; is communicating with the gaming host systems; is capable of issuing tickets, conducting validations, and producing reports; and performs all other terminal functions as specified in this RFP. Provisioning activities must be conducted on a timely schedule.

The Lottery has determined that the following provisioning schedule is the maximum permitted for completion:

Add a new retailer	14 days
Move a retailer	14 days
Inside move	10 days
Removal	7 days

The Proposal must in this section define the Bidder’s commitment to a terminal provisioning schedule and the Contractor will be held to the proposed provisioning schedule.

3.8.4 SUPPORT OF THE LOTTERY'S PARTNERSHIP WITH RETAILERS

The Lottery currently employs its own LSR staff who develop strong retailer partnerships and are responsible for prospecting new retailer locations; recommending new retailer locations; responding to retailer concerns, questions or problems relating to the Lottery program, its games, policies, and procedures; notifying retailers of new game features, modifications to current games, addition of new games, changes in Lottery policy, and delivery of retailer point-of-sale marketing materials.

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

3.8.5 RETAILER TRAINING PROGRAMS, INITIAL AND ONGOING

The Contractor shall provide training for retailer staff in the operation of retailer terminals for the initial conversion training, on-going new retailer training (conducted jointly with Lottery personnel), major system changes and game modifications during the contract.

- A. **Retailer Instruction.** To support the conversion, the Contractor shall provide initial hands-on group instruction at locations approved by the Lottery and shall provide

training on-site at retailer locations when appropriate. The Contractor shall also conduct retailer training during the contract.

- B. **Retailer Training Program Contents.** The retailer training program must cover the retailer terminal and peripherals, and both on-line and instant products. The program must address not only the technical aspects of operating the terminal and account management (e.g. inventory management, accounting, settlement (EFT) & adjustments), but also approaches for interacting successfully with players. Contents of the training program must be approved by the Lottery.

Response Note: The Bidder shall describe the proposed training program in terms of materials, facilities, sessions, and schedule. The program description shall address the Bidder's capability of providing for the specific training needs of top corporate accounts.

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

D. **Training Materials and User Documentation.**

1. The Contractor must provide handouts and/or manuals on the correct use of retailer terminals and retailer procedures. These materials must be approved by the Lottery, in advance, and are required for each retailer. Such documentation, must contain, at a minimum, information and instructions on changing ticket stock, how to conduct each type of transaction, obtaining and using the reports, hotline procedures, use of play slips, claims, accounting invoices, payment process, inventory business rules and guidelines and retailer adjustments. Such manuals shall be written at sixth grade reading level and feature a high level of visuals to achieve greater understanding.
2. Manuals and user documentation must be available in English and Spanish at a minimum, and must be available on the retailers' website.

Response Note: The Bidder must include samples of similar user (retailer) documentation the Bidder has produced and distributed.

3. The Contractor shall update the training materials and any user and player documentation provided to retailers with each game or procedural change. The format must be approved by the Lottery. Copies shall be supplied to the Lottery and to the retailers by two (2) weeks prior to the start date of any new game or game change. Training changes shall also appear on the retailer website.
4. The Contractor must provide supplementary video or graphical training and documentation directly through the retailer terminal at the point of sale.

3.8.6 LOTTERY STAFF TRAINING

The Contractor must provide training for Lottery staff, at the Lottery offices, or appropriate venues as approved by the Lottery.

- A. **Customized Training.** Training must be customized to meet the unique needs of Lottery employees performing specific primary and support activities. At times during the Contract additional training may be needed as System features evolve and/or for new employees or employee refresher.
- B. **Training Methods and Tools.** Training must incorporate a mix of instructor-led presentations and discussions, as well as interactive hands-on, computer-based activities and workshops. The Contractor shall provide workbooks and documentation to support these activities as approved by the Lottery.

Response Note: The Bidder shall describe the training it shall will be provide to Lottery staff regarding concepts of the lottery gaming system, use of the games management applications, administrative reports, contractor-provided services, security features and controls, and any other relevant aspects of the proposed package of systems and services.

3.8.7 RETAILER CONSUMABLES SUPPLY

- A. **Consumables.** The Contractor shall provide and deliver consumables to the retailers, reminding the retailers during this activity that secure storage of consumables is a priority. The consumables to be provided include:
 - 1. Play slips that can be processed by the terminal reader;
 - 2. Secure ticket stock;
 - 3. Any terminal supplies required to print tickets;
 - 4. Pencils, brochures, and any other items for use with the play centers;
 - 5. Retailer manuals and/or reference cards for terminal operation, updated upon Lottery request. There must also be a version of retailer documentation available on the retailer website;
 - 6. Prize claim forms, self-mailer type. Postage to be paid by the Contractor (the Lottery averages approximately fifty thousand (50,000) mail in claim forms per year).
- B. **Consumables Designs.** Consumables designs and wording shall be jointly developed by the Contractor and the Lottery, and must be approved by the Lottery prior to production and distribution. The Contractor will be responsible for consumables production, storage, and delivery.

- C. **Testing and Training Ticket Stock.** The Contractor must ensure that in addition to production ticket stock, there is stock of the same paper quality suitable for retailer terminals used at training facilities, and for use by the Lottery in testing, training, and promotions. Testing and training ticket stock must be plain and conspicuously distinct from live ticket stock and must comply with any multi-jurisdictional security rules.
- D. **Multiple Suppliers.** In order to avoid dependence on one (1) supplier, the Contractor must have more than one (1) source of paper stock and printing service(s), as well as multiple suppliers for any other consumables.

3.8.8 RETAILER EQUIPMENT MAINTENANCE PROGRAM

The Proposal shall describe the maintenance plan for the retailer terminals (ticket selling devices, including ITVMs and kiosk terminals) and associated equipment. The term "terminal" shall include all attachments and peripherals, including the network interface, provided or serviced by the Contractor. **The Contractor shall obtain replacement parts and services that are approved, recommended, or recognized by the original equipment supplier as effective.**

- A. **Retailer Hotline Services.** The Contractor must operate a hotline to support the retailers. The hotline must operate during all games operation hours (currently 5 a.m. to 12 a.m. midnight, but subject to extension). Dispatches shall be limited to a nineteen (19) hour period from 5 a.m. to midnight assuming the retailer is open during that period. The hotline operator function may be supported in-State but is not required to be.
- B. **Retailer Terminal Maintenance.** As well as to repair or replace the terminal, its peripherals, or wide area network communications interface, the Contractor's technicians will be required during any service call to routinely check the mechanical security, safety, and general operation of any mechanisms or attachments provided or serviced by the Contractor.
- C. **Terminal Preventive Maintenance Schedule.** The Contractor and Lottery shall agree on a preventive maintenance (PM) schedule for the retailer terminals. For the Proposal, the Bidder must propose a PM schedule however the schedule cannot exceed a one hundred eighty (180) day cycle. In no case shall there be attempts to render preventive maintenance services during retailers' busiest periods.
- D. **Terminal Parts Supply.** The Contractor shall maintain an adequate supply of parts to sustain the service of terminals that it has supplied and is required to maintain.
- E. **Terminal Repair and Maintenance Reporting.** At service events a log will be updated noting the maintenance activities. The log information shall be entered to a database accessible to the Lottery. The Lottery shall have access from the games management application to generate reports from the retailer dispatch and repair data that indicate when services have occurred, what services have occurred, and on an exception basis, when services have been untimely.

F. **Contractor's Maintenance System.** The Contractor must have a system for trouble tracking and maintenance management. That system shall at a minimum fulfill the following criteria:

1. **Tracking.** Tracking and reporting of retailer terminal, communications line, network, and other problems is required for all reported problems. This reporting shall include those problems where no actual problem was found. Data must be kept on all terminals including those in reserve or returned to a depot for maintenance. The system must record the criticality of events and provide reports accordingly.
2. **Maintenance Information.** The Contractor is required to maintain maintenance data for the Contract term, with at least twelve (12) months of data on-line.

G. **Call System Management.**

1. **Staffing.** The Bidder must describe how the Hotline Call Center will be staffed and managed to ensure timely, professional and accurate response to retailer calls.
2. **Call System.** Telephone call management equipment must handle all incoming calls on toll-free circuits. The voice response capability must permit retailers to select Contractor or Lottery Services from a phone keypad menu, or voice recognition system and forward the call to the correct entity. If all circuits are busy, a prerecorded message must be played and the call must be queued. If the call is queued, the system must provide call status information to the caller at intervals on the duration of the estimated hold time. Unless there is an anomaly, phone calls must be answered in less than one (1) minute. The system must also provide an interface to, or delivery of, a service ticket from the Lottery's retailer call management system, so that calls received can either be transferred to the Contractor's management system or electronically logged to the Contractor management system for action.

The Contractor's call management system must also provide the following:

- Statistical information must be available to the Lottery for review on-line via a dedicated terminal or secure web-enabled browser.
- The system must have the ability to produce an ASCII formatted electronic file, which may be required to interface to Lottery systems for normal and ad hoc informational reporting.
- Bilingual (English/Spanish) associates must be provided for the hotline.
- The voice response system must be provided in both English and Spanish.

Response Note: The Proposal must address the staffing and mechanisms employed to ensure that all calls are addressed within the time frame established by this section of the RFP.

3. **Call System Reporting.** The Lottery must be able to monitor/review the calls received by the Hotline Call Center. The data to be monitored shall include but not be limited to current date/time, calls received today, calls holding, average answer time, number of calls waiting, average and total hold times, and the number of calls

abandoned and their average abandon time. The call management system must provide periodic summary reports.

4. **Call Recording.** All hotline calls must be recorded. A recording device must be provided to record all telephone conversations transacted on the Hotline Call Center circuits. Recording of telephone conversations must adhere to all applicable Federal, State, and local laws. The Contractor must provide the recording equipment and maintain recorded conversations for at least sixty (60) days. Conversation files must be transferable for Lottery review upon request.

- H. **Terminal Service Technician Language Agility:** The Contractor must provide technicians among the service technician staff that can converse with retailers in Spanish as well as in English.

3.8.9 OTHER HOST, SYSTEMS, AND NETWORK EQUIPMENT MAINTENANCE

The Contractor shall be responsible for maintaining data center components, including but not limited to host systems, LANs, telecommunications equipment for the central sites, and infrastructure items (such as power and HVAC). Documentation of maintenance events must be maintained by the Contractor for Lottery review. **The Contractor shall obtain replacement parts and maintenance services that are approved, recommended, or recognized by the original equipment supplier as effective.**

3.8.10 GAMING SYSTEM ENGINEERING SUPPORT SERVICES

Timely and committed fulfillment of Lottery requests for System support and changes is a requirement. The Proposal must identify how systems and software engineering support services for System management, System error correction, support for changes to the Lottery's business rules and requirements, and game changes will be delivered to the New Jersey Lottery, by responding to the following.

- A. **System Releases.** The Contractor must support quarterly releases of software batches. Untimely delivery or poor quality of releases may result in liquidated damages (see **Section 8**).
- B. **Software Support.** The Contractor must provide software and systems engineering support for diagnosis, error corrections and System changes.
- C. **Quality Assurance.** The Contractor must provide a local Quality Assurance capability and support for the Lottery's acceptance testing.
- D. **Database and Reporting Specialist.** The Bidder must propose a New Jersey-based staff member to provide for reports and database management upon request of the Lottery.
- E. **Shared Records for Change Management.** In fulfillment of joint responsibilities between the Contractor and the Lottery to make System changes in a timely and correct manner, the Contractor must provide shared access to change requests and change tracking for the New Jersey project.

3.8.11 INSTANT TICKET LOGISTICS SERVICES

- A. **Warehouse Management.** The Contractor must staff the instant ticket warehouse and perform inventory management, order distribution, pack return processing, arranging and paying for courier delivery of ticket orders and instant pack returns, and all other instant ticket distribution management activities. The Contractor must also perform inventory management and order distribution for point-of-sale materials.

If the Contractor employs a third party for distribution, the Contractor is still responsible to ensure delivery through an alternative mechanism if the third party fails to provide services.

- B. **Telemarketing.** The Contractor shall also perform telemarketing services using the System's telemarketing functions and the Lottery shall have user access for oversight. Telemarketing shall be staffed so that each retailer can be contacted no less than every two (2) weeks.

3.8.12 SYSTEM CHANGE CONTROL AND CONFIGURATION MANAGEMENT

During Implementation system change control and configuration management shall be established between the Lottery and the Contractor. The Contractor shall operate under change control and configuration management procedures. Configuration management procedures, as described below, shall apply to all of the following components: documentation, procedures, specifications, program application source and object code, operating systems, database platforms, other third-party applications, host systems and network hardware components, and any other major System components. Strict conformance to configuration management procedures is required:

- A. **Approved Changes Only.** The Contractor shall ensure through procedural and System controls that only Lottery-approved changes, on an approved schedule, can be made. Reports and/or displays shall be available to the Lottery to review all related change and configuration management activities.
- B. **Change Introduction.** All changes to host systems, network devices or applications must first be completed on the related testing systems. All changes approved and completed for production systems must also be completed on the associated backup systems.
- C. **Software Checksums.** Checksums are required for software at the time it is released for Lottery testing, and must be available at any time for testing applications and for the production systems.
- D. **Component Identification.** System components shall be documented with version and release numbers, patch versions, or model and serial numbers.
- E. **Traceability of Components.** System components shall be traceable, identifying the history, use, and location of a component.

- F. **Change Tracking.** The Contractor must track all changes made to System components, provide reports showing when and by whom a change was made and for what purpose, and must avoid multiple update conflicts. Change logs must reference associated planning documents and approvals.
- G. **Configuration Status and Inventory.** The Contractor shall have the ability to produce a configuration status report identifying the current configuration of any System component as well as an inventory report including all System components.
- H. **Documentation.** The Contractor must provide and maintain comprehensive System documentation for the Lottery including but not limited to: network diagrams, security standards and processes, multi-jurisdictional security standards compliance documents, change control processes and procedures, data dictionaries, third-party licensing documentation, etc.

3.8.13 OPERATIONS SECURITY PLAN

The System and its operations must be of the highest security and integrity. The Contractor must maintain a confidential, high-level comprehensive approach to information security controls. For example, staff must be organized, assigned, and operate under procedures, and with System controls that mitigate such threats such as insider fraud.

The Contractor must submit an Operations Security Plan to the Lottery, at least ninety (90) days prior to Production Startup. Approval of this plan is a prerequisite for acceptance testing.

At a minimum, the security plan must include the following sections:

1. Business Impact Analysis
2. Risk, Threat, and Vulnerability Analysis
3. Security Strategy
4. Personnel Security Practices
5. Physical Security
6. Data Security
7. Systems Security
8. Telecommunications Operational and Physical Security Systems Network Security
9. Terminal Security
10. Telecommunications Access Security Applications and Data Security
11. Patch Management
12. Incident Response -The plan must address incident response procedures (e.g., in case of an electronic intrusion); periodic audits to ensure compliance with the security plan; and periodic meetings on security (such as network security).
13. Protection of Software and Other Copyrighted Materials
14. Plan Evaluation
15. Security Awareness/Training
16. Plan Maintenance.

Response Note: The bidder must provide its past experience in producing operations security plans.

There shall be periodic audits for compliance with the security plan, and periodic meetings with Lottery staff to review security controls. The security plan must follow a format approved by the Lottery, must be approved by the Lottery, be available both in hardcopy and PDF format, and must comply with any associated multi-jurisdictional security requirements.

3.8.14 ELECTRONIC MEDIA, COMPUTER ROOM PAPER, SUPPLIES

The Contractor shall supply all magnetic tapes, cartridges, disk packs, diskettes, and other media items, printer paper, and supplies needed to operate the gaming system, Lottery testing terminals, ICS, and games management systems.

3.9 GAMING SYSTEM IMPLEMENTATION

3.9.1 CONVERSION STRATEGY

The Lottery requires a conversion strategy for both the retailer terminals and central computer systems for the start of production that must meet the following goals:

- A. Minimizing conversion limitations (such as coming up late on the start-up day, coming up without key system functionality, or without the full complement of retailers).
- B. Maintaining good retailer relations and addressing retailer issues during conversion (such as inconvenient training opportunities, getting all retailers trained, and demand for counter space when installing a new terminal).
- C. Minimal disruption to selling tickets and paying winners.

The implementation process requires that all of the new software, hardware, and service elements of the new System be delivered, installed, tested, and put into production startup.

At production startup a significant amount of pre-existing information and processes must be integrated into the new System. The new System must process tickets from the old system, which are still in the field at the time of implementation of the new System. The System shall process validations, full and partial pack returns, stolen ticket reporting, distribution, shipment confirmation, activation and settlement. As well, on-line wagers for future draws must be converted from the old system to the new System at production startup. Validations must be supported on all games, including past unvalidated winners. The integration of existing elements into the new System environment must be performed seamlessly.

Response Note: The bidder must discuss and describe the method of file conversion.

3.9.2 FORMAL IMPLEMENTATION PLAN

The Proposal must contain a detailed implementation plan and time chart (Gantt, PERT, or similar) identifying the major milestones to be accomplished for the business requirements definition, construction, equipment delivery, software programming, installation, testing, and file conversion. The plan must make clear which items are on the critical path for timely implementation. The Lottery will approve the final implementation plan of the Contractor.

Response Note: Responsibilities of the Bidder's implementation team, of the Lottery's implementation team, and of any of the Lottery's other providers (e.g., instant ticket supplier), must be identified. Retailer roles and responsibilities during conversion must be addressed.

3.9.3 INTERIM FACILITIES AND PROCESSES

If the conversion involves interim configurations, facilities, staffing, or business procedures, the Proposal must explicitly describe them and note their development and use within the schedule. Costs associated with interim facilities are strictly the Contractor's responsibility.

3.9.4 INSTALLATION AND LOTTERY QUALITY ASSURANCE/ACCEPTANCE TESTING

The Lottery will conduct a series of acceptance tests, which the Contractor shall support. Lottery acceptance testing will be conducted from the permanent acceptance testing facility at the Primary Data Center, see [Section 3.7.4](#)).

Be advised that the State may employ third-party testers and, if so, will directly conduct and /or oversee the acceptance testing.

- A. **Schedule for Lottery Acceptance Testing.** To support acceptance testing, the Contractor must have the Primary Data Center facilities, systems and network hardware and software, and at least ten (10) test terminals installed, configured, and operational one hundred twenty (120) days prior to the scheduled conversion of the first terminal.

At that time the Backup Data Center must also be ready for testing. The ICS must be functioning in order to confirm the integrity of the system.

- B. **Documentation and Support.** Training and written procedure manuals specific to the New Jersey Lottery must be delivered to the Lottery upon availability of the System for Lottery acceptance testing. During the testing period, the Contractor must provide technical staff on-site as a resource to collaborate and support the Lottery's acceptance testing.
- C. **Ticket Stock Testing.** A sample of the production ticket stock must be provided for ticket testing to ensure that it is manufactured in accordance with all RFP requirements and Proposal specifications. The ticket stock sample is due on or before the start of the Lottery acceptance testing period. The Contractor will be responsible for the cost of third party testing of the ticket stock by a Lottery-selected laboratory.

The ticket testing shall ensure that the ticket stock is manufactured in accordance with all RFP requirements. The laboratory will provide a written analysis report summarizing the findings and offer a conclusion as to whether the ticket stock should be used, not be used, or be tested further before a conclusion could be reached. The Lottery will request such testing from time to time throughout the life of the contract.

- D. **Randomizer Testing.** Samples from the Contractor's randomizer software in the retailer terminals or central system must be submitted for quality testing. The randomizer samples are due on or before the start of the Lottery acceptance testing period. The Contractor shall be responsible for the cost of third party testing and certification of the randomizers by a Lottery-selected laboratory.

The Contractor shall provide a laboratory that shall provide a written analysis report summarizing the findings and offer a conclusion as to whether the randomizing approach(es) should be used, not be used, or be tested further before a conclusion could be reached. The Lottery will request such testing from time to time throughout the contract.

- E. **Network Testing.** One hundred twenty (120) days prior to conversion of any new terminals to production, the Contractor must submit a comprehensive network configuration plan. The plan must show the networking method (telephone line, satellite, radio etc.) for connecting each retailer location to the central LGS. Also at one hundred twenty (120) days, concurrent with the schedule for general acceptance testing (see above) the retailer terminals for the permanent acceptance testing facility ([Section 3.7.4](#)) must be installed to reflect all forms of communication media to be used in the network. As the retailer network is rolled out, the Contractor must demonstrate continuity to each retailer location from both data center locations. Continuity must also be shown for any redundancy or diversity provisions for single or clustered retailers, as well as main trunk landlines, satellite or radio bridges or facilities that are incorporated into the network. Acceptance testing of the network shall be conducted during times when there are historically low sales volumes or during times when there are no sales allowed. Acceptance testing shall demonstrate that the proposed communications network configuration and its installed components, when completely installed, including those components providing redundancy, backup and diversity, shall satisfactorily provide the necessary support for network bandwidth and transaction latency to achieve the requirements of [Section 3.1.5](#), "Gaming System Quantitative Performance Criteria".
- F. **Emergency Management Terminals.** Sixty (60) days prior to conversion the emergency management terminals must be fully installed and connected to the Contractor's System and ready for acceptance testing.
- G. **Release Notes.** Each release of the software for testing by the Lottery must be accompanied by release notes. The release notes must evidence good configuration management practices, namely each release must be identified by a version number and the changes must be succinctly defined. This requirement shall extend throughout the contract.

H. **Entry and Exit Criteria.** The Lottery will consider the System ready for acceptance testing once all hardware and software items are installed and configured to operate in the Lottery's environment and in accordance with the Lottery's standards. The Lottery will have successfully completed testing when all components of the System have been tested and all significant issues identified during testing are resolved by the Contractor and validated by the Lottery. The Contractor and the Lottery shall develop and agree upon detailed criteria that must be met prior to the System being put into production. The Lottery will define entry and exit criteria for quality assurance/acceptance testing.

3.9.5 PROJECT REPORTING AND MONITORING

The Contractor shall provide a dedicated on-site technical project manager for the implementation. The Contractor must provide a project team structure, process, and tools that facilitate Lottery oversight of the implementation. Regular reporting, walkthroughs, and project status meetings are required.

The Contractor shall provide suitable access to project records to enable Lottery staff to monitor project management tasks, schedules, and issues. This requirement begins with conversion and continues throughout the contract.

3.9.6 VALIDATION ON AND AFTER PRODUCTION START-UP

The Contractor must accommodate validation of winning on-line tickets that have been sold prior to production startup, either by reading the bar code or by accepting manual entry of the "old" winning ticket's serial number. The Contractor must also convert the instant ticket validation files to permit validation by bar code read (and manual entry). The goal, both during conversion and after, is to minimize confusion and effort for the players and retailers.

3.9.7 HISTORICAL DATA

The Contractor must convert a minimum of thirty six (36) months of pre-existing sales and operating data so that the Lottery and the retailers will see a continuity of data in displays and reports from before, during, and after the start-up day. A conversion process for historical Lottery data will need to be developed by the Contractor in conjunction with the Lottery.

3.9.8 REMOVAL OF PREVIOUS RETAILER TERMINALS

The Lottery's current gaming contract specifies the removal of the existing complement of retailer terminals. However, in the event that some terminals remain after they were scheduled to be removed, the Contractor must remove and dispose of these terminals and peripherals. Old terminals will all be replaced as a result of the new contract.

3.10 BIDDER CORPORATE CAPABILITY

The Bidder is required to demonstrate corporate experience, technical capability, integrity, and financial means to support the contract.

3.10.1 CORPORATE BACKGROUND REVIEW

The Bidder shall provide the following information:

- A. Name and address of the business entity making the Proposal;
- B. Type of business entity (e.g., corporation, partnership, etc.);
- C. Place of incorporation, or other form of organization, if applicable;
- D. Name and location of major offices, plants and other facilities that relate to performance under the terms of this RFP;
- E. Name, address, and function of Substantial Subcontractors, associated companies, or consultants that will be involved in any phase of this project.

3.10.2 GAMING SYSTEMS EXPERIENCE

It is required, at a minimum, that the Bidder has one or more current U.S. clients to whom it has supplied a Lottery Gaming System.

Response Note: The Bidder shall describe, in detail, its current and historical experience with lottery gaming systems; that is, descriptions and references for all gaming industry engagements of comparable complexity and sensitivity that have been conducted by the Bidder over the past five (5) years.

Each experience statement shall include the following details:

- Name of lottery or gaming enterprise(s);
- Estimated contract value;
- Number of retailer terminals delivered to the customer;
- The term of the contract including effective dates;
- Reason for contract end, if the contract is no longer in effect;
- Whether the implementation was a new state installation, or a conversion from another lottery gaming system. If a conversion, then whether the conversion was from the Bidder's previous system, or from a system supplied by a different company and the Bidder's approach to the conversion;
- Types of services directly provided by the Bidder under the contract and whether the Bidder was a prime Contractor or Subcontractor.

The descriptions must include names, titles, addresses and telephone numbers of the references whom the State may contact to verify qualifying experience.

Response Note: If the experience is provided by a teaming partner or a Subcontractor that will provide a major part of the products and services, then experience information for that entity must be included.

3.10.3 CONTRACT PERFORMANCE HISTORY

The Bidder must be a business in good standing with its customers and the business community, evidencing good delivery on the obligations of its contracts. The Bidder shall state whether any of the following have occurred:

- A. **Implementation Delays.** During the last five (5) years, the Bidder has had a new System installation delayed beyond the intended start-up date. Similarly, if during a contract, whether any major game or promotion rollouts have been delayed beyond their intended starting dates. If so, the Bidder shall describe the circumstances of the delay. If for example, delays have been caused by a *force majeure* incident, or by the jurisdiction opting to delay, or directly causing the delay, then the Bidder should cite any such mitigating circumstances.
- B. **Terminations.** During the last five (5) years, the Bidder has had a Contract terminated for default or cause. If so, the Bidder shall submit full details for contacting the jurisdiction affected.
- C. **Suspensions.** During the last five (5) years, the Bidder, a subsidiary or intermediate company, parent company or holding company was the subject of any order, judgment or decree of any US or non-US governmental authority barring, suspending or otherwise limiting the right of the Bidder to engage in any business, practice or activity, or if trading in the stock of the company has ever been suspended, with date(s) and explanation(s).
- D. **Liquidated Damages and Settlements.** The Bidder shall list incidents during the past five (5) years where the aggregate of liquidated damages and settlements resulted in an extraordinary payment or loss of expected revenue to any jurisdiction of one hundred thousand dollars (\$100,000), or greater, in a twelve (12) month period. The Bidder shall indicate the jurisdiction, date, amount, and brief description of the cause (e.g., late delivery of software; central system downtime; untimely terminal service, unauthorized facilities access).

Response Note: If the experience is provided by a teaming partner or a Subcontractor that will provide a major part of the products and services, then the same performance information as above must be included for that entity.

3.10.4 MANUFACTURING CAPABILITIES FOR TERMINALS

Capacity to provide the gaming terminals is critical to the project.

- A. **Manufacturing Plans.** The Bidder shall describe its resources, capability, capacity, and plans for producing (through current inventory, manufacturing, purchasing, etc.) the terminals proposed to meet the requirements of the RFP, including the availability of additional plants and secondary sources.
- B. **Manufacturing Quality.** The Bidder's Proposal must address manufacturing quality practices, and in particular whether the Bidder is certified under the ISO 9000 series or other recognized quality practices standards.

3.10.5 SOFTWARE DEVELOPMENT AND SUPPORT CAPABILITIES

Capacity to provide the software and systems support is critical to the project.

- A. **Software Development Plans.** The Bidder shall describe its staff skill levels, headcounts, and locations pertinent to developing and maintaining software for the New Jersey Lottery Contract.
- B. **Software Quality.** The Bidder must address software engineering quality practices, and in particular whether the Bidder is certified under the ISO 9000 series, SEI CMMI, or other recognized quality practices standards.

3.10.6 PROJECT MANAGEMENT CAPABILITIES

Capacity to conduct the implementation and additional evolutionary System changes is critical to the project.

- A. **Project Management Approach.** The Bidder shall describe its corporate organization and tools pertinent to managing the implementation and operation of the Lottery Gaming System required for this contract.
- B. **Project Management Quality.** The Proposal must address project management quality practices, and in particular whether members of the proposed staff are certified under the Project Management Institute PMP program or other recognized project management practices standards.

3.10.7 SECURITY MANAGEMENT CAPABILITIES

The Bidder must demonstrate a capacity to develop and implement a comprehensive plan for maintaining effective security controls and practices critical to ensuring the integrity of Lottery operations.

- A. **Security Management Approach.** The Bidder shall describe its corporate organization and tools pertinent to managing all aspects of information security pertaining to gaming system development and operations.
- B. **Security, Control, Audit Standards.** The Bidder must address standards and practices, and in particular whether the Bidder's gaming solutions and practices are compliant with ISO 17799, NIST, COBIT, CISSP, or other recognized information security, control, and audit standards.

3.10.8 RESEARCH AND DEVELOPMENT PROGRAM

The success of the Lottery depends on the availability of new products, software innovations, and service enhancements.

The Bidder shall describe its resources, capability, capacity and plans for maintaining a research and development effort in such areas as retailer terminal design, software developments, telecommunications, network monitoring, and sales/operational data mining.

3.10.9 FINANCIAL VIABILITY

In order to ensure the Bidder's financial ability to perform under the contract, the Lottery requires the following financial information.

Response Note: An original and two (2) copies of this information must be provided and should be submitted with the original Proposal (not bound with all copies). If the information is not supplied with the Bid Proposal, the State may still require the Bidder to submit it. If the Bidder fails to comply with the request within seven (7) business days, the State may deem the Proposal non-responsive. All submissions must employ US currency or include a US currency conversion formula. If the Bidder is not based in the United States, the foreign equivalent of the required filings must be tendered.

- A. **Submission of Financial Statements.** All Bidders and Substantial Subcontractors should submit certified financial statements, or federal income tax returns if the Bidder or Substantial Subcontractor does not have certified financial statements prepared for the last two (2) fiscal years. Certified financial statements must be the result of an audit of the entity's records, prepared in accordance with Generally Accepted Auditing Standards (GAAS) by a certified public accountant. The certified financial statements shall be prepared in accordance with Generally Accepted Accounting Principles (GAAP), and must include balance sheets, income statements, statements of cash flows, statements of retained earnings, notes to the financial statements for both years, and any management letters that have been received for those years. The Proposal should include the most recent 10-K or 10-Q statements (when 10-K statements are not available) for two (2) years (or the international equivalents to the extent available).
- B. **Subsidiaries.** If a Bidder or Substantial Subcontractor is a subsidiary of a parent entity and the Bidder or Substantial Subcontractor does not have its own, separate financial statements, the Bidder or Substantial Subcontractor may satisfy its financial responsibility submission requirements by submitting the consolidated financial statements of its parent entity if the consolidated financial statements include the activity of the Bidder or Substantial Subcontractor. If a Bidder or Substantial Subcontractor submits the consolidated financial statements of its parent, the parent must serve as financial guarantor of the Bidder or Substantial Subcontractor.
- C. **Parent Corporation Resources.** If the Bidder is a subsidiary and will rely on the financial resources of the parent to perform this contract, the parent should certify, in writing in a form acceptable to the State, the availability of its resources to the Bidder. Parent entities that serve as financial guarantors of subsidiary firms shall be held accountable for all terms and conditions of the RFP and the resulting contract and shall execute the Contract as guarantor.
- D. **External Borrowing.** The Bidder should provide a letter of commitment in a form acceptable to the State from a lender acceptable to the State, if outside borrowing will provide any or all of the funding for Bidder's performance of this contract.

4.0 PRICING

This section describes the manner in which Bidders shall submit pricing for the Lottery's consideration. The Price Schedule is attached as "[ATTACHMENT 1](#)"

4.1 SEPARATELY SEALED PRICE PROPOSAL

The Price Proposal must be submitted with the technical Proposal in a separately sealed envelope (Refer to **Section 6.4** for specific information).

4.2 DURATION OF THE PRICE PROPOSAL

The Bidder is required to hold its prices firm through commencement of the contract.

4.3 FORM OF THE PRICE SUBMISSION

The Bidder must submit pricing per the Price Schedule attached as "[ATTACHMENT 1](#)" in the following format.

Pricing shall be proposed as a percentage of Net Total Sales (on-line and instant). This includes all fees. No other payments will be made to the Contractor unless authorized by a contract amendment.

5.0 PROPOSAL EVALUATION

This section describes the evaluation process that will be used to determine which Proposal provides the greatest overall benefits to the State. The ability of the State to evaluate a Proposal is dependent upon the completeness and proper submission of the Proposal. The failure of a Bidder to provide information requested by this RFP, to submit according to the required format, or to respond appropriately to a clarification request or demonstration request, may result in rejection of the Proposal or reduction in scoring during the evaluation.

The State intends to conduct a comprehensive, fair, and impartial evaluation of Proposals received in response to this RFP. In evaluating the Proposals, the State will be represented by an Evaluation Committee. The Committee will evaluate each Proposal that is properly submitted.

The Evaluation Committee will make a recommendation to the Director of Purchase and Property for award of the contract to the responsible Bidder who's Bid Proposal, conforming to this RFP, is most advantageous to the State, price and other factors considered.

The State has retained the services of an independent and not-for-profit consultant, Battelle Memorial Institute, to facilitate this evaluation effort and to provide technical advice. Battelle will not be a voting member of the Evaluation Committee. Battelle will not score the Proposals nor provide an opinion or recommendation as to which Proposal meets the State's needs best.

5.1 PROPOSAL EVALUATION COMMITTEE

Bid Proposals will be evaluated by an Evaluation Committee comprised of members of the Lottery together with representative(s) from the Purchase Bureau and other governmental agencies. The Evaluation Committee may also choose to make use of the expertise of outside consultant(s) (other than Battelle Memorial Institute) in an advisory role.

5.2 EVALUATION STEPS

The evaluation and award process will be comprised of the following steps:

- A. Review of Proposals to assess compliance with Proposal submission requirements, including responsiveness to terms, conditions and requirements;
- B. Detailed evaluation of proposed functions, features, services, and references, using requirements and criteria defined in this RFP;
- C. Proposal clarifications and equipment demonstrations (as determined necessary by the Evaluation Committee);
- D. Scoring of Technical Proposals;
- E. Opening of sealed Price Proposals followed by review;

- F. Best and Final Offers (BAFOs) tendered upon the State's request;
- G. Compilation of technical scores and price scores into a summary score sheet, and write-up of Evaluation Committee findings and observations;
- H. Submission of Evaluation Committee Report to the Director of Purchase and Property;
- I. Notice of Intent to Award Issued.

5.3 ORAL PRESENTATION AND/OR CLARIFICATION OF BID PROPOSAL

After the submission of Bid Proposals, unless requested by the State as noted below, Bidder contact with the State is still not permitted.

At the State's sole option, a Bidder may be required to give an oral presentation to the Evaluation Committee concerning its Bid Proposal. The Evaluation Committee may also require a Bidder to submit written responses to written questions regarding its Bid Proposal.

The purpose of such communication with a Bidder, either through an oral presentation or a letter of clarification, is to provide an opportunity for the Bidder to clarify or elaborate on its Bid Proposal. Original Bid Proposals submitted, however, cannot be supplemented, changed, or corrected in any way. No comments regarding other Bid Proposals are permitted. Bidders may not attend presentations made by other Bidders.

It is within the Evaluation Committee's discretion whether to require a Bidder to give an oral presentation or require a Bidder to submit written responses to written questions regarding its Bid Proposal. Action by the Evaluation Committee in this regard should not be construed to imply acceptance or rejection of a Bid Proposal.

The Purchase Bureau will be the sole point of contact regarding any request for an oral presentation or written clarification.

5.4 BID DISCREPANCIES

In evaluating bids, discrepancies between words and figures will be resolved in favor of words.

5.5 INFORMATION FROM OTHER SOURCES

The State reserves the right to obtain, from sources other than the Bidder, information concerning a Bidder, the Bidder's offerings, capabilities, and past performance, that the Evaluation Committee deems pertinent to this procurement and to consider such information in evaluating the Proposal.

5.6 DEMONSTRATION TERMINALS

Prior to completion of the evaluation process, Bidders may be required to deliver and set-up demonstration terminals (maximum of 2) at Lottery Headquarters, or other State designated location in the Trenton, NJ area for the purposes of benchmarking. The State will provide the Bidder space and setup time. If demonstration terminals are requested, the State will designate in writing, the time period to deliver and set up the terminals. The demonstration retailer terminals shall be connected to a remote test gaming system using one or more communications methods offered in the Proposal. The remote testing system shall be of architecture and capacity similar to the products offered in the Bid Proposal.

The purpose of this demonstration is to provide substantiating information and demonstrated performance to support Proposal content. Types of demonstrations likely to be conducted are listed in **Exhibit 5**. In particular, the State requires the Bidder's system be capable of a performance simulation demonstrating the sales of seventy five thousand (75,000) tickets per minute and three thousand (3,000) combined cancel and winning ticket validations per minute, concurrently.

The demonstration terminals must, at a minimum, operate as fully functional retailer terminals (including attached peripherals), replicating a retailer location as proposed in the Bidder's Proposal. The demonstration terminals need not play games according to New Jersey specifications, but must be able to demonstrate such games of this nature that are popular in U.S. lotteries. During the benchmark activity, the Bidder may have present at the Lottery a limited technical staff for direct support only. The benchmark shall not be considered a general or marketing presentation of the Bidder's capabilities. Any communication between the Bidder's technical staff and State personnel shall be subject to [Section 1.9.8](#).

The demonstration terminal process shall not serve to relieve the Contractor of any Lottery quality assurance or operational performance obligations required under the Contract. No enhancements to the Proposal may be tendered, and sales presentations will not be allowed.

It is the State's intent to conduct terminal demonstrations with responsive Bidders. The determinations as to the need for demonstration terminals, and the order and schedule of such are at the sole discretion of the State.

5.7 TECHNICAL PROPOSAL SCORING

Each of the technical (non-price) factors in RFP [Section 3.0](#) will be graded by the Evaluation Committee, considering all Proposal text, clarifications, reference checks, demonstrations, and qualified sources of information.

A weighted scoring system will be used to provide numerical scores that represent the Committee's assessments of the relative technical merits of the Proposals. The scoring approach will involve grading ten (10) technical and management criteria, multiplying the grades by the point weights available for each, then totaled.

5.7.1 CRITERIA AND WEIGHTS (AVAILABLE POINTS)

The weights (available points) for each of the evaluation criteria are:

RFP Section	Description	Points
3.1	Central Configuration	100
3.2	Retailer Terminals, Peripherals and Other Devices	130
3.3	Communications Network	110
3.4	Software Controls and Data Management	170
3.5	Games and Marketing	100
3.6	Emergency Management Terminals	60
3.7	Contractor Facilities and Disaster Recovery Plan	75
3.8	Staffing, Services and Operations Security Plan	100
3.9	Gaming System Implementation	80
3.10	Bidder Corporate Capability	75
<u>TOTAL TECHNICAL POINTS</u>		<u>1,000</u>

Although some criteria are more heavily weighted than others, the Bidder is cautioned that every criterion reflects requirements that must be met regardless of a criterion's weight. A poor response to a lesser-weighted criterion still can have a significant impact on the Bidder's final technical score.

5.7.2 SCORING SCALE FOR EVALUATION

Points in this system are "earned" based on the Evaluation Committee's consensus judgment using the following award scale:

Percentage	Description
90-100%	The Proposal contains no significant limitations for the criterion.
80-89%	The Proposal has no more than one significant limitation and otherwise only minor limitations for the criterion.
70-79%	The Proposal has a few significant limitations or concerns, and otherwise only minor limitations for the criterion.
60-69%	The Proposal has several serious flaws and concerns with the approach or capability for the criterion.
Less than 60%	The Proposal is so severely flawed for this criterion as to render an essential element of the solution unworkable and therefore render the Proposal ineligible for contract award.

Thus, for each of the ten (10) criteria, the Proposal will receive a score as a result of multiplying the points available times the scoring percentage. All ten (10) scores will be combined for the Proposal's total technical score.

5.7.3 MINIMUM SCORES

A technical score of less than sixty percent (60%) on any of the ten (10) criteria, or a total technical score below seventy percent (70%) (i.e., less than seven hundred (700) of available one thousand (1,000) points) shall render the Proposal ineligible for contract award.

5.8 NEGOTIATION AND BEST AND FINAL OFFER (BAFO)

Following the opening of Bid Proposals, the Director may, pursuant to N.J.S.A. 52:34-12 (f), negotiate with Bidders the final terms and conditions of this procurement, including price. When negotiations occur, a written record of the nature and content of the negotiations, as well as the dates and persons involved, shall become a public record when the notice of intent to award the Contract is issued.

The following is the process that will be followed for BAFOs:

- A. Initially, the Evaluation Committee will conduct a review of all the bids and select Bidders to contact to negotiate and/or conduct a BAFO based on its evaluation and determination of the Bid Proposals that best satisfy the evaluation criteria and RFP requirements, and that are most advantageous to the State, price and other factors considered. The Committee may not contact all Bidders to negotiate and/or to submit a BAFO.
- B. In response to the State's request for a BAFO, Bidders may submit a revised price Proposal that is equal to or lower in price than their original submission, but must continue to satisfy all mandatory requirements. Any revised price Proposal that is higher in price than the original will be rejected as non-responsive and the original bid will be used for any further evaluation purposes.
- C. After receipt of the results of the BAFO(s), the Evaluation Committee will complete its evaluation and recommend to the Director for award that responsible Bidder(s) whose Bid Proposal, conforming to this RFP, is most advantageous to the State, price and other factors considered.
- D. All contacts, records of initial evaluations, any correspondence with Bidders related to any request for negotiation or BAFO, any revised technical and/or price Proposals, the Evaluation Committee Report and the Award Recommendation, will remain confidential until a Notice of Intent to Award a Contract is issued.

5.9 PRICE EVALUATION

Price evaluation will occur after technical scoring. The Committee will only evaluate a Bidder's price proposal if the Committee has determined, in its reasonable discretion, that:

- A. The Bidder has demonstrated the quality, fitness and capacity to satisfactorily carry out the responsibilities of the Contract.

- B. The Proposal meets all submission requirements and complies with all mandatory technical requirements stated in the RFP.
- C. The Proposal has achieved an over-all technical score of at least seventy percent (70%) of available points.
- D. The Proposal has achieved a technical score of at least sixty percent (60%) of available points on each of the technical evaluation criteria.

The price evaluation will be based on the proposed price submitted in accordance with the price schedule ([ATTACHMENT 1](#)) and [Section 4.0](#).

The Evaluation Committee will then award up to four hundred twenty eight (428) points for price, based on a ratio of the Proposal being evaluated versus the lowest-cost acceptable Proposal. The formula for any particular Proposal being evaluated is:

$$\text{PRICE POINTS} = 428 \times (\text{LOWEST COST} / \text{PROPOSAL COST})$$

Under this formula, the lowest cost acceptable proposal receives all four hundred twenty eight (428) available price points. A proposal twice as expensive as the lowest cost acceptable Proposal earns half as many, or two hundred fourteen (214) price points.

5.10 TECHNICAL SCORING AND PRICING COMBINED

The Evaluation Committee will combine the points for the technical and price proposals to determine the total score for each Proposal per the formula below:

$$\text{TOTAL POINTS} = \text{TOTAL TECHNICAL POINTS} + \text{TOTAL PRICING POINTS}$$

The available **one thousand (1,000) technical points** and **four hundred twenty eight (428) price points** provide a maximum of **one thousand four hundred twenty eight (428) (1,428)** points. The Proposal scoring the highest amount of points will be recommended for contract award, regardless of how slim the margin.

In the event the total amount of points results in an exact tie (including decimals), the tie will be resolved in favor of the Proposal scoring the highest number of technical points per cost percentage bid on the price schedule per the tie breaking formula below:

$$\text{TOTAL TECHNICAL SCORE} / \text{PRICE PERCENTAGE BID} = \text{TIE BREAKER FACTOR}$$

6.0 BID PROPOSAL PREPARATION AND SUBMISSION

6.1 GENERAL

The Bidder is advised to thoroughly read and follow all instructions contained in this RFP, including the instructions on the RFP's signatory page, in preparing and submitting its Bid Proposal.

Note: Bid Proposals shall not contain URLs (Uniform Resource Locators, i.e., the global address of documents and other resources on the world wide web) or web addresses. Inasmuch as the web contains dynamically changing content, inclusion of a URL or web address in a bid response is indicative of potentially changing information. Inclusion of a URL or web address in a bid response implies that the bid's content changes as the referenced web pages change.

6.2 BID PROPOSAL DELIVERY AND IDENTIFICATION

In order to be considered, a Bid Proposal must arrive at the Purchase Bureau in accordance with the instructions on the RFP signatory page <http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml>. Bidders are cautioned to allow adequate delivery time to ensure timely delivery of Bid Proposals. **State regulation mandates that late Bid Proposals are ineligible for consideration. THE EXTERIOR OF ALL BID PROPOSAL PACKAGES ARE TO BE LABELED WITH THE BID IDENTIFICATION NUMBER AND THE FINAL BID OPENING DATE OR RISK NOT BEING RECEIVED IN TIME.**

6.3 NUMBER OF BID PROPOSAL COPIES

The Bidder must submit **one (1) complete ORIGINAL Bid Proposal**, clearly marked as the "ORIGINAL" Bid Proposal. The Bidder should submit **twelve (12) full, complete and exact copies** of the original. The copies requested are necessary in the evaluation of the Bid Proposal. A Bidder failing to provide the requested number of copies will be charged the cost incurred by the State in producing the requested number of copies. It is suggested that the Bidder make and retain a copy of its Bid Proposal.

Be advised that one **(1) original and two (2) copies of the Bidder's financials** should be submitted per [Section 3.10.9](#). If the information is not supplied with the Bid Proposal, the State may still require the Bidder to submit it. If the Bidder fails to comply with the State's request within seven (7) business days, the State may deem the Proposal non-responsive.

In addition, the Bidder must submit **two (2) full, complete, and exact ELECTRONIC copies** of the original Proposal in PDF file format to be viewable and "read only" by State evaluators using Adobe Acrobat Reader software on compact disc (CD). The Bidder should also submit **one (1) full, complete, and exact ELECTRONIC copy** of the original Proposal in an editable and writable PDF file format on CD for redaction.

A Bidder failing to provide the requested number of copies will be charged the cost incurred by the State in producing the requested number of copies. It is suggested that the Bidder make and retain a copy of its Bid Proposal.

6.4 BID PROPOSAL CONTENT

The Bid Proposal should be submitted in two (2) separately sealed volumes as follows:

- A. Volume 1 – Technical Proposal.
- B. Volume 2 – Price Proposal.

Each volume should be clearly marked to indicate which volume is the Technical Proposal and which is the Price Proposal.

The Technical Proposal should be divided into two (2) sections with tabs (separators), and the content of the material located behind each tab, as follows:

- Section 1 - Forms and Registrations ([Section 6.4.1](#), [6.4.2](#), [6.4.3](#).)
- Section 2 - Technical Proposal ([Section 6.4.4](#))

6.4.1 FORMS THAT MUST BE SUBMITTED WITH BID PROPOSAL

If the information is not supplied with the Bid Proposal, the State may still require the Bidder to submit it. If the Bidder fails to comply with the request within seven (7) business days, the State may deem the Proposal non-responsive.

6.4.1.1 SIGNATORY PAGE

The Bidder shall complete and submit the Signatory page provided on the Advertised Solicitation, Current Bid Opportunities web page <http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml>. The Signatory page shall be signed by an authorized representative of the Bidder. If the Bidder is a limited partnership, the Signatory page must be signed by a general partner. If the Bidder is a joint venture, the Signatory page must be signed by a principal of each party to the joint venture. Failure to comply will result in rejection of the Bid Proposal.

6.4.1.2 OWNERSHIP DISCLOSURE FORM

In the event the Bidder is a corporation, partnership or sole proprietorship, the Bidder must complete the attached Ownership Disclosure Form. A current completed Ownership Disclosure Form must be received prior to or accompany the Bid Proposal. Failure to do so will preclude the award of a Contract. Also refer to [Section 7.2.7](#).

The Ownership Disclosure Form is located on the Advertised Solicitation, Current Bid Opportunities web page <http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml>.

6.4.1.3 DISCLOSURE OF INVESTIGATIONS/ACTIONS INVOLVING BIDDER

The Bidder shall provide a detailed description of any investigation, litigation, including administrative complaints or other administrative proceedings, involving any public sector clients during the past five years including the nature and status of the investigation, and, for any litigation, the caption of the action, a brief description of the

action, the date of inception, current status, and, if applicable, disposition. The Bidder shall use the Disclosure of Investigations and Actions Involving Bidder form located on the Advertised Solicitation, Current Bid Opportunities web page <http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml>.

6.4.1.4 NO CONTACT AGREEMENT AND CERTIFICATION FORM

In accordance with [Section 1.9.8](#), the Bidder shall submit with the Proposal a “No Contact Agreement and Certification Form” see “[ATTACHMENT 2](#)”. An authorized representative of the Bidder must execute this form. By signing this form, the Bidder certifies that neither the Bidder, its directors, officers or employees, or on behalf of the Bidder, its consultants, legal representatives, or lobbyists has initiated, as of the date of the Agreement, any Contact with any Executive Branch employee and agrees not to do so during the remainder of the Procurement Process.

6.4.1.5 SERVICES SOURCE DISCLOSURE FORM

Pursuant to N.J.S.A. 52:34-13.2, the Bidder is required to submit with its Bid Proposal a completed source disclosure form. The Services Source Disclosure Form is located on the Advertised Solicitation, Current Bid Opportunities web page <http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml>.

Under the referenced statute, effective August 3, 2005, all contracts primarily for services awarded by the Director shall be performed within the United States, except when the Director certifies in writing a finding that a required service cannot be provided by a Contractor or Subcontractor within the United States and the certification is approved by the State Treasurer.

If any of the services cannot be performed within the United States, the Bidder shall state with specificity the reasons why the services cannot be so performed. The Director shall determine whether sufficient justification has been provided by the Bidder to form the basis of his certification that the services cannot be performed in the United States and whether to seek the approval of the Treasurer.

FAILURE TO SUBMIT SOURCING INFORMATION WHEN REQUESTED BY THE STATE SHALL PRECLUDE AWARD OF A CONTRACT TO THE BIDDER.

A SHIFT TO PROVISION OF SERVICES OUTSIDE THE UNITED STATES DURING THE TERM OF THE CONTRACT SHALL BE DEEMED A BREACH OF CONTRACT.

If, during the term of the Contract, the Contractor or Subcontractor, who had on Contract award declared that services would be performed in the United States, proceeds to shift the performance of any of the services outside the United States, the Contractor shall be deemed to be in breach of its Contract, which Contract shall be subject to termination for cause pursuant to [Section 7.5.9 b.1](#), unless previously approved by the Director and the Treasurer.

6.4.1.6 SUBCONTRACTOR UTILIZATION FORM

Bidders intending to utilize subcontractors must include a completed and signed Subcontractor Utilization Plan form located on the Advertised Solicitation, Current Bid Opportunities webpage

<http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml>. Failure to submit the required form shall result in a determination that the bid is materially non-responsive.

A. SMALL BUSINESS SET-ASIDE CONTRACTS

This is a RFP with set aside subcontracting goals for Small Businesses. Bidders seeking eligible small businesses should contact the New Jersey Commerce, Economic Growth and Tourism Commission at (609) 292-2146.

6.4.1.7 BID BOND

Refer to [Section 7.4.1 a](#)

6.4.1.8 LITIGATION BOND

Refer to [Section 7.4.1 b](#)

6.4.2 PROOF OF REGISTRATION WITH NEW JERSEY DIVISION OF REVENUE

The Bidder must be registered with the New Jersey Division of Revenue prior to submitting a Bid. **Refer to [Section 7.2.1](#).**

Pursuant to N.J.S.A. 14A:13-4, all foreign corporations conducting business in this State must obtain a Certificate of Authority.

6.4.2.1 BUSINESS REGISTRATION CERTIFICATE FROM THE DIVISION OF REVENUE

FAILURE TO SUBMIT A COPY OF THE BIDDER'S BUSINESS REGISTRATION CERTIFICATE (OR INTERIM REGISTRATION) FROM THE DIVISION OF REVENUE WITH THE BID PROPOSAL MAY BE CAUSE FOR REJECTION OF THE BID PROPOSAL.

The Bidder may go to www.nj.gov/njbgs to register with the New Jersey Division of Revenue or to obtain a copy of an existing Business Registration Certificate.

6.4.3 FORMS THAT MUST BE SUBMITTED BEFORE CONTRACT AWARD AND SHOULD BE SUBMITTED WITH THE BID PROPOSAL.

6.4.3.1 NOTICE OF INTENT TO SUBCONTRACT FORM

The Notice of Intent to Subcontract Form which can be found at: <http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml>, should be submitted with the bid proposal if the bidder intends to use subcontractor(s) to perform work or services related to this RFP. This form must be submitted prior to contract

award. If this is a Small Business Subcontracting set-aside contract, the bidder must comply with the Procedures for Small Business Participation as Subcontractors set forth in <http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml>.

6.4.3.2 MACBRIDE PRINCIPLES CERTIFICATION

The Bidder is required to complete the attached MacBride Principles Certification evidencing compliance with the MacBride Principles. The requirement is a precondition to entering into a State Contract. The MacBride Principles Certification Form is located on the Advertised Solicitation, Current Bid Opportunities web page: <http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml>.

6.4.3.3 AFFIRMATIVE ACTION

After the issuance of the notice of intent to award the Contract, but prior the execution of the Contract, the Bidder must submit a copy of one of the following three documents:

- a. Appropriate evidence that the Contractor is operating under an existing Federally approved or sanctioned affirmative action program;
- b. A certificate of employee information report approval, issued in accordance with N.J.A.C. 17:27-4; or
- c. An Affirmative Action Employee Information Report (AA-302). The Affirmative Action Employee Information Report (AA-302) is located on the Advertised Solicitation, Current Bid Opportunities web page:

<http://www.state.nj.us/treasury/purchase/bid/summary/08x39707.shtml>.

This requirement is a precondition to entering into the Contract. In addition, the Contractor shall not enter into a subcontract with a Subcontractor unless the subcontractor has submitted to the Contractor one of the three documents listed above.

6.4.3.4 CERTIFICATE OF AUTHORITY

Per [Section 7.2.2](#) all foreign corporations conducting business in New Jersey must obtain and submit a Certificate of Authority.

The Bidder may go to www.nj.gov/njbgs to register with the New Jersey Division of Revenue or to obtain a copy of an existing Certificate of Authority.

6.4.4 TECHNICAL PROPOSAL

In this Section, the Bidder shall include descriptive and technical matter only and be appropriately labeled on the exterior of the Bidder's package delivered to the Purchase Bureau. No cost figures shall be contained in the Technical Proposal.

The contents of the technical (non-price) volume should follow the format of Section 3, employing divider pages with tabs to separate sections (For example 3.0, 3.1, 3.1.1, etc).

6.4.4.1 DETAILED TECHNICAL RESPONSE

The technical proposal must include a response to the State's Scope of Work (RFP Section 3) and all of its subsections, specifically each mandatory requirement, i.e., "must" or "shall" statement. RFP Section 3 also contains "Response Notes" which specify and describe how the Bidder is to respond to specific sections of the scope of work.

Mere reiterations of RFP tasks and subtasks are strongly discouraged, as they do not provide insight into the Bidder's ability to complete the Contract. The Bidder's response to this section should be designed to convince the State that the Bidder's detailed plans and approach proposed to complete the Scope of Work are realistic, attainable and appropriate and that the Bidder's Bid Proposal will lead to successful Contract completion.

6.4.5 PRICE SCHEDULE

The Bidder must submit its Price Proposal using the format set forth in the State supplied price schedule (see [ATTACHMENT 1](#) and [Section 4.0](#)). Failure to submit all information required will result in the Bid being considered non-responsive. Each Bidder is required to hold its prices firm through commencement of the Contract.

The Bidder is required to provide the Price Proposal in a separately sealed envelope. Refer to [Section 4.1](#).

7.0 CONTRACTUAL TERMS AND CONDITIONS

Bidder/Contractor is advised that the State's Standard Terms and Conditions located on the website at www.state.nj.us/treasury/purchase/bid/summary/08x39202.shtml do not apply to this procurement. The State's Terms and Conditions are incorporated in this RFP under [Section 7.0, CONTRACTUAL TERMS AND CONDITIONS](#).

7.1 INTRODUCTION

- A. The Contract awarded as a result of this RFP shall consist of this RFP, any Addenda to this RFP, the Contractor's Bid Proposal and the Notice of Award.

In the event of a conflict between the provisions of this RFP, including any Addenda to this RFP, and the Bidder's Bid Proposal, the RFP and/or the Addenda shall govern.

- B. The following terms and conditions will apply to all contracts made with the State of New Jersey. If a Bidder proposes changes or modifications or takes exception to any of the State's terms and conditions, the Bidder must so state specifically in writing in the Bid Proposal. Any proposed change, modification or exception in the State's terms and conditions by a Bidder must be submitted during the Q&A period. No changes, modification, or exception to the State's terms will be considered or accepted after bid opening.
- C. All of the terms and conditions as set forth in this **Section 7** will become a part of the Contract awarded as a result of the Request for Proposal, whether stated in part, in summary or by reference. In the event the Bidder's terms and conditions conflict with the State's, the State's terms and conditions will prevail.
- D. The statutes, laws or codes cited are available for review at the New Jersey State Library, 185 West State Street, Trenton, New Jersey 08625.
- E. If awarded the Contract, the Bidder's status shall be that of an independent Contractor and not an employee of the State.

7.2 STATE LAW REQUIRING MANDATORY COMPLIANCE BY ALL CONTRACTORS

7.2.1 BUSINESS REGISTRATION

Pursuant to N.J.S.A. 52:32-44, the Bidder must be registered with the New Jersey Division of Revenue prior to submitting a Bid. Failure to submit a copy of the Business Registration Certificate with the bid proposal may be cause for rejection of the Bid Proposal. Refer to [Section 6.4.2](#).

The Contractor and all Subcontractors providing goods or performing services under the Contract, and each of their affiliates, shall, during the term of the Contract, collect and remit to the Director of the Division of Taxation in the Department of the Treasury the use tax due pursuant to the "Sales and Use Tax Act, P.L. 1966, c. 30 (N.J.S.A. 54:32B-1 et seq.) on all their sales of tangible personal property delivered into the State. This requirement shall apply to all contracts awarded on and after September 1, 2004. Any questions in this regard can be directed to the Division of Revenue at (609) 292-1730.

Form NJ-REG can be filed online at
<http://www.state.nj.us/treasury/revenue/busregcert.htm>

Before performing work under the Contract, all Subcontractors of the Contractor must provide to the Contractor proof of New Jersey business registration. The Contractor shall forward the business registration documents on to the State Contract Manager or using agency.

7.2.2 CERTIFICATE OF AUTHORITY

Pursuant to N.J.S.A. 14A:13-4, all foreign corporations conducting business in this State must obtain a Certificate of Authority.

7.2.3 ANTI-DISCRIMINATION

All parties to any contract with the State of New Jersey must agree not to discriminate in employment and agree to abide by all anti-discrimination laws including those contained within N.J.S.A. 10:2-1 through N.J.S.A. 10:2-4, N.J.S.A.10:5-1 et seq. and N.J.S.A.10:5-31 through 10:5-38, and all rules and regulations issued there under.

Further, during the performance of the Contract, unless the Contractor is participating in an existing federally approved or sanctioned affirmative action program, the following terms shall become part of the Contract:

- a. The Contractor or subcontractor, where applicable, agrees not to discriminate against any employee or applicant for employment because of age, race, creed, color, national origin, ancestry, marital status, affectional or sexual orientation or sex. Except with respect to affectional or sexual orientation, the Contractor will take affirmative action to ensure that such applicants are recruited and employed, and that employees are treated during employment without regard to their age, race, creed, color, national origin, ancestry, marital status, affectional or sexual orientation or sex. Such action shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the public agency compliance officer setting forth provisions of this nondiscrimination clause;
- b. The Contractor or subcontractor, where applicable, will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to age, race, creed, color, national origin, ancestry, marital status, affectional or sexual orientation or sex;
- c. The Contractor or subcontractor, where applicable, will send to each labor union or representative or workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the Contractor's commitments under this act and shall post copies of the notice in conspicuous places available to employees and applicants for employment;

- d. The Contractor or subcontractor, where applicable, agrees to comply with any regulations promulgated by the Treasurer pursuant to N.J.S.A. 10:5-31 et seq., as amended and supplemented from time to time.

7.2.3.1 EMPLOYMENT GOAL COMPLIANCE

Unless the contractor is participating in an existing federally approved or sanctioned affirmative action program, the following terms shall become part of the Contract:

- a. The Contractor or subcontractor agrees to make good faith efforts to employ minority and women workers consistent with:
 - 1. The applicable county employment goals established in accordance with N.J.A.C. 17:27-5.2; or
 - 2. A binding determination of the applicable county employment goals determined by the Division of Contract Compliance and Equal Employment Opportunity in Public Contracts pursuant to N.J.A.C. 17:27-5.2.
- b. The Contractor or subcontractor agrees to inform in writing its appropriate recruitment agencies including, but not limited to, employment agencies, placement bureaus, colleges, universities, labor unions, that it does not discriminate on the basis of age, creed, color, national origin, ancestry, marital status, affectional or sexual orientation or sex, and that it will discontinue the use of any recruitment agency which engages in direct or indirect discriminatory practices.
- c. The Contractor or subcontractor agrees to revise any of its testing procedures, if necessary, to assure that all personnel testing conforms with the principles of job-related testing, as established by the statutes and court decisions of the State of New Jersey and as established by applicable Federal law and applicable Federal court decisions.
- d. In conforming with the applicable employment goals, the Contractor or subcontractor agrees to review all procedures relating to transfer, upgrading, downgrading and layoff to ensure that all such actions are taken without regard to age, creed, color, national origin, ancestry, marital status, affectional or sexual orientation or sex, consistent with the statutes and court decisions of the State of New Jersey, and applicable Federal law and applicable Federal court decisions.

7.2.4 PREVAILING WAGE ACT

The New Jersey Prevailing Wage Act, N.J.S.A. 34: 11-56.26 et seq. is hereby made part of every contract entered into on behalf of the State of New Jersey through the Division of Purchase and Property, except those contracts which are not within the contemplation of the Act. The Bidder's signature on the Proposal is the Bidder's guarantee that neither it nor any its Subcontractors it might employ to perform the work covered by this Proposal has been suspended or debarred by the Commissioner, Department of Labor for violation of the provisions of the Prevailing Wage Act.

7.2.5 AMERICANS WITH DISABILITIES ACT

The Contractor must comply with all provisions of the Americans With Disabilities Act (ADA), P.L 101-336, in accordance with 42 U.S.C. 12101 et seq.

7.2.6 THE WORKER AND COMMUNITY RIGHT TO KNOW ACT

The provisions of N.J.S.A. 34:5A-1 et seq. which require the labeling of all containers of hazardous substances are applicable to this contract. Therefore, all goods offered for purchase to the State must be labeled by the Contractor in compliance with the provisions of the Act.

7.2.7 OWNERSHIP DISCLOSURE

Contracts for any work, goods or services cannot be issued to any corporation or partnership unless prior to or at the time of Bid submission the Bidder has disclosed the names and addresses of all its owners holding 10% or more of the corporation or partnership's stock or interest. Refer to N.J.S.A. 52:25-24.2. Refer to [Section 6.4.1.2](#).

7.2.8 COMPLIANCE – LAWS

The Contractor must comply with all local, state and federal laws, rules and regulations applicable to this Contract and to the goods delivered and/or services performed hereunder.

7.2.9 COMPLIANCE - STATE LAWS

It is agreed and understood that this contract shall be governed and construed, and the rights and obligations of the parties hereto shall be determined in accordance with the laws of the State of New Jersey.

7.2.10 COMPLIANCE – CODES

The Contractor must comply with NJUCC and the latest NEC70, B.O.C.A. Basic Building code, OSHA and all applicable codes for this requirement. The Contractor will be responsible for securing and paying all necessary permits, where applicable. Also refer to **Exhibit 9** (Construction Standards issued by the State of NJ, Dept. of the Treasury, Division of Property Management & Construction, Office of Property Lease Negotiations).

7.2.11 CONTRACTOR CERTIFICATION & DISCLOSURE OF POLITICAL CONTRIBUTIONS

All Contractors are required to comply with the disclosure requirements set forth in N.J.S.A. 19:44A-20.13 et seq. Compliance requires the Contractor to submit the certification and disclosure. In addition, the Contractor is under a continuing duty to disclose during the time of the Contract all contributions made during the term of the Contract covered under the statute. Failure to comply with any of the requirements of the statute may result in the termination of the Contract. Below is a link to the form: http://www.state.nj.us/treasury/purchase/forms/eo134/c51_cd.pdf

7.2.12 COMPLIANCE WITH REQUIREMENTS OF N.J.S.A. 52:34-13.2

N.J.S.A. 52:34-13.2 requires that all contracts that are “primarily for the performance of services” shall be performed within the United States. This provision applies to all contractors and sub-contractors performing such contracts for the State. Refer to [Section 6.4.1.5](#).

7.3 LIABILITIES

7.3.1 LIABILITY – PATENT AND COPYRIGHT INDEMNITY

- a. The Contractor shall hold and save the State of New Jersey, its officers, agents, servants and employees, harmless from liability of any nature or kind for or on account of the use of any copyrighted or uncopyrighted composition, secret process, patented or unpatented invention, article or appliance, or other intellectual property furnished or used in the performance of the Contract.
- b. The State of New Jersey agrees: (1) to promptly notify the Contractor in writing of such claim or suit; (2) that the Contractor shall have control of the defense of settlement of such claim or suit; and (3) to cooperate with the Contractor in the defense of such claim or suit, to the extent that the interests of the Contractor and the State are consistent.
- c. In the event of such claim or suit, the Contractor, at its option, may: (1) procure for the State of New Jersey the legal right to continue the use of the product; or (2) replace or modify the product to provide a non-infringing product that is the functional equivalent.
- d. To the extent that the Contractor utilizes or relies upon the Intellectual Property of a third party in fulfilling its obligations under the Contract, the Contractor shall provide the Lottery with whatever assurance the Lottery deems necessary that the use of such third party Intellectual Property is permissible. In addition, in the event of failure to perform or breach of Contract the Contractor must ensure continued right of use of licensed Intellectual Property by the Lottery.

7.3.2 INDEMNIFICATION

The Contractor shall assume all risk of and responsibility for, and agrees to indemnify, defend, and save harmless the State of New Jersey and its employees from and against any and all claims, demands, suits, actions, recoveries, judgments and costs and expenses in connection therewith on account of claims, including but not limited to, the loss of life, property or injury or damage to the person, body or property of any person or persons whatsoever, which shall arise from or result directly or indirectly from the work and/or materials supplied under this Contract. This indemnification obligation is not limited by, but is in addition to the insurance obligations contained in this agreement.

7.3.3 INSURANCE

All required bonds and insurance must be issued by companies which are A- (Excellent) or higher rated by A.M. Best & Co., have a record of successful continuous operation, are licensed, admitted, and authorized to do business in the State of New Jersey.

The Contractor shall secure and maintain in force for the term of the contract liability insurance as provided herein. The Contractor shall provide the State with current certificates of insurance for all coverage's and renewals thereof, naming the State as an Additional Insured, except for Workers' Compensation Insurance, and shall contain the provision that the insurance provided in the certificate shall not be canceled for any reason except after thirty (30) days written notice to:

State of New Jersey
Purchase Bureau – Bid Reference #

The insurance to be provided by the Contractor shall be as follows:

- A. **Comprehensive General Liability Insurance** or its equivalent: The minimum limit of liability shall be \$1million per occurrence as a combined single limit for bodily injury and property damage. The above required Comprehensive General Liability Insurance policy or its equivalent shall name the State, its officers, and employees as additional insured. The coverage to be provided under these policies shall be at least as broad as that provided by the standard basic, un-amended, and unendorsed Comprehensive General Liability Insurance occurrence coverage forms or its equivalent currently in use in the State of New Jersey, which shall not be circumscribed by any endorsement limiting the breadth of coverage.
- B. **Automobile liability insurance** which shall be written to cover any automobile used by the insured. Limits of liability for bodily injury and property damage shall not be less than \$1 million per occurrence as a combined single limit.
- C. **Worker's Compensation Insurance** applicable to the laws of the State of New Jersey and Employers Liability Insurance with limits not less than:

\$1,000,000 BODILY INJURY, EACH OCCURRENCE
\$1,000,000 DISEASE EACH EMPLOYEE
\$1,000,000 DISEASE AGGREGATE LIMIT

7.4 TERMS GOVERNING ALL BID PROPOSALS TO NEW JERSEY PURCHASE BUREAU

7.4.1 BID BOND AND LITIGATION BOND

- A. **Bid Security** – The Bidder must submit with the Proposal a bid bond in the amount of **one million dollars (\$1,000,000)**. See N.J.A.C. 17: 12- 2.4. Acceptable forms of Bid security are as follows:
 - 1. A properly executed individual or annual bid bond issued by an insurance or security company authorized to do business in the State of New Jersey, a certified or cashier's check drawn to the order of the Treasurer, State of New Jersey, or an irrevocable letter of credit drawn naming the Treasurer, State of New Jersey as beneficiary issued by a federally insured financial institution.
 - 2. The State will hold all Bid security during the evaluation process. As soon as is practicable after the completion of the evaluation, the State will:

- a. Issue an award notice for those offers accepted by the State;
- b. Return all bond securities to those who have not been issued an award notice.

All bid security from Contractors who have been issued an award notice shall be held until the successful execution of all required contractual documents and bonds (performance bond, insurance, etc.). If the contractor fails to execute the required contractual documents and bonds within thirty (30) calendar days after receipt of award notice, the contractor may be found in default and the contract terminated by the State. In case of default, the State reserves all rights inclusive of, but not limited to, the right to purchase material and/or to complete the required work in accordance with the New Jersey Administrative Code and to recover any actual excess costs from the contractor. Collection against the bid security shall be one of the measures available toward the recovery of any excess costs.

- B. **Litigation Bond** - The Bidder must submit with the Proposal a litigation bond in the amount of **five hundred thousand dollars (\$500,000)**.

A claim upon the bond may be made by the State under the following conditions: the Bidder sues the State of New Jersey, or any of their officers and employees, other Contractors, or retailers with regard to any matter relating to the award of the contract pursuant to this RFP, and the Bidder is not the prevailing party in such suit.

The purpose of the bond is to permit the State or other defendants to recover damages, including reasonable attorneys' fees, expenses and court costs resulting from such litigation. The litigation bond shall remain in effect for a period of four (4) years from the date of submission of the Proposal. Following signing of the Contract with the successful Bidder, the litigation bond of any Bidder may be released upon acceptance by the State of a covenant not to sue.

7.4.2 VENDOR RIGHT TO PROTEST – INTENT TO AWARD

Except in cases of emergency, Bidders have the right to protest the Director's proposed award of the Contract as announced in the Notice of Intent to Award, see N.J.A.C. 17:12-3.3. Unless otherwise stated, a Bidder's protest must be submitted to the Director within 10 working days after receipt of written notification that its Bid has not been accepted or that an award of Contract has been made. In the public interest, the Director may shorten this protest period, but shall provide at least 48 hours for Bidders to respond to a proposed award. In cases of emergency, stated in the record, the Director may waive the appeal period. See N.J.A.C. 17: 12- 3 et seq.

7.4.3 DIRECTOR'S RIGHT OF FINAL BID ACCEPTANCE

The Director reserves the right to reject any or all Bids, or to award in whole or in part if deemed to be in the best interest of the State to do so. The Director shall have authority to award orders or Contracts to the vendor or vendors best meeting all specifications and

conditions in accordance with N.J.S.A. 52:34-12. Tie Bids will be awarded by the Director in accordance with N.J.A.C.17:12-2.1D.

7.4.4 BID ACCEPTANCES AND REJECTIONS

The provisions of N.J.A.C. 17:12-2.9, relating to the Director's right, to waive minor elements of non-compliance with Bid specifications and N.J.A.C. 17: 12- 2.2 which defines causes for automatic Bid rejection, apply to all Proposals and Bids.

7.4.5 STATE'S RIGHT TO INSPECT BIDDER'S FACILITIES

The State reserves the right to inspect the Bidder's establishment before making an award, for the purposes of ascertaining whether the Bidder has the necessary facilities for performing the Contract.

The State may also consult with clients of the Bidder during the evaluation of bids. Such consultation is intended to assist the State in making the Contract award, which is most advantageous to the State.

7.4.6 STATE'S RIGHT TO REQUEST FURTHER INFORMATION

The Director reserves the right to request all information which may assist him or her in making the Contract award, including factors necessary to evaluate the bidder's financial capabilities to perform the Contract. Further, the Director reserves the right to request a Bidder to explain, in detail, how the Bid price was determined.

7.4.7 COMPLAINTS

Where a Bidder has a history of performance problems as demonstrated by formal complaints and/or contract cancellations for cause pursuant to 3.5b a Bidder may be bypassed for this award. See N.J.A.C. 17:12-2.8.

7.4.8 RECIPROCITY

In accordance with N.J.S.A. 52:32-1.4 and N.J.A.C. 17: 12- 2. 13, the State of New Jersey will invoke reciprocal action against an out-of-State Bidder whose state or locality maintains a preference practice for their Bidders.

7.5 BASE CONTRACT TERMS

7.5.1 CONTRACT AMOUNT

The estimated amount of the Contract(s), when stated on the Advertised Request for Proposal form, shall not be construed as either the maximum or minimum amount, which the State shall be obliged to order as the result of this Request for Proposal or any Contract entered into as a result of this Request for Proposal.

7.5.2 CONTRACT PERIOD AND EXTENSION OPTION

The Contract term shall include seven (7) years of production operations plus an implementation period as proposed by the Bidder and accepted by the State (see [Section 3.9.2](#)). The anticipated "Contract Effective Date" is April 1, 2008. If delays in the Bid process result in an adjustment of the anticipated Contract Effective Date, the Bidder agrees to accept a Contract for the full term of the Contract.

The Contract term may run a shorter period, as determined by the State, due to causes such as Contract termination or loss of statutory authority by the Lottery.

The Contract may be extended for additional periods of time at the sole discretion of the Director of Purchase and Property. However, the maximum overall extension(s) shall not exceed three (3) years, unless authorized by the Director for the following reasons:

- To maintain Lottery operations due to contractual delays for the follow-on contract.
- If it is deemed in the best interest of the State.

Any extensions shall be at the same terms, conditions and pricing. The State may, at its discretion, negotiate the pricing, the terms and conditions, and scope of work, for any Contract extensions. The length of each extension shall be determined when the extension is considered by the State. The Contractor will be notified at least thirty (30) prior to the expiration date of the existing contract. .

7.5.3 EMERGENCY EXTENSION AND SYSTEM READINESS

In the event that a new contractor is selected to perform the contract subsequent to this Contract, and the new contractor's system does not meet the requirements of the Lottery, the Lottery reserves the right to further extend the Contract, at the same terms, conditions and pricing in effect at the time of extension.

The State will endeavor to provide as much notice as possible; however, notice may be as little as twenty-four (24) hours. Therefore, to meet this requirement, the Contractor must maintain the System in a state of readiness through the date of full conversion and for thirty (30) calendar days thereafter, unless reduced by the State.

The length of the emergency extension shall not exceed thirty (30) days. Should the State decide to extend the Contract beyond the thirty (30)-day limit of this section then [Section 7.5.2](#) shall apply.

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

7.5.4 END OF CONTRACT CONVERSION

It is contemplated that the Lottery, approximately eighteen (18) months prior to the expiration of the Contract resulting from this RFP, will award a new contract for replacement of the System. The parties understand and agree that the Lottery may

utilize part of the last year of the Contract resulting from this RFP, or any renewal or extension thereof, for conversion to the replacement gaming system.

The Contractor shall cooperate fully and in good faith during the conversion period. Cooperation may include, but not be limited to, sharing of liability files, instant ticket pack inventory files, retailer authority files, and cross-validation of winning tickets. Additionally, the Lottery may determine, in its sole discretion, that cooperation by the Contractor shall include providing information to allow ticket bar codes to be read by a third-party system for validation during the implementation period.

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

7.5.5 PERFORMANCE SECURITY

The Contractor shall furnish performance security in the amount on **twenty million dollars (\$20,000,000) within thirty days (30) of** award of Contract; that shall remain in effect for the full Contract term and any extensions, see N.J.A.C. 17: 12- 2.5. Acceptable forms of performance security are as follows:

1. The Contractor shall be required to furnish an irrevocable security in the amount listed in the Request for Proposal payable to the Treasurer, State of New Jersey, binding the Contractor to provide faithful performance of the Contract.
2. The performance security shall be in the form of a properly executed individual or annual performance bond issued by an insurance or security company authorized to do business in the State of New Jersey, a certified or cashier's check drawn to the order of the Treasurer, State of New Jersey, or an irrevocable letter of credit drawn naming the Treasurer, State of New Jersey as beneficiary issued by a federally insured financial institution.

The Performance Security must be submitted to the State within 30 days of the effective date of the Contract award and cover the period of the Contract and any extensions thereof. Failure to submit performance security may result in cancellation of Contract for cause pursuant to provision 3.5b, 1, and nonpayment for work performed.

Within thirty (30) days of the anniversary of the Contract effective date, the Contractor shall provide proof to the Director that the performance bond in the required amount is in effect. Failure to provide such proof may result in the suspension of payment to the Contractor until such time the Contractor complies with this requirement.

Although the performance bond is required for the full term of the Contract, the Director recognizes that the industry practice of sureties is to issue a one year performance bond for goods and services contracts. Thus, the Contractor is required

to submit a one year performance bond for the amount required under the Contract and, on each succeeding anniversary date of the Contract, provide a continuation or renewal certificate to evidence that the bond is in effect for the next year of the Contract. This procedure will remain in place for each year of the Contract thereafter until the termination of the Contract. Failure to provide such proof on the anniversary date of the Contract shall result in suspension of the Contract, and possibly, termination of the Contract.

7.5.6 CLAIMS AND REMEDIES

7.5.6.1 CLAIMS

All claims asserted against the State by the Contractor shall be subject to the New Jersey Tort Claims Act, N.J.S.A. 59:1-1, et seq., and/or the New Jersey Contractual Liability Act, N.J.S.A. 59:13-1, et seq.

7.5.6.2 REMEDIES FOR FAILURE TO COMPLY WITH MATERIAL CONTRACT REQUIREMENTS

In the event that the Contractor fails to comply with any material Contract requirements, the Director may take steps to terminate the Contract for cause in accordance with [Section 7.5.9 b.](#) If the Contractor fails to perform any service or provide any commodity required under this Contract, the Director may acquire such services or commodities from another source by any available means. The Contractor shall be liable for any such additional cost. The Contractor shall remit any such additional cost to the State within thirty (30) days of demand from the State.

7.5.6.3 NO WAIVER OF WARRANTIES OR REMEDIES AT LAW OR EQUITY

Nothing in the Contract shall be construed to be a waiver by the State or Agency of any warranty, expressed or implied except as specifically and expressly stated in a writing executed by the Director. Further, nothing in the Contract shall be construed to be a waiver by the State or Agency of any remedy available to the State or Agency under the Contract, at law or equity except as specifically and expressly stated in a writing executed by the Director.

7.5.7 RIGHT OF USE

If, for any reason other than a material breach of the Contract by the Lottery, the Contractor should lose its ability or refuse to service the Lottery as provided by the Contract, the Lottery shall have the right to continue to use the source code and object program instructions, and the documentation for those programs owned or licensed by the Contractor, in conjunction with any products or services to the Lottery which are necessary to provide the central facility, the backup facility, the communications network, all terminals, related equipment, procedures, and production gaming scripts.

Such right shall be limited to the right of the Lottery to possess and make use of these items solely for the use and benefit of the Lottery in maintaining, altering and improving the operational characteristics of the programs and systems being used under the Contract. Such right shall be limited in time for the duration of the Contract and in scope to those items being used by the Lottery and on the Lottery's behalf under the Contract.

The Lottery shall keep all items, including modifications or alterations thereof, confidential except for (1) disclosure and distribution to employees or contractors of the Lottery, and only to such an extent that is reasonably necessary to allow the Lottery use the items to operate the System, or (2) to the extent that any of the items is deemed to be a public record under the New Jersey Open Public Records Act, N.J.S.A.47:1A-1 et seq. The State shall return any such materials to the Contractor when their purposes have been fulfilled.

If there has been a determination, in the sole discretion of the Lottery, that continuity of the Contractor's operations are in jeopardy and that this provision must be exercised, the Contractor shall provide training to the Lottery in the operation of the System, at the Lottery's request.

7.5.8 SOURCE CODE ESCROW

At the Lottery's option, prior to the commencement of the Contract, at the Contractor's expense, the Contractor shall enter into a source code escrow agreement with a third party escrow company, in a form acceptable to the Lottery ("Escrow Agreement"), which provides for the deposit of a complete set of the Contractor's software source code programs, program object code, operations manuals, service manuals, written procedures, and any such other materials necessary for the Lottery to operate the System, including installation packages for third party software products licensed by the Contractor ("Escrowed Materials"). The software source code and object programs and documentation may be delivered on mutually agreeable media. The Escrow Agreement shall provide for the release of the Escrowed Materials to the Lottery upon the occurrence of any one of the following specified occurrences:

- a. Contractor, or any successor or assignee (hereinafter, "Contractor"), commits a material breach of the Contract such that, the Contractor becomes unable or refuses to provide the services required by the Contract, and such breach remains uncured beyond any applicable cure period set forth in the Contract; or
- b. Contractor becomes insolvent or generally fails to pay, or admits in writing its inability to pay its debts as they become due; or
- c. Contractor applies for or consents to the appointment of a trustee, receiver or other custodian for Contractor; or
- d. Any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is commenced by or against Contractor; or
- e. Contractor ceases to do business; or
- f. Contractor takes any corporate or other action to authorize or, in furtherance of any of the foregoing.
- g. The State determines that it is in its' own best interest.

Upon the occurrence of any of the foregoing events, Contractor grants to the State the limited right to use the source code and object program instructions, and the documentation for those programs owned or licensed by the Contractor, in conjunction with any products or services to the Lottery which are necessary to provide the central facility, the backup facility, the communications network, all terminals, related equipment, procedures, and production gaming scripts. In such event, the State agrees that it shall maintain the Escrowed Materials as confidential in accordance with the terms of the

Contract, and shall not disclose or distribute any of the Escrowed Materials, except for (1) disclosure and distribution to employees or contractors of the Lottery, and only to such an extent that is reasonably necessary to allow the Lottery use the items to operate the System or (2) to the extent that any of the Escrowed Materials is deemed to be a public record under the New Jersey Open Public Records Act, N.J.S.A.47:1A-1 et seq. The State shall not take any action that impairs or infringes the ownership rights of Contractor.

7.5.9 TERMINATION OF CONTRACT

a. For Convenience

Notwithstanding any provision or language in this Contract to the contrary, the Director may terminate at any time, in whole or in part, any Contract entered into as a result of this Request for Proposal for the convenience of the State, upon no less than thirty (30) days written notice to the Contractor.

b. For Cause

1. Where a Contractor fails to perform or comply with a Contract, and/or fails to comply with the complaints procedure in N.J.A.C. 17: 12-4.2 et seq., the Director may terminate the Contract upon ten (10) days notice to the Contractor with an opportunity to respond.
2. Where a Contractor continues to perform a Contract poorly as demonstrated by formal complaints, late delivery, poor performance of service, short-shipping, excessive liquidated damages etc., so that the Director is repeatedly required to use the complaints procedure in N.J.A.C. 17:12-4.2 et seq. the Director may terminate the Contract upon ten (10) days notice to the Contractor with an opportunity to respond.
3. The Director's right to terminate the Contract award for cause includes any reason set forth in any other provision contained in the Contract.
4. The failure of a Contractor to respond to the Director's notice of intent to terminate the contract award within the ten (10) day notice period automatically converts said notice into a final agency decision without further action of the Director.
5. The Director's right to terminate the Contract award for cause includes the Contractor's performance on any other State contract, a violation of state or federal law (as demonstrated by the Contractor's admissions of same or a final decision of an appropriate decision-making body), or any reason related to the ability of the Contractor to fulfill its contractual obligations. The Director may also terminate any Contract with a federally debarred Contractor or a Contractor, which is presently identified on the list of parties excluded from federal procurement and non-procurement contracts.

c. In cases of emergency the Director may shorten the time periods of notification and may dispense with an opportunity to respond.

- d. In the event of termination under this section, the Contractor will be compensated for work performed in accordance with the Contract, up to the date of termination. Such compensation may be subject to adjustments.

7.5.10 STATE'S OPTION TO REDUCE SCOPE OF WORK

The State has the option, in its sole discretion, to reduce the scope of work for any task or subtask called for under this Contract. In such an event, the Director shall provide advance written notice to the Contractor.

Upon receipt of such written notice, the Contractor will submit, within five (5) working days to the Director and the State Contract Manager, an itemization of the work effort already completed by task or subtask. The Contractor shall be compensated for such work effort according to the applicable portions of its price schedule.

7.5.11 SUSPENSION OF WORK

The State Contract Manager or the Director may, for valid reason, issue a stop order upon five (5) days notice directing the Contractor to suspend work under the Contract for a specific time. The Contractor shall be paid until the effective date of the stop order. The Contractor shall resume work upon the date specified in the stop order, or upon such other date as the State Contract Manager or the Director may thereafter direct in writing. The period of suspension shall be deemed added to the Contractor's approved schedule of performance. The Director and the Contractor shall negotiate an equitable adjustment, if any, to the Contract price.

7.5.12 FORCE MAJEURE

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

Except as otherwise provided herein, neither the Contractor nor the Lottery shall be liable to the other for any delay in, or failure of performance of, any covenant contained herein nor shall any such delay or failure of performance constitute default hereunder, to the extent that such delay or failure is caused by force majeure. The existence of such causes of delay or failure shall extend the schedule for performance to such extent as may be necessary to complete performance in the exercise of reasonable diligence after the causes of delay or failure have been removed.

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

During a period of non-performance due to *force majeure*, payments from the Lottery to the Contractor will be suspended.

7.5.13 CONTRACT AMENDMENTS-ADDITIONAL WORK AND/OR SPECIAL PROJECTS

The Contractor shall not begin performing any additional work or special projects without first obtaining written approval from both the State Contract Manager and the Director.

In the event of additional work and/or special projects, the Contractor must present a written proposal to perform the additional work to the State Contract Manager. The Proposal should provide justification for the necessity of the additional work. The relationship between the additional work and the base Contract work must be clearly established by the Contractor in its Proposal.

The Contractor's written Proposal must provide a detailed description of the work to be performed broken down by task and subtask. The Proposal should also contain details on the level of effort, including hours, labor categories, etc., necessary to complete the additional work.

The written Proposal must detail the cost necessary to complete the additional work in a manner consistent with the Contract. Whenever possible, the price schedule should be a firm, fixed cost to perform the required work. A payment schedule, tied to successful completion of tasks and subtasks, must be included.

Upon receipt and approval of the Contractor's written Proposal, the State Contract Manager shall forward same to the Director for the Director's written approval. Complete documentation from the Using Agency, confirming the need for the additional work, must be submitted. Documentation forwarded by the State Contract Manager to the Director must include all other required State approvals, such as those that may be required from the State of New Jersey's Office of Management and Budget (OMB) and Office of Information and Technology (OIT).

No additional work and/or special project may commence without the Director's written approval. In the event the Contractor proceeds with additional work and/or special projects without the Director's written approval, it shall be at the Contractor's sole risk. The State shall be under no obligation to pay for work performed without the Director's written approval.

7.5.14 SUBCONTRACTING OR ASSIGNMENT

The Contract may not be subcontracted or assigned by the Contractor, in whole or in part, without the prior written consent of the Director of the Division of Purchase and Property. No substituted or additional Subcontractors are authorized to begin work until the Contractor has received written approval from the Director. Such consent, if granted, shall not relieve the Contractor of any of his responsibilities under the Contract.

In the event the Bidder proposes to subcontract for the services to be performed under the terms of the Contract award, he shall state so in his bid and attach for approval a list of said Subcontractors and an Itemization of the products and/or services to be supplied by them.

Nothing contained in the specifications shall be construed as creating any contractual relationship between any Subcontractor and the State.

If it becomes necessary for the Contractor to substitute a Subcontractor, add a Subcontractor or substitute its own staff for a Subcontractor, the Contractor will identify the proposed new Subcontractor or staff member(s) and the work to be performed. The Contractor must provide detailed justification documenting the necessity for the substitution or addition.

The Contractor must provide detailed resumes of its proposed replacement staff or of the proposed Subcontractor's management, supervisory and other key personnel that demonstrate knowledge, ability and experience relevant to that part of the work, which the Subcontractor is to undertake.

The qualifications and experience of the replacement(s) must equal or exceed those of similar personnel proposed by the Contractor in its Bid Proposal.

The Contractor shall forward a written request to substitute or add a Subcontractor or to substitute its own staff for a Subcontractor to the State Contract Manager for consideration. If the State Contract Manager approves the request, the State Contract Manager will forward the request to the Director for final approval.

7.5.15 SUBSTITUTION OF STAFF

If it becomes necessary for the contractor to substitute any management, supervisory or key personnel, the Contractor will identify the substitute personnel and the work to be performed.

The Contractor must provide detailed justification documenting the necessity for the substitution. Resumes must be submitted evidencing that the individual(s) proposed as substitution(s) have qualifications and experience equal to or better than the individual(s) originally proposed or currently assigned.

The Contractor shall forward a request to substitute staff to the State Contract Manager for consideration and approval. No substitute personnel are authorized to begin work until the Contractor has received written approval to proceed from the State Contract Manager

7.5.16 REMOVAL OF SUBCONTRACTOR (S) OR EMPLOYEES

The Director shall have the right to direct the Contractor to remove subcontractors or key personnel, including, by the way of example but not limitation, the project director, major task manager and subcontractor(s), whose continued performance the State has determined not to be in its best interest. The Contractor shall have a reasonable period of time in which to replace any such Subcontractor or personnel directed to be removed.

7.5.17 MERGERS, ACQUISITIONS

If, subsequent to the award of any Contract resulting from this Request for Proposal, the Contractor shall merge with or be acquired by another firm, the following documents must be submitted to the Director, Division of Purchase & Property.

- a. Corporate resolutions prepared by the awarded Contractor and new entity ratifying acceptance of the original Contract, terms, conditions and prices.
- b. State of New Jersey Bidders Application reflecting all updated information including ownership disclosure, pursuant to [Section 7.2.7](#).
- c. Vendor Federal Employer Identification Number.

The documents must be submitted within thirty (30) days of completion of the merger or acquisition. Failure to do so may result in termination of Contract pursuant to [Section 7.5.9 b](#).

If subsequent to the award of any Contract resulting from this Request for Proposal, the Contractor's partnership or corporation shall dissolve, the Director, Division of Purchase & Property must be so notified. All responsible parties of the dissolved partnership or corporation must submit to the Director in writing, the names of the parties proposed to perform the Contract, and the names of the parties to whom payment should be made. No payment should be made until all parties to the dissolved partnership or corporation submit the required documents to the Director.

7.5.18 CONTRACTOR RESPONSIBILITIES

The Contractor shall have sole responsibility for the complete effort specified in the Contract. The Contractor is responsible for the professional quality, technical accuracy and timely completion and submission of all deliverables, services or commodities required to be provided under the Contract.

The Contractor shall, without additional compensation, correct or revise any errors, omissions, or other deficiencies in its deliverables and other services. The approval of deliverables furnished under this Contract shall not in any way relieve the Contractor of responsibility for the technical adequacy of its work. The review, approval, acceptance or payment for any of the services shall not be construed as a waiver of any rights that the State may have arising out of the Contractor's performance of this Contract.

Payment will be made only to the Contractor. The Contractor shall have sole responsibility for all payments due any Subcontractor.

7.5.19 AUDIT AND ACCOUNTING REQUIREMENTS

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

- A. The Contractor shall have a complete corporate financial audit conducted annually, at its own expense. The audit must follow generally accepted auditing standards

(GAAS), or the appropriate non-U.S. equivalent. A copy of the Contractor's certified financial statements shall be provided within one quarter after the close of the Contractor's fiscal year.

- B. The Contractor shall provide the Lottery with Securities and Exchange Commission (SEC) 10-K reports (or the appropriate non-U.S. equivalent) as they are issued, together with any other reports required pursuant to Section 13 of the Securities and Exchange Act of 1934, as amended.
- C. A third party review of the Contractor's New Jersey operations must also be conducted annually. This audit will be a Statement on Auditing Standards (SAS) 70 audit and shall be paid for by the Contractor. For this review the Contractor will suggest, for the Lottery's approval, the firm(s) to perform the work. All aspects shall be conducted pursuant to auditing standards as issued by the American Institute of Certified Public Accountants. Annual reviews shall occur on a July-to-June basis and will be reported not later than August 31st to the Lottery. The first audit shall cover a partial year ending with the State's fiscal year.
- D. The Contractor is required to maintain its books, records and all other evidence pertaining to the Contract in accordance with generally accepted accounting principals (GAAP) (or the appropriate non-U.S. equivalent) and such other procedures specified by the Lottery. These records shall be available to the Lottery, its internal auditors or external auditors (and other designees) at all times during the Contract period and for five (5) years from the Contract expiration date or final payment on the Contract, whichever is later.

7.5.20 TICKET PURCHASE AND PRIZE PAYMENT RESTRICTIONS

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

To ensure compliance with this requirement, the Contractor and its Subcontractors shall provide a list of such individuals. The list shall include name, address, date of birth, and social security number, and shall be updated to maintain current information. This requirement applies throughout the life of the Contract. Refer to the Lottery Code of Ethics attached as **Exhibit 8**.

7.5.21 OWNERSHIP OF MATERIAL

All data, technical information, materials gathered, originated, developed, prepared, used or obtained in the performance of the Contract, including, but not limited to, all reports, surveys, plans, charts, literature, brochures, mailings, recordings (video and/or audio), pictures, drawings, analyses, graphic representations, software computer programs and accompanying documentation and print-outs, notes and memoranda, written procedures and documents, regardless of the state of completion, which are prepared for or are a

result of the services required under this Contract shall be and remain the property of the State of New Jersey and shall be delivered to the State of New Jersey upon 30 days notice by the State. With respect to software computer programs and/or source codes developed for the State, the work shall be considered “work for hire”, i.e., the State, not the Contractor or Subcontractor, shall have full and complete ownership of all software computer programs and/or source codes developed. To the extent that any of such materials may not, by operation of the law, be a work made for hire in accordance with the terms of this Agreement, Contractor or Subcontractor hereby assigns to the State all right, title and interest in and to any such material, and the State shall have the right to obtain and hold in its own name and copyrights, registrations and any other proprietary rights that may be available.

Should the Bidder anticipate bringing pre-existing intellectual property into the project, the intellectual property must be identified in the Bid Proposal. Otherwise, the language in the first paragraph of this section prevails. If the Bidder identifies such intellectual property ("Background IP") in its Bid Proposal, then the Background IP owned by the Bidder on the date of the Contract, as well as any modifications or adaptations thereto, remain the property of the Bidder. Upon Contract award, the Bidder or Contractor shall grant the State a non-exclusive, perpetual royalty free license to use any of the Bidder/Contractor's Background IP delivered to the State for the purposes contemplated by the Contract.

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

The Contractor will retain ownership of the retailer terminals, terminal peripherals, gaming computer systems, network systems, system documentation, software, and other materials originally supplied by the Contractor.

7.5.22 LICENSES AND PERMITS

The Contractor shall obtain and maintain in full force and affect all required licenses, permits, and authorizations necessary to perform this contract. The Contractor shall supply the State Contract Manager with evidence of all such licenses, permits and authorizations. This evidence shall be submitted subsequent to the Contract award. All costs associated with any such licenses, permits and authorizations must be considered by the Bidder in its Bid Proposal.

The Contractor shall assign all licenses to the State for all third party software that the Contractor incorporates in the deliverables required under the terms and conditions of the Contract.

7.5.23 COMPENSATION FOR THIRD PARTY INTELLECTUAL PROPERTY

Intellectual Property fees for third-party products, logos, trademarks, brands, or labels that the Contractor deploys in the System under the Contract shall be addressed under

[Section 7.7.9](#). The Contractor may not separately charge the Lottery an Intellectual Property fee for any items owned by the Contractor.

7.5.24 EXCLUSIVE USE OF THE TRANSACTION PROCESSING SYSTEMS

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

7.5.25 ATTACHMENT OF THIRD PARTY SYSTEMS, TERMINALS, OR PRODUCTS

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

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

If appropriate, the third party may be required to complete a non-disclosure agreement to protect the Contractor.

Should the Lottery propose to add terminals, products, systems, or services not required to be supplied by the Contractor, but for which the Contractor would gain responsibility or obligations, appropriate remuneration of the Contractor shall be negotiated under [Section 7.7.9](#) (Equipment & Software Corrections and Upgrades).

7.5.26 DATA CONFIDENTIALITY

All financial, statistical, personnel and/or technical data supplied to the Contractor by the State or Agency after the award of the Contract, any data gathered by the Contractor in fulfillment of the Contract and any analysis thereof (whether in fulfillment of the Contract or not) shall be considered confidential and shall be solely for the use of the provider of the information. The Contractor is required to use reasonable care to protect the confidentiality of the data including, but not limited to, requiring incorporation of this term into its contract with its Subcontractor(s), if any. Any use, sale or offering of this data in any form by the Contractor, its employees, Subcontractors or assignees will be considered a violation of this Contract and will cause the infraction to be reported to the State Attorney General for possible prosecution. Penalties for violations of such guarantees include, but are not limited to, rescission of the Contract award, immediate termination of the Contract and/or legal action without the State being liable for damages, costs and/or attorney fees. The Contractor shall be liable for any and all damages arising from its breach of this confidentiality provision.

Confidential information shall not include information that:

- a. Is or becomes available to the public other than through disclosure by Contractor in violation of this confidentiality provision;
- b. Was demonstrably known to the Contractor previously with no obligation to hold it confidential;
- c. Is independently developed by the Contractor without recourse to the confidential information under this section, or;
- d. Was rightfully obtained by the Contractor from a third party without an obligation to hold such information confidential.

7.5.27 EQUIPMENT AND SERVICE PERFORMANCE REQUIREMENTS

- a. The equipment offered is standard new equipment, and is the manufacturer's latest model in production, with parts regularly used for the type of equipment offered; that such parts are all in/or ready for production and not likely to be discontinued; and that no attachment or part has been substituted or applied contrary to manufacturer's recommendations and standard practice.
- b. All equipment supplied to the State and operated by electrical current is UL listed where applicable.
- c. All new machines are to be guaranteed as fully operational for the period stated in the Request For Proposal from time of written acceptance by the State. The Bidder shall render prompt service without charge, regardless of geographic location.
- d. Sufficient quantities of parts necessary for proper service to equipment shall be maintained at distribution points and service headquarters.
- e. Trained mechanics are regularly employed to make necessary repairs to equipment within a 48-hour period or within the time accepted as industry practice or as designated by the RFP service level agreement or as designated by liquidated damages specifications, whichever is the most restrictive.
- f. During the warranty period the Contractor shall replace immediately any material which is rejected for failure to meet the requirements of the Contract.
- g. During the term of the Contract, the Contractor shall provide reasonable notice to the Director and State Contract Manager on all equipment and product (including IT hardware and software) that the Contractor will no longer support. In these instances, the Contractor will immediately cease selling such equipment and product to the State and others agencies using the Contract, and provide the Director with a plan to support and service such equipment and product. Reasonable notice shall be within 30 days that the Contractor has made the decision to cease manufacture and support of such equipment and product. Failure to provide such notice to the State shall permit the State to return such equipment and product to the Contractor and rescind the purchase order unless the State has had use of and support from the Contractor of the equipment and product for three (3) years.

- h. All services rendered to the State shall be performed in strict and full accordance with the specifications stated in the Contract. The Contract shall not be considered complete until final approval by the State's using agency or State Contract Manager.

7.5.28 LATE DELIVERY

The Contractor must immediately advise the State Contract Manager of any circumstance or event that could result in late completion of any task or subtask called for to be completed on a date certain.

If the Contractor cannot meet the Contract completion date for any task or subtask required to be completed by a date certain or time period, the Contractor shall be liable to the State in accordance with **Section 8** (Liquidated Damages).

Such sums shall be treated as liquidated damages and not as penalty.

7.5.29 MAINTENANCE OF RECORDS

The Contractor shall maintain and retain weekly payroll, overhead, cost and accounting records and all other records related to the services performed on the Contract, including expenses pertaining to additional services required by the State on the Contract. Such records shall be maintained and available for the State's inspection as to all aspects of the work, whether performed by the Contractor or any independent firms. These records shall be kept in accordance with generally accepted accounting principles and practices for a period of three (3) fiscal years after the expiration of the State's fiscal year in which the Contract expires or in which final payment is received by the Contractor under the Contract, whichever occurs later. (The State's fiscal year is from July 1 through June 30). The Director has the right to request, and Contractor agrees to furnish free of charge, all information and copies of all records which the Director requests. The Contractor shall allow the Director to visit the office(s) of the Contractor periodically, upon reasonable notice, in order to review any document related to the Contract or to otherwise monitor work being performed by the Contractor pursuant to the Contract. Any failure by the Contractor to maintain or produce such records or to otherwise cooperate with the Director may be, at the Director's discretion, cause for rescission of the Contract award and/or suspension or debarment of the Contractor from State contracts.

7.5.30 ASSIGNMENT OF ANTITRUST CLAIM (S)

The Contractor recognizes that in actual economic practice, overcharges resulting from antitrust violations are in fact usually borne by the ultimate purchaser. Therefore, and as consideration for executing this Contract, the Contractor, acting herein by and through its duly authorized agent, hereby conveys, sells, assigns, and transfers to the State of New Jersey, for itself and on behalf of its political subdivisions and public agencies, all right, title and interest to all claims and causes of action it may now or hereafter acquire under the antitrust laws of the United States or the State of New Jersey, relating to the particular goods and services purchased or acquired by the State of New Jersey or any of its political subdivisions or public agencies pursuant to this Contract.

In connection with this assignment, the following are the express obligations of the Contractor;

- a. It will take no action which will in any way diminish the value of the rights conveyed or assigned hereunder.
- b. It will advise the Attorney General of New Jersey:
 - 1. In advance of its intention to commence any action on its own behalf regarding any such claim or cause(s) of action;
 - 2. Immediately upon becoming aware of the fact that an action has been commenced on its behalf by some other person(s) of the pendency of such action.
- c. It will notify the defendants in any antitrust suit of the fact of the within assignment at the earliest practicable opportunity after the contractor has initiated an action on its own behalf or becomes aware that such an action has been filed on its behalf by another person. A copy of such notice will be sent to the Attorney General of New Jersey.

Furthermore, it is understood and agreed that in the event any payment under any such claim or cause of action is made to the Contractor, it shall promptly pay over to the State of New Jersey the allotted share thereof, if any, assigned to the State hereunder.

7.6 TERMS RELATING TO CONTRACT PRICE

7.6.1 PRICE FLUCTUATION DURING CONTRACT

Unless otherwise noted by the State, all prices quoted shall be firm through issuance of the Contract order and shall not be subject to increase during the period of the Contract.

In the event of a manufacturer's or Contractor's price decrease during the Contract period, the State shall receive the full benefit of such price reduction on any undelivered purchase order and on any subsequent order placed during the Contract period. The Director of Purchase and Property must be notified, in writing, of any price reduction within five (5) days of the effective date.

Failure to report price reductions will result in cancellation of Contract for cause, pursuant to **Section 7.5.9.b.**

7.6.2 C.O.D. TERMS

C.O.D. terms are not acceptable as part of a Bid Proposal and will be cause for rejection of a Bid.

7.6.3 TAX CHARGES

The State of New Jersey is exempt from State sales or use taxes and Federal excise taxes. Therefore, price quotations must not include such taxes. The State's Federal Excise Tax Exemption number is 22-75-0050K.

7.6.4 FORM OF COMPENSATION AND PAYMENT

All invoices must be approved by the State Contract Manager before payment will be authorized.

The Contractor shall be entitled to compensation beginning from the time that the retailer network is fully converted to the Contractor's system and is placed in production. Contractor compensation shall end at the time every retailer terminal has been replaced under any subsequent Contract.

The Contractor shall be compensated as follows:

The sum of net on-line game sales plus net instant game sales, multiplied by the percentage fee bid on the price schedule.

Invoices shall be submitted on a periodic schedule, but no more frequently than weekly.

In addition, the Contractor must provide, on a monthly and cumulative basis, a breakdown of all monies paid to any small business Subcontractor(s). This breakdown shall be sent to the Purchase Bureau Business Unit, Set-Aside Coordinator.

Invoices must also be submitted for any special projects, additional work or other items properly authorized and satisfactorily completed under the Contract. Invoices shall be submitted according to the payment schedule agreed upon when the work was authorized and approved. Payment can only be made for work when it has received all required written approvals and has been satisfactorily completed.

7.6.5 NEW JERSEY PROMPT PAYMENT ACT

The New Jersey Prompt Payment Act N.J.S.A. 52:32-32 et seq. requires state agencies to pay for goods and services within sixty (60) days of the agency's receipt of a properly executed State Payment Voucher or within sixty (60) days of receipt and acceptance of goods and services, whichever is later. Properly executed performance security, when required, must be received by the State prior to processing any payments for goods and services accepted by State agencies. Interest will be paid on delinquent accounts at a rate established by the State Treasurer. Interest will not be paid until it exceeds \$5.00 per properly executed invoice.

Cash discounts and other payment terms included as part of the original agreement are not affected by the Prompt Payment Act.

7.6.6 CASH DISCOUNTS

The Contractor is encouraged to offer cash discounts based on expedited payment by the State. The State will make efforts to take advantage of discounts, but discounts will not be considered in determining the lowest bid.

- A. Discount periods shall be calculated starting from the next business day after the recipient has accepted the goods or services received a properly signed and executed

State Payment Voucher form and, when required, a properly executed performance security, whichever is latest.

- B. The date on the check issued by the State in payment of that Voucher shall be deemed the date of the State's response to that Voucher.

7.6.7 CHANGE IN LAW

Whenever an unforeseen change in applicable law or regulation affects the services that are the subject of this Contract, the Contractor shall advise the State Contract Manager and the Director in writing and include in such written transmittal any estimated increase or decrease in the cost of its performance of the services as a result of such change in law or regulation. The Director and the Contractor shall negotiate an equitable adjustment, if any, to the Contract price.

7.6.8 CONTRACT PRICE INCREASE (PREVAILING WAGE)

If the Prevailing Wage Act (N.J.S.A. 34:11-56 et seq.) is applicable to the Contract, the Contractor may apply to the Director, on the anniversary of the effective date of the Contract, for a Contract price increase. The Contract price increase will be available only for an increase in the prevailing wages of trades and occupations covered under this Contract during the prior year. The Contractor must substantiate with documentation the need for the increase and submit it to the Director for review and determination of the amount, if any, of the requested increase, which shall be available for the upcoming Contract year. No retroactive increases will be approved by the Director.

7.7 MISCELLANEOUS PROVISIONS

7.7.1 STANDARDS PROHIBITING CONFLICTS OF INTEREST

The following prohibitions on vendor activities shall apply to all Contracts or purchase agreements made with the State of New Jersey, pursuant to Executive Order No. 189 (1988).

- a. No vendor shall pay, offer to pay, or agree to pay, either directly or indirectly, any fee, commission, compensation, gift, gratuity, or other thing of value of any kind to any State officer or employee or special State officer or employee, as defined by N.J.S.A. 52:13D-13b and e., in the Department of the Treasury or any other agency with which such vendor transacts or offers or proposes to transact business, or to any member of the immediate family, as defined by N.J.S.A. 52:13D-13i., of any such officer or employee, or partnership, firm or corporation with which they are employed or associated, or in which such officer or employee has an interest within the meaning of N.J.S.A. 52: 13D-13g.
- b. The solicitation of any fee, commission, compensation, gift, gratuity or other thing of value by any State officer or employee or special State officer or employee from any State vendor shall be reported in writing forthwith by the vendor to the Attorney General and the Executive Commission on Ethical Standards.

- c. No vendor may, directly or indirectly, undertake any private business, commercial or entrepreneurial relationship with, whether or not pursuant to employment, contract or other agreement, express or implied, or sell any interest in such vendor to, any State officer or employee or special State officer or employee or special State officer or employee having any duties or responsibilities in connection with the purchase, acquisition or sale of any property or services by or to any State agency or any instrumentality thereof, or with any person, firm or entity with which he is employed or associated or in which he has an interest within the meaning of N.J.S.A. 52: 130-13g. Any relationships subject to this provision shall be reported in writing forthwith to the Executive Commission on Ethical Standards, which may grant a waiver of this restriction upon application of the State officer or employee or special State officer or employee upon a finding that the present or proposed relationship does not present the potential, actuality or appearance of a conflict of interest.
- d. No vendor shall influence, or attempt to influence or cause to be influenced, any State officer or employee or special State officer or employee in his official capacity in any manner which might tend to impair the objectivity or independence of judgment of said officer or employee.
- e. No vendor shall cause or influence, or attempt to cause or influence, any State officer or employee or special State officer or employee to use, or attempt to use, his official position to secure unwarranted privileges or advantages for the vendor or any other person.
- f. The provisions cited above in paragraphs **7.7.1.a** through **7.7.1.e** shall not be construed to prohibit a State officer or employee or Special State officer or employee from receiving gifts from or contracting with vendors under the same terms and conditions as are offered or made available to members of the general public subject to any guidelines the Executive Commission on Ethical Standards may promulgate under paragraph **7.7.1.c**.

7.7.2 CONTRACTOR ETHICS AND INTEGRITY

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

- a. Shall accept no pay, remuneration, or gratuity of any value for performance on or information derived from this project from any party other than the Lottery as described in this Contract, or from any party under Contract to the Lottery or seeking to Contract with the Lottery with respect to this Contract.
- b. Shall not offer or give any gift, gratuity, favor, entertainment, loan, or any other thing of material monetary value to any State or Lottery employee.
- c. Shall not disclose any business sensitive or confidential information gained by virtue of this Contract to any party without the consent of the Lottery.
- d. Shall take no action in the performance of this Contract to create an unfair, unethical, or illegal competitive advantage for itself or others.

- e. Shall not have any financial or personal interests relating to this project (other than the Contract itself) without the explicit written consent of the Lottery.

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

7.7.3 NEW JERSEY LOTTERY CODE OF ETHICS

The Contractor must also abide by the New Jersey State Lottery Code of Ethics for vendors and Contractors (**See Exhibit 8**).

7.7.4 SET-OFF FOR STATE TAX NOTICE

Please be advised that, pursuant to P.L. 1995, c. 159, effective January 1, 1996, and notwithstanding any provision of the law to the contrary, whenever any taxpayer, partnership or S corporation under contract to provide goods or services or construction projects to the State of New Jersey or its agencies or instrumentalities, including the legislative and judicial branches of State government, is entitled to payment for those goods or services at the same time a taxpayer, partner or shareholder of that entity is indebted for any State tax, the Director of the Division of Taxation shall seek to set off that taxpayer's or shareholder's share of the payment due the taxpayer, partnership, or S corporation. The amount set off shall not allow for the deduction of any expenses or other deductions which might be attributable to the taxpayer, partner or shareholder subject to set-off under this act.

The Director of the Division of Taxation shall give notice to the set-off to the taxpayer and provide an opportunity for a hearing within 30 days of such notice under the procedures for protests established under R.S. 54:49-18. No requests for conference, protest, or subsequent appeal to the Tax Court from any protest under this section shall stay the collection of the indebtedness. Interest that may be payable by the State, pursuant to P.L. 1987, c.184 (c.52:32-32 et seq.), to the taxpayer shall be stayed.

7.7.5 APPLICABLE LAW

This Contract and any and all litigation arising there from or related thereto shall be governed by the applicable laws, regulations and rules of evidence of the State of New Jersey without reference to conflict of laws principles.

7.7.6 NEWS RELEASES

The Contractor is not permitted to issue news releases pertaining to any aspect of the services being provided under this contract without the prior written consent of the Director.

7.7.7 ADVERTISING

The Contractor shall not use the State's name, logos, images, or any data or results arising from this contract as a part of any commercial advertising without first obtaining the prior written consent of the Director.

7.7.8 PRODUCTION-READY ACCEPTANCE TEST FOLLOWING AWARD

The Lottery will conduct a series of acceptance tests to fully determine the passing or failing of the Contractor's installation in accordance with the specifications of this RFP, the Proposal, the Contract, and working papers developed jointly by the Contractor and the Lottery during the implementation project. The Contractor's assistance in arranging these tests is obligatory.

The Lottery will not consider System components ready for Lottery acceptance testing while still under development by the Contractor, or still subject to quality assurance verification by the Contractor. The Lottery may establish standards for readiness of the System for acceptance testing, known as "entry criteria."

All defects discovered during acceptance testing must be corrected in a timely manner by the Contractor, for re-testing. If the software is shown to contain such number of defects as to render the system un-testable in a practical sense and their remedy is untimely, the Lottery reserves the right to halt acceptance testing until the System is corrected and testable in a practical sense once again. Acceptance testing halts may lead to delays in Contract milestones and to liquidated damages for the Contractor.

The Lottery, at its sole discretion, will determine whether performance against the acceptance tests is adequate, and whether conversion can proceed to production as scheduled. Passing an acceptance test in no way removes the obligation for the Contractor to meet, and to continue to meet, all documented specifications. Failure of the Contractor to pass these tests may result in the Contractor having to make corrections, delay conversion or installation, pay liquidated damages, or pay up to the full amount of the Performance Bond.

7.7.9 EQUIPMENT AND SOFTWARE CORRECTIONS AND UPGRADES

7.7.9.1 CORRECTIONS AND SUPPORTED PRODUCTS

The Contractor must report any relevant deficiencies in its own software or licensed third party software used in the System and is responsible for ensuring that corrections are incorporated in the configuration in a timely and responsible manner. At the time the Contractor is notified by any supplier that a software release or hardware component in the configuration is scheduled to have support dropped, it is the Contractor's obligation to acquire and install an appropriate replacement (with the Lottery's prior approval) at no additional cost to the Lottery.

7.7.9.2 WORKLOAD GROWTH

The Contractor must provide equipment and software changes necessary to support increased System workload at no additional cost to the Lottery for the following:

- A. Increased volumes of on-line transactions and instant product distribution and sales.
- B. Fulfillment of expanded requirements from multi-jurisdictional organizations (e.g., Mega Millions) in which the Lottery participates or elects to participate in the future.

7.7.9.3 REPORTING CHANGES

The Contractor must provide, at no additional cost to the Lottery, all software and/or stored procedure changes for scheduled administrative reports, ad hoc reports, screen displays, processing options, and other features required for the Lottery to manage the gaming system, meet reporting obligations, and respond to new business needs or rules. This section shall pertain to any expanded reporting and new reporting necessary for management information applications, as well as to the interface reporting necessary for accurate tracking by Lottery staff for service and repair calls.

7.7.9.4 OTHER CHANGES

Changes and enhancements to the equipment and software which exceed RFP-specified and current requirements such as additional terminal peripherals, game enhancements, game options, promotions, new games, new terminal types, and new retailer user interface features, will be handled as follows:

- A. Software changes shall be provided at no additional cost, even if additional developments are required to create or adapt software for the New Jersey Lottery's needs.
- B. The cost of capital equipment, facilities, third-party licenses, or substantive service additions or changes will be negotiated with the State.

7.7.10 APPROVAL OF HARDWARE AND SOFTWARE CHANGES AND UPGRADES

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

7.7.11 SECURITY PROGRAM UNDER THE CONTRACT

During the implementation period, the Contractor shall establish a security program for the entire System, subject to the written approval of the Lottery. This security program must be updated, reviewed, and approved annually by the Lottery. As part of this security program the Contractor must maintain an approved Operations Security Plan as described in [Section 3.8.13](#).

7.7.12 PERSONNEL SECURITY (BACKGROUND INVESTIGATIONS)

The Lottery may initiate investigations into the backgrounds of any officers, principals, investors, owners, Subcontractors, employees, or any other associates of the Contractor it deems appropriate. The purpose of the background investigations is to determine the integrity, background, and character of the investigated persons. Such background investigations may include fingerprint identification. The Contractor shall be responsible for the cost of the background checks (Current cost is \$18 per background check and is subject to increase.). The Contractor must consent to cooperate with such investigations, and to instruct its employees to cooperate.

At the sole discretion of the State, the State reserves the right to disqualify an individual from working on this Contract. In the event an individual is disqualified, the Contractor shall be required to replace the disqualified individual with a person of equal or better qualifications. Also, the State may terminate the Contract based upon adverse results of these background checks if the Lottery determines that its integrity, security, or goodwill may be in jeopardy.

The ability to conduct such investigations is a continuing right of the Lottery throughout the Contract.

7.7.13 SECURITY VIOLATION REPORTING

The Contractor shall immediately report any security violation, system compromise, suspected violation of law (e.g., theft), or disappearance of any play slips, instant tickets, on-line ticket stock, validation files, or other equipment, software or material used or to be used in the performance of this Contract.

In particular the Contractor must report the involvement of any of the Contractor's employees, owners, or agents in any known criminal arrest (exclusive of minor traffic violations) or investigation.

7.7.14 SECURITY INFORMATION (DISCLOSURE) UPDATES

The Contractor shall report any change in, addition to, or deletion from, the security information previously disclosed to the Lottery. The report shall be in the form of a letter addressed to the Lottery and shall be delivered to the Lottery's Security Director within thirty (30) days of the effective date of the change, addition, or deletion.

7.7.15 COMPLIANCE WITH ASSOCIATION STANDARDS

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

8.0 LIQUIDATED DAMAGES PROVISIONS

In all the below liquidated damages sections, the Lottery and the Contractor agree that it would be extremely impractical and difficult to determine actual damages which the Lottery will sustain. The goods and services to be provided under the Contract are not readily available on the open market; any breach by the Contractor will delay and disrupt the Lottery's operations and will lead to damages. Therefore, the parties agree that the liquidated damages as specified in all the sections below are a reasonable estimate of the damages the Lottery will sustain from the Contractor's performance deficiencies set forth within this section and are not to be construed as a penalty.

In no case shall liquidated damages be measured in terms of potential lost revenue or potential lost net profit to the Lottery, unless and to the extent that a court of competent jurisdiction should determine that a liquidated damages provision as written below is unenforceable as a matter of law.

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

For the paragraphs to follow on liquidated damages, the term "terminal" refers to the retailer's clerk operated terminal chiefly, but also to the extent applicable, any ticket selling device, such as a player-activated terminal, kiosk, or vending machine.

8.1 NOTIFICATION OF LIQUIDATED DAMAGES

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

8.2 CONDITIONS FOR TERMINATION OF LIQUIDATED DAMAGES

The continued assessment of liquidated damages may be terminated at the sole discretion of the Director, only if all of the following conditions are met:

- A. The Contractor corrects the condition(s) for which liquidated damages were imposed;
- B. The Contractor notifies the Director in writing that the condition (s) has (have) been corrected;
- C. The Director has verified all correction(s) after system testing or other verification.

The Contractor shall conduct system testing of any correction as the Director deems necessary. Such testing shall be developed jointly by the Director and the Contractor, and must be approved by the Director, including the test script, test environment, and test results.

8.3 SEVERABILITY OF INDIVIDUAL LIQUIDATED DAMAGES

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

8.4 WAIVERS OF LIQUIDATED DAMAGES

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

8.5 PAYMENT OF LIQUIDATED DAMAGES

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

Liquidated damages assessed during the implementation period shall be paid by the Contractor by check within two (2) calendar weeks that the damages are assessed. If payment is not received, the Lottery shall have the option to obtain payment of assessed liquidated damages through one (1) or more claims upon the performance bond.

8.6 APPLICABILITY OF LIQUIDATED DAMAGES AND PRO-RATA LIQUIDATED DAMAGES

The Contractor shall not be required to pay liquidated damages for delays solely due to *force majeure*, or for time delays specifically due to, or approved by, the Lottery. In all the below liquidated damages sections the damages shall be pro-rated for partial periods. For example, if liquidated damages are six hundred dollars (\$600) per minute, and the period is thirty (30) seconds, the liquidated damages shall be six hundred dollars (\$600) times $30/60 = \$300$.

8.7 GAMING SYSTEM INSTALLATION

A. Condition

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

B. Damages

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

1. Readiness for Start of Lottery Acceptance Testing. **Five thousand dollars (\$5,000)** per calendar day, beginning one hundred twenty (120) days prior to the agreed production start-up date.
2. Delay of Successful Completion of Lottery Acceptance Testing. **Ten thousand dollars (\$10,000)** per calendar day beginning fourteen (14) days prior to the agreed production start-up date, when such delay is caused by Contractor unresolved errors and issues.
3. Production Operations. **One hundred thousand dollars (\$100,000)** per calendar day beginning with the agreed production start-up date. At start-up, all terminals, network, communications and system requirements must be ready to go live.
4. Missing Deliverables. **Five hundred dollars (\$500)** per calendar day for each and every failure to provide a deliverable, meet a requirement, or resolve an acceptance testing problem pursuant to the agreed-upon project schedule until such is provided or performed.

8.8 TERMINAL AND PERIPHERAL PROVISIONING: MOVES, ADDS, DELETIONS, REMOVALS, CHANGES

A. Condition

The Contractor shall install and move terminals and other retailer selling equipment (including their associated peripherals) in accordance with the provisioning schedules that are agreed to by the Contractor and the Lottery.

B. Damages

In the event that the Contractor fails to install a new terminal, delete or remove a terminal, move a retailer terminal to new premises, or conduct an inside move for a retailer on the agreed-upon schedule, the Lottery may impose liquidated damages of **three hundred dollars (\$300)** per calendar day per terminal, or prorated fraction thereof, until provisioning is complete.

8.9 GAMING HOST SYSTEMS DOWN

A. Condition

The gaming hosts shall be defined to be "down" if tickets cannot be sold, tickets cannot be canceled (under the allowed conditions), or winning tickets cannot be validated during the operational sales period each day. The total time during which the gaming hosts are down during the day shall be the sum of all time during such daily operational sales period when the systems are "down." For example, two (2)

five -minute-long instances in one day constitute ten (10) minutes of daily down time. There is a grace period of four (4) minutes of downtime daily. Any time beyond the grace period shall be considered a “downtime event.” To address chronic problems, in the event that two (2) downtime events have already occurred in a business week, the grace period shall be rescinded, and liquidated damages shall begin immediately with any subsequent outage in that week.

B. Damages

In the event that the gaming host systems have experienced a downtime event, the Lottery may impose liquidated damages according to the following schedule:

Liquidated damages in an amount of **two thousand dollars (\$2,000)** may be assessed for each one (1) minute of downtime beyond the applicable grace period, or fraction thereof.

8.10 GAMING HOST SYSTEMS DEGRADED PERFORMANCE

A. Condition

The gaming host systems shall evidence "degraded performance" no more than four (4) hours during the operational sales period on any day. The total time during which the gaming hosts are degraded during the day shall be the sum of all time during such daily operational sales period when the systems are degraded. To address chronic problems, in the event that two (2) degraded time events of any length have already occurred in a business week, the grace period of four (4) hours shall be rescinded, and liquidated damages shall begin immediately with any subsequent degraded time event that week.

The gaming systems shall be considered as having degraded performance when:

1. Retailer terminals on average exceed the response time requirements, or the System is incapable of meeting the throughput specifications provided in **RFP Section 3** of this RFP;
2. System can process transactions from less than 95% of the installed and operational terminals;
3. System can process transactions from all terminals, but not for all gaming products and retailer-related activities; for example; degraded performance exists if the gaming host systems do not allow sales, cashes, cancels for any on-line game, and degraded performance exists if the system does not support activations, disables, and settlements for instant tickets;
4. Transactions are not logged to at least two (2) local systems, one (1) remote system, and to the Lottery's ICS;
5. Critical oversight monitoring functions of System management and administration cannot be conducted by the management workstations. These include file transfers to the Lottery;

6. Instant ticket inventory management is compromised, including the ability to receive, order, pack, and ship instant tickets, etc. in a manner concordant with production schedules;
7. During a defined promotion period the System cannot issue tickets and conduct transactions to support an intended promotion.

B. Damages

In the event that the gaming hosts have "degraded performance," the Lottery may impose liquidated damages according to the following schedule:

Liquidated damages in an amount of **one thousand dollars (\$1,000)** may be assessed for each hour of degraded time beyond the applicable grace period, or fraction thereof.

8.11 TIMELY AND ACCURATE REPORTS

A. Condition

The Contractor shall produce and deliver timely, sufficient and accurate management reports within the specified time frames, as categorized and approved in writing by the Lottery. The time schedule shall also determine a grace period for the delivery of late, incomplete, or incorrect reports. Reports will be categorized into groups A and B according to time criticality and importance, and the liquidated damages will reflect that.

B. Damages

For each late, incomplete, or incorrect report in Group A, once the approved grace period has passed, the Lottery may impose liquidated damages of **one thousand dollars (\$1,000)** per calendar day, or pro-rated fraction thereof, per report, until the report is provided, made sufficient or corrected.

For each late, incomplete, or incorrect report in Group B, once the approved grace period has passed, the Lottery may impose liquidated damages of **one hundred dollars (\$100)** per calendar day, or pro-rated fraction thereof, per report, until the report is provided, made sufficient or corrected.

8.12 TIMELY AND ACCURATE FILES

A. Condition

The Contractor shall produce and deliver timely, sufficient and accurate files within the specified time frames, as categorized and approved in writing by the Lottery. The time schedule shall also determine a grace period for the delivery of late, incomplete, or incorrect files. Files will be categorized into groups A and B according to time criticality and importance, and liquidated damages will reflect that.

B. Damages

For each late, incomplete, or incorrect file in Group A, once the approved grace period has passed, the Lottery may impose liquidated damages of **five thousand dollars (\$5,000)** per hour, or pro-rated fraction thereof, per file, until the file is provided, made sufficient or corrected.

For each late, incomplete, or incorrect file in Group B, once the approved grace period has passed, the Lottery may impose liquidated damages of **five hundred dollars (\$500)** per hour, or pro-rated fraction thereof, per report, until the file is provided, made sufficient or corrected.

8.13 TERMINAL AND PERIPHERALS REPAIR

A. Condition

The Contractor shall ensure that “non-operational” terminals (and their associated peripheral devices) are repaired or replaced and operational within the time schedule below. (Repairs are required only during games operating hours.)

A retailer terminal (including ITVMs and kiosk terminals as applicable) is considered non-operational if tickets cannot be sold or canceled (under allowable conditions) or validations cannot be performed. The terminal is considered inoperable if the reader and/or scanner cannot process wagers or play slips. Critical failures are those involving readers, scanners, retailer display screens, printers, etc.

The repair or replacement time schedule is two (2) hours for non-operational terminals. Should an ITVM or kiosk terminal require replacement, the replacement time schedule is within three calendar (3) days.

For less critical failures that do not render the terminal non-operational as defined above (e.g., the terminal’s jackpot display is out of service), the Contractor has twenty-four (24) hours to complete a repair from the time of notice by the retailer.

B. Damages

For maintenance delays beyond the allowable time schedule for non-operational terminals, the Lottery may impose liquidated damages of **one hundred twenty dollars (\$120)** per terminal per hour or pro-rated fraction thereof, excluding gaming system non-operating hours.

For terminals with other, less critical failures, the Lottery may impose liquidated damages of **one hundred twenty dollars (\$120)** per day or pro-rated fraction thereof.

For chronic failures applying to individual retailers, in which the retailer terminal has failed and required a dispatch and repair three (3) times in any one (1) month including terminal replacements, the Lottery may impose a charge. Chronic failure does not apply under *force majeure* or tampering or abuse by the retailer or its customers.

For failure to replace an ITVM or kiosk terminal within the time period allowed, the Lottery may impose liquidated damages of **five hundred dollars (\$500)** per calendar day or pro-rated fraction thereof, until a replacement becomes operational.

8.14 TERMINAL PREVENTIVE MAINTENANCE

A. Condition

The Contractor and the Lottery shall agree on a preventive maintenance cycle for retailer terminals (including ITVMs and kiosk terminals). Such attention tendered to retailer terminals helps ensure that failures are minimized and do not become chronic. The Contractor's failure to maintain the preventive maintenance schedule shall be subject to liquidated damages.

B. Damages

If for a retailer terminal there has been a delay in scheduled preventive maintenance beyond the first day of the month following the scheduled service cycle, then the Lottery may impose liquidated damages of **one hundred twenty dollars (\$120)** per calendar day until the condition is rectified.

8.15 FAILURE TO MODIFY EXISTING ON-LINE GAMES OR TO INSTALL ADDITIONAL GAMES

A. Condition

The Contractor shall modify existing games or install additional games and their supporting controls within one hundred twenty (120) days from delivery of the Lottery's written approval for a set of game specifications, unless an extension is authorized in writing by the Lottery, or a schedule is otherwise established following written request of the Lottery for System enhancements. In addition, the Contractor's change must complete a Lottery quality assurance test and receive the Lottery's written approval, within the time frame specified.

B. Damages

The Lottery may impose liquidated damages of **ten thousand dollars (\$10,000)** per calendar day that the modified or additional game is not operational. The Contractor is not obligated to pay liquidated damages if the Lottery opts to release the change at a later time than the agreed-upon schedule.

8.16 FAILURE TO PRODUCE AN ADMINISTRATIVE SOFTWARE CHANGE

A. Condition

The Contractor shall modify or add software to produce reports, screen displays, inquiries, and other administrative applications within sixty (60) calendar days from delivery of written approval by the Lottery of a set of change specifications, unless an extension is authorized in writing by the Lottery, or a schedule is otherwise established following written request of the Lottery for changes. The Contractor's

change must complete a Lottery quality assurance test and receive the Lottery's written approval, within the time frame specified.

B. Damages

The Lottery may impose liquidated damages of **five hundred dollars (\$500)** per calendar day that the modified or additional software is not operational.

8.17 FAILURE TO SUPPORT AN INSTANT TICKET GAME

This Contractor must ensure that instant ticket games are supportable, and if not, liquidated damages will result.

A. Condition

The System must handle instant ticket transactions and produce reports for all games ordered by the Lottery from its instant ticket supplier(s).

B. Damages

The Lottery may impose liquidated damages of **ten thousand dollars (\$10,000)** per calendar day for any instant games for which the Contractor does not provide timely and/or correct instant ticket transaction handling and reporting.

8.18 UNAUTHORIZED SOFTWARE/HARDWARE MODIFICATIONS

A. Condition

The Contractor shall not modify any software or hardware without the prior written consent of the Lottery. Configuration Management practices shall be designed to obviate this problem.

B. Damages

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

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

8.19 UNAUTHORIZED ACCESS OR COMPROMISE

A. Condition

The Contractor shall prevent personnel not authorized by the Lottery from accessing, modifying, or otherwise interfering with the Lottery gaming systems, and any gaming system data or software.

B. Damages

If the Contractor fails to prevent access, modification, or interference by unauthorized personnel, the Lottery may impose liquidated damages of **ten thousand dollars (\$10,000)** for each person, for each incident. Each and every act that permits access, modification, or interference by an unauthorized person is an incident.

8.20 SUPPLY SHORTAGE

A. Condition

The Contractor shall furnish all essential supplies and consumables to the retailer locations for all games (not including instant tickets or point-of-sale advertising materials).

B. Damages

In the event that retailers become unable to sell or validate tickets due to the Contractor's failure to provide adequate operating supplies, the Lottery may impose liquidated damages of **three hundred dollars (\$300)** per retailer per calendar day of downtime or on a prorated basis for any portion of a day of downtime.

8.21 FAILURE TO REPORT INCIDENTS

A. Condition

The Contractor shall be responsible to immediately report all significant incidents related to the operation of the gaming system. The immediate reporting shall be delivered personally or by telephone within one (1) hour of the discovery of the incident, followed by a letter addressed to the Lottery's Contract Manager within twenty-four (24) hours of the incident. Written reports and notifications must be sent by courier and FAXed. At a minimum, each of the following types of events shall require a written report:

- (1) System takeovers;
- (2) Major communications failures;
- (3) Significant operator errors;
- (4) Out of balance conditions;
- (5) Emergency software or hardware changes;
- (6) Security violations;
- (7) Other conditions as defined by a memorandum of understanding; or
- (8) Any situation which may cause the general public to become alarmed and/or which may damage the integrity or public image of the Lottery.

B. Damages

In the event that the Contractor fails to report incidents as required by this RFP, the Lottery may impose liquidated damages of **one thousand dollars (\$1,000)** per calendar day or prorated fraction thereof, until an incident is correctly reported.

8.22 FAILURE TO COMPLY

A. Condition

The Contractor shall comply with all requirements of the RFP, the Bid Proposal, and the Contract, and all clarifications and amendments to these documents. If the Contractor fails to provide products, services, data, or documents as obligated thereby, the Lottery may invoke liquidated damages where not otherwise addressed by liquidated damage provisions.

B. Damages

In the event that the Contractor fails to provide a required product, service, data, or document, the Lottery may impose liquidated damages of **five hundred dollars (\$500)** per calendar day or per incident (at the Lottery's discretion) until the condition is rectified.

8.23 RETAILER NETWORK OUTAGES

Communication equipment and network products and services provided by the Contractor shall be subject to liquidated damages for outages and degraded performance.

A. Condition

A network damage condition occurs if any retailer's availability during gaming hours falls below the agreed-upon Service Level Agreement in any month. See [Section 3.3.5](#), which defines the minimum SLA as 99.7%.

B. Damages

In the event that a retailer network damage condition exists, the Lottery may impose liquidated damages according to the following schedule:

Liquidated damages in an amount of **sixty dollars (\$60)** may be assessed for each retailer experiencing the degraded service.

8.24 FAILURE TO COMPLY WITH REQUIRED STANDARDS OR TO REMEDY SAS-70 AUDIT RECOMMENDATIONS

A. Condition

If the Contractor fails to address recommendations made as a result of a SAS-70 audit, or to comply with required Lottery or multi-jurisdictional standards or other audits, there will be a liquidated damage assessed.

B. Damages

1. In the event that audit recommendations addressing any of the Contractor's activities are not corrected within sixty (60) calendar days of notification, unless specifically exempted by the Director, the Contractor may be charged liquidated damages of **five thousand dollars (\$5,000)** at the end of the initial sixty (60) calendar day period and an additional **five thousand dollars (\$5,000)** for each subsequent thirty (30) calendar day period or any portion thereof, for which the audit recommendation corrections have not been completed.
2. In the event the Contractor fails to comply with any required Lottery or multi-jurisdictional association standard, the Lottery may assess liquidated damages of **five thousand dollars (\$5,000)** for each instance. The Contractor will have thirty (30) calendar days from date of notification to comply. If the Contractor fails to comply within the initial thirty (30) calendar day period, liquidated damages may apply in the amount of an additional **five thousand dollars (\$5,000)** for each subsequent seven (7) calendar day period, or any portion thereof, for which compliance has not been achieved

8.25 FAILURE TO PROVIDE SOFTWARE TESTING AND QUALITY SOFTWARE TURNS

A. Condition

If for a designated batch of software (a "release") the Contractor fails to provide a quality assurance test plan or a report on the quality assurance test, or fails to provide quality tested software, there may be a liquidated damage assessment.

B. Damages

In the event that untested or poorly tested software is turned over for Lottery quality assurance testing and production and that software does not meet the specifications standards established by the Lottery, the Contractor may be charged liquidated damages of **five thousand dollars (\$5,000)** for the first violation (return or retraction of the software) and **ten thousand dollars (\$10,000)** for each subsequent violation.

8.26 EMERGENCY MANAGEMENT TERMINAL FAILURE

All communication equipment, network products, hardware, software provided by the Contractor shall be subject to liquidated damages for outages and degraded performance.

A. Condition

A condition occurs necessitating the use of the emergency management terminals and they are unavailable to access the Contractor's System

B. Damages

In the event that emergency management terminals are unavailable to access the Contract's System, the Lottery may impose liquidated damages according to the following schedule:

Liquidated damages in an amount of **ten thousand dollars (\$10,000)** may be assessed for each incident.

9.0 CONTRACT ADMINISTRATION

9.1 CONTRACT MANAGER

The State Contract Manager is the State employee responsible for the overall management and administration of the Contract in accordance with N.J.S.A. 52:34-10.7.

The State Contract Manager for this project will be identified at the time of execution of Contract.

9.1.1 STATE CONTRACT MANAGER RESPONSIBILITIES

The State Contract Manager will be responsible for approving payment vouchers and is the person that the Contractor will contact after the Contract is executed for answers to any questions and concerns about any aspect of the Contract.

9.2 REMEDIES

Unless otherwise provided in this Contract, all claims, disputes and other matters in question between the State and the Contractor arising out of, or relating to, this Contract or the breach of it will proceed as follows:

- a. The Contractor shall initially submit any questions, concerns, disputes, claims and requests to the State Contract Manager.
- b. Failing informal resolution through the State Contract Manager, the Contractor shall submit the matter to the Director, Division of Purchase and Property for possible administrative proceedings.
- c. In the event that a resolution of any dispute involves the modification and/or clarification of any term and/or condition of the Contract, such modification and/or clarification shall require the prior written approval of the Director of Purchase and Property.
- d. In the event that any claim or dispute arises during the performance of the Contract; the Contractor shall, unless ordered by the State, continue to perform the Contract pending final resolution of the claim or dispute.

ATTACHMENT 1

PRICE SCHEDULE

NEW JERSEY LOTTERY GAMING SYSTEM AND SUPPORT SERVICES

Bidders are required to quote the System price as a percentage of Net Total Sales (on-line and instant) for the seven (7) year contract period. This includes all fees. No other payments will be made to the Contractor unless authorized by a contract amendment.

TOTAL NET SALES PERCENTAGE: _____ %*

* "Total Net Sales Percentage" should have 4 Decimal Places (example 00.0000%)

TBD pricing is not allowed.

Authorized Signature : _____

Print or Type Name : _____

Title : _____

Name of Bidder : _____

Address of Bidder : _____

: _____

: _____

Date : _____

*Please note, this price schedule is required to be submitted with the technical proposal but in a separately sealed envelope, please refer to **Section 6.4** for specific information.*

ATTACHMENT 2

NO CONTACT AGREEMENT AND CERTIFICATION

1. I certify and confirm on behalf of the Bidder that neither the Bidder, its directors, officers or employees, or on behalf of the Bidder, its consultants, legal representatives, or lobbyists has initiated any Contact, as defined in Section 2.0 of the Request for Proposal, with any Executive Branch employee during the Procurement Process, except as permitted in Section 1.9.8 of the Request for Proposal ("RFP").
2. I agree that no one on behalf of the Bidder, including its directors, officers, employees, consultants, legal representatives, lobbyists or other agents of the Bidder shall initiate any Contact, as defined in Section 2.0 of the RFP, with any Executive Branch employee during the Procurement Process, except as permitted in Section 1.9.8 of the RFP.
3. I have read Section 1.9.8 of the RFP and I hereby acknowledge on behalf of the Bidder that the Bidder is fully aware of the possible consequences of the Bidder's violation of Section 1.9.8 of the RFP, which may include disqualifying the Bidder from bidding or from further consideration of its proposal (if the proposal has been submitted), or, if in the best interests of the State, rescinding the Contract award or terminating the Contract, if the Contract has been awarded to the Bidder.
4. I certify that the above statements are true to the best of my knowledge, belief and information. I am aware that I may be subject to punishment if any of the foregoing statements is materially false.

Authorized Signature : _____

Print or Type Name : _____

Title : _____

Name of Bidder : _____

Address of Bidder : _____

: _____

: _____

Date : _____



State of New Jersey

DEPARTMENT OF THE TREASURY
DIVISION OF PURCHASE AND PROPERTY
PURCHASE BUREAU
P.O. Box 230
TRENTON, NEW JERSEY 08625-0230

JON S. CORZINE
Governor

MICHELLENE DAVIS
Acting State Treasurer

November 9, 2007

To: All Bidders

Re: RFP # 08-X-39707
Lottery Gaming System and Support Services

Former Bid Proposal Due Date: November 27, 2007 (2:00 p.m.)

Revised Bid Proposal Due Date: January 4, 2008 (2:00 p.m.)

ADDENDUM #1

The following constitutes Addendum #1 to the above referenced solicitation.

This addendum modifies the Bid Due Date from November 27, 2007 to **January 4, 2008**.

It is the bidder's responsibility to ensure that all changes are incorporated into the original RFP.

All other instructions, terms and conditions of the RFP shall remain the same.