Michigan Lottery
101 E Hillsdale
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Request for Proposals

RFP Number: MSL12-001

Issue Date: January 8, 2013
Proposal Due Date: February 19, 2013

Title and Purpose of RFP:

Development, Implementation, Operational Support and Maintenance of an iLottery System and iLottery Games

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PART 1 – PROPOSAL SUBMISSION INFORMATION

1.0. Introduction and Background

The Michigan Bureau of State Lottery ("Lottery") is planning to offer its existing array of lottery games (e.g. Instants, Keno, etc.) through modern digital channels of distribution ("iLottery") in order to capture new revenues while increasing social responsibility standards and enhancing retail partnerships.

The Lottery is issuing this Request for Proposals ("RFP") to invite interested parties ("Bidders") to submit Proposals for the development, implementation, operational support, and maintenance of a Michigan Lottery iLottery System ("System") and the development and integration of digital versions of existing lottery games ("iLottery Games").

The Lottery envisions iLottery to be rolled out broadly into various digital distribution channels (e.g. web, mobile app, mobile web, tablet, social, etc.) in order to maximize consumer participation, convenience and satisfaction.

This RFP has a **Minimum Bidder Qualification:** a Bidder (or a Bidder in combination with Joint Bidders as specified in Section 1.25) submitting a Proposal must, at a minimum, have one (1) or more current or previous customers to whom it has supplied products and support services equivalent to the specifications of this RFP.

The iLottery System and services required from the Bidder under this RFP include, but are not limited to:

- A System configured to give Lottery full access and exclusive control to conduct iLottery operations.

- Broad digital distribution channels deployed such as web, mobile app or tablet ("Channel Mix"). Channel Mix should be supported with a primary user interface ("Portal") to serve as the gateway to players for core services such as account management and game purchase and redemption.

- Network services for the iLottery games, operating at a high level of security to protect the Lottery's gaming systems.

- Player Account Management ("PAM") functions which include but are not limited to:

- Capabilities to register iLottery players with verification services that meet the most stringent standards for age and identity verification.

- Capabilities to accurately geo-locate players, using the most stringent standards, prior to accepting Wagers from web or mobile device users while only enabling wagering within the physical boundaries of Michigan.

- Banking services that facilitate iLottery player account funding and external transfer capabilities that support the broadest set of funding sources possible (e.g. bank transfers, credit cards, etc.).

- Capabilities that allow players to purchase iLottery Games with funds.

- Responsible gaming controls that ensure the highest level of standards are enforced.

- Development, delivery and tracking of all notifications to players such as email messages and short message service ("SMS") messages.

- Centralized services and real-time integration methods to support third-party iLottery Game deployments. For example, this may include the development and documentation of application programmable interfaces ("API's") that expose System functionality to third-party game Vendors in a highly secure manner.

- The development and integration of iLottery Games into the System.

- The development and integration of configurable marketing and promotion capabilities into the System.

- A comprehensive back office management system that supports the operational needs of the Lottery. This includes a claims and payments system that includes the ability to process payments to winners, establish recurring (i.e. annuity) payments, and manage tax reporting capabilities.

- Primary and backup computer systems, Facilities and operational staff.

- A dedicated project management team to handle all aspects of planning, implementation, integration, testing, ongoing maintenance and System modification.

- Implementation, testing, and quality assurance services for all iLottery System Deliverables.

In the RFP the Lottery has defined a series of objectives, requirements, and a Proposal evaluation approach that will represent its best interests in performance of its mission.

As a result the Lottery expects to make an award to the Bidder providing the most favorable Proposal to the State. There will be one (1) award for the iLottery System.

The awarded Bidder (the “Contractor”) is expected to enter into a written agreement (the “Contract”) with the Lottery within thirty (30) calendar days after notice of award identifying it as the Contractor.

The Contract will cover an implementation period plus four (4) 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 a maximum of four (4) additional one-year renewal periods. The Lottery may opt to award more than one (1) renewal period at a time, and may negotiate the terms of the renewal.

All proposed iLottery System requirements must be delivered, installed, implemented, acceptance tested, approved, and ready to be fully operational by an agreed-upon schedule.

Authority of the RFP. This RFP and all activities leading toward the anticipated signing of a Contract pursuant to this RFP are enabled under Michigan statutes which establish the purpose, powers, duties, and procedural framework of the Lottery. More information about the Lottery is presented in the Appendices to the RFP.

1.1. Lottery Objectives

The Lottery has the following objectives for issuing this RFP and entering into the previously described Contract:

- Deliver at least one hundred and eighteen ($118) million dollars in incremental profits to the Michigan School Aid Fund during the first four (4) years of iLottery operations and another three hundred and sixty-one ($361) million dollars over the following four (4) years.

- Maintain the highest standards for responsible gaming including player spending limits and age verification performance.

- Maintain the highest standards for geo-location verification of players within the State of Michigan.

- Enhance existing retail partnerships and establish the capability to support virtual types of retailers.

- Install a System and iLottery Games that will meet the needs of the Lottery for the duration (“Term”) of the Contract.

- Obtain systems and services that are operationally sound, incorporate the highest level of integrity and security, and minimize risk for the Lottery and its customers.

- Obtain solutions that will lead to high standards for player satisfaction.

- Obtain systems flexible to meet the Lottery's evolving needs.

- Ensure that all proposed systems and services are ready to be operational by the agreed-upon schedule.

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

1.2. Overview of the RFP

This RFP will provide the information necessary to submit Proposals. The organization of the RFP is as follows:

- Part One – background and Proposal preparation information

- Part Two –terms and conditions that will apply to the Contract

- Part Three – iLottery System technical and services specifications

- Part Four - how iLottery pricing must be submitted

- Part Five – how iLottery Proposals will be evaluated: iLottery Proposal evaluation criteria, the evaluation process, and the proceedings leading to execution of a Contract

The RFP has Appendices for reference, including Appendix B (Glossary), which provides a glossary of terms.

1.3. Issuing Officer

The Issuing Officer, acting on Lottery's behalf, is the sole point of contact with regard to this RFP, from the date of release until the Lottery's notice of award. All communications concerning this procurement must be addressed in writing to the Issuing Officer:

Mr. Richard Hauser
Procurement Manager
Michigan Lottery
P.O. Box 30023
101 East Hillsdale

Lansing, Michigan 48909
E-mail: hauserd@michigan.gov

1.4. Disclosure and Investigation Requirements

This RFP requires a series of disclosures and willingness to comply with background investigational requirements of the Lottery. This is a major procurement solicitation and all relevant Michigan statutes are applicable. Questions regarding the disclosures and investigation requirements are to be directed to the Issuing Officer.

1.5. Restrictions on Communication

Other than the Issuing Officer, potential Bidders and their agents or representatives shall make no unsolicited contact with any elected official or office of the State of Michigan, any Lottery employee, or any agent, or representative of the Lottery regarding this RFP. Bidders shall not represent themselves to anyone, including Michigan Lottery Retailers, as having the endorsement of the Lottery, nor as the Lottery's supplier of such gaming products and services. For potential Bidders currently doing business with the Lottery, any communication regarding this RFP is prohibited except as provided for in this RFP. Any Bidder causing or attempting to cause a violation or circumvention of this ethical standard may, in the sole discretion of the Lottery, be disqualified from further consideration.

1.6. Schedule

The following calendar is set forth for informational and planning purposes. The Lottery reserves the right to change any of the dates. All dates below are associated with a time deadline of 4pm Eastern Time unless otherwise stated.

- **RFP issued January 8, 2013**
- Deadline for RFP Protest January 14, 2013
- Inquiry Deadline #1 (First Round) January 22, 2013
- Lottery's Response to Inquiries (First Round) January 29, 2013
- Inquiry Deadline #2 (Final Round) February 5, 2013
- Lottery's Response to Inquiries (Final Round) February 12, 2013
- **Proposal Submission February 19, 2013**
- Site visits/Bidder presentations February / March 2013
- Best and Final Offers Tendered (if requested) March 6, 2013

- Notice of Award April 30, 2013
- Deadline to Protest Award (five (5) days after Notice of Award)
- Administrative Board Approval May 2013
- Contract Execution June 2013
- Readiness for Lottery Quality Assurance Testing, one hundred and twenty (120) days after Contract sign off
- Lottery Acceptance Testing Completed, fourteen (14) days prior to Implementation
- **Implementation (Phase 1) completed* one hundred and eighty (180) days after Contract sign off**

* NOTE: Implementation (Phase 1) will occur on or about December 1, 2013. Other Phases will be scheduled and agreed upon when the Contract is signed.

1.7. Addenda to the RFP

If any part of this RFP is amended, addenda will be published on the Michigan Lottery's website at www.milotteryconnect.com. It shall be the Bidder's responsibility to check this website regularly for any addenda, amendments, or cancellations related to his RFP.

1.8. Inquiries for RFP Clarification or Change

By submitting a Proposal, Bidders agree that they understand the requirements of this RFP, and they fully understand their obligations if they were to enter into a Contract with the Lottery. If a Bidder needs clarification or would like to request a change to the procurement technical or contractual requirements, the Bidder shall submit these to the Issuing Officer on or before the Inquiry Deadlines stated in Section 1.6.

If a Bidder discovers any ambiguity, conflict, discrepancy, exclusionary specifications, omission or other errors in this RFP, and fails to notify the Lottery on or before the Inquiry Deadlines, the Bidder submits a response to this RFP at its own risk. The Lottery will consider no requests for change or modifications after this deadline. The Bidder will not be entitled to additional compensation, relief, or time by reason of the error or its later correction.

Inquiries must be mailed or e-mailed to the Issuing Officer at the location set forth in Section 1.3. Bidders must observe the time schedule for submitting inquiries. This

schedule will ensure that the Lottery has adequate time to respond and that the responses will be provided to Bidders in time to be incorporated into their Proposals.

Bidders are cautioned that an RFP inquiry shall be written in generic terms and must not contain cost information. The inclusion of specific cost in an inquiry may result in the Bidder's disqualification.

A copy of all questions, answers, and any changes in the RFP resulting from such requests will be available via addenda published on the Michigan Lottery's website at www.milotteryconnect.com. It shall be the Bidder's responsibility to check this website regularly for any addenda, amendments, or cancellations related to this RFP.

1.9. Time Period to File or Commence Protest

If the Bidder believes that the requirements are unnecessarily restrictive or limit competition, the Bidder shall include the reason, and any and all documented, factual information that supports this opinion, and any proposed changes to the requirements. This protest period will be the sole opportunity for Bidders to protest any terms and conditions contained in the RFP in Part 2.

Notwithstanding any limitations period prescribed by statute or otherwise, as a condition for the right to submitting a Proposal in response to this RFP, the Bidder agrees that any and all administrative clarification, protest, legal action, or any other proceeding of whatever nature, arising from or related to this RFP, must be filed or commenced within by the deadline shown in the schedule section, Section 1.6.

1.10. Acceptance of RFP Terms

A Proposal submitted in response to this RFP will be considered a binding offer. By submitting a Proposal, each Bidder covenants and agrees that it fully understands and will abide by the terms and conditions of this RFP and it will not make claims for or have any rights to cancel or withdraw its Proposal or for other relief due to any misunderstanding or lack of information. The signature of the Bidder or an officer of the Bidder legally authorized to execute contractual obligations will indicate acknowledgement of this condition.

1.11. Waiver of Deficiencies and Rejection for Non Compliance

Proposals that do not meet all material requirements of this RFP or that fail to provide all required information, documents, or supporting materials, or include language that is conditional or contrary to terms, conditions, and requirements, may be rejected as nonresponsive. The "material" requirements of the RFP are those set forth as: (i) mandatory, (ii) without which an adequate analysis of Proposals is impossible.

The Lottery reserves the right to waive minor deficiencies in the Proposals. The decision as to whether a deficiency will be waived or will require the rejection of a Proposal will

be solely within the discretion of the Lottery. Failure to comply with or respond to any part of this RFP may result in rejection of the Proposal. A waiver of non-compliance for a minor deficiency in the Proposal does not relieve the Contractor of a contractual obligation.

1.12. Rejection of Proposals

The Lottery reserves the right to reject any Proposal at any point prior to an award of the Contract, or to reject all Proposals and cancel this procurement, if such action has been determined by the Lottery in its sole discretion, to be in its best interest.

1.13. Proposals Valid for One Year

All Proposals submitted will remain valid for one (1) year from the date on which Proposals are due, unless the period is extended by mutual agreement of the Lottery and the affected Bidder or Bidders.

1.14. Proposal Form

The Proposal must be submitted as follows:

- Two (2) separate volumes (Technical and Price) that are mailed or hand delivered. Within the Technical volume, a separately sealed envelope addressed to “Lottery Security Director” shall contain all materials described in Section 1.34 and any forms provided, or referenced, in Appendix G (Security Forms).

- Responses must be in a sealed package identified on the outside by the Bidder's full name and address and the RFP number and must be specifically addressed to the Issuing Officer.

- Responses must be received by the Issuing Officer no later than the date and time shown in the schedule section, Section 1.6.

- Proposals that are unsigned or otherwise materially non-conforming may be rejected as non-responsive.

- Proposals must follow the outline below.

VOLUME I – Technical (Non-Price) Proposal

The Technical Proposal volume shall include descriptive and technical materials only and shall be appropriately labeled on the exterior of the Proposal. Cost figures shall not be contained in the Technical Proposal; however, Options offered by the Bidder at no additional cost must be so noted.

The original plus seven (7) copies of the Technical Proposal are to be provided.

In addition, the Technical Proposal must be submitted on a CD or flash drive using a PDF file format. The electronic version should include all sections within a single File to facilitate searches for terms across the breadth of the Proposal.

The Technical Proposal must follow the outline provided below and employ divider pages with tabs to separate the response sections:

- Transmittal letter. The transmittal letter shall contain names, addresses, email and telephone numbers of individuals for the Lottery to contact regarding contractual, technical, site visit, and background investigation matters regarding the Proposal.

- Bid Bond and Litigation Bond (Refer to Sections 1.29 and 1.30)

- Disclosure of RFP Assistance (Refer to Section 1.32)

- Separately sealed envelope containing the disclosure of litigation, investigations, and other information including security forms (Refer to Section 1.34 and Appendix G)

- Acknowledgement of all RFP addenda

- Agreement to comply with all terms and conditions (from Part 2)

- Trade secret protection request letter (if needed). (Refer to Section 1.24)

- Response to all paragraphs of the technical specifications in identical order to Part 3. An original and one (1) copy of the required financial information shall be filed with the Proposal original only, and not with all seven (7) copies.

- Bidder-supplied technical documentation as appendices

- List of Offered Options noting whether they are provided within the Baseline cost (without separate charge), or at additional cost. If there is additional cost, pricing should not be disclosed in the Technical Proposal.

VOLUME II – Price Proposal

The Price Proposal volume shall be appropriately labeled on the exterior of the Proposal. The Price Proposal shall be signed in ink, and must be signed by an individual authorized to legally bind the Bidder. All monetary values are to be proposed in US dollars. The original plus one (1) copy of the Price Proposal must be provided.

The Price Proposal must follow the outline provided below and, employ tabbed divider pages to separate these response sections:

- Transmittal Letter
- Pricing for the Baseline System
- Pricing for Options

The pricing response must be in the form prescribed in Part 4 (Price Quotation Sheet).

1.15. Proposal Opening

Proposals will not be subject to public opening or review from the time of receipt by the Issuing Officer until the issuance of the Lottery's notification of intent to award. At the time the Lottery issues its intent to award notification, Proposals may be viewed by written request directed to the Issuing Officer.

1.16. Withdrawal of Responses

A Bidder may withdraw its Proposal by written notice submitted on the Bidder's letterhead, signed by an authorized representative of the Bidder, delivered to the Lottery Issuing Officer and received prior to the Proposal Submission deadline. The Bidder or its authorized representative may also withdraw its Proposal in person prior to the Proposal Submission deadline, upon presentation of appropriate identification and evidence of authority satisfactory to the Lottery.

1.17. Late Proposals

Proposals pursuant to this RFP must be received by the Issuing Officer no later than the Proposal Submission deadline. Failure of a Bidder to submit its Proposal by the specified time may result in rejection. Proposals that are rejected for being late will be returned unopened to the Bidder.

1.18. Demonstrability of Proposed System

The Lottery requires that the Bidder, upon request, be capable of a demonstration of major System elements, including over-the-Internet communication capabilities (if applicable). Such a demonstration should indicate the Bidder's ability to meet the requirements specified in this RFP.

While functions and features demonstrated upon request for the Proposal evaluation do not need to be identical in all respects to specifications of this RFP, common transactions, functions, and operations are expected. Refer to RFP Appendix C (Demonstrability of System) for related information.

Demonstrations may consist of a simulation at the Lottery or at the Bidder's Facilities, observing operations at another lottery, or a presentation at some other appropriate venue, as requested by the Lottery during the evaluation process.

The demonstrated configuration should be as close as reasonable to the actual proposed configuration.

The Lottery may not require demonstration of certain Offered Options, or of the newest releases of hardware and software that may be proposed, if convinced that these elements are actually available and could be demonstrated. The Lottery may not require demonstration of capabilities that (according to this RFP) are not necessary for start-up but may occur later in the Contract.

Configuration items must fulfill the readiness criteria of Section 1.19.

1.19. Readiness for Delivery

The Lottery will not consider proposed items that are part of the required delivery at start-up which are at the specifications or conceptual stage only, or early in development.

The Lottery acknowledges that a Bidder's technology and operational framework would require adaptation to the Michigan requirements and that various components would be created, ordered, assembled, and/or integrated for delivery.

1.20. Proposal Clarification Process

The Lottery may request clarifications from Bidders for the purpose of resolving ambiguities or questioning information presented in the Proposals. Clarifications may occur throughout the Proposal evaluation process. Clarification responses shall be in writing and shall address only the information requested. Responses shall be submitted to the Issuing Officer within the reasonable time stipulated at the occasion of the request.

Clarifications are for the purpose of resolving ambiguities and improving the understanding of the Lottery regarding a Proposal. In no case does the clarification or any other process permit revision or supplementation of Proposal after submission. Clarifications are an opportunity to explain, but not enhance, the Proposal.

1.21. Latitude in Proposal Contents

Each Bidder is expected to provide the Lottery with information, evidence, and demonstrations that will make possible an award that best serves Lottery's objectives and requirements as set forth in the RFP.

Bidders are given wide latitude in the degree of detail they offer in their Proposal and the extent to which they reveal plans, designs, systems, processes, and procedures in the Proposal.

There is no limit on the number of pages; however, Bidders should prepare their Proposals simply and economically, providing a straightforward and concise description of their ability to satisfy the requirements of this RFP. Proposals of excessive length, or that contain a preponderance of boilerplate text, are discouraged. Emphasis in each Proposal should be on completeness and clarity of content.

Failure of a Bidder to provide the appropriate information or materials in response to each stated requirement or request for information may result in lower scores during the evaluation or may ultimately result in Proposal rejection based on non-responsiveness to the requirements of the RFP. Responses to complex RFP requirements that are stated in a form semantically equivalent to “Bidder agrees to comply” may be rejected for non-responsiveness at the discretion of the Lottery.

1.22. Proposal Disclosure

Disclosure by a Bidder or agent of the Bidder, of Proposal contents prior to the Lottery’s notification of its intent to award a Contract may result in rejection of the Proposal.

1.23. Disclosure and Ownership of Proposal Contents by Lottery

All matters set forth in a Proposal, including technical and price information, may be subject to disclosure after the Lottery’s notification of its intent to award a Contract. All information in a Proposal and any Contract resulting from this RFP are subject to the provisions of Michigan’s public records laws regardless of copyright status or Bidder designations on pages of the Proposal.

Any and all materials submitted become the exclusive property of the Lottery. The Bidder waives all rights relating to the Proposal, including without limitation, any and all rights of identification of authorship and any and all rights of approval, restriction or limitation on use unless prohibited by law.

1.24. Public Records and Requests for Confidentiality

Proposals will not be returned to the Bidder. In the event that a Bidder desires to claim that portions of its submittal are exempt from public disclosure, it is incumbent upon the Bidder to identify those portions in a transmittal letter attached to the Proposal. The claimed exemption from public disclosure must be supported by specific reference to Michigan public records law. The transmittal letter must identify the page and the particular exemption(s) from disclosure upon which the claim is made. Each page claimed to be exempt from disclosure under Michigan public records law must be clearly identified as such, on the page, using a reference to a valid exemption (e.g. trade secret).

If the Lottery receives a request for public records disclosure of the information so designated as “exempt from public disclosure“ by the Bidder, the Lottery may make a reasonable attempt to notify the Bidder of the request so the Bidder may take any actions it deems necessary to prevent Lottery’s disclosure of the material.

Michigan public records laws provides that certain records may be exempt from disclosure. A decision made by Lottery to exempt a record from public disclosure is subject to judicial review and will be made in accordance with Michigan laws. Thus Lottery cannot guarantee that a document will not be disclosed. It is a public policy of the State of Michigan that all Persons, except those Persons incarcerated, are entitled to full and complete information regarding the affairs of government and the official acts of those who represent them as public officials and public employees.

1.25. Joint Proposal Responses

Two (2) or more Bidders may together submit a Proposal. If a joint Proposal is submitted, the Proposal shall define the responsibilities that each Bidder is proposing to undertake. Of the Bidders submitting a joint Proposal, one (1) must be designated as the primary. The Proposal shall designate a single authorized official to serve as the sole point of contact between the Lottery and the joint responding Bidder.

1.26. Multiple Proposals from One Bidder Not Allowed

A Bidder shall submit a single Proposal. Within the Proposal the Bidder may identify Options, including solicited and unsolicited products, services, and features that the Bidder believes may be appealing and useful to the Lottery. The inclusion of Options (Refer to Section 1.36) accommodates the purpose of defining alternatives through multiple Proposals.

1.27. Costs Associated with Proposal

Neither the Lottery nor the State of Michigan shall be responsible for any of the costs of preparing or submitting a Proposal, including, but not limited to preparation, copying, postage, and delivery fees or expenses associated with any demonstrations or presentations that may be required by the RFP.

1.28. Mandatory Specifications

Specifications in the RFP shall be regarded by the Bidder as mandatory, as denoted by terms such as “required,” “must,” “shall” and “will,” except where a function, feature, or capability is specifically noted as being “preferred”, “desired”, “desirable”. In the case of a “preferred”, “desired”, “desirable” feature, the Bidder is not required to offer such, however, the evaluation of the Bidder's Proposal may be more favorable if these capabilities are offered.

1.29. Proposal Bid Bond

Each Bidder must submit with the Proposal a Bid Bond from a reliable surety company that is licensed by the State of Michigan, in form and substance and issued by an issuer acceptable to the Lottery, in the amount of five thousand dollars ($5,000) to guarantee for one (1) year after submission of the Proposal the availability of the goods and services at the price(s) quoted in the Proposal. The Bid Bond shall be payable to the "State of Michigan".

The Bid Bond will be returned to all but the Contractor upon the execution of the Contract. The Bid Bond of the Contractor will be retained until the Contract is executed and the Lottery is furnished with an acceptable performance Bond as described in Section 2.24. The check or Bond will be forfeited to the Lottery if the Contractor fails to submit in a timely manner the performance Bond or other security, as required, or fails to execute the Contract in a timely manner as determined by Lottery.

1.30. Litigation Bond

Each Bidder must submit with the Proposal a Litigation Bond from a reliable surety company that is licensed by the State of Michigan in the amount of one hundred thousand dollars ($100,000). The purpose of the Litigation Bond is to permit the Lottery or other Defendants to recover damages, including reasonable attorneys' fees, expenses and court costs resulting from the Bidder's initiation of legal action. The Litigation Bond shall remain in effect for a period of two (2) years from the date of submission of the Proposal.

A claim upon the Litigation Bond may be made by the Lottery if (i) the Bidder initiates legal action against the Lottery or the State of Michigan or any of its officers, employees, agents, or representatives, or any State of Michigan employees, or other Contractors, with regard to any matter relating to this RFP and the awarding of a Contract pursuant to this RFP, and (ii) the Lottery, the State of Michigan, or any of its officers, employees, agents, or representatives, or other Contractors, is the prevailing party in such an action.

Following signing of a Contract with the Contractor, the Litigation Bond of any Bidder may be released upon acceptance by the Lottery of a Covenant Not to Sue.

1.31. Assurance of Bonds

The Lottery will only accept Bonds that are issued by a reliable surety company that is licensed by the State of Michigan and has a record of successful continuous operation. Failure to provide the required Bonds will result in rejection of the Bidder's Proposal.

1.32. Disclosure of RFP Assistance

The Bidder shall notify the Lottery in its Proposal, if it, or any of its Subcontractors, or its officers or directors have assisted with the drafting of this RFP, either in whole, or in part. This includes the conducting or drafting of surveys designed to establish a System inventory, and/or arrive at an estimate for the value of the solicitation.

The Bidder shall provide a listing of all materials provided to the Lottery by the Vendor, or by the Lottery to the Vendor, containing information relevant to this RFP, including but not limited to: questionnaires, requirements lists, budgetary figures, assessments, white papers, presentations, or RFP draft documents. The Bidder shall provide a list of all individuals within the Lottery with whom any of its personnel, and/or Subcontractors' personnel has discussed this RFP or any portion of this RFP.

The following constitutes a list of actions that would preclude the developer or co-developer of an RFP from bidding on an RFP. This list is not comprehensive, and the Lottery reserves the right to disqualify any Bidder, if the Lottery determines that the Bidder has used its position (whether as an incumbent Vendor, or as a Vendor hired to assist with the RFP development, or as a Vendor offering assistance gratis), to gain a leading edge on the competitive solicitation:

- The RFP development results in a "unique solution," having proprietary influence for the benefit of the developer, or a very limited source list. The resulting RFP must be of a nature that displays neutrality and fairness; any implication of impropriety will preclude the developer from participating in the ensuing bid process.

- Retaining information assembled or compiled for the development of the RFP by the developer. The Bidder must share all pertinent information assembled for the RFP development, by making such information equally and fully available to all potential Bidders, via the Issuing Officer.

- The use of information assembled that would lead to an early response to the RFP by the RFP developer. This includes, but is not limited to: assessments, surveys, white papers, RFP draft documents, questionnaires, requirements lists, budgetary figures, presentations, notes from conversations with State personnel, and any other form of information resulting in a competitive advantage.

1.33. Investigations During Proposal Evaluation

Subsequent to Proposal submission, the Lottery may initiate investigations into the backgrounds of the Bidder and individuals or entities related to any officers, trustees, board members, principals, investors, owners, Subcontractors, employees, or any other individuals or entities related to the Bidders as deemed appropriate by Lottery.

Such background investigations may include fingerprint identification by the Michigan State Police and the Federal Bureau of Investigation, or any other public or private agencies deemed appropriate, and shall require the provision of information, as

requested by the investigators. Any costs of background investigations are the responsibility of the Bidder.

The Lottery may reject a Proposal based upon the results of these background checks. The Bidder is advised that any person who knowingly provides false or intentionally misleading information in connection with any investigation by the Lottery may cause the Proposal to be rejected, or a subsequent Contract to be canceled.

If the Bidder or a Substantial Subcontractor is a subsidiary of a parent entity, the Lottery may request the above disclosures from the parent entity as necessary.

1.34. Litigation

Since the Lottery has a strong interest in the Contractor's continuing ability to deliver software and services that meet the most stringent standards for System performance and integrity, the Lottery requires that Bidders list and summarize all pending or threatened litigation, administrative or regulatory proceedings, investigations, and similar matters that could materially affect the Bidder.

As part of this disclosure requirement, Bidders must state whether they or any owners of at least five (5%) percent interest in the bidding company, officers, trustees, board members, subcontractors, agents, or partners have ever been convicted of a felony, or a misdemeanor including but not limited to larceny, a gaming related offense, uttering and publishing, or any civil or criminal offenses excluding driving offenses. Failure to disclose such matters may result in rejection of the Proposal or in termination of a Contract.

In addition, the bidding company and any owners (or entities) with at least five (5%) percent interest in the bidding company and any officer shall complete a notarized ‘Authorization To Release Background Information’ form (Refer to Appendix G – Security Request and Release of Background Information).

Bidder(s) must also complete a notarized 'Request For Background Information' form (Refer to Appendix G – Security Forms).

Upon review of such matters a determination will be made by Lottery that might result in rejection of the Proposal or in termination of a Contract.

Such disclosures shall be submitted with the Proposal. This is a continuing disclosure requirement; any such matter commencing after submission of a Proposal and, with respect to the Contractor after the execution of a Contract, must be disclosed in a written statement to the Lottery Security Director within thirty (30) days from the first notice of any pending or threatened litigation, administrative or regulatory proceedings, investigations, and similar matters that could materially affect the Bidder.

1.35. Change of Financial Condition

If a Bidder who has submitted a Proposal in response to this RFP experiences a material change in financial condition prior to award, or during the Term of the Contract with the Lottery, the Lottery must be notified in writing at the time the change occurs or is identified.

"Material change" is defined as any event which, following Generally Accepted Accounting Principles (GAAP) (or the international equivalents to the extent available) would require a disclosure in the annual report of a publicly traded United States corporation or that would be required to be disclosed under State or Federal law. Failure to notify the Lottery of such a change may result in the rejection of a Proposal or termination of the Contract.

1.36. Specified, Invited and Offered Options

A Specified Option as noted in this RFP is identified as being of interest to the Lottery and the Lottery anticipates acquiring such from the Contractor. However, the Lottery may choose not to exercise such an Option, and makes no commitment in this RFP to the quantity or timing for acquisition. The Bidder is required to include a Specified Option in the Proposal.

An Invited Option as noted in this RFP is identified as being of specific interest to the Lottery. However the Lottery makes no commitment in this RFP to any quantity or timing for acquisition. The Bidder is not obligated to include an Invited Option in the Proposal.

Offered Options are not identified in this RFP but may be identified by the Bidder and included in the Proposal. This is an opportunity for Bidders to offer Options that the Lottery may not have been aware of at the time the RFP was written. The Lottery makes no commitment to quantity or timing for acquisition of Offered Options.

Proposal Options that the Lottery chooses to exercise for the Contract under different quantity and/or timing considerations than suggested by the RFP will be negotiated with the Contractor.

1.37. Independent Price Determination

By submission of a Proposal, the Bidder certifies that in connection with the Proposal:

- Prices have been arrived at independently, without consultation, communication, or agreement for the purpose of restricting competition with any other Bidder.

- Unless otherwise required by law, the prices quoted have not been knowingly disclosed by the Bidder and will not knowingly be disclosed by the Bidder prior to award directly or indirectly to any other Bidder or to any Person not representing the Bidder.

- No attempt has been made or will be made by the Bidder to induce any other Person or entity to submit or not submit a Proposal for the purpose of restricting competition.

1.38. Hiring and Business Relationships with Lottery Staff During Bid Process

During the period from the RFP release until the signing of the Contract, Bidders are prohibited from officially or unofficially making any employment offer or proposing any business arrangement whatsoever to any Lottery officer, employee, agent, or representative. A Bidder making such an offer or proposition may be disqualified from further consideration, or a Contract signed pursuant to this RFP may be terminated.

Furthermore, for the duration of this RFP process, Bidders, their employees and any representative, designee or agent of the Bidder shall refrain from:

- Providing meals, entertainment, or other expenses for Lottery officers, employees, agents, or representatives.
- Providing gifts of any value to Lottery officers, employees, agents or representatives.

1.39. Disqualification for Non-Responsibility

Financial and business stability and wherewithal to perform and support the Lottery are required. Bidders that, in the Lottery's judgment after the evaluation of documents required to be submitted in response to this RFP, do not possess the capability to perform the Contract requirements, have a conflict of interest in serving the Lottery, or fail to demonstrate sufficient financial responsibility, security, integrity, and reliability to assure good faith performance, shall be rejected as non-responsible.

1.40. Applicable Laws and Procedures

Any dispute arising from this RFP, the Proposals, and the resulting Contract and the processes associated with the procurement, shall be resolved in the State of Michigan. With respect to any claim between the parties, Bidder consents to venue in Ingham County, Michigan, and irrevocably waives any objections it may have to such jurisdiction on the grounds of lack of personal jurisdiction of such court or the laying of venue of such court or on the basis of *forum non-conveniens* or otherwise. Bidder agrees to appoint agents in the State of Michigan to receive service of process.

1.41. Protest of Award

Bidders that have submitted a Proposal may protest an award and signing of a Contract. Protests that do not follow the procedures below will not be considered. This protest procedure constitutes the sole administrative remedy available to Bidders.

Protests must be received within five (5) Business Days after issuance of the notice of intent to award the Contract (Refer to Section 1.6). All protests must be in writing, signed by the protesting party or an authorized agent and submitted to the Issuing Officer listed in Section 1.3. The protest must state all facts and arguments on which the protesting party is basing the protest.

1.42. News Release Prohibition

Bidders will not issue news releases or make statements to the news media pertaining to this RFP, Proposal, proposed Contract or the work to be performed without the prior written approval of the Lottery.

1.43. Headings

The headings used in this RFP are for convenience only and shall not affect the interpretation of any of the terms and conditions thereof.

PART 2 – TERMS AND CONDITIONS

2.0. Introduction

This section sets forth the terms and conditions that apply to this procurement and that by virtue of incorporation will become part of the Contract executed pursuant to this RFP. The basic contractual terms for this procurement are those of Lottery standard contracts. The Successful Bidder will be expected to sign a Contract based on the terms and conditions of this section. By submission of a Proposal, the Bidder agrees to these terms and conditions contained in this section.

2.1. Contract Elements

The Contract between the Lottery and the Contractor includes:

- This RFP
- Clarifications and addenda to this RFP
- The Proposal
- Amendments to the Proposal and any Proposal clarifications.

In the event of a conflict in language between any of the above-mentioned documents, the provisions and requirements set forth or referenced in the RFP and its addenda shall govern.

In the event of a conflict in language between any of the above-mentioned documents and the Contract, the provisions and requirements set forth or referenced in the Contract and its amendments shall govern. In the event that an issue is not addressed in the Contract, no conflict in language shall be deemed to occur. The failure of a party to insist upon strict adherence to any term of a Contract resulting from this RFP shall not be considered a waiver or deprive the party of the right thereafter to insist upon strict adherence to that term, or any other term, of the Contract.

2.2. Amendments to the Contract

Any Contract provision resulting from this RFP may not be modified, amended, altered, changed, renewed, varied, waived or augmented, except in writing executed by the parties hereto, and any breach or default by a party shall not be waived or released other than in writing and signed by the other party. Lottery shall have the right, in its sole discretion, to change the terms of this agreement where and/or when prescribed by Federal or State law.

2.3. Severability

If a court of competent jurisdiction determines any portion of the Contract to be invalid, it shall be severed and the remaining portion of the Contract shall remain in effect.

2.4. Term of Contract

The Contract resulting from this RFP will be in effect from the Contract effective date, including an implementation period and four (4) years of production operations, plus such time as is necessary to finish out the Lottery Business Week in progress. The Contract Term may run a shorter period, as determined by the Lottery, due to causes such as Contract termination, non-appropriation of funds, force majeure, or loss of statutory authority by the Lottery.

The Lottery reserves the right to renew the Contract at its sole option up to a maximum of four (4) renewals of one (1) year each, provided that any such option to renew is exercised by the Lottery at least ninety (90) days prior to the end of the initial period, or any renewal thereof, or at a time mutually agreed upon by both parties. The Lottery may opt to award more than one (1) renewal at a time, and may negotiate the terms of the renewal.

2.5. Emergency Extension

The Lottery reserves the right to extend this Contract, or any renewal thereof, at the rates and upon the terms and conditions then in effect on seven (7) days' notice for one (1) or more thirty (30) day periods if a different contractor is chosen for a subsequent contract and the subsequent contractor's system is not prepared to meet the requirements of the Lottery.

The Lottery reserves this right until the subsequent system is operational. To meet this requirement, the Contractor for this Contract must maintain the System in a state of readiness through the date of Conversion to the next generation system and for thirty (30) calendar days thereafter.

Exercising these rights 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.

2.6. Covenant Against Contingent Fees

The Bidder warrants that no Person or selling agency has been employed or retained to solicit or secure an agreement pursuant to this RFP upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting *bona fide* employees and established commercial or selling agencies retained by the Bidder for the purpose of securing business. For breach or violation of this warranty, the

Lottery shall have the right to terminate any Contract in accordance with the termination clause, and in its sole discretion, to deduct from any Contract any price or consideration or otherwise recover the full amount of any such commission, percentage, brokerage or contingent fee.

2.7. Audit and Accounting Requirements

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

A. The Contractor shall have a complete 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 Michigan operations shall be conducted biannually. Reviews shall occur with the complete audit and Contractor response reported as specified by Lottery. In addition, any Subcontractors may also be subject to these same terms. These audits will be a Statement on Standards for Attestation Engagements (SSAE) No. 16, Reporting on Controls at a Service Organization, or other equivalent audit as required by the Lottery, 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.

D. The Contractor and any Subcontractors are required to maintain its books, records and all other evidence pertaining to the Contract in accordance with Generally Accepted Accounting Principles (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.

2.8. Bonds and Insurance Qualifications

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

Michigan, and are approved by the State. Required coverage must be put into effect as of the effective date of the Contract and must remain in effect throughout the Term of the Contract, as determined by the Lottery. The Contractor must submit copies of each required insurance contract, and any renewals thereof, to the Lottery on an annual basis. The insurance policies must provide for thirty (30) days' advance written notice to the Lottery of cancellation, termination or failure to renew any policy.

2.9. Insurance

The Contractor is required to provide proof of the minimum levels of insurance coverage as indicated below. The purpose of this coverage shall be to protect the State from claims which may arise out of or result from the Contractor's performance of services under the terms of this Contract, whether such services are performed by the Contractor, or by any Subcontractor, or by anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable.

The Contractor waives all rights against the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents for recovery of damages to the extent these damages are covered by the insurance policies the Contractor is required to maintain pursuant to this Contract.

All insurance coverages provided relative to this Contract are PRIMARY and NON-CONTRIBUTING to any comparable liability insurance (including self-insurances) carried by the State. The insurance shall be written for not less than any minimum coverage specified in this Contract or required by law, whichever is greater.

The insurers selected by the Contractor shall have an A.M. Best rating of A or better, or as otherwise approved in writing by the State, or if such ratings are no longer available, with a comparable rating from a recognized insurance rating agency. All policies of insurance required in this Contract shall be issued by companies that have been approved to do business in the State.

Where specific limits are shown, they are the minimum acceptable limits. If the Contractor's policy contains higher limits, the State shall be entitled to coverage to the extent of such higher limits.

Before the Contract is signed by both parties or before the purchase order is issued by the State, the Contractor must furnish to the Lottery, certificate(s) of insurance verifying insurance coverage ("Certificates"). The Contractor must ensure that:

A. Any Certificate must be on the standard "accord" form or equivalent.

B. The Contract or Purchase Order Number must be shown on the Certificate to ensure correct filing

C. All Certificate(s) must be prepared and submitted by the Insurance Provider.

D. All Certificate(s) shall contain a provision indicating that coverages afforded under the policies WILL NOT BE CANCELLED, MATERIALLY CHANGED, OR NOT RENEWED without THIRTY (30) days prior written notice, except for ten (10) days for non-payment of premium, having been given to the Lottery. Such notice must include the Contract number affected and be mailed to: Michigan Lottery, Manager, Department Services, P.O. 30023, Lansing, Michigan 48909.

E. Any Certificates received must also provide a list of states where the coverage is applicable.

Failure to provide evidence of coverage, may, at the State's sole option, result in this Contract's termination.

The Contractor is required to pay for and provide the type and amount of insurance listed below:

A. Commercial General Liability with the following minimum coverage:
   i. $2,000,000 General Aggregate Limit other than Products/Completed Operations
   ii. $2,000,000 Products/Completed Operations Aggregate Limit
   iii. $1,000,000 Personal & Advertising Injury Limit
   iv. $1,000,000 Each Occurrence Limit
   v. $500,000 Fire Damage Limit (any one (1) fire)

B. The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the Commercial General Liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

C. If a motor vehicle is used to provide services or products under this Contract, the Contractor must have vehicle liability insurance on any vehicle including owned, hired and non-owned vehicles used in the Contractor's business for bodily injury and property damage as required by law.

D. The Contractor must list the State of Michigan, its departments, divisions, agencies, offices, commissions, officers, employees and agents as ADDITIONAL INSUREDS on the vehicle liability certificate. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company.

E. Workers' compensation coverage must be provided in accordance with applicable laws governing the employees and employer's work activities in the

state of the Contractor's domicile. If the applicable coverage is provided by a self-insurer, proof must be provided of approved self-insured authority by the jurisdiction of domicile. For employees working outside of the state of qualification, the Contractor must provide appropriate certificates of insurance proving mandated coverage levels for the jurisdictions where the employees' activities occur.

F. The Contractor also agrees to provide evidence that insurance policies contain a waiver of subrogation by the insurance company. This provision shall not be applicable where prohibited or limited by the laws of the jurisdiction in which the work is to be performed.

G. Employer's liability insurance with the following minimum limits:
   i. $100,000 each accident
   ii. $100,000 each employee by disease
   iii. $500,000 aggregate disease

H. Employee Fidelity, including Computer Crimes, insurance naming the State as a loss payee, providing coverage for direct loss to the State and any legal liability of the State arising out of or related to fraudulent or dishonest acts committed by the employees of the Contractor or its Subcontractors, acting alone or in collusion with others, in a minimum amount of one million dollars ($1,000,000) with a maximum deductible of fifty thousand dollars ($50,000).

I. Umbrella or Excess Liability Insurance in a minimum amount of ten million dollars ($10,000,000), which shall apply, at a minimum, to the insurance required in Subsection A (Commercial General Liability) above.

J. Professional Liability (Errors and Omissions) Insurance with the following minimum coverage: three million dollars ($3,000,000) each occurrence and three million dollars ($3,000,000) annual aggregate.

The Contractor shall maintain all required insurance coverage throughout the Term of the Contract and any extensions thereto and, in the case of claims-made Commercial General Liability policies, shall secure tail coverage for at least three (3) years following the expiration or termination for any reason of this Contract. The minimum limits of coverage specified above are not intended, and shall not be construed, to limit any liability or indemnity of the Contractor under this Contract to any indemnified party or other Persons.

The Contractor shall be responsible for all deductibles with regard to such insurance. If the Contractor fails to pay any premium for required insurance as specified in this Contract, or if any insurer cancels or significantly reduces any required insurance as specified in this Contract without the State's written consent, at the State's election (but

without any obligation to do so) after the State has given the Contractor at least thirty (30) days written notice, the State may pay such premium or procure similar insurance coverage from another company or companies; and at the State's election, the State may deduct the entire cost (or part thereof) from any payment due the Contractor, or the Contractor shall pay the entire cost (or any part thereof) upon demand by the State.

2.10. Contractor Error Liability

The Contractor will be liable for any specific financial obligations arising as a result of errors or faults by the Contractor's staff, Subcontractors, and the System.

These cases include, but are not limited to, errors in entry or posting of winning numbers or winning outcomes by System operators, software or hardware errors that create unwarranted payout liabilities, and apparent winning wagers or outcomes issued by the Contractor's System and presented for redemption which are not identified as valid winning outcomes in the transactions maintained by the iLottery ICS as outlined in Section 3.6.11.

The Contractor shall pay all replacement or prize costs for such occurrences, and shall pay any additional costs incurred by the Lottery.

2.11. Ownership of Materials

Ownership of all data, documentary material, and operating reports originated and prepared exclusively for the Lottery pursuant to any Contract resulting from this RFP shall belong to the Lottery. Upon request by the Lottery, Contractor shall be required to provide to the Lottery or its agent any such data, documentary material, and/or operating reports within a commercially reasonable timeframe.

The Contractor will retain ownership of the network, software code, and hardware associated with the System, and other materials originally supplied by the Contractor.

2.12. Right of Use

If for any reason other than a breach of the Contract by the Lottery, the Contractor should lose its ability or refuse to service the Lottery as provided by Contract, the Lottery shall acquire a usufruct in the source and object program instructions, and the documentation for those programs as owned 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, related equipment, and procedures.

Such usufruct 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 usufruct 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. All items, including modifications or alterations thereof, shall be kept in confidence, except to the extent that they are public records under Michigan law, and shall be returned to the Contractor when their usufruct 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 this provision may need to be exercised, the Contractor shall provide training to the Lottery in the operation of the System, at the Lottery's request.

2.13. 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 may elect to terminate the Contract for cause should its continuing operations, in its sole judgment, 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.

2.14. Production-Ready Acceptance Test Following Award

The Lottery will conduct a series of tests to fully determine the acceptability of the Contractor's installation in accordance with the specifications of this RFP, the Proposal, the Contract, and any detailed documentation (e.g. technical specification document) developed jointly by the Contractor and the Lottery during the implementation project. The Contractor's assistance in arranging these tests is obligatory and the sole expense of Contractor.

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 reasonable 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 System delivery and to Liquidated Damages (Refer to Appendix D - Schedule of Service Levels and Liquidated Damages) for the Contractor.

The Lottery, at its sole discretion, will determine whether performance against the acceptance tests is adequate, and whether implementation 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 software and/or service specifications.

Failure of the Contractor to pass these tests may result in the Contractor having to make corrections, delay implementation or installation, pay Liquidated Damages, or undergo substantial assessments against the performance Bond.

2.15. End of Contract Conversion

It is contemplated that the Lottery, approximately eighteen (18) months prior to the expiration of the Contract (and any potential extension) resulting from this RFP, may 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 system.

The Contractor shall cooperate fully and in good faith in the Conversion. Cooperation may include, but not be limited to, sharing of data Files, procedures, protocols, parameter settings, and authority reference Files.

The Contractor shall remove all equipment and materials relating solely to the Contractor's System after final Conversion of any location to the new 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.

2.16. Corrections and Upgrades

The following paragraphs identify the business and financial obligations that the Contractor must be ready and equipped to handle when the situation or need arises.

A. Corrections and Maintainability**.** The Contractor must report any relevant deficiencies in hardware or software used in the System and is responsible for ensuring that corrections are incorporated into the configuration in a timely and responsible manner. Written prior approval is required from the Lottery before making any enhancements or modifications to any software. The Contractor will be responsible for maintaining the System. The Contractor is responsible for keeping the System patched and running on current and supported hardware and operating system software. At the time the Contractor is notified by a supplier that a model and/or version is scheduled to have support dropped, it is the Contractor's obligation to acquire and install an appropriate upgrade with the Lottery's prior approval. The Contractor must be available twenty-four (24) hours a day, seven (7) days a week, three hundred sixty-five (365) days a year (remote availability is acceptable) to provide assistance in resolving any issues which may occur. A twenty (20) minute response time is required from the point of Lottery notification to Contractor.

B. Workload Accommodation. The Contractor must provide upgrades as necessary for handling increased volumes of activity (e.g. sales, prize payments, Portal traffic, etc.) on the System, and those upgrades shall be included in the base price for the System.

C. Multi-Jurisdictional Requirements. Expanded requirements from multi-jurisdictional organizations in which the Lottery participates or elects to participate shall be included in the base price for the System.

D. Management Information and Reporting Changes. All software and stored procedure changes for scheduled administrative reports, ad hoc reports, screen displays, processing options, and other features required for the Lottery to manage the System, meet reporting obligations, and respond to new business needs or rules, are included in the base price.

E. Other Changes. Changes and enhancements in specified requirements which are not otherwise accommodated by the pricing terms in Part 4 will be handled as follows:

   i. Software changes as prescribed in this RFP are included in the base price.

   ii. Capital equipment, Facilities, third-party licenses, or substantive service additions or changes will have their pricing negotiated with the Lottery.

2.17. 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 signed-off working papers must be approved in writing by the Lottery prior to installation or implementation.

2.18. Software and Documentation Escrow

Before production operations under the System, a complete set of the Contractor's software source programs, program object code, operations manuals, service manuals, written procedures, and any such other materials necessary to operate the System must be delivered to the Lottery, or placed in an escrow account. The software source and object programs, and documentation, can be delivered on mutually agreeable media. Installation packages for third-party software products licensed by the Contractor must be included.

These materials would allow the Lottery to (i) continue operations in the event the Contractor becomes unable to perform, and (ii) confirm that only authorized software and procedures are employed with the System. In this regard, access by the Lottery shall be at the Lottery's discretion for auditing its contents, or for preparation to assume operations of the System.

As System changes are implemented, both the change and change documentation shall be provided to the Lottery to continue the Lottery's protection. Changes to Lottery's copy of these materials must occur within one (1) week of installation in production operations.

2.19. Compensation During Contract

The Lottery is obligated to compensate the Contractor only as a result of delivered products and services, from the time that the System goes into production, and for the Term of the Contract. Compensation shall be based on a series of periodic payments. Invoices shall be submitted on a periodic schedule as determined by Lottery.

2.20. Title to, Use of, and Compensation for, Intellectual Property

To the extent that the Contractor utilizes or relies upon the Intellectual Property Rights of a third-party in fulfilling its obligations under the Contract, the Contractor will provide the Lottery with whatever information and/or assurance the Lottery deems necessary that the use of such third-party Intellectual Property Rights 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.

The Contractor shall indemnify and hold harmless the State of Michigan, the Lottery, the Lottery's Commissioner, other staff, other State contractors, Retailers, and all agents, employees, officers and directors thereof, from any and all claims, damages, fees and expenses (including any attorneys' fees) arising from or related to any claims that any or all of the products or services provided by the Contractor under the Contract violate the Intellectual Property Rights of a third-party.

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 will grant a license or authority to the Lottery to make use of any such Intellectual Property on an indefinite basis with respect to Lottery conduct of games and business. There shall be no additional charge for this right of the Lottery.

The Contractor shall not separately charge the Lottery for use of the Intellectual Property.

2.21. Exclusive Use of the Transaction Processing Systems

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

2.22. Attachment of Third-Party Systems, Software or Other Products

The Lottery reserves the right to integrate to the System or otherwise install software, products, or systems other than those required by this RFP.

Should the Lottery propose to add products, systems, or services not required in this RFP, but for which the Contractor would gain responsibility or obligations, appropriate remuneration of the Contractor shall be negotiated.

2.23. Lottery Purchase and Prize Payment Restrictions

Restrictions apply to the playing of games, purchase of iLottery Wagers, and payment of prizes regarding individuals related to the Contractor or the Contractor's Substantial Subcontractors. No officer, employee, or immediate supervisor of such employee, or relative living in the same household as these individuals shall play a game, purchase an iLottery Wager, or be paid a prize in any 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 Substantial Subcontractors shall provide a list of such individuals to the Lottery Security Director. 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 term of the Contract.

2.24. Performance Bond

Upon notification of receiving the award, the Contractor will be required to obtain a performance Bond or other acceptable form of security in the amount of one (1) million dollars ($1,000,000) for every year of the Contract. The performance Bond may be paid in full or in part to the Lottery if the Contractor defaults in the performance of the

Contract or has occasioned uncompensated Liquidated Damages. The performance Bond may be assessed Liquidated Damages payments due the Lottery that have not been received within thirty (30) calendar days after written notice of their being incurred has been given to the Contractor.

Other forms of security may be acceptable but are subject to the Lottery's discretion. The performance Bond must be maintained at one million dollars ($1,000,000) throughout the Term of the Contract. Failure to post an additional Bond or security within seven (7) days after notice that proposed security is inadequate, shall be grounds for immediate termination of the Contract.

2.25. Fidelity Bond

Prior to Contract execution, the Contractor will be required to obtain a fidelity Bond in the amount of one million dollars ($1,000,000) covering any loss to the Lottery due to any fraudulent or dishonest act on the part of the Contractor's officers, employees, agents or Subcontractors. Such an event, in the sole discretion of the Lottery, could be grounds for termination of the Contract, whether or not the losses arising as a result thereof were paid under the crime insurance policy.

2.26. Liquidated Damages Provisions

In all the below Liquidated Damages sections, and Appendix D (Schedule of Service Levels and Liquidated Damages), the Lottery and the Contractor agree that it would be extremely impractical and difficult to determine actual damages that 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 Appendix D (Schedule of Service Levels and Liquidated Damages) are reasonable and are not to be construed as a penalty.

A. Lost Revenues. Because of the difficulty of actual loss determination, Liquidated Damages shall not be calculated as 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 is unenforceable as a matter of law.

B. Available Remedies. 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.

C. Notification of Liquidated Damages. Upon determination that Liquidated Damages are to or may be assessed, the Lottery shall notify the Contractor of the assessment in writing. The availability of any period of cure will depend on the situation and will be at the sole discretion of the Lottery.

D. Conditions for Termination of Liquidated Damages. The following are the conditions under which the Contractor may obtain relief from the continued assessment of Liquidated Damages:

   i. Except as waived in writing by the Lottery, no Liquidated Damages imposed shall be terminated or suspended until the Contractor issues a written notice verifying the correction of the condition(s) for which Liquidated Damages were imposed, and all corrections have been subjected to system testing or other verification by the Lottery.

   ii. The Contractor shall conduct system testing of any correction as the Lottery deems necessary. Such testing shall be developed jointly by the Lottery and the Contractor, and must be approved by the Lottery, including the test script, test environment, and test results. A notice of correction will not be accepted until verification by the Lottery.

E. Severability of Individual Liquidated Damages. If any portion of the Liquidated Damages provisions is determined to be unenforceable in one (1) 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.

F. Waivers of Liquidated Damages. The waiver of any Liquidated Damages due the Lottery shall constitute a waiver only as to such Liquidated Damages and not a waiver of any future Liquidated Damages. 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.

G. Payment of Liquidated Damages. 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.

H. Liquidated Damages and Delays. The Contractor shall not be required to pay Liquidated Damages for delays solely due to matters affected by *force majeure*, or for time delays specifically due to, or approved by, the Lottery. Liquidated Damages and service levels for this implementation are documented in Appendix D (Schedule of Service Levels and Liquidated Damages).

2.27. Security Program Under the Contract

Prior to operations under the Contract, the Contractor shall establish and maintain an approved security program for the entire System, subject to the written approval of the Lottery. This program must be updated, reviewed, and approved annually by the Lottery. As part of this requirement the Contractor must maintain an approved Operations Security Plan.

The security program shall include the following procedural, administrative, and physical elements:

A. Methods and procedures for conducting background checks on all personnel and compliance with requirements for compilation of information for background checks by the Lottery.

B. Inspection by personnel authorized by the Lottery of the premises of the Contractor or any Subcontractor where work under this Contract occurs, to determine the degree of compliance with security and operational requirements. Such inspection may be unannounced.

C. Security measures and systems which preclude unauthorized persons from accessing all Facilities and supplies, and equipment within the Facilities. The Lottery reserves the right to prohibit physical access to operations areas by non-operations personnel.

D. Security measures which preclude the unauthorized use of equipment and materials, without written authorization from the Lottery.

E. Security measures that ensure the integrity of the preparation, storage, distribution, or use of any data or documentation relating to player information or any personal identifying information.

F. A disaster recovery and contingency plan for maintaining the successful operation of the development and manufacturing processes. Such a plan must include a method and timeframe for recovery and continuation of these processes.

G. Personnel Security. 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.

   Such background investigations may include fingerprint identification by Michigan State Police, Federal Bureau of Investigation, and any other appropriate public or private agencies selected by the Lottery. Any costs of background investigations are the responsibility of the Contractor.

Personnel who will be performing services under the Contract and as determined by the Lottery will be required to undergo a background investigation by the Lottery. This Lottery background check does not relieve the Contractor of their responsibility to conduct their own background investigations. After an employee being considered for work on the Lottery Contract has been cleared by the Contractor's background checks, the person shall be submitted to Lottery for clearance. The results of the background check by the Contractor shall be shared with Lottery.

The Contractor consents to cooperate with such investigations, and to instruct its employees to cooperate. The Lottery may terminate the Contract or require the Contractor to remove an employee from the Lottery project based upon adverse results of background checks if the Lottery determines that its integrity, security, or goodwill may be in jeopardy. The Lottery may disapprove any employee or Subcontractor of the Contractor who is assigned to this project, either at Contract inception or at any time during the Term of the Contract.

The Contractor shall not allow the engagement of unfit or unqualified persons not skilled in the tasks assigned to them with respect to the Contract and shall at all times employ sufficient personnel for carrying out work to full completion in the manner and time prescribed by the Contract. The Contractor shall be responsible to the Lottery for the acts and omissions of the Contractor's employees or Subcontractors.

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

The ability to conduct such investigations is a continuing right of the Lottery throughout the Contract.

The Contractor shall at the start of the Contract, and for each new employee prior to their assignment on Michigan Contract work, submit to the Lottery the name, address, date of birth, social security number, driver license number, or fingerprint cards and/or other release forms bearing the person's signed authorization to allow criminal justice agencies to release to the Lottery any criminal history that pertains to such person, of all officers and employees of the Contractor and of any Subcontractor, who are involved in any phase or aspect of the iLotterySystem. The Lottery reserves the right to review and approve or disapprove any persons prior to or during their assignment to this Contract. No employee is to be given access to Facilities or assigned to work on this Contract until the employee has been cleared by the Lottery. The Lottery reserves the right to review all security clearances and to disapprove any Contractor or Subcontractor employee.

The Contractor shall notify the Lottery of departures of persons who are involved in the Contract and shall provide a roster of current employees to the Lottery at least every six (6) months during the term of the Contract.

H. Security Violation Reporting. The Contractor shall immediately report to the Lottery any security procedural violation, System compromise, potential violation of law, or compromises of equipment, software, or materials used or to be used in the performance of this Contract.

I. Security Information (Disclosure) Updates. The Contractor shall report any change in, addition to, or deletion from, the information 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 immediately but no longer than thirty (30) days from the effective date of the change, addition, or deletion. 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.

J. Disclosure. The Contractor must disclose any criminal litigation, investigations or proceedings involving the Contractor (and each Subcontractor) or any of its officers or directors or any litigation, investigations or proceedings under the Sarbanes-Oxley Act. In addition, each Contractor (and each Subcontractor) must notify the Lottery of any civil litigation, arbitration or proceeding which arises during the Term of the Contract and extensions thereto, to which the Contractor (or, to the extent the Contractor is aware, any Subcontractor hereunder) is a party, and which involves: (i) disputes that might reasonably be expected to adversely affect the viability or financial stability of the Contractor or any Subcontractor hereunder; or (ii) a claim or written allegation of fraud against the Contractor or, to the extent the Contractor is aware, any Subcontractor hereunder by a governmental or public entity arising out of their business dealings with governmental or public entities. Any such litigation, investigation, arbitration or other proceeding (collectively, "Proceeding") must be disclosed in a written statement to the Lottery Security Director within thirty (30) days of its occurrence. Details of settlements which are prevented from disclosure by the terms of the settlement may be annotated as such. Information provided to the Lottery from the Contractor's publicly filed documents referencing its litigation will be deemed to satisfy the requirements of this section.

K. Assurances. In the event that any such Proceeding disclosed to the Lottery pursuant to this section, or of which the Lottery otherwise becomes aware, during the Term of this Contract would cause a reasonable party to be concerned about:

   i. The ability of the Contractor (or a Subcontractor hereunder) to continue to perform this Contract in accordance with its terms and conditions.

ii. Whether the Contractor (or a Subcontractor hereunder) in performing services for the State is engaged in conduct which is similar in nature to conduct alleged in such Proceeding, which conduct would constitute a breach of this Contract or a violation of Michigan law, regulations or public policy, then the Contractor shall be required to provide the State all reasonable assurances requested by the State to demonstrate that (a) the Contractor and/or its Subcontractors hereunder will be able to continue to perform this Contract and any Statements of Work in accordance with its terms and conditions, and (b) the Contractor and/or its Subcontractors hereunder have not and will not engage in conduct in performing the services similar in nature to the conduct alleged in such Proceeding.

L. Notifications. The Contractor shall make the following notifications in writing:

i. Within thirty (30) days of the Contractor becoming aware that a change in its ownership or officers has occurred, or is certain to occur, or a change that could result in changes in the valuation of its capitalized assets in the accounting records, the Contractor shall notify the Lottery Contract Manager.

ii. The Contractor shall notify the Lottery Contract Manager within thirty (30) days whenever changes to asset valuations or any other cost changes have occurred or are certain to occur as a result of a change in ownership or officers.

iii. The Contractor shall notify the Lottery Contract Manager within thirty (30) days whenever changes to company affiliations occur.

2.28. 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 project.

B. Shall not offer or give any gift, gratuity, favor, entertainment, loan, or any other thing of material monetary value to any Lottery employee.

C. Shall not disclose any business sensitive or confidential information gained by virtue of this Contract to any party without the written 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, or take any other action provided for in this Contract against the Contractor.

2.29. Compliance with Association Standards

All services, products, systems, and procedures to be employed by the Contractor must be readily adaptable to comply with the game security and operational standards as issued by any multi-jurisdictional association of which the Lottery is a member, or in the event the Lottery becomes a member.

2.30. Lottery Information Technology Security Policies

The Contractor shall comply with the Lottery IT Security Policies as outlined in Appendix E (Lottery IT Security Policies).

2.31. Non-Appropriation

The Contractor acknowledges that continuation of this Contract is subject to appropriation or availability of funds for this Contract. If funds to enable the Lottery to effect continued payment under this Contract are not appropriated or otherwise made available, the Lottery shall have the right to terminate this Contract and all affected Statements of Work, in whole or in part, at the end of the last period for which funds have been appropriated or otherwise made available by giving written notice of termination to the Contractor. Contractor is not entitled to any form of penalties or damages where Contract termination results from non-appropriation.

2.32. Electronic Payment Requirement

Electronic transfer of funds is mandatory for State of Michigan Vendors. The Contractor is required to register with the State at http://www.cpexpress.state.mi.us.

2.33. Freedom of Information

All information in any Proposal submitted by the Contractor and this Contract are subject to the provisions of the Michigan Freedom of Information Act, 1976 Public Act No. 442, as amended, MCL 15.231, et seq (the “FOIA”).

2.34. Confidentiality

The Contractor and the Lottery each acknowledge that the other possesses and will continue to possess confidential information that has been developed or received by it.

As used in this section, “Confidential Information” of the Contractor shall mean all nonpublic proprietary information of the Contractor which is marked confidential, restricted, proprietary or with a similar designation.

“Confidential Information” of the Lottery shall mean any information which is retained in confidence by the Lottery (or otherwise required to be held in confidence by the Lottery pursuant to applicable Federal, State and local laws and regulations) or which, in the case of tangible materials provided to the Contractor by the Lottery pursuant to its performance under this Contract, is marked as confidential, proprietary or with a similar designation by the Lottery.

In the case of information of either the Contractor or the Lottery “Confidential Information” shall exclude any information (including this Contract) that is publicly available pursuant to the Michigan FOIA.

2.35. Indemnification

A. General. Contractor shall indemnify, defend and hold harmless the Lottery and/or State of Michigan from liability, including all claims and losses, and all related costs and expenses (including reasonable attorneys’ fees and costs of investigation, litigation, settlement, judgments, interest and penalties), accruing or resulting to any Person, firm or corporation that may be injured or damaged by the Contractor in the performance of this Contract and that are attributable to the negligence or tortious acts of the Contractor or any of its Subcontractors, or by anyone else for whose acts any of them may be liable.

B. Software Code Indemnification. Contractor shall indemnify, defend and hold harmless the State from any claim, loss, or expense arising from the Contractor’s breach of the No Surreptitious Code Warranty. (Section 2.50 Warranty)

C. Employee Indemnification. In any and all claims against the State of Michigan, its departments, divisions, agencies, sections, commissions, officers, employees and agents, by any employee of the Contractor or any of its Subcontractors, the indemnification obligation under the Contract shall not be limited in any way by the amount or type of damages, compensation or benefits payable by or for the Contractor or any of its Subcontractors under worker’s disability compensation acts, disability benefit acts or other employee benefit acts. This indemnification clause is intended to be comprehensive. Any overlap in provisions, or the fact that greater specificity is provided as to some categories of risk, is not intended to limit the scope of indemnification under any other provisions.

D. Patent/Copyright Infringement Indemnification. Contractor shall indemnify, defend and hold harmless the State from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including reasonable attorneys’ fees and costs of investigation, litigation, settlement, judgments, interest and penalties) incurred in connection with any action or

proceeding threatened or brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by the Contractor or its Subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service infringes any United States patent, copyright, trademark or trade secret of any Person or entity, which is enforceable under the laws of the United States.

In addition, should the equipment, software, commodity, or service, or its operation, become or in the State's or the Contractor's opinion be likely to become the subject of a claim of infringement, the Contractor shall at the Contractor's sole expense (i) procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to the Contractor, (ii) replace or modify to the State's satisfaction the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing, or, if such option is not reasonably available to the Contractor, (iii) accept its return by the State with appropriate credits to the State against the Contractor's charges and reimburse the State for any losses or costs incurred as a consequence of the State ceasing its use and returning it.

2.36. Continuation of Indemnification Obligations

The Contractor's duty to indemnify continues in full force and effect, notwithstanding the expiration or early cancellation of the Contract, with respect to any claims based on facts or conditions that occurred prior to expiration or cancellation.

2.37. Nondiscrimination

In the performance of the Contract, the Contractor agrees not to discriminate against any employee or applicant for employment, with respect to his or her hire, tenure, terms, conditions or privileges of employment, or any matter directly or indirectly related to employment, because of race, color, religion, national origin, ancestry, age, sex, height, weight, marital status, physical or mental disability.

The Contractor further agrees that every Subcontract entered into for the performance of this Contract or any purchase order resulting from this Contract will contain a provision requiring non-discrimination in employment, as specified here, binding upon each Subcontractor. This covenant is required pursuant to the Elliot Larsen Civil Rights Act, 1976 PA 453, MCL 37.2101, et seq., and the Persons with Disabilities Civil Rights Act, 1976 PA 220, MCL 37.1101, et seq., and any breach of this provision may be regarded as a material breach of the Contract.

2.38. Unfair Labor Practices

Pursuant to 1980 PA 278, MCL 423.231, et seq., the State shall not award a Contract or subcontract to an employer whose name appears in the current register of employers failing to correct an unfair labor practice compiled pursuant to section 2 of the Act. This information is compiled by the United States National Labor Relations Board. A Contractor of the State, in relation to the Contract, shall not enter into a contract with a Subcontractor, manufacturer, or supplier whose name appears in this register.

Pursuant to section 4 of 1980 PA 278, MCL 423.324, the State may void any Contract if, subsequent to award of the Contract, the name of the Contractor as an employer or the name of the Subcontractor, manufacturer or supplier of the Contractor appears in the register.

2.39. Workplace Safety and Discriminatory Harassment

In performing services for the State, the Contractor shall comply with the Department of Civil Services Rule 2-20 regarding Workplace Safety and Rule 1-8.3 regarding Discriminatory Harassment. In addition, the Contractor shall comply with Civil Service regulations and any applicable agency rules provided to the Contractor. For Civil Service Rules, refer to http://www.mi.gov/mdcs/.

2.40. Governing Law

The Contractor shall in all respects be governed by, and construed in accordance with, the substantive laws of the State of Michigan without regard to any Michigan choice of law rules that would apply the substantive law of any other jurisdiction to the extent not inconsistent with, or pre-empted by federal law.

2.41. Compliance with Laws

The Contractor shall comply with all applicable State, Federal, and local laws and ordinances (“Applicable Laws”) in providing the Services/Deliverables. Any change in Federal law prohibiting or reducing State rights to conduct iLottery shall be the risk of the Contractor. Lottery shall have the right, in its sole discretion, to change the terms of this agreement, or discontinue it, where and/or when prescribed by Federal or State law. Contractor shall not be entitled to any type of penalty or damages for Contract termination that results from changes to Federal or State laws.

2.42. Media Releases, Advertising and Contract Distribution

Contractor shall not make any news releases, public announcements or public disclosures, nor will they have any conversations with representatives of the news media, pertaining to the Contract, the Services, the Deliverables without the prior written approval of the Lottery, and then only in accordance with explicit written instructions provided by the Lottery.

Contractor shall not use the name, trademarks or other proprietary identifying symbol of the Lottery or its affiliates without Lottery's prior written consent. Prior written consent of the Lottery must be obtained from authorized representatives.

The Contractor shall not use its relationship with the Lottery as a part of any commercial advertising without prior written consent of the Lottery.

The Lottery shall retain the sole right of Contract distribution.

2.43. Assignment of the Contract

The Contract is not assignable, either in whole or in part, except with the prior written approval of the Lottery. Monies payable under the Contract are not assignable except with the prior written approval of the Lottery. In the event of such approval, the terms and conditions hereof shall apply to and bind the party or parties to whom the Contract is assigned as fully and completely as the Contractor is there under bound and obligated. No assignment, if any, shall operate to release the Contractor from its liability for the prompt and effective performance of its obligations under the Contract.

2.44. Customer Support Center Disclosure

The Customer Support Center locations must be in United States or Canada. The Contractor and/or all Subcontractors involved in the performance of this Contract providing customer support services to the Lottery must disclose the location of its operational staff. Failure to disclose this information shall be a material breach of this Contract. Any change in location of customer support centers must be presented in writing to the Lottery thirty (30) days in advance of the change. The Lottery reserves the right to approve location of customer support centers.

2.45. Termination

A. Termination for Cause. The Lottery reserves the right to immediately terminate the Contract by providing written notice to the Contractor if the Lottery determines, in its sole discretion, that any of the following have occurred:

   i. The Contractor knowingly furnished any statement, representation, warranty or certification in connection with the solicitation or the Contract, which representation is materially false, deceptive, incorrect, or incomplete.

   ii. The Contractor fails to perform to the Lottery's satisfaction any material requirements of the Contract or defaults in performance of the Contract.

   iii. The performance of the Contract is substantially endangered by the action or inaction of the Contractor, or such occurrence can be reasonably anticipated.

iv. The State or Federal government enacts a law which removes or restricts the authority or ability of the Lottery to employ the product or service offered.

v. The Contractor's firm or assets are acquired by or combined with another company, Persons, or entity during the Contract term.

vi. The Contractor or any Substantial Subcontractor fails to maintain the standards of financial responsibility, character, reputation, or integrity as determined by the Lottery.

vii. The actions or inaction of the Contractor or Contractor's employees pose a threat to the security or integrity of the Lottery. In such an event, the Lottery may terminate the Contract immediately by telephonic notification followed by written notice.

Should the Lottery give notice of termination for reasons (ii) and/or (iii) above, the Contractor shall have seven (7) days after receipt of said notice to remedy the failures or problems. If the Contractor fails to remedy, the Lottery may order the Contractor to stop immediately all work and terminate the Contract. If the Contract is terminated for cause by the Lottery for any reason, the Lottery shall be obligated only for the goods actually delivered and accepted or services actually rendered prior to the date of notice of termination, less any Liquidated Damages or other damages that may be assessed for non-performance by the Contractor.

B. Termination for Convenience. The Lottery reserves the right to terminate the Contract or any part of the Contract at its convenience upon sixty (60) calendar days' written notice. The Lottery shall incur no liability for materials or services not yet ordered if it terminates for convenience. If the Lottery terminates for convenience after an order for goods or services has been placed, the Contractor shall be entitled to compensation upon submission of invoices and proper proof of claim, in that proportion which its services and products were satisfactorily rendered or provided, as well as expenses necessarily incurred in the performance of work up to time of termination.

C. Termination by Mutual Agreement**.** With the mutual written agreement of both parties, the Contract or any part of the Contract may be terminated on an agreed date prior to the end of the Contract period without penalty to either party.

2.46. Contractor's Responsibilities Upon Termination

After receipt of a Notice of Termination or Termination by Mutual Agreement, and except as otherwise specified by the Lottery, the Contractor shall follow these procedural steps:

A. Stop work under this Contract on the date, and to the extent specified, in the notice.

B. Place no further orders or subcontracts for materials, services, or Facilities except as may be necessary for completion of such portion of the work under this Contract that is not terminated.

C. Assign to the Lottery effective on the date of Contract termination, in the manner, at the time, and to the extent specified by the Lottery, all of the right, title, and interest of the Contractor under the orders and subcontracts so terminated, in which case the Lottery has the right, at its discretion, to settle or pay any or all claims arising out of the termination of such orders and subcontracts and to reduce any settlement amount determined by the amount paid for such orders or subcontracts.

D. Settle all outstanding liabilities and all claims arising out of such termination of orders and subcontracts, with the approval or ratification of the Lottery to the extent the Lottery may require. The Lottery's approval or ratification shall be final for the purposes of this part.

E. Upon the effective date of termination of this Contract and the payment by the Lottery of all items properly chargeable to the Lottery hereunder, the Contractor shall transfer, assign, and make available to the Lottery all property and materials belonging to the Lottery, all right and claims to any and all reservations, contracts and arrangements regarding this Contract. No extra compensation is to be paid to the Contractor for its services in connection with any such transfer or assignment. The Lottery, concurrently with such transfer or assignment, shall assume the obligations of the Contractor, if any, on all non-cancelable contracts with third-parties for such items.

F. Upon termination of the Contract by the Lottery, the Contractor shall be deemed to have released and relinquished to the Lottery any and all claims or rights it may otherwise have to common law or statutory copyright with respect to all or any part of unpublished material prepared or created by the Contractor in the course of its performance hereunder.

G. Complete performance of the work that has not been terminated by the Lottery.

H. Take such action as may be necessary, or as the Lottery may specify, to protect and preserve any property related to this Contract which is in the possession of the Contractor and in which the Lottery has or may acquire an interest. All proprietary materials and associated information are considered to be the property of the Lottery and will be returned to the Lottery upon termination of the Contract.

I. Upon request from Lottery, maintain the System and any data associated with the System for a duration of time that is necessary to perform a Conversion. All System data will need to be provided, in a format specified by Lottery, to Lottery and/or its agent in order to perform a Conversion.

2.47. Settlement of Funds

The Contractor will provide the Lottery with a system generated daily invoice and a daily net payment settlement (iLottery Game sales, less prizes, less Promo Dollars used, less Contractor Payment) or to be mutually defined if necessary.

2.48. Invoicing and Payment

Invoices for other commodities and/or services delivered outside of the Settlement of Funds ("Other Services") as described in Section 2.47 shall be submitted weekly (based on the Lottery's Business Week parameters) in detail sufficient for a proper pre-audit and post audit thereof. All Other Services performed through September 30 of any year must be received by October 10 of the same year to ensure payment. The Lottery reserves the right to disallow any invoice received after October 10 for commodities provided or services performed through September 30 of that year.

Contractor invoice will show details as to charges by Other Services component and location at a level of detail reasonably necessary to satisfy the Lottery's accounting and charge-back requirements.

The charges for Other Services billed on a time and materials basis shall be determined based on the actual number of hours of Other Services performed. Invoices for Other Services performed on a time and materials basis will show, for each individual, the number of hours of Other Services performed during the billing period, the billable skill/labor category for such person and the applicable hourly billing rate.

Prompt payment by the Lottery is contingent on the Contractor's invoices showing the amount owed by the Lottery minus any holdback amount to be retained by the Lottery. Correct invoices will be due and payable by the Lottery, in accordance with the State's standard payment procedure as specified in 1984 Public Act No. 279, MCL 17.51 et seq., within forty-five (45) days after receipt, provided the Lottery determines that the invoice was properly rendered.

The Lottery is exempt from Federal Excise Tax, State and local sales taxes, and use tax with respect to the sale to and use by it of tangible personal property. Such taxes shall not be included in the Contractor prices as long as the Lottery maintains such exemptions. Copies of all tax exemption certificates shall be supplied to the Contractor, if requested.

2.49. Non-Exclusive Rights

The right to provide services and/or commodities under the Contract shall not be exclusive. The Lottery reserves the right to contract simultaneously for and purchase these services from as many firms as it deems necessary without infringing upon or terminating the Contract.

2.50. Warranty

The Contractor covenants and warrants as follows:

A. It is lawfully organized and constituted under all Federal, State and local laws, ordinances and other authorities of its domicile and is otherwise in full compliance with all legal requirements of its domicile.

B. It is possessed of the legal authority and capacity to enter into and perform the Contract; and the Contractor's representative who is executing the Contract is so authorized by the Contractor.

C. It has been duly authorized to operate and do business in the State of Michigan and all places where it shall be required to conduct business under the Contract; that it has obtained, at no cost to the State of Michigan, all necessary licenses and permits required in connection with the Contract; and that it shall fully comply with all laws, decrees, labor standards and regulations of its domicile and such other location where performance may occur during the Term of the Contract.

D. It has no present interest and shall not acquire any interest that would conflict in any manner with Contract duties and obligations under the Contract.

E. The services rendered shall in all respects conform to, and function in accordance with, the specifications and designs requested in this solicitation.

F. Its performance under the Contract shall not infringe on any patent, copyright, trademark, service mark or other Intellectual Property Rights of any other Person or entity and shall not constitute the unauthorized use of any trade secret of any other Person or entity.

G. That software provided will be free from any unauthorized code such as virus, Trojan horse, worm, backdoor access, or other software routines or equipment components designed to permit unauthorized access, to disable, erase, or otherwise harm software, equipment, or data.

H. Its performance under the Contract shall include cooperation with the Lottery, the State of Michigan, or other authorities with investigations of illicit activities conducted by players or third-parties involving the use of the System.

I. In the event that Contractor breaches non-public personal information (e.g. social security numbers of players) that it shall idemnify the Lottery and/or the State of Michigan and its agencies against all claims without limitation of liability.

2.51. Sufficiency and Practices of Operational Staff

The Lottery will conduct periodic reviews with the Contractor regarding the adequacy of Contractor staff skills, service practices, and headcount. The Contractor is required to provide quality service and failure to do so must be reflected in additions and improvements.

Inadequate staffing and performance will be reflected in Liquidated Damages and other remedies available to the Lottery. The Lottery will provide formal notice of inadequacy and will determine whether a cure period is reasonable prior to initiating any actions against the Contractor. The Lottery has established thirty (30) days as a reasonable cure period, unless otherwise negotiated.

2.52. Contractor Responsibilities as Primary Contractor and in Subcontracting

The Contractor will assume sole responsibility and liability for delivery, installation and maintenance of all equipment, software and support services offered in its Proposal, and will directly make such representations and warranties whether or not the Contractor is the manufacturer, producer or direct provider of the equipment, software or services.

The Contractor shall select Subcontractors on a competitive basis to the maximum practical extent consistent with the objectives and requirements of the Contract. Any proposed subcontracts shall be subject to the prior approval of the Lottery. The Contractor is required to replace Subcontractors found to be unacceptable. When awarding subcontracts, the Contractor shall ensure that preference is given to products manufactured or services offered by Michigan-based firms if available, if all other things are equal, and if not inconsistent with federal statute.

2.53. Taxes, Fees and Assessments

The Contractor shall pay all taxes, fees and assessments upon the System, however designated, levied or based. The Lottery is exempt from Federal, State and local sales and use taxes on the services provided pursuant to this Contract. Such taxes must not be included in the Proposal prices.

PART 3 – ILOTTERY SYSTEM SPECIFICATIONS

3.0. Introduction

This System supports the purchase of existing Lottery games (e.g. Instants, Keno, etc.) through various Portals and acts as a distribution gateway for digital purchases. This section describes the technology and services specifications for the System. Prior to the detailed responses to each paragraph of Part 3, the Bidder must respond to the following summary level issues:

A. Overview. Present an overview of the System's design. Describe the proposed System with respect to existing production operations.

B. Flexibility of the System. Describe how the System is flexible, can grow, and can adapt to the business needs and rules of the Lottery. These are critical factors since the iLottery environment can be expected to evolve over the course of the Contract.

C. Certified Equipment. The proposed equipment must have been inspected for safety and approved by a reputable testing laboratory, and all proposed equipment must be in compliance with FCC regulations suitable for devices of the types proposed. Alternatively, if the devices proposed are new models, and not yet inspected and/or certified, the Bidder must commit to providing a document showing certification as of the Contract signing.

D. Current Equipment. All equipment must be current and manufacturer supported hardware. Equipment proposed must be compliant with electronic technology manufacturing standards and be of current manufacture by the Bidder 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. iLottery System Configuration

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

Response Note: Responses must depict the configuration in detail, including configuration diagrams. Hardware and software items must be identified by manufacturer, product name, and model number, as applicable. For software, version numbers must be provided. Any deviations from the suppliers' standard

hardware and software products must be disclosed and an explanation provided. (Installation of any such deviations would require prior approval of the Lottery.)

3.1.1. Configuration at the Primary Data Center

All configurations must be illustrated to Lottery within Bidders response. Any configurations must be approved by Lottery prior to implementation.

A. Transaction Processing/Database/Games Administration Servers. Servers providing mission-critical gaming support must be supported by protective redundancy for high availability processing. Data storage redundancy must also be ensured. A component failure in one (1) system must not cause a failure in the other system(s).

B. Failover. In case of a failure in an active server at primary, the remaining System(s) will immediately provide access to players and other System users, assuming the load 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 straightforward. It is required that in addition to operator-controlled failover that the System be able to recover from failures without operator intervention (“auto-failover”).

D. Time Synchronizing. All servers 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 servers, Facilities, and other components necessary to resume under an operational scenario using two (2) data centers. Such servers, Facilities, and other components shall be furnished, installed, and operational within thirty (30) days after the irreparable damage. Until a permanent primary data center can be re-established, substitute Facilities must meet Lottery-approved environmental and security measures.

3.1.2. Configuration at the Backup Data Center

A. Backup Servers. 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 will always contain the most recent transactions, allowing a takeover. The backup data center must be configurable, in real time, to allow or suppress the acceptance of wagers based on the Lottery’s sole discretion and if suppressed shall maintain and support all other System activities. The wide-area-network (WAN) connection will provide

routing of transactions 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. System Backup Sizing. The remote backup systems must be of the same processing capacity, configuration, storage capacity and architecture as the primary data center systems. They must be a “mirror” of the primary.

C. Time Synchronizing. This section has the same specification as Section 3.1.1 (D) and the response may reference that response, if identical.

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

3.1.3. Lottery Acceptance Testing System

The Contractor must provide a testing system for the Lottery. In addition any of the above production systems must be available for testing use 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 testing from Lottery Headquarters. Components, including player operated devices, of the testing system must be identical to the production systems but protective redundancy is not required. In the event of multiple failures of active production systems, the testing system must be able to be activated for production use.

B. Portal Testing Environment. Contractor must provide a Lottery-accessible testing environment(s) for all content implemented into Portals. Any third-party integrations must also be replicated in the Portal Testing Environment.

C. Testing System Communications. The testing system must be supplied with any and all telecommunications mechanisms employed by the players and other System users.

D. 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 testing system identified above, but rather must employ separate system(s), located conveniently for the Contractor.

3.1.4. Quantitative Performance Criteria

A. The System must initially support fifty thousand (50,000) concurrent Internet players and provide a scalable solution to handle increased player capacity.

B. The ability to expand the System to accommodate up to two hundred thousand (200,000) concurrent players must be available, should such an expansion opportunity be desired by the Lottery.

C. The System must initially be capable of handling up to fifty thousand (50,000) iLottery sales transactions per minute on a continuous basis and provide a scalable solution to handle increased player capacity.

D. The System must support up to ten million (10,000,000) unique player accounts.

E. Response time for iLottery Wagers must be less than five (5) seconds from enter-to-send until the Wager is confirmed for the player.

F. Recovery from a server failure at the primary data center must be accomplished in no more than two (2) minutes without loss of any transactions.

G. Backup data center availability from a primary data center failure must be accomplished in no more than ten (10) minutes without loss of any transactions.

3.1.5. 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 warnings of problems with components.

3.1.6. Operating Hours

The ability to accommodate continuous twenty-four (24) hours per day, seven (7) days per week operations is required.

3.1.7. System Security

Security represents a critical component of the Contractor's role in ensuring the integrity of the System. The following security requirements apply to the Contractor's primary and backup data center configurations.

A. System Access Approval. All systems and users requiring access must be approved by the Lottery. The System must support controls and procedures that allow the Lottery to audit all System access. The System must provide the ability for Lottery to administer Lottery user access to user functions within the System

including, but not limited to: content management, player management/back-office system, games management, retailer affiliate programs, customer service software, and other functions that Lottery users will access.

B. Authentication, Authorization and Access Controls. The Proposal must clearly identify controls related to user authentication, authorization and access controls for using and operating the System.

C. Principle of Least Privilege. System users must be granted access only to the operating system functions and File systems needed to perform their job functions.

D. Compliance with Security Requirements. The System must be compliant with all requirements accepted as operating principles by the Lottery. In the event that Lottery offers multi-jurisdictional games through the iLottery System, then the System must become compliant with all requirements promulgated by any multi-jurisdictional game organization of which the Lottery may be a member. (Refer to Appendix E - Lottery IT Security Policy)

E. Protection against Unauthorized Access or Service Disruption. The Contractor will ensure that the System is not vulnerable to unauthorized access. The Proposal must specify the methods by which data center systems will be protected against unauthorized access, Malware, and other threats.

F. Other System Security Controls. The Proposal must provide any additional information on other systems security components and controls that will be implemented including such as the following:

   i. Operating system hardening

   ii. Login and password controls

   iii. System security log management

   iv. Patch and policy management for application(s), database(s), server operating systems, firmware, etc. to protect against vulnerabilities

   v. Remote access security procedures if remote access is used for tasks such as server administration

   vi. Intrusion detection mechanisms

3.1.8. Contractor Facilities and Disaster Recovery Plan

The Contractor must support a primary data center, a remote backup data center, and additional service Facilities as needed.

3.1.9. Primary Data Center Specifications

The Contractor must provide a primary data center including appropriate safety, security, and environmental controls equipment for a computer facility, as described below. It must also comply with any multi-jurisdictional standards and requirements.

A. Location. The primary data center must be located within Michigan.

B. Code Compliant. 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.

C. Doors. Locking devices must be installed on all doors or other entry points. Emergency exits must be provided and must be equipped with alarms.

D. Electronic Access System. An electronic access system shall be installed at entrances to the computer room(s), media library and other secure areas that include logging of who accessed the data center Facilities and when access occurred. The access list may be reviewed and/or authorized by the Lottery.

E. Digital Camera Security System. The Contractor must operate a digital camera system with enough capacity to monitor all sensitive facility areas, as approved by Lottery Security. Cameras must have tilt, pan, and zoom features and must be accessible by Lottery Security with a minimum history of forty-five (45) days.

F. Fire Suppression. 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 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.

G. Fire Resistance. Construction shall support fire safety as noted in NFPA guidelines, or otherwise:

   i. 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.

   ii. Walls must be extended from structural floor to structural floor (or roof) above.

   iii. 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.

iv. 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.

v. Fire and smoke dampers must be provided in ducts that pass through the computer room walls, floor or ceiling.

H. HVAC. The heating, ventilation and air conditioning system (HVAC) shall have sufficient capacity to maintain a stable environment within original computer equipment manufacturer specifications. A HVAC failure detection mechanism must be provided. The HVAC 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 HVAC systems. The HVAC system must be maintained according to its manufacturer's specifications.

I. Uninterruptible Power. The Contractor shall provide power conditioning equipment for the computer room(s) and shall provide an uninterruptible power system ("UPS") with both battery backup and electrical generator. Should a utility power failure occur, the UPS must provide at least one hundred fifty (150) percent of the capacity for full capacity operation. During the Contract, the batteries, transfer switch, and generator must be exercised for extended periods on a Lottery-approved schedule, and the generator must be maintained according to its manufacturer's recommendations.

3.1.10. Backup Data Center

The Contractor must outfit a remote backup data center where System transactions are logged and processed. The player network and the inter-site network (primary data center, Lottery, etc.) must connect to this facility. The backup data center must meet the following requirements:

A. Location. The backup data center must be in the continental United States. It must be separated from the primary data center so as to virtually preclude simultaneous loss due to the same disaster. A location within Michigan is desired.

B. Security of Primary. The backup data center must be operated under the safety and security requirements of the primary data center.

C. Shared Facility. If the backup data center is in a Contractor facility that shares other business operations of the Contractor, then the Lottery equipment must be physically and logically separated and secure from all other operations, subject to the written approval of the Lottery.

D. Lights Out. The backup data center need not be attended during all lottery business hours and may be a “lights-out” operation. It must however immediately support a failover in case the primary data center can no longer support business operations.

3.1.11. 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 approved by the Lottery and tested semi-annually. The plan must be delivered by the start-up date. The plan must provide the following, as a minimum:

A. Take into account disasters caused by weather, water, fire, environmental spills and accidents, malicious destruction, acts of terrorism, cyber-attack response and recovery provisions, and contingencies such as strikes, epidemics, etc.

B. Continuity of the System and the Lottery’s games

C. Safe, secure off-site storage of backup data and programs

D. Contractor’s key staff contact information

E. Recovery procedures and documentation

F. Coordination with the Lottery’s 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.

A. A disaster recovery plan shall be developed and maintained that ensures that the computing infrastructure which supports critical business activities will be restored in accordance with the requirements of Lottery business functions and legal mandates.

B. Disaster recovery plans shall be analyzed on an ongoing basis to ensure alignment with Lottery’s current business objectives and requirements.

C. Disaster recovery plans shall be tested at least semi-annually. Testing standards and objectives shall be developed for testing the disaster recovery plans. The test results shall be documented and provided to the Lottery. The disaster recovery plan shall be updated as needed.

3.1.12. Contractor Capabilities Protection Plan

The Contractor must also produce a disaster plan for its own additional Facilities and capabilities necessary to support the Lottery. For example, the Contractor’s software

development and support Facilities are critical for the Term of the Contract. This protection plan shall be due at start-up.

3.1.13. Communications Networks

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

3.1.14. Network Design and Implementation

The Bidder is provided wide latitude as to the topology and technologies proposed for the network. The design must cover at a minimum:

A. Player Internet Interface. During the daily operational period, players will access the System through Portals. Depending on configuration status, players may be serviced at the primary or at the 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 accommodate connections for games administration by the Contractor and by the Lottery. This includes connections from the primary and backup data centers to Lottery Headquarters.

D. Data Center Local Area Networks. Within the data centers there will be multiple LAN connections dependent upon the Contractor's configuration.

E. Interface to the Games. The System will always manage game functions for the players but may not always provide game content. Third-parties may provide game content (e.g. graphics, design, etc.) and the System must be compatible with third-party game content.

3.1.15. Network Operating 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 iLottery System.

A. Fault Tolerance. The Proposal must show how the proposed configuration is robust regarding 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.) The network design must provide for redundancy and diversity that limits the impact of outages.

B. Fault notification. System components must be able to notify the network monitor or System monitor of significant transmission failures or outages as soon as possible after occurrence of the network outage.

C. Secure External Transmissions. 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 primary systems to the remote backup system, to Lottery regional offices and other remote locations. Commercially available encryption mechanisms are acceptable if approved by Lottery.

D. Protocol for Incomplete Transactions. On incomplete or unresolved transactions between the central servers and the player devices, there must be mechanisms for reconciliation. These may include retries, logging for reporting, and error messages to the players, System operators, and Lottery.

E. Commercially Available Communications Protocols. To enhance the open systems aspect (e.g. a communication protocol that is not proprietary) of the System, it is required that communications protocols be widely used, commercially available protocols.

F. Strong Network Security. Network security shall be given a high priority and must employ stringent security mechanisms. Connections to other systems and networks must be protected by firewalls, intrusion detection systems, strong cryptography for sensitive data transmission, use of security protocols for data transmission (e.g., SSL/TLS, IPSEC, VPN, etc.), device and system logging, router access control lists (ACL), or other Lottery-approved methods. Connections are expected between the iLottery System and other systems and networks such as the Internet, third-party systems, Lottery office network, Lottery QA system, and the Contractor's administrative support system and development/QA system. The iLottery System must be protected from, and protect, those connections.

G. 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.

H. Principle of Least Privilege. Networks related to gaming operations must be designed on this principle. Network access controls must be utilized to allow only the required network services needed by specific servers or networks to be routed.

I. Bandwidth. The Lottery requires a high bandwidth network that will support rapid access and transaction processing for large numbers of players. The Bidder must identify the bandwidth provided by each communications medium proposed for the System, and an estimate of the traffic it is expected to carry.

3.1.16. Network Administration Services

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

A. Configuration Management. Configuration changes and asset records must be managed. This includes an inventory of network resources and operating parameters.

B. Carrier Interface. The Contractor must interface with the communications carriers to arrange for network maintenance, installations, and to maintain service quality.

3.1.17. Network Monitoring and Fault Resolution

The Contractor must detect and resolve problems with the network.

A. Network Event Recording. Communications test and monitor equipment must have recording and recall/reporting capability. The standards for the types of events recorded and the period of retention will be developed jointly with the Lottery. The Contractor must provide reports in an agreed upon format to allow the Lottery to evaluate communications network performance.

B. 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. This capability must be extended to new network devices readily should they be introduced.

C. Communications Expertise. Communications technicians trained in the use of test and monitor equipment must be present at the active System site whenever the iLottery System is operational and whenever the Lottery requests such support for test purposes.

3.2. Channel Mix and Portal Development

Lottery desires the broadest distribution possible across all digital channels in order to maximize revenues and player satisfaction. Bidders must describe the Channel Mix that will be supported for the initial launch along with a roadmap that includes release dates for future Channel Mix introductions that are not included at launch but part of the Proposal. Contractor must provide a Portal that is customized and optimized

graphically for each channel while ensuring that all essential features and functionality remain common across all Channel Mix.

Lottery requires that Channel Mix includes both web and mobile deployments within the first year of the Contract. Mobile distribution is preferred to be deployed as a native smartphone application ("Mobile App") but may also be deployed as a mobile browser user experience ("Mobile Web"). A combination of Mobile App and Mobile Web may also be proposed by Bidders.

Additional Channel Mix for Bidders to consider proposing may include, but are not limited to, tablet computing devices, social channels such as Facebook, interactive television, and touch-screen equipment at Retailer locations such as countertop games.

All recommendations for Channel Mix should also specify which platforms, browsers or operating systems will be supported. For example, if Bidder is proposing a Mobile App then specify if Apple Operating System, Android and/or others are supported.

Contractor will be required to submit any Mobile App software through the Lottery's established developer accounts when requested by Lottery. This includes tablet apps if included in the Bidders Proposal. This is intended to standardize the brand / developer name as "Michigan Lottery" for all Mobile Apps and other apps.

Contractor will be required to procure any domain names and manage domain name system ("DNS") associated with the deployment of Portals. Hosting must be provided by Contractor when necessary for Portals.

3.2.1. Portal Development, Maintenance and Hosting

Contractor must provide a Portal, for each deployment within Channel Mix, that is optimized for best practices within each channel while still maintaining common features and functionality across all Channel Mix.

3.2.2. Portal Implementation Services

Contractor must provide end-to-end services necessary to deploy Portals. This includes developing all graphical user interfaces ("GUI's") and functionality necessary to expose portions of the System to players (e.g. PAM, games, geo-location, etc.) in order to conduct iLottery sales. Contractor will be required to integrate and deploy iLottery Games within Portals. As directed by Lottery, Contractor will be required to update Portals with new content and functionality throughout the Term of the Contract. Portals will be required to have compliance with certain browser types, browser versions, and plug-in controls (especially the latest and most popular versions) as directed by Lottery. Contractor will be required to integrate with any third-party providers (e.g. loyalty website Vendor) as necessary to deliver a unified user experience to players. Portals must include a secure upload and download site for exchange of documents between the player and Lottery within the System.

Bidder should describe the services (e.g. creative design, flash animation, copy writing, software engineering, testing, etc.) being provided as part of the Portal implementations.

3.2.3. Portal Project Management Process

Contractor must provide centralized project management services for all Portal implementation projects, taking the lead role in organizing all parties involved through a defined process. Bidder should describe its end-to-end process for project management specific to Portal implementations, while providing explicit details on the following:

A. Describe what types of documentation are utilized to manage the implementation process. Be specific as to which documents are used for client review and/or approval versus internal Contractor use only.

B. Describe the order, or sequence of events, of the typical Portal implementation. If applicable, be specific by Channel Mix regarding how the process may differ (e.g. web vs. Mobile App).

C. Describe what tools, if any, are utilized to collaborate effectively with Lottery and/or third-party stakeholders involved in the development process.

D. If possible, provide real-world samples of project management documentation used for Portal implementation projects. Also, if available, provide hyperlinks to the Portals.

E. Describe the change management process for implementations that affect existing Portal functionality.

3.2.4. Content Management System (CMS)

Contractor must provide a content management system ("CMS") that gives Lottery and/or Contractor the ability to make content updates (e.g. copy, images, layout) to Portals through a self-administered web-accessible tool. Bidder should describe its CMS solution, while providing explicit details on the following:

A. Specify whether the CMS is software developed by Contractor, or if a third-party company will provide. In the instance of third-party software, indicate the company name and company website address.

B. Describe the areas, or elements, of each Portal that can be managed by the CMS while also expressing the limitations specific to key areas (e.g. registration pages) that would require custom software development in order to modify.

C. Describe the end-to-end process for making basic content changes via the CMS.

D. Describe the testing and preview capabilities of the CMS.

E. Provide key screenshots of the CMS web-accessible tools if already developed.

F. Describe the management of users within the CMS. Be specific if privileges can be administered and the degree of flexibility that is available (e.g. user “X” may only access functions “Y and Z” and objects “A and B”).

G. Identify any limits regarding the number of unique users (i.e. maximum number of users) available within the CMS.

Bidders should describe if its CMS is a unified system for the management of all Portals, or if there are unique CMS’s necessary for certain Portals or groups of Portals (e.g. management of mobile app content vs. web content).

3.3. Player Account Management (PAM) Software and Services

The System will provide all PAM functions necessary for players to create accounts, fund accounts, Wager with funds, receive winnings and withdraw available funds. This must be managed with the highest level of integrity in respect to age verification, identity verification, geo-location, fraud management and responsible gaming standards.

3.3.1. Player Registration

Contractor must deliver a registration process for players prior to gaining access to additional PAM features and functionality available within any Portal. Contractor must provide a solution to handle the fully automated and real-time registration process (i.e. not a human intervened process such as mail-in) of players. Contractor must provide software and services that ensure total accuracy of age and identity verification of players has occurred before they can obtain a player account. Contractor will be required to obtain third-party certified verification of any identity verification services being utilized prior to launch and on a recurring basis during the Contract as defined by Lottery.

Contractor will need to provide a registration, and profile update, process unique to Channel Mix being proposed. Channel Mix registration features and functionality must leverage best practices that deliver ease of use while meeting Lottery program objectives. Bidder should describe its solution to player registration, while providing explicit details on the following:

A. Identity verification services / methodology. Describe the assurances and reliability of verifying a user’s identity with the highest degree of accuracy.

B. Age verification services / methodology. Michigan law permits Lottery wagering for players that are eighteen (18) years old and above. Describe how age is verified with total assurance that underage gaming will be prevented.

C. Michigan-residency verification services / methodology. Lottery is proposing this as a self-imposed policy that only Michigan residents be allowed to participate in iLottery. This policy may change in the future dependent upon geo-location service technology advancements. Describe how residency status will be verified.

D. Prevention of duplicate registrations (i.e. same player attempting to register multiple times). Describe how the System can ensure this does not occur.

E. Describe how exception handling (e.g. failed registration due to a recent change of last name) will be managed by the System and how legitimate cases are then corrected while maintaining player convenience.

F. Highlight any techniques being recommended to minimize player drop-off (i.e. player begins registration and then willfully quits) during the registration process.

G. Highlight any tailored approaches used to optimize the registration process within Channel Mix. For example, an innovative yet reliable method available to register players using mobile device technologies that expedites the registration process.

3.3.2. Player Authentication

When the player accesses the System from a Portal or iLottery Game the player's identity must be assured. The System is required to employ more than one factor in authenticating the player. Such factors are typically classed as:

- Something-you-have (e.g., device ID, smartphone)
- Something-you-know (e.g. password, PIN, answer to a security question)
- Something-you-are (e.g., fingerprint)

A minimum of two-factor authentication is required. For example, the player may enter a unique number as a result of registration, and also enter a PIN. This would combine something-you-have plus something-you-know (the PIN). As another example, the System may log and retain the unique ID of a smartphone and is supplemented by entering a PIN. Again this is something-you-have (phone) and something-you-know (PIN).

It is preferred to employ more than one (1) type of authentication versus two (2) factors of the same type. Thus two (2) of something-you-have is less preferred than something-you-have plus something-you-know.

Authentication methods may vary within Channel Mix and should be described by Bidder accordingly.

3.3.3. Player Database

Contractor must maintain a database that maintains all current and historical player and transactional information. The player database will include, but is not limited to:

A. Player Data. The System must support a player database, central to iLottery management functions. Database elements may include, but are not limited to, player ID, name and address, telephone number, e-mail address, bank account information required for EFT transactions, credit and debit card information, status and history, W-2G, Federal and State of Michigan tax reporting information, account status, and any outstanding debts which are recorded by the State of Michigan Department of Treasury ("Offsets"). Any changes to player data should be logged in the System with associated details such as date, timestamp, Portal type being accessed, and logging the user making changes (e.g. Lottery employee identifier or player initiated change).

B. Funds Transfer Activity. The System shall record all internal and external funds transfers including transaction type, amount, date, timestamp, applicable fees, funding source and funding destination.

C. Wager and Winnings Activity. When a player purchases a Wager or wins a prize, the account record must maintain a history of the player's Wagers and prizes. Non-winning results and expired Wagers may be removed subject to expiration policies set by the Lottery.

D. Promotions History. When a player receives a promotion offer from the Lottery the System shall reflect the activity in the database.

E. Responsible Gaming Activity. The System shall record all changes made to responsible gaming controls.

F. Survey Attributes. The player database application shall store and report player responses to surveys and other research activities.

G. Data Conversion. As directed by the Lottery, the Contractor may be required to convert existing player database(s) in order to maintain common sign-on credentials for current players.

H. Signature Capture. The application must store a digitized signature for the player.

I. Reporting and Download. The System shall support real-time queries and reporting on the player database, and downloads to Excel of player database information.

3.3.4. Player Banking Services

The Contractor is required, to the extent applicable, to ensure that all third-parties including financial institutions and credit card processors, each of which is engaged to carry out iLottery and will have access to credit/debit card nonpublic cardholder data, will adhere to the Payment Card Industry ("PCI") Data Security requirements and pursuant to their agreements with the Contractor, will have agreed to the following: (1) that they are responsible for security of cardholder data in their possession; (2) that such nonpublic cardholder data can ONLY be used for assisting the Lottery in completing a transaction, supporting a loyalty program, supporting the State, providing fraud control services, or for other uses specifically allowed by law; (3) that they will provide business continuity in the event of a major disruption, disaster, or failure; (4) that they must contact the Lottery in accordance with Michigan's Identity Theft Protection Act, Mich. Comp. Laws § 445.61 et seq. (the "ID Theft Protection Act"), to advise it of any breaches in data security where a Cardholder's "personal information" or "PI" (as such term is defined in the ID Theft Protection Act) has been compromised; (5) that in the event of a security intrusion, the Payment Card Industry representative, or a Payment Card Industry approved third-party, must be provided with full cooperation and access to conduct a thorough security review and the review must validate compliance with the Payment Card Industry Data Security Standard for protecting Cardholder data; (6) that they will properly dispose of nonpublic Cardholder data when no longer needed; (7) that they will continue to treat nonpublic Cardholder data as confidential upon termination of the iLottery Program; and (8) that each Subcontractor will provide the Lottery with documentation verifying PCI Data Security certification has been achieved and must advise the Lottery of all failures to comply with the PCI Data Security Requirements (which failures include, but are not limited to system scans and self-assessment questionnaires), and must provide a time line for corrective action; provided that, if the Subcontractors are listed on the Validated Service Provider list, the Lottery will not require any other certification, and if the Subcontractor is not listed on the Validated Service Provider list, the Lottery will receive a copy of such Subcontractor's Attestation of Compliance and its most recent scan (performed by a qualified scan Vendor), which documents will be provided annually with proof of quarterly scans from such Subcontractors for Michigan Department of Treasury approval.

Contractor is required to provide software and services that allow players to transfer funds to and from a virtual wagering account ("VWA"). The System must support configurable fees, by each payment mechanism available (e.g. credit card transfers vs. ACH transfers), for Lottery to designate and assess the player upon the transferring of funds to and from a VWA. Fees must be configurable in real-time and not require software development to perform a change. For transfer of funds into a VWA, fees must be charged to the originating payment source and not deducted from the VWA. Lottery will have the sole discretion to designate and retain any fees assessed to players.

Configurable funding limits, both minimums and maximums, by payment mechanism must be configurable within the System. Configurable limits must include daily, weekly, monthly, yearly and lifetime parameters. Lottery will have the sole discretion to designate funding limits. Contractor may advise Lottery regarding any limits that may be necessary to minimize exposure to possible fraud activities. The System must provide other rules and configurable settings that mitigate possible payment fraud activities.

Contractor must hold VWA funds in an FDIC insured bank account. Contractor must provide all banking services necessary to add funds to VWA's including, but not limited to, providing gateway, acquiring processor and acquiring bank. Each of the banking services Subcontractors are subject to Lottery approval. The System must support open architecture for integrating banking services Subcontractors as necessary by either Contractor or Lottery. It is desirable for the Contractor to maintain robust transaction routing capabilities for alternative banking services. For example, if "Bank A" changes a policy or experiences an outage then the System would automatically switch over to "Bank B".

Contractor is required to act as the Merchant and is responsible for all payment acceptance, dispute resolution handling, indemnification of payment fraud and all expenses associated with these services.

Contractor must provide Lottery with web-accessible reporting tools that provide access to data related to banking services activities. This includes, but is not limited to, reporting features that provide player-specific activity logs and aggregate data such as total transfer count and amount by payment type. Bidder should describe its solution to maintain VWA's for all players on the System while providing explicit details on the following:

A. Identify the funding sources (e.g. bank transfer, credit cards, debit cards, PayPal, etc.) that players will be able to utilize to fund VWA's during the initial launch of the System. Indicate the processing time necessary before funds are cleared and available (e.g. three to five (3-5) Business Days) for player wagering for each source listed.

B. Identify the methods that players may externally transfer / obtain funds available within VWA's.

C. Identify the areas of the System, Portal or other software that will be provided with PCI compliance standards and certification. Additionally, provide Contractor and/or Subcontractor's validated compliance status with the Payment Card Industry Data Security Standard ("PCI DSS"). The standards apply to all entities that store, process or transmit cardholder data.

D. Identify the fraud and risk management techniques employed from a banking services / VWA perspective in order to mitigate risk and liability to the Lottery, players and/or Contractor.

E. Describe mechanisms available to collect and remit player-assessed fees to Lottery. Describe funding process including number of days for Lottery to receive funds.

F. Identify the web-accessible tools and capabilities for Lottery and Contractor to research, diagnose, correct, adjust, disable, enable or otherwise administer VWA functions on behalf of players. Provide specific details on audit trail capabilities that can track the user who made changes, what was done, when it occurred, why it was processed and other event logging details.

G. Describe the web-accessible reporting tools available to the Lottery.

3.3.5. Geo-Location Services (GLS)

Contractor must provide software and services that can precisely recognize the physical location of a player accessing the System, from any Channel Mix, using the most stringent standards. Contractor will be required to obtain third-party certified verification of any geo-location services ("GLS") being utilized prior to launch and on a recurring basis during the Contract as defined by Lottery. GLS must be configurable, by Channel Mix, to create and adapt boundaries as directed by Lottery during the Term of the Contract. GLS must provide web-accessible reporting to Lottery which provides performance reporting, tracking and other information. The System must only allow players that are verified to be physically within the State of Michigan to access wagering features and capabilities. Non-wagering features (e.g. profile updates, funds transfers) should not be restricted by the physical location of the player.

Bidder should describe its solution for GLS while providing explicit details on the following:

A. Identify the process, specific to Channel Mix being proposed, that is utilized to locate a player's physical location. If applicable, specify any Subcontractor being utilized in the process along with their role(s).

B. Describe how the GLS, specific to Channel Mix being proposed, can be flexible to create and adapt boundaries.

C. Describe how the GLS, specific to Channel Mix being proposed, can create subordinate boundaries within the State of Michigan. For example, if a certain city or county in Michigan was required to be exempt from iLottery participation.

D. Describe any flaws, or fraud attempts, known with the GLS process and how the System can manage exceptions while maintaining Lottery integrity. Be specific if necessary to individual Channel Mix being proposed.

If available, Bidder should provide actual accuracy / reliability percentages of the GLS being utilized with other clients. For any percentages provided, indicate the name of the client / business utilizing the GLS and the associated Portal type (e.g. web, Mobile App).

3.3.6. Responsible Gaming Controls

Contractor will be required to provide software and services that promote and ensure the highest level of responsible gaming. Bidder should describe its solution for responsible gaming controls while providing explicit details on the following:

A. Capabilities for the Lottery to establish and modify wagering limits that apply to all players.

B. Capabilities for players to establish and modify personal wagering limits.

C. Capabilities for players to self-exclude for durations of time.

D. Capabilities for the Lottery and/or Contractor to manage personal wagering limits and/or self-exclusion on the player's behalf.

Optionally, Bidder may propose any innovative methods to proactively engage players with responsible gaming messages.

3.3.7. Wagering Capabilities

Players will access the System through a Portal and will then exercise functions available including Wager purchase and game playing. All wagering and game playing will be recorded by the System in the player account (or in a location accessible from the player account).

A. Wager Acceptance. Players will access Portals to wager and play games, once they have identified themselves to the System (via password and/or other authentication mechanism).

B. Wager Logging. The player must be able to determine his or her iLottery Wagers, including active Wagers for upcoming drawings, Wagers not fully played through the game experience (e.g. communication disconnect before full reveal of win / loss outcome), Wagers that did not win, and Wagers already declared winners.

C. Variable Base Wagering. The System must accept wagering values in United States currency for all games ("Base Wager"). Further, the System must accept

Base Wagers in fractions of dollars and in whole dollar increments (e.g. $5 Wagers, 50 cent Wagers, etc.) for games.

D. Add-On Wagering. The System must accept Wagers that are incremental to the cost of the Base Wager ("Add-On Wager"). For example, accepting Add-On Wagers for features like a prize multiplier, in-game progressive, or linked progressive.

E. Pari-Mutuel / Progressive Jackpot / Wager Pooling. The System must provide the capability to pool wagers based on a prescribed, and configurable, percentage value designated by Lottery for any applicable games or wager types ("Wager Pooling"). Wager Pooling must be accessible within the System in real-time to provide data such as current progressive jackpot amounts. A baseline amount, initially funded by the Lottery, must be supported by the System each time the wager pool is awarded as a prize (plus upon the first deployment of the game). The System must support a method to fund the baseline amount based on future player funding of the wager pool. For example, with The Jack game feature within Club Keno the Lottery currently designates thirty (30) percent of sales to fund the progressive jackpot. Once hit, the wager pool automatically begins again at ten thousand dollars ($10,000). The Jack then grows at one dollar ($1) per draw as funded by Lottery until the wager pool from player activity exceeds the Lottery funded pool.

3.3.8. Player Notifications

Contractor will be required to provide software and services that communicate directly to players systematically (i.e. managed with ease administratively by Lottery and/or Contractor) but delivered as a data-driven and highly personalized communications to each player ("Notifications"). All types of Notifications must be functional at the time of successful player registration completion (i.e. available in real-time as players register on the System). Web-accessible tracking and analytics regarding Notifications must be provided to Lottery. Contractor must provide end-to-end services necessary to deploy fully-functional Notifications which are being proposed.

Bidder should describe their solution for Notifications while providing explicit details on the following:

A. Identify which communication channels (e.g. email, SMS, mobile push notifications, etc.) will be utilized.

B. Identify, by communication channel, how content (e.g. copy, images) can be loaded into the System with flexibility, ease and organization by Lottery and / or Contractor.

C. Identify, by communication channel, how content (e.g. copy, images, orientation, etc.) can be dynamically populated within Notifications.

D. Identify, by communication channel, what tracking and performance measures (e.g. deliverables, opens, clicks, etc.) will be available to Lottery.

E. Describe the data security features related to Notifications.

F. Describe the core services (e.g. creative design, copy writing, software engineering, testing, etc.) being provided as part of Notification implementations.

3.3.9. Notifications Integration with Lottery System (Specified Option)

At Lottery's option, Contractor will need to interface with Lottery's existing program provider for Notification services in order to provide centralized tracking and other services for the convenience of Lottery. Subsequently, Contractor will be required to assume all third-party costs associated with messaging rates for email, SMS, Push Notifications, or other messaging services which Lottery requires to be executed through the existing program provider's technology framework.

Bidder should reference Appendix H (Lottery Notification Fees) for per-message rates currently negotiated in the Lottery's existing contract for Notification services. In the event that Lottery exercised this Specified Option, the Contractor shall not be absolved of any further obligations (e.g. creative design) designated in Section 3.3.8 of this RFP.

3.4. iLottery Games and Game Integration Services

The Contractor will implement secure integration services that allow third-parties to readily develop and deploy iLottery Games that are fully integrated with the System. Similarly, the Contractor may utilize the same secure integration services to act as a provider of iLottery Games.

3.4.1. Centralized Gaming Services (CGS)

Contractor must provide an open integration architecture within the System that supports the quick deployment of iLottery Games, known as centralized gaming services ("CGS"). CGS must support the operational requirements for all iLottery Gaming activities that are dependent on the System. This includes but is not limited to centrally hosted technology to determine winners, log player activity, handle funds, communicate with other players, and obtain customer service related to a game. CGS should allow the System to readily integrate with any third-party system.

3.4.2. Random Winner Technology (RWT)

Lottery's existing games utilize varying random winning technology ("RWT") methods to determine game play outcomes (e.g. Random Number Generator, Pick Win Grid, Pre-Seeded Files, etc.) and iLottery Games are intended to replicate the existing or

traditional play style of these games. Contractor must provide a centralized technology to employ RWT and show that it has been certified by an accredited third-party on an ongoing basis to be determined by Lottery. As such, Contractor at a minimum must deliver RWT that supports the following game play styles:

A. Pick twenty (20) of eighty (80) (e.g. Keno)

B. Pick a designated amount of numbers from one (1) or several pools of numbers (e.g. Fantasy 5, Classic Lotto 47)

C. The ability to randomly and instantly determine winning and non-winning outcomes (e.g. Cashword, Bingo, Wild Time, etc.)

D. Select a fixed number of winners from a varying pool of Wagers that are sold (e.g. Raffle)

E. Select a progressive jackpot winner in various manners including:

   i. A method that guarantees a winner based on Lottery specifications (e.g. 50/50 Raffle).

   ii. A method that is random (e.g. Fantasy 5, Classic Lotto 47, etc.).

   iii. A method that is triggered based on a threshold of wagering being reached. (e.g. Michigan Rolldown)

   iv. Any combinations of (i), (ii) or (iii) above.

Lottery shall designate the prize structures, odds of winning, and/or the distribution of prizes associated with each iLottery Game. RWT must be configurable, by iLottery Game, in order to support the parameters provided by Lottery to match prize structure, odds, and/or distribution requirements.

Bidders should describe in detail their solution to match the above requirements for RWT. Optionally, Bidder may recommend any alternative RWT methods that support the deployment of iLottery Games that match existing Michigan Lottery game play styles.

3.4.3. Engagement Features

Contractor must provide mechanisms that engage new Lottery players who are already accustomed to advanced digital games that offer fun, engaging, competitive and social tactics into games. This includes but is not limited to common techniques such as points, levels, badges, unlock features, chat features, and leader boards (“Engagement Features”).

Engagement Features must be securely exposed to third-party iLottery Game developers and offered as a centralized service across the System. This centralized service may also be exposed to Lottery's player loyalty program vendor and other Lottery vendors. At a minimum, the System must support the following Engagement Features:

A. Chat. A feature that allows players to interact with each other while playing the same iLottery Game.

B. Social Sharing. A feature that allows social network sharing of games and game outcomes such as winnings.

C. Leaderboards. A feature that allows players to post names and scores, and/or other System data, to a public GUI that provides numerical ranking.

D. Individual Winner Awareness. Features that display recent winners, updated in near real time, along with the player name, city, amount won and game played.

E. Aggregate Winner Awareness. Features that display total prizes paid, updated in near real time, that are displayed by game or groups of games.

Bidder should describe a proposed solution that achieves the objective of engaging new players through the use of Engagement Features.

3.4.4. CGS Exposed Functionality

Contractor must deliver CGS in a manner that allows third-parties to offer iLottery Games, player loyalty programs, access to second chance drawings, or other programs as directed by Lottery, using System functionality that is securely exposed via API's. API services necessary to accomplish this include but are not limited to the following:

A. Services to interface with PAM capabilities (e.g. Base Wagers, Add-On Wagers, Wager Pooling, login, registration, geo-location, responsible gaming, etc.).

B. Services to interface with RWT capabilities.

C. Services to interface with Engagement Features.

D. Services to interface with promotion capabilities as defined in Section 3.5.2.

At the Lottery's option during the Term of the Contract, Contractor will be required to develop and support additional integration methods that securely expose other areas of the System to third-parties.

All API requests from the production environment must be logged and available within back office reporting systems.

Should technologies advance and API services are no longer prominent in developer communities, then Contractor will be required to implement new integration technologies upon the Lottery's request.

3.4.5. CGS Environments

Contractor must make CGS available to third-party game developers through standardized API's available in several different development environments including an exploratory environment , a development / testing environment, a quality assurance environment, a customer acceptance testing ("CAT") environment, and a production environment.

The exploratory environment should be constructed to allow authorized game developers (including Contractor) to prototype games, play features and other functionality as it relates to the System without the need for ongoing consultation or involvement by Lottery and/or Contractor. As such, Contractor is required to offer easily accessible documentation, code samples, FAQ's and other resources to facilitate the rapid incubation of game prototypes by game developers in the exploratory environment. A portion of the exploratory environment should be visible to Lottery in order to view prototypes that have been finalized by third-party developers and/or Contractor.

The Contractor testing environment is for games selected by Lottery for inclusion as an iLottery Game. Contractor will be required to manage all functions necessary, in cooperation with approved game developers, in order to test iLottery Games integration with the System. Testing of new iLottery Games must be completed by Contractor within a twenty-one (21) day period. Testing of any updates to existing iLottery Games must be completed by Contractor within a fourteen (14) day period.

Lottery must have access to the CAT environment for acceptance testing, review and approval of all iLottery Games prior to deployment. Contractor must provide, and make available / accessible, the CAT environment at no cost to Lottery.

The production environment is for iLottery Games which have been approved by Lottery and are available for wagering by players that are connected to the System. iLottery Games, once in an approved status, must be easily interchangeable through Portals. The deployment of iLottery Games into Portals must be completed by Contractor within three (3) days from Lottery approval after CAT formal sign off.

The production environment must also support play-for-fun capabilities for all iLottery Games, enabling CGS without functions such as wager logging or prize payment while still allowing a player to play a game for fun ("Play For Fun").

If the Bidder has a solution that is more favorable to the Lottery than the minimum requirements listed in this section, then Bidders may describe a CGS architecture that

facilitates the rapid development of game prototypes, testing, deployment and player game education (i.e. play-for-fun) along with prescribed time schedule commitments for testing and deployment of iLottery Games in their Proposal.

3.4.6. iLottery Games Implementation

Contractor will be required to develop iLottery Games that match existing Michigan Lottery play styles (e.g. Instant Games, Keno), or integrate with third-party providers, in order to offer products to players. iLottery Games will integrate with CGS and shall not include any RWT within the iLottery Game software itself. Customization of games may include feature such as animations and sounds. iLottery Game customization by Contractor will be done in collaboration with Lottery and is subject to final approval by Lottery.

Contractor will be required to assist Lottery with the development of game specification documentation. The final game specification documentation provided by Lottery will set forth the requirements for Contractor to develop each iLottery Game. The game specification documentation will include definitions such as graphics, detailed programming parameters, prize structure and game release schedule.

Bidder should propose a minimum of twenty (20) iLottery Games that will be included for the initial launch. These iLottery Games should leverage play styles from Lottery's existing portfolio of games. Bidder can view current Lottery game examples at www.michiganlottery.com/lottery_games Further, Contractor and/or third-party providers will need to customize iLottery Games across Channel Mix to provide an optimized portfolio of games, and an optimized user interface, that best fits each Channel Mix in the Proposal.

In addition to delivering these twenty (20) games, Contractor will be required to deliver four (4) additional iLottery games consisting of digital versions of the Lottery's Keno, Cashword, Wild Time, and Bingo games for the initial launch due to their historical success in the marketplace. Keno, Cashword, Wild Time and Bingo games are required for the initial Portal deployments for both web and mobile.

Bidder must ensure that any proposed game concepts are able to be fully functional based on available RWT methodologies described in Section 3.4.2.

Bidder may propose the same game concepts for each Channel Mix being proposed, or Bidder may propose different game concepts specific to certain Channel Mix (e.g. if Bidder views a certain game as a viable mobile game but not as a viable web game).

Bidder should also describe if each game is played instantly or if it is based on a drawing schedule.

Bidder should describe any additional game enhancements (e.g. multiplier) that can enhance iLottery Game revenues. Enhancements generally have required players to increase their Wager in order to participate (e.g. Keno's Kicker).

Bidder should specify if it will develop the games or if games are being provided by a third-party. In the case of a third-party game provider, Contractor should specify the company name and website address.

3.4.7. iLottery Game Reporting

Contractor will be required to log all game activities from the production environment, including Play For Fun activities, and make available the data for System reporting and exportable for third-party reporting systems as directed by Lottery. This must include all possible reportable elements including but not limited to number of times games are played, duration of game play, game play feature usage, and other play statistics. Further, all reportable elements should be logged with consistent data attributes such as time / date stamp and player identifying information.

3.4.8. iLottery Games Procurement and Integration

The Lottery reserves the right to attach to the System or otherwise install games, software, products, or systems other than those required by this RFP. The Contractor shall be required to provide support to the Lottery in conducting future iLottery Game procurements from other sources and shall be reimbursed fully for the cost of these procurements. 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. In addition, the Contractor shall provide support to the Lottery including providing Facilities and allowing other Vendors to attach or install and test products. Should the Lottery propose to add such games, software, products, or systems not supplied by the Contractor, there would be no additional cost to the Lottery for this implementation other than the cost associated with the original procurement.

3.5. Marketing and Promotions

The Contractor must apply its best efforts to support the Lottery in Channel Mix planning, iLottery Game planning, marketing planning, and other strategic planning activities; thus assisting the Lottery to achieve its financial and public policy objectives.

3.5.1. Marketing Support

The Lottery will require iLottery Game development and incremental feature modifications over the Term of the Contract. Bidders 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. As needed, strategy meetings shall be held with the Lottery for (i) formulating the slate of games, games changes, and promotions to be introduced in the future, and (ii) monitoring and analyzing progress.

B. 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.

C. Gaming Product Planning. Associated with the meetings and presentations cited immediately above, the Contractor will propose product and promotional releases and changes for consideration by the Lottery.

3.5.2. Promotion Capabilities

The System must provide the ability for Lottery to configure rules-based promotions through a web-accessible interface. Promotions may result in the awarding of free wagering funds ("Promo Dollars") to players or other award types.

Rules-based *promotion types* must include but are not limited to:

A. Promotion Codes. The System must support the loading of promotion codes that can be entered by players into Portals in order to obtain Promo Dollars. Contractor will be responsible for generating these codes, and loading them onto the System for redemption, as directed by the Lottery.

B. Deposit Bonuses. The System must support the configuration of promotions that reward a specified deposit amount and/or threshold with a Promo Dollar deposit.

C. Threshold Awards. Lottery must be able to specify a minimum amount of criteria that activates a promotion for a player. For example, a rule may be configured that requires a player to wager ten dollars ($10) on a series of games that would result in a five dollar ($5) bonus when completed.

D. Referral Bonuses. Lottery must be able to offer a bonus to players that complete a mechanism within Portals to refer a new user to the iLottery program. If the new user signs up successfully and conducts wagering then a bonus may be applied to the referral user, the referred user, or both as configured by Lottery.

E. Event-Based Bonuses. Lottery must be able to provide Promo Dollars into a player's account for certain events. For example, Lottery designs a five dollar ($5) Promo Dollar deposit on a player's birthday.

F. Discount Promotions. Lottery must be able to discount certain game purchases at specified price thresholds (e.g. two dollar ($2) discount on a ten dollar ($10) Keno purchase)

G. Buy X Get Y Promotions. Lottery must be able to trigger certain Wagers as a direct reward with the purchase of qualifying Wagers.

H. Bonus Payout Promotions. Lottery must be able to configure a promotion that raises payouts to an elevated level for specific game(s).

I. Play and Win Promotions. Lottery must be able to configure promotions that randomly select a designated number of winners within specified periods of time. For example, the promotion may pick 5 random players every hour to win a one hundred dollar ($100) Promo Dollar deposit.

J. Fee Discounts. Lottery must be able to configure discounts on any fees assessed to players using the System. For example, if there is a two dollar ($2) fee assessed to a player for adding funds into a VWA, then Lottery would be able to discount it by whole dollar increments. When this promotion type is active, Portals need to reflect the discount where it is normally displayed and charged to the player.

The System must support the following *configurable rules* for all promotion types described above:

A. Promotion Award. The System must allow Lottery to specify if a promotion results in the awarding of Promo Dollars, loyalty points, or an entry into a drawing pool for the chance to win a prize.

B. Audience Segmentation. Lottery must be able to specify a segment of registered players within the System that are eligible for the promotion.

C. Promotion Date Settings. Promotions must be configurable with a fixed start and end date. The promotion start date should be capable of being configured at least one (1) year in advance of the actual start date. Additionally, once awarded, any Promo Dollars should also be configurable with a fixed expiration date.

D. Promotion Rules, as previously described, must be capable of working independently or in combination with each other. For example, Lottery may apply the Audience Segmentation Rule in combination with the Referral Bonus Rule.

E. Promo Dollars, when awarded, expired, or redeemed by the player must display accordingly in Portal transaction history.

F. Promotions must be tracked into the System by player and by promotion. It must also be exportable in a File feed provided on a scheduled basis to third-party companies as directed by Lottery. This enables Lottery to evaluate response rates and return on investment from promotion campaigns.

G. Each promotion must have a unique identifier in the System.

H. Promotions must be able to run automatically and/or persistently (i.e. set it and forget it). For example, Lottery may set a permanent promotion that provides a five dollar ($5) Promo Dollar deposit on a player's birthday to occur every year for all players.

I. Promotions must be capable of interfacing with triggered Notifications. For example, if Lottery has a permanent five dollar ($5) birthday bonus then the System can interface in real-time to trigger an email template that communicates this bonus to any applicable players.

J. Promo Dollars must not be available for external bank transfers until the Promo Dollars have been fully wagered within the System (i.e. prizes resulting from used Promo Dollars may be externally transferred).

K. Promo Dollars must be assignable to specific games. For example, a certain promotion that offers a five dollar ($5) reward for playing Bingo results in a five dollar ($5) Promo Dollar deposit that can only be utilized to wager with Keno.

L. Promotions must be able to be associated with specified Affiliate Retailers, or groups of Affiliate Retailers, in conjunction with the Affiliate Retailer Program specified in Section 3.5.3. For example, a promotion is set up for Meijer that provides an extra bonus to its players only.

The System must manage and allow for the configuration of *entry pools* used to support promotion types that involve a chance to win as an award outcome. Entry pool management must include the following:

A. The System must allow the configuration of prizes and the number of winners for any promotion that awards a prize. The System must support configurable settings that constrain players to winning one (1) time or multiple times during the promotion.

B. The System must allow for the configuration of prize determination to be drawing(s) or instant win(s).

C. The System must leverage a third-party certified RWT to determine the winners in a drawing or instant win promotion that awards a prize.

3.5.3. Affiliate Retailer Program

Contractor must support a program designed to expand and enhance retail partnerships. The Lottery intends to authorize organizations such as businesses that manage online websites, mobile websites, mobile apps, and tablet apps with established traffic ("Affiliate Retailers") to host digital advertising that promotes the iLottery Portals. When digital advertising originating from an Affiliate Retailer converts into a prescribed outcome (e.g. player Wagers, player sign up, etc.) then the Affiliate Retailer may be entitled to a commission. The commission may be a flat fee or a recurring percentage of ongoing activity. Affiliate Retailers may include existing Lottery Retailers that have a digital presence.

Lottery intends to manage the Affiliate Retailer Program from a sales and marketing perspective. This means that Lottery would perform functions such as recruiting the Affiliate Retailers, negotiate their commission structures, analyzing and optimizing the Affiliate Retailer's ongoing business, designing standardized digital advertising assets, and approving Affiliate Retailer portals for placement of digital assets. Contractor would be required to provide technical delivery of the System to support the operational needs of Lottery necessary to manage the Affiliate Retailer program. This includes but is not limited to:

A. Licensing. The System must provide web-accessible software to manage the workflow for the Affiliate Retailer licensing process (e.g. accepting applications, holding for review, accepting / rejecting by Lottery, etc.) along with appropriate logging, tracking and reporting of licensing activities.

B. Asset Management. The System must provide web-accessible software for Lottery to manage program assets and materials that can be downloaded or viewed (e.g. approved banner ads) by Affiliate Retailers.

C. Commission Management. The System must provide web-accessible software for Lottery to set commission rates globally and by retailer.

D. Reporting. Contractor must provide a web-accessible reporting system for Lottery to obtain comprehensive reports related to the Affiliate Retailer program.

E. Affiliate Retailer Portal. Contractor must provide a secure website (login with authentication method) for Affiliate Retailers to view their metrics, performance activity, financials, and approved assets (e.g. approved banner ads) available for download and immediate use.

Contractor will be responsible for reconciling payments to all Affiliate Retailers. Contractor will include these payments on its invoice to the Lottery and shall be reimbursed.

Bidder should describe its proposed solution for an Affiliate Retailer Program based on the minimum requirements described above. If a third-party company and/or third-party software is utilized to manage the Affiliate Retailer Program, then Bidder should state the company name and company website address in its response.

As a general example of an approach is as follows. If a click originates from an Affiliate Retailer's mobile advertising banner that results in a new account – any played deposits (less Promo Dollars) would be tracked for a duration (assume one (1) year) and the Affiliate Retailer would receive a scheduled (assume monthly) check/transfer from the Contractor for a percentage of this player activity (assume two (2%) percent of played deposits less bonuses). As another example, if a click originates from an Affiliate Retailer's website advertising banner that results in a new account then a one-time commission of two ($2) may be paid to the Affiliate Retailer. These examples are intended to illustrate the varying approaches that can support an Affiliate Retailer Program design using established digital marketing and advertising methods.

3.5.4. Game Card Program (Specified Option)

At the Lottery's Option, Contractor will be required to support a pre-paid iLottery card ("Game Card") program that enables Lottery-approved Retailers to sell Game Cards in a secure and accountable manner. Contractor must provide end-to-end services and software necessary to implement and manage the Game Card program. Bidder should propose a solution that enables Game Card functionality while providing specific detail on the following:

A. Describe how Game Card distribution will be managed

B. Describe how the Game Card activation process will be managed

C. Advise how much profit margin for the Retailer must be allocated to gain successful distribution partners in the retail environment

D. Describe how the financials are tracked and reported to Lottery and Retailers

E. Describe communication protocol between existing Retailer hardware that can be leveraged (not provided by Lottery or Contractor) and the System

F. Describe how Retailers reconcile sales with Contractor and/or Lottery.

3.5.5. Marketing Technology Solutions Option

At the Lottery's Option, Contractor will be required to procure and integrate third-party analytics systems that offer tracking, analysis, data modeling, data segmentation, or other services to the Lottery. Contractor will be reimbursed by Lottery for the cost of

procuring the third-party software and services, but any Contractor-provided software and services necessary to integrate third-party marketing technology solutions into the System shall be provided at no cost to Lottery.

3.6. Back Office Systems

Contractor must provide web-accessible back office systems that meet the ongoing needs and obligations of Lottery and/or Contractor. Back office systems must provide users with organized, accessible, and real-time information that enables operational success from the perspective of all stakeholders including players, Lottery, Contractor and auditors. Key users of back office systems include staff members representing products, marketing, sales and Affiliate Retailer and Retailer services.

3.6.1. Player Management System (PMS)

Contractor must provide a back office system that gives Lottery and/or Contractor the ability to research and administer player-related operational needs. The system must be web-accessible by Lottery and populated with real-time data. Bidder should describe its player management ("PMS") system, while providing explicit details on the following:

A. Specify whether the PMS is software developed by Contractor, or if a third-party company will provide. In the instance of third-party software, indicate the company name and company website address.

B. Describe the player attributes (e.g. name, address, responsible gaming controls, etc.) that can be managed by the PMS.

C. Provide key screenshots of the PMS if already developed.

D. Describe the management of users within the PMS. Be specific if privileges can be administered and the degree of flexibility (e.g. user "X" may only access functions "Y and Z" and objects "A and B").

E. Identify any limits regarding the number of unique users (i.e. maximum number of users) available within the PMS.

3.6.2. Claims and Payments

Lottery currently operates with a central office and six (6) regional offices. Currently players may visit the central or regional offices to receive a prize payment in the form of a check. Players complete a claim form in order to make a prize claim. Lottery is equipped with magnetic ink character recognition printers ("MICR Printers"), a networked computer, and blank check stock which are utilized to issue payments to players. This background information is being provided to give context to the Bidder for requirements outlined within this section.

Contractor is responsible to provide a claims and payment mechanism capable to process payments via a VWA or a check to winners. iLottery winners will not have physical tickets since their Wagers will be maintained by the System. The System will track which of the player's Wagers are winners and whether or not Wagers have been paid.

A. Claim Form. The System must generate a claim form automatically, when necessary based on the prize value, that is dynamically populated with any known data necessary to process the claim. This claim form must be securely accessible to the player within Portal and by authorized Lottery staff at the central or regional offices.

B. Low-Tier Prize Payment. A player will automatically receive winnings if the prize amount is equal to or less than six hundred dollars ($600) as a deposit into his or her VWA.

C. Claim Center Prize Payment. Bidder should provide a solution that enables the processing of prize payments via a VWA or a check to winners without requiring the player to physically visit a claim center. The solution should accommodate the following constraints:

    i. Prizes equal to or greater than six hundred dollars and one cent ($600.01), the System must issue a W-2G or 1042S to the player.

    ii. Prizes equal to or greater than five thousand dollars and one cent ($5,000.01), Federal and State tax withholding ("Tax Withholdings") must be calculated based on current rates and withheld from prize payment. Players must be able to view these deductions on Portals.

    iii. Prizes equal to or greater than one thousand ($1,000), the System must queue the prize payment processing, less applicable Tax Withholdings, for a Lottery representative to manually perform an inquiry into a State of Michigan Department of Treasury database for a PA-11 Outstanding Debt Inquiry. The System must present the player's social security number within the queue process. If an outstanding debt is found then the Lottery representative must be able to enter the debt value as an Offset into the System, and the System shall log the Offset for reporting purposes. The System shall then deduct the Offset from the prize payment and reflect the Offset to players in Portals. The System must provide the ability to separately collect, manage, and track multiple Offsets for a single prize payment claim.

    iv. System must support prize cashing limits at three (3) different levels for the claim center locations (privileged terminals) as established by the Lottery.

v. Provide a mechanism to issue a payment for any exception situations

vi. This capability to process Claims and Payments must be available for multiple users at multiple locations throughout the State of Michigan.

vii. Printing equipment including MICR Printers. Checks will be printed on Lottery provided check stock.

D. Contractor must provide solution for payment of annuity type prizes that can be paid over a pre-determined period of time. This would need to work with the system for writing payable checks.

E. Uncashed Winning Wagers. For prizes greater than six hundred dollars and one cent ($600.01), the Lottery will require a prize winner to contact Lottery to file a claim. If a player does not claim his or her iLottery winning Wager, the System will be required to track and report these unclaimed Wagers.

F. Cashing Policy. The System must allow cashing of winning Wagers as determined by the Lottery. Currently the schedule is three hundred sixty-five (365) days after the later of either date of purchase, or the date of drawing if applicable. The Lottery will set other policies as appropriate.

G. Retention of Prize Winners. The System must retain records of prize payments for at least seven (7) years of historical plus current year records, including preserving a mechanism for accessing, summarizing, and researching prize payments. Bidder must specify which portion of data is available online (e.g. rolling three hundred sixty-five (365) day period) versus available offline.

H. The System must support IRS and State of Michigan requirements for withholding from prizes and recording of name, address, and related information necessary for reporting of winners of prizes over six hundred dollars ($600). The System must issue W-2G or 1042S forms to winners at the time of payment, and support reprints of W-2G and 1042S forms. The Bidder should explain the solution for providing W-2G and 1042S forms to winners.

I. Contractor must provide an interface File for annual tax reporting to the IRS and Michigan Department of Treasury.

J. The System must be capable of producing and exporting through electronic means (e.g. comma delimited, Excel, PDF, etc.) daily, weekly, monthly, yearly, such as, but not limited to, federal taxes, Offsets and prize payment checks issued as required by the Lottery.

K. Reporting. The System must maintain detailed prize winner information allowing for inquiry and reporting. The information must be transmitted and maintained in an encrypted format.

L. Contractor must provide the tools and capabilities for Lottery to search, edit, correct or otherwise administer claims and payments functions in the System.

M. Contractor must propose a solution that includes electronic capture of player completed claim information and other forms.

N. Contractor must propose a solution that includes the ability to access claim payment activity in real time.

3.6.3. Tax Reporting Merge (Invited Option)

Contractor may provide a solution to merge two (2) system IRS and/or State of Michigan tax reporting Files to create one (1) File for each government entity. A tax File is currently being produced for the retail gaming system payments and would need to be merged with the new iLottery tax File.

3.6.4. System Interfaces

The System must interface, using real-time and batch methods, with several applications in the Lottery's environment or provided as third-party systems to the Lottery. All data elements logged by the System must be available for export to other third-party systems as directed by Lottery. Contractor will be required to provide new interfaces, while supporting existing interfaces, as directed by the Lottery through the Term of the Contract. For the initial implementation, and subject to change, the Contractor will need to interface with the following third-party systems:

A. Player Rewards Program

B. Prize Fulfillment Vendors

C. Marketing Database System

D. Customer Relationship Management System

E. Customer Service Operations Software

F. Advertising Performance Tracking System

G. Survey, Scoring and Analytics Programs

The Lottery also requires various forms of data provisioning to feed Lottery administrative and gaming support systems. For some applications, a data File must be supplied in a specified format and frequency.

3.6.5. Gaming Operating System Security and Control Features and Functions

The iLottery 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 systems. The application must provide display and reporting tools for the Lottery to verify the events recorded in the audit trail.

B. Backup. The System must provide backup, recovery and redundancy features, and using log Files for re-processing, if necessary. The transaction logging process shall include periodic checkpoints.

C. Auditing. The System shall support being audited and checked for appropriate usage and freedom from error.

D. Transaction Research. Authorized Lottery personnel shall be able to research transactions and operations when required. Reports on transaction log entries must allow standard queries and sorts. Data must be immediately accessible real-time and must be available to Lottery from a web-accessible reporting system. Further, at least fourteen (14) months of historical transaction detail must be immediately accessible to Lottery from a web-accessible reporting system.

E. Internal Control System Interface. The Lottery requires a near real-time ICS. Refer to Section 3.6.9, Section 3.6.10 and Section 3.6.11.

F. Unique Transaction Numbers. Any serial number assignment method used by the Bidder must account for the fact that transactions may reside for extended periods in the System. It is required that transaction serial numbers be unique over the Term of the Contract.

G. Transactions Protected. The System must ensure that transactions cannot be tampered with, including but not limited to winner Files and transaction log Files.

H. Limiting Controls. Any irregular activity on the System must be detected and handled in a manner that prevents the irregular activity from further occurring. This may include controls that detect irregular winning deposits into a player account to which the System responds automatically by locking out the player and ceasing the irregular activity until a human can intervene for investigation.

I. Authentication, Authorization and Access Controls. The Proposal must clearly identify controls related to user authentication, authorization and access controls for applications (including database applications).

J. Address Spoofing. The System must ensure integrity wherein no action, either operational or by tampering, can permit duplicate or unauthorized user or player identities or addresses to be established.

K. One-Time Cashing. A winning Wager must not be able to be cashed more than once. In the instance that multi-draw purchases are available from an iLottery Game then each draw within the range shall be treated as a separate Wager by the System.

L. Software Checksums. Checksums or standard hash algorithms must verify integrity and authenticity for executable programs on the servers for auditing purposes. This requirement applies also to the test system. Checksum information will be provided to the Lottery upon request. The Contractor must maintain control of software distribution such that systems are not able to run inappropriate versions of the software.

M. Transaction Storage Redundancy. Every transaction must be received in at least three (3) storage locations. The stored records shall permit access by the system handling the transaction, a local backup system capable of recovering for a failure of the system processing the transaction, and a remote backup system.

N. Game Monitoring. Real-time monitoring of gaming transaction traffic and system utilization must be provided.

O. Transaction Simulation. The System must be able to interact with transaction simulators to ensure that game provider transactions can be handled correctly and in volume. The System must allow manually entered transactions to mix with the program-generated transactions.

P. Secure On-Site and Off-Site Storage. The Contractor must provide secure on-site and off-site storage of the System's critical Files, software, and backup 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 physical integrity and validity. At the Lottery's direction, the Contractor may be directed to restore a backup File to a test system to ensure viability.

Q. Anomalous Condition Reporting. The System must be capable of displaying and reporting anomalous conditions that may indicate operational problems or attempts at fraud.

R. Principle of Least Privilege. All applications and databases must be designed to support only the processes and user accesses 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.

S. Compliance with Security Requirements. If Lottery deploys any multi-jurisdictional games (e.g. Mega Millions) on the System, then all applications must become compliant with any application security requirements promulgated by any multi-jurisdictional game organizations of which the Lottery may be a member.

3.6.6. Drawing Controls

Drawings must be coordinated to support certain iLottery Games. Third-party auditor presence and drawing observation may be required of certain drawings as directed by Lottery.

A. Game Close. At a specified time before the drawing, the System shall communicate to the players the correct status of available games. An appropriate message must be sent to a player attempting to wager at close time.

B. Drawing Numbers Distribution. As appropriate the System must provide to players the most recent winning numbers, upon request.

C. Winning Wager Marking. Following game drawings or other prize award events driven by iLottery Games, the System must obtain winner information and mark which Wagers are winners, so that the player may see them upon signing in. Other player winning events may also be presented for the player's review in Portals or notifications sent, depending upon the game played.

D. Closing, Drawing, and Cashing Time Window. The Lottery considers it mandatory to minimize the time window between close of the games, drawings, and the ability for the player to see and get paid for winning Wagers.

3.6.7. Games Management Application

The Lottery requires access to a games management application for performing functions such as configuring settings and controlling operations.

A. Lottery User Access. Access to the games management application will be from various locations including workstations on the internal LANs at the Lottery Headquarters or remote Lottery offices. In addition, certain functions may be performed by remote staff with Internet access.

B. Game Control. The games management application must support the ability (for an authorized user) to shut off and resume wagering on each game independently.

C. Game Monitoring. Authorized games management application users must have the ability to observe real-time statistics on the operation of the System.

3.6.8. Data Management and Reporting

The Contractor must provide web-accessible reporting tools that enable scheduled and ad hoc reports and queries to be generated that meet the operational needs of the Lottery. Bidder should describe their reporting solution, while providing specific details on the following:

A. Reporting Interface. Describe and/or illustrate the reporting interface that Lottery will be provided access. If the reporting interface is a third-party provided solution, Bidder should provide the company name and website address.

B. Reporting Support. Describe the level of support provided to the Lottery for the customization of reporting needs.

C. Data Universes. Describe the high-level data architecture for reporting and if any limitations exist such as data expiration and data summarization.

D. Data Retention. Specify the length of time that data is retained and available for access from the reporting interface provided to Lottery.

E. Exporting. Describe the ability of reporting to be exportable into common file formats such as Excel, CSV or PDF.

F. Automation. Describe the system's ability to automate reports on a recurring basis.

G. Access Controls. Describe the capabilities within reporting for the Lottery to administer user-level access and controls. Be specific to the level of management available such as access to features or elements (e.g. user X has access to feature Y but not object Z within reporting).

3.6.9. Internal Control System (ICS)

Contractor must provide a qualified third-party ICS to support iLottery operations.

3.6.10. ICS Configuration

All components and maintenance services for the ICS shall be provided by the Contractor. An independent third-party ICS Subcontractor shall furnish, install, and maintain the ICS computer hardware, operating system, and provide technical and maintenance support services. The ICS must receive and process a near-real time feed of gaming transactions from the System. The ICS must be capable of using magnetic or digital media as the source of ICS data.

3.6.11. ICS Requirements

The Contractor must arrange for supplying the Lottery an ICS through a qualified third-party. Costs for all hardware and software elements of the ICS, including maintenance and software upgrades, and including continuing support from the ICS Subcontractor, must be included in the base price for the Term of the Contract.

The ICS will check the iLottery System independently by re-processing all iLottery transactions, allowing auditing of the daily transactions, winner selection/verification (where required), prize payout calculations, sales summaries, and various inquiry and reconciliation activities. The ICS Subcontractor must meet the requirements of any iLottery Game in which the Lottery offers.

A. Reports. Reports generated by the ICS must be organized and formatted like the related reports of the System for efficient review and balancing. The ICS must provide a daily and weekly process for balancing all System transactions.

   There must be an automated balancing process in order to reconcile game activity, scheduled EFT balances, and to identify any discrepancies. Reconciliation will occur at intervals specified by the Lottery. Audit reports for balancing and reconciliation of iLottery sales must also be provided. Verification of the number of prize winners and amounts won by game/draw must be available.

B. Interface Files. The ability to export data in various formats such as Excel, PDF, Word, Comma Delimited, etc., along with ad hoc reports and to make reports available through electronic means is required. Interface Files, as defined by the Lottery, for the purpose of daily accounting, general ledger and tax reporting must be included in the daily update File to the Lottery's financial application.

C. Maintenance. The ICS Subcontractor will be responsible for maintaining the ICS application software. This includes but is not limited to updating the application software whenever the Lottery implements a game or makes changes to a game that would affect ICS processing. In addition, the Lottery may require modifications to the application software in order to expedite system balancing. Written prior approval is required from the Lottery before making any enhancements or modifications to any software. The ICS Subcontractor is

responsible for keeping the ICS application patched and running on current and supported hardware and operating system (OS) software. It is the Contractor's obligation to acquire and install an appropriate upgrade with the Lottery's prior approval. If the ICS application requires modification or rewrite due to an upgrade (hardware or software), it is the responsibility of the Contractor to provide the new/modified ICS application. The ICS Subcontractor must be available twenty-four (24) hours a day, seven (7) a week, three hundred sixty-five (365) days a year (remote availability is acceptable) to provide assistance in resolving any issues, which may occur. A 20-minute response time is required.

The ICS application will be maintained in three (3) separate environments: production, customer acceptance test, and development. Backup/recovery capabilities for current or previous days' transactions must exist to restore and reprocess in the event an error or out-of-balance situation occurs. The ICS Subcontractor must provide a detailed recommendation for a backup/recovery system.

D. Documentation. Prior to startup the ICS Subcontractor will provide detailed system specifications, flow charts, operating and balancing procedures. The ICS Subcontractor will be responsible for updating all documentation if any changes are made which affect the ICS system. The ICS Subcontractor will provide detailed documentation for any enhancements or additions for Lottery approval prior to development. A current copy of the application software including source code and documentation must be provided to the Lottery.

E. Suppliers. The ICS application 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. Credentials of the ICS Subcontractor must indicate experience and qualification to provide this type of service and software.

F. ICS Operations. Depending on the system design as approved by Lottery, the Lottery may require the Contractor and the selected Subcontractor to provide operating instructions and training to the Lottery to run the ICS operations.

G. Security. Lottery Security may conduct background investigations of the Subcontractor personnel maintaining the ICS system. Such background investigations may include fingerprint identification by Michigan State Police, Federal Bureau of Investigation, and any other appropriate public or private agencies selected by the Lottery. Any costs of background investigations are the responsibility of the Contractor. The ICS Vendor must provide requested information on personnel assigned to the Lottery's account. Depending on the

system design as approved by Lottery, the Lottery may manage both logical and physical access to the ICS environments. The ICS Vendor must adhere to the Lottery's IT Security Policies as outlined in Appendix E (Lottery IT Security Policies).

3.7. Staffing, Services and Operations

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

3.7.1. Bidder Personnel

The Bidder must document the organizational structure and staffing with which Lottery operations will be implemented and run. The Bidder must also identify Substantial Subcontractor staff and consultants.

3.7.2. Implementation Team

The Bidder shall provide an organization chart showing names of all management, supervisory, and key technical personnel who will be active in the implementation of the System. Bidder must identify if implementation teams are separate and/or unique for certain aspects of the System development such as Portal responsibilities. For staff not yet identified, the Proposal shall identify and quantify them by title, and state what qualifications they can be expected to have.

There shall be a dedicated project manager assigned to the implementation who must be on-site at Lottery, or a Lottery-approved location, during implementation.

3.7.3. Ongoing Staffing

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.

The Contractor shall provide in-state staffing and other staff as required to fulfill contractual requirements. Minimally, in-state staff should include an account manager, project manager and a software lead. The Lottery reserves the right to require additional staffing, based on performance issues or changes in business requirements, throughout the Term of the Contract.

3.7.4. Staff Resumes

The Bidder shall provide 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:

A. Full name

B. Most recent five (5)-year employment history

C. If applicable, a specific description of experience that person has in connection within the lottery or gaming industry

D. Specific indication of the role the individual will have in this project

E. Any additional helpful information to indicate the individual's ability to Successfully perform the work involved in the Contract.

3.7.5. Operations Services

The Contractor shall provide operations services for the System. Sound operations policies and procedures are required, including the Principle of Least Privilege.

A. Duties. Duties shall include System start-up and shutdown tasks, 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 operations activities.

B. Monitoring Systems and Networks. 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.

3.7.6. Customer Support Center ("CSC")

The Contractor shall staff and operate a Customer Support Center ("CSC") for handling player support services that utilizes modern support technologies through interactive channels in order to maximize player convenience and satisfaction. The CSC service channels must include, but need not be limited to a call center, email support, live chat support and a web-accessible self-service (for players) knowledge database. It is desired that the CSC system include additional advanced customer support channel solutions such as web intercept, email intercept (e.g. when a player attempts to send an email the system will recognize key words and offer a self-service solution from the knowledge database rather than sending an email) and virtual agents (virtual agents are software services that engage in automated conversations with customers in self-service environment).

The CSC shall provide services and manage a system, database and reporting system that fulfills the following criteria:

A. United States Location. The CSC is required to be located in the United States. A location within Michigan will be given preference.

B. Michigan Training. Staff trained in Michigan Lottery systems, games, procedures and policies.

C. Scope of Services. The CSC staff must be trained and capable of providing support services to players concerning all aspects of the iLottery player experience, the Michigan Lottery's loyalty program and how it interacts with the System. Additionally, the CSC staff must be trained to provide support to Affiliate Retailers described in Section 3.5.3 and/or any other Retailers involved with iLottery as distribution evolves. The web-accessible self-service knowledge database and any other self-service option implemented must provide comprehensive support for all of the above aspects as well.

D. Operate During Gaming Hours. The CSC must be fully operational twenty-four (24) hours a day, seven (7) days a week.

E. One Year of Data On-Line. Any information, data, or otherwise which is utilized by the CSC must be maintained on-line (e.g. web-accessible to Lottery) for at least twelve (12) months.

F. Staffing. The Bidder must describe how the CSC will be staffed and managed to ensure timely, professional and accurate response to player inquiries. The CSC staff must provide all levels of support in a timely manner that adheres to industry standards for each support channel. Contractor must employ at least one (1) CSC management level individual whose role is to exclusively handle the Lottery's CSC while serving as the single point of contact to Lottery.

G. Call Management System. Telephone call management equipment must be capable of handling all incoming calls on toll-free circuits. If all available operators are busy, a pre-recorded message must be played and the calls must be queued for the next available staff member. If a call is queued, the system must provide call status information to the caller at intervals including estimates of hold time, and the system must support custom pre-recorded messages as directed by Lottery. It is desired that the system also provide the functionality for the caller to be called back when an operator becomes available.

H. Player Access and Self-Service. The System must provide a player facing interface with access to all support channels and support related information on each iLottery portal channel implemented by the Contractor (this may be in the form of a webpage, in app support section, etc.). The interface content must

include, but need not be limited to delivery of a self-service knowledge database, reference documents on how to play, support options, and contact information.

I. System Software and Lottery Access. Contractor must provide system software that provides the Lottery and/or Contractor with web-based access to call recording, quality management tools, reporting, monitoring, tracking, and analysis of all player interaction with the CSC. Bidder should describe their software system, while providing explicit details on the following:

i. Call Recording. A recording device must be provided to record all telephone conversations transacted on the 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. The system shall have the capability to record all calls including calls from particular groups and calls to certain CSC teams. The system must support advanced query options and metadata tagging so that the Contractor and/or Lottery personnel will have the ability to retrieve recordings quickly and easily among hundreds of thousands of logged calls.

ii. Lottery Monitoring of Player/Agent Interactions. The system must provide the Lottery the ability to monitor all the player/agent interactions received by the CSC including calls, live chats, email exchanges and any additional support channel that is implemented. The CSC must provide daily and weekly statistical summary reports for Lottery and Contractor review.

iii. Quality Management. The system must provide the ability for the Lottery to review and assess the quality of support from individual agents and/or teams through an interface that provides advance search options that retrieve player/agent interactions for calls, live chats, email exchanges and any additional support channel that is implemented. The system must have the ability to generate quality management reports that assess agent/team performance scores, comparisons and trends.

iv. Analytics and Tracking. The system must provide comprehensive analytics and tracking tools. The analytics tool must include, but need not be limited to surveys and capturing of key metrics related to calls, live chats, emails (e.g. call time, average time an issue is open, etc.) and any additional support channel that is implemented. The system must provide the ability for tracking and customized searches of keywords and phrases to recognize issues and trends. The system must provide customized reports of analytics, tracking and player reported problems for each interactive support channel whether or not actual problem(s) are found. The system must have ability to assign a problem type and resolution code and provide useful reports for review. It is desired that the system also provide reporting that

ranks the most prevalent problems, solutions, how players rank responses to common complaints, etc.

v. Player Support History Retrieval. The system must have functionality that easily allows an agent on a call or live chatting with a player to access all previous support related emails sent to the CSC by that particular player during a support session. It is desired that the CSC system have functionality to allow similar access to historical live chats during a support session.

vi. Integration with PAM. The CSC software must have the ability to integrate with PAM as directed by the Lottery. Bidder should describe how the CSC system software would integrate with PAM to provide a single-view of the player's interaction at all touch points.

vii. Interface. Provide key screenshots of the customer support system if already developed

viii. User Management. Describe the management of all types of users within the CSC.

ix. System Delivery. Specify whether the customer support system is software developed by Contractor, or if a Subcontractor will provide. In the instance of third-party software, indicate the company name and company website address.

Bidder should describe its proposed solution for a CSC based on the criteria described above. If a Subcontractor is utilized to manage the CSC then Bidder should state the company name and company website address in its response.

3.7.7. System Engineering Support Services

Timely and committed fulfillment of Lottery requests for System support and changes is a requirement. Contractor will be required to deliver at least twenty five hundred (2,500) support hours per year of the Contract. These support hours shall be limited to graphical design, programming and application development and shall not include hours for specification development, business analysis, testing, or other hours required for defining and testing the change request. Any hours not utilized in any year of the Contract shall roll over into the following year of the Contract.

Contractor must respond with a report of estimated hours to implement any Lottery change request within ten (10) Business Days from Lottery submission of the change request. Providing estimated hours does not represent an authorization or promise to implement the change request. Any expense and/or hours associated with correcting System defects shall be the responsibility of Contractor.

All hours associated with the System implementation, based on the specifications in this RFP and the Proposal, shall not be included in the annual allocation of these support hours. iLottery Game development, integration and implementation services are handled independently, as described primarily in Section 3.4, and are not applicable to hours allocated per year of the Contract for change requests.

Lottery may request and approve additional support hours at a price to be negotiated.

The minimum requirements for frequency of software releases to handle change requests are as follows:

A. System Software Releases. The Contractor must support quarterly releases of software batches, based on change requests specified by the Lottery, as a minimum to support updates to the System through the duration of the Contract. Failure to provide delivery in the prescribed manner may result in Liquidated Damages.

B. Portal Software Releases. The Contractor must support twelve (12) releases, per Portal, per year of software batches as a minimum to support updates to Portals. This is intended to support changes that cannot be administered via the CMS.

The Contractor must provide an in-state quality assurance capability and support for the Lottery's acceptance testing. 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 Michigan project.

3.7.8. System Change Control and Configuration Management

The Contractor shall operate under defined change control and configuration management procedure practices. Configuration Management practices, 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, systems and network hardware major hardware components, and any other major System components.

Strict performance according to principles of configuration management 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 servers, 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 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.

3.7.9. Operations Security Plan

The Lottery expects its System and operations to be of the highest security and integrity. This requires both the Lottery and its Contractor to maintain a confidential, high-level comprehensive approach to information security controls.

The Contractor must present an Operations Security Plan ready for approval by the Lottery. Approval of this plan is an entry criterion for acceptance testing. The Lottery and Contractor will work to mutually agree on an outline for this plan. There will be periodic audits for compliance with the security plan; and periodic meetings with Lottery staff to review security controls.

Response Note: The Bidder must include a sample or outline of an Operations Security Plan that the Bidder has produced and uses in other operations that are comparable to specifications in this RFP.

3.7.10. Material Supplies

The Contractor shall supply all material supplies needed to operate the iLottery System.

3.7.11. iLottery System User Training

The Contractor must provide training for Lottery staff, at the Lottery offices, or appropriate venues as approved by the Lottery, on all aspects of the System, as follows:

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.

B. Training Documentation and Tools. The Contractor shall provide workbooks, documentation, software, or other to support the training.

3.7.12. Data Center Configuration Maintenance

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

3.7.13. System Implementation

The implementation process requires that all of the new software, hardware, and service elements of the System be delivered, installed, tested, and put into production. The System must integrate seamlessly with other systems and legacy systems as noted in this RFP.

3.7.14. Implementation Strategy

The Bidder is at liberty to propose alternative strategies that would support the Lottery's implementation best. The Bidder shall describe the pros and cons of the approach proposed, making sure to (i) avoid start-up deficiencies (such as coming up late, having Downtime, missing features, causing disruption to existing systems), and (ii) maintain good player, Affiliate Retailer, Retailer and Lottery relations.

3.7.15. Formal Implementation Plan

The Proposal must contain a detailed implementation plan and time chart 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. Responsibilities of the Contractor's implementation team, of the Lottery's implementation team, and of any of the Lottery's other providers must be identified. The Lottery will approve the final implementation plan of the Contractor.

3.7.16. Interim Facilities and Processes

If the implementation 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.

3.7.17. Lottery Acceptance Testing

The Lottery will conduct a series of acceptance tests, which the Contractor is obliged to support. Lottery acceptance testing will be conducted from the testing facility equipped by the Contractor at Lottery Headquarters.

A. Schedule for Lottery Acceptance Testing. To support acceptance testing, the Contractor must have the data center Facilities, systems, and network equipment configured and operational ninety (90) days prior to the scheduled start-up day. The Operations Security Plan must be delivered at this time.

B. Documentation and Support. Training and procedure manuals specific to the Michigan Lottery must be delivered 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. RWT Testing. Samples from the Contractor's RWT must be submitted for quality testing. The RWT samples and certification are due on or before the start of the Lottery testing period. The Contractor will be responsible for the cost of third-party testing and certification of the RWT by a Lottery-selected laboratory.

D. 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 Term of the Contract.

E. Entry and Exit Criteria. The Lottery will consider the System ready for acceptance testing once all hardware and software items are installed and configured 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.

3.7.18. Project Reporting and Monitoring

The Proposal must provide a dedicated on-site project manager for the implementation. The Bidder must propose 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 implementation and continues throughout the Contract.

3.7.19. Bidder Corporate Capability

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

3.7.20. Corporate Background

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

3.7.21. Gaming Systems Experience

The Bidder shall describe, in detail, the current and historical experience of the Bidder with internet gaming systems; that is, descriptions and references for all internet 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:

A. Name of lottery or internet gaming enterprise(s)

B. Type of system being delivered

C. Types of games being supported

D. Highlight any significant or unique innovations

E. Revenue or transaction volumes

F. Estimated contract value

G. The term of the contract including effective dates

H. Reason for contract end, if the contract is no longer in effect

I. Whether the implementation was a new installation or a conversion, and If a conversion, whether the conversion was from the Bidder's previous system, or from a system supplied by a different company

J. Whether the Bidder was a prime contractor or Subcontractor

The descriptions must include names, titles, addresses and telephone numbers that may be contacted to verify qualifying experience.

3.7.22. Contract Performance

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. The Bidder should 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 Federal or State 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 of Liquidated Damages and settlements for the past five (5) years where such

resulted in payment to any jurisdiction or business entity of one hundred thousand dollars ($100,000) or greater in a twelve (12) month period. The format shall indicate the jurisdiction, date, amount, and brief description (e.g., late delivery of software; central system Downtime; untimely Terminal service, unauthorized Facilities access).

3.7.23. Manufacturing Capabilities

If the Contractor will manufacture any equipment for this project, then such capability is critical. The Bidder shall describe its resources, capability, capacity, and plans for producing (through current inventory, manufacturing, purchasing, etc.) any equipment.

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. Such practices and certification are preferred.

3.7.24. Software Development and Support Capabilities

Capacity to provide the software and systems support is critical to the project. The Bidder shall describe its staff skill levels, headcounts, and locations pertinent to developing and maintaining software for this project.

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. Such practices and certification are preferred.

3.7.25. Project Management Capabilities

Capacity to conduct the implementation and additional evolutionary System changes is critical to the project. The Bidder shall describe its corporate organization and tools pertinent to managing a large project for this Contract.

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. Such practices and certification are preferred.

3.7.26. Security Management Capabilities

The Bidder must demonstrate a capacity to develop and implement a comprehensive plan for maintaining effective and stringent security controls and practices is critical to ensuring the integrity of iLottery operations. The Bidder shall describe its corporate organization and tools pertinent to managing all aspects of information security pertaining to internet gaming system development and operations.

The Bidder must address security standards and practices, and in particular whether the Bidder's gaming solutions and practices are compliant with ISO 17799, NIST, COBIT or other recognized information security, control, and audit standards. Such practices and certification are preferred.

3.7.27. 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 one (1) copy of this information must be provided and should be submitted with the original Proposal (not bound with all copies). All submissions must employ US currency or include a US currency conversion formula.

A. Submission of Financial Statements. All Bidders and Substantial Subcontractors must 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 must include the most recent 10-K and 10-Q statements (where the 10-K statement does not cover) for two (2) years (or the International equivalents to the extent available). Bidders may be required to submit SSAE 16, SAS 70 or international equivalent audit reports for Lottery-selected sites.

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 must certify, in writing in a form acceptable to the Lottery, 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 must provide a letter of commitment in a form acceptable to the Lottery from a creditor acceptable to the Lottery, if outside borrowing will provide any or all of the funding for this project.

PART 4 – ILOTTERY SYSTEM PRICING

4.0. Introduction

This section describes the manner in which Bidders will submit pricing for the Lottery's consideration.

4.1. Separately Sealed Price Proposal

The Bidder is required to provide pricing in a separately sealed envelope marked Volume II, Price Proposal. Refer to Section 1.14 for Price Proposal format.

4.2. Form of the Price Submission

The Bidder must submit pricing per the Price Quotation Sheet below, assuming a four (4) year Contract base period for the pricing. The Price Quotation Sheet requires:

A. Pricing as a percentage of Gross Profits (i.e. iLottery Game sales, less prizes and less Promo Dollars used) arising from purchases passing through the iLottery System. No other payments will be made to the Contractor except as a result of negotiated Options, enhancements and procurements. Gross Profits are not to be interpreted as only a percentage of sales. Bidder may reference Appendix F (Sales & Profit Projections) for Lottery's estimation of eight (8) year Gross Profits.

B. Pricing for Specified Options

C. Pricing for Invited Options

D. Pricing for Offered Options (if any)

For comparison and evaluation of Options, the Lottery has designated the pricing format and terms. The Lottery may or may not order as such, and this in no way obligates the Lottery to acquire the Options according to the stated format and terms. If the Lottery should order the Options under different terms, the details will be negotiated with the Contractor.

Response Note: Among the Options, any item for which there is no additional fee can be shown as No Charge (N/C). To Be Determined (TBD) pricing is permitted only for Offered Options and "TBD" will not be interpreted by the Evaluation Committee as N/C.

4.3. Pricing and Scoring of Options

The Bidder is encouraged to propose Options demonstrating innovative functions, features, services, and solutions. Whether Options are No Charge or separately charged shall be clearly noted in the Technical Proposal. Separately charged items shall have their corresponding prices listed in the Price Proposal as separate line items.

To make the evaluation tractable, the Evaluation Committee intends to score only

- Included Baseline features and services
- Specified Options at the quantities and terms shown in the Price Quotation Sheet
- Invited and Offered Options included in the base price (N/C)

Not scored as part of specific technical criteria: Invited or Offered Options that are separately charged and designated as such in the Technical Proposal and in the Price Proposal. These may be considered at Contract negotiation time or later. Such Options included within the base price (N/C) may or may not favorably influence the Proposal score in the relevant technical section.

ILOTTERY PRICE QUOTATION SHEET

I. Base System Pricing

Bidders are required to quote the Baseline pricing as a percentage of Gross Profits through the iLottery System over the four (4) year Contract base period.

Response Note: TBD pricing is not allowed.

Total Gross Profit percentage _____%

II. Lottery-Specified Options

Bidders are required to submit Specified Options. Conditions of delivery are provided for bidding purposes, although other delivery conditions may apply and would be subject to negotiations.

A. Section 3.3.9 Notification Integration with Lottery System

   Monthly charge $_____

B. Section 3.5.4 Game Card Program

   Monthly charge $_____

Response Note: TBD pricing is not allowed.

III. Lottery-Invited Options

Bidders are not required to submit Invited Options. Conditions of delivery in the schedule below are provided for bidding purposes only, although other delivery conditions may apply and would be subject to negotiations. Bidders should note the requirement of Section 1.36 that each Invited or Offered Option be clearly designated as to which are provided at no additional charge.

A. Section 3.6.3 Tax Reporting Merge

   One time charge total $_____

Response Note: TBD pricing is not allowed.

IV. Offered Options

The Bidder shall attach sheets for any Bidder-offered Optional items. Clearly identify the items offered and the terms under which they are offered. Bidders are not required to submit any Offered Options.

Response Note: TBD pricing is permitted for Offered Options but will not be interpreted as No Charge.

PART 5 – ILOTTERY PROPOSAL EVALUATION

5.0. Introduction

This section describes the evaluation process that will be used to determine which Proposal provides the greatest overall benefits to the Lottery at the best possible price. The ability of the Lottery 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.

5.1. Evaluation Committee and Lottery Commissioner

The Lottery intends to conduct a comprehensive, fair, and impartial evaluation of Proposals received in response to this RFP. In making this determination, the Lottery will be represented by an Evaluation Committee. The Committee will evaluate each Responsive Proposal that is properly submitted by a Responsible Bidder and develop consensus findings.

The Evaluation Committee will provide its findings to the Lottery Commissioner. The Lottery Commissioner, if in concurrence with the process and its results, will issue a notice of award and begin Contract negotiations. Upon completion of Contract negotiations, the proposed Contract will be submitted to the State Administrative Board for approval. The Contract will not be valid until the State Administrative Board approval has been received.

5.2. Evaluation and Award Process

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

A. Review of Proposals to assess compliance of submission, 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, site visits and demonstrations (as determined necessary by the Evaluation Committee)

D. Scoring of Technical Proposals

E. Assessment of Price Proposals

F. Best and Final Offers (BAFOs) tendered upon Lottery request

G. Compilation of technical scores and price scores into a summary score sheet

H. Review by the Lottery Commissioner and posting of a notice of award

I. Contract negotiations

J. State Administrative Board approval

K. Signing of the Contract

5.3. Information from Other Sources

The Lottery 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 Lottery deems pertinent to this RFP and to consider such information in evaluating the Proposal. This may include, but is not limited to, the Evaluation Committee engaging consultants and additional experts to better inform the Evaluation Team's findings. References will be checked regarding the Bidder's past experience. The Evaluation Committee will select clients for each Bidder and contact as many references as necessary to support its understanding of the Bidder's past performance and experience.

5.4. Technical Proposal Scoring

Each of the technical (non-price) factors in Part 3 will be graded by the Evaluation Committee based on its best professional judgment, considering all Proposal text, clarifications, reference checks, and any site visits, interviews, demonstrations, and qualified sources of information. The scoring system will provide numerical scores that represent the Committee's assessments of the relative technical merits of the Proposals. The scoring approach will involve grading seven (7) technical and management criteria, multiplying the grades by the point weights available for each, then summing up.

5.4.1. Criteria and Weights (Available Points)

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

Technical Evaluation Criteria	Points
Section 3.1 iLottery System Configuration	100
Section 3.2 Channel Mix and Portal Development	125
Section 3.3 PAM Software and Services	150

Section 3.4 iLottery Games and Game Integration Services	175
Section 3.5 Marketing and Promotions	150
Section 3.6 Back Office Systems	150
Section 3.7 Staffing, Services and Operations	150

Total = 1000 available points

Although the Proposal response to the individual criteria will be scored using larger and smaller weights, the Bidder is cautioned that every criterion reflects requirements that must be met regardless of a criterion's weight; and that a poor response to a lesser weighted criterion still can have a significant impact on the Bidder's final technical score as compared with other Bidders' scores.

5.4.2. Award Scale for Evaluation

Points in this system are "earned" based on the Evaluation Committee's consensus judgment. The Committee will award a percentage of the available points for a criterion using the following scale:

Percent	Proposal Merit
90-100	Proposal was outstanding for this criterion, no significant limitations identified
80-89	Proposal was good for this criterion
70-79	Proposal was fair for this criterion
60-69	Proposal was poor for this criterion, with several serious flaws and concerns
Less than 60	Proposal was found to be so severely flawed for this criterion that the entire Proposal may be rejected

For each of the seven (7) criteria, the Proposal will receive a score as a result of multiplying the award percentage points times the points available. All seven (7) scores will then be combined for the Proposal's total technical score.

5.4.3. Scoring of Options

The Bidder is encouraged to propose Optional functions, features, services, and solutions. Specified Options will be scored as included in the Baseline Proposal. However only the Invited or Offered Options included at no additional charge in the quoted Baseline price will be considered in the evaluation of specific technical criteria. The Bidder's ability to deliver Options, even at additional cost, may be considered as a corporate capability factor.

5.4.4. Scoring of Desirable Items

Numerous technical requirements in the RFP are accompanied with the description of a property that is indicated as **desirable, desired, or preferred**. The Proposal is not obligated to contain or respond with these items, but the Evaluation Committee will review Proposals with reference to them. While no specific weight factors or bonus points are pre-determined for desirable, desired or preferred items in this RFP, the appearance of strong solutions for these items may favorably impact the technical scoring.

5.4.5. Minimum Qualifying Score

A **total** technical score below sixty (60%) percent (i.e., less than six hundred (600) of available one thousand (1000) points) will render the Proposal ineligible for further consideration.

5.5. Site Visits for Discussions and Demonstrations

Prior to completion of the evaluation process, Bidders may be required to discuss and demonstrate the proposed System and explain how its components would meet the specifications described in this RFP. Refer to Appendix C for the types of demonstrations the Lottery may request.

It is expected that these demonstrations and discussions may occur in Bidder facilities, at an existing lottery, at the Michigan Lottery Headquarters, or other appropriate venue. The determination as to need for demonstrations from specific Bidders, and the order and schedule of demonstrations, are at the sole discretion of the Lottery.

The purpose of this phase is to provide substantiating information and demonstrated performance to support Proposal content. No part of the demonstrations will serve to relieve the Bidder of any quality assurance or operational performance obligations required under the Contract. No enhancements to the offering may be tendered.

Lottery may conduct site visits as needed with Bidders whose Proposals are correctly submitted, meet all mandatory requirements, and otherwise are competitive. The determination as to need for site visits to specific Bidders, and the order and schedule of site visits, are at the sole discretion of the Lottery.

The Lottery will provide for all expenses of the Evaluation Committee during site visits. In the event that State travel restrictions prohibit the ability of the Evaluation Committee to complete site visits, the Bidder will be responsible for providing for all expenses at the State travel reimbursement rates.

5.6. Price Evaluation

Price evaluation will occur after technical scoring, and will involve only Proposals that remain acceptable based on:

A. Determination of Bidder as responsible

B. Determination of Bidder as responsive **–** meeting Proposal submission requirements and compliance with mandatory technical requirements

C. Achieving a total technical score of at least sixty (60%) percent of available points

For each Proposal, the Lottery price evaluation will be based on the proposed price as prescribed in Part 4 of this RFP.

The RFP provides up to six hundred (600) points for price, based on a ratio of the price of the Proposal being evaluated versus the lowest cost acceptable Proposal:

PRICE POINTS = 600 x (LOWEST COST / PROPOSAL COST)

Under this formula, the lowest cost acceptable Proposal receives all six hundred (600) available price points. A Proposal twice as expensive as the lowest cost acceptable Proposal would earn half as many, or three hundred (300) price points.

5.6.1. Best and Final Process

The Evaluation Committee at its sole discretion may, but is not required to, request a Best and Final Offer for Price Proposal (BAFO) from each Bidder. If the Evaluation Committee requests BAFOs, it will publicly disclose all Price Proposals from Bidders that are deemed responsible, responsive, and have a technical score above the minimum required. The Committee will then notify the affected Bidders of the deadline for submitting a BAFO.

Bidders shall submit their BAFO to the Issuing Officer in the same form and format as the original Price Proposal. If a Bidder does not submit a BAFO within the required timeframe, Lottery will consider that Bidder's original Price Proposal as the Bidder's BAFO. Bidders shall not mark either their Price Proposal or BAFO as "Confidential."

After the deadline for BAFO submission, the Evaluation Committee will recalculate the pricing points and total points using the BAFO in place of the original Price Proposal from each Bidder. The Evaluation Committee, using the post-BAFO total points, shall rank the Proposals from highest total points to lowest total points.

5.7. Technical Scoring and Pricing Combined

The Lottery will combine the points for technical and price to determine the total score for each Proposal, the highest of which will be the apparent overall preferred Proposal.

TOTAL POINTS = TECHNICAL POINTS + PRICING POINTS

The available one thousand (1,000) technical points and six hundred (600) price points provide a maximum of one thousand six hundred (1,600) points.

Upon completion of the evaluation and scoring, the Evaluation Committee, using total scores, shall rank the Proposals regarding the apparent preference to provide the requested System and services to the Lottery. In the case of a close finish in the scores, the highest total point-earning Proposal will be shown preference, regardless of how slim the margin. In the case of an exact tie in the ranking based on points, the tie will be resolved in favor of the Proposal scoring the most technical points per million dollars of Contract value.

5.8. Notice of Award and Contract Signing

The final ranking and the findings of the Evaluation Committee will then be presented to the Lottery Commissioner, for the Commissioner's consideration. The Lottery Commissioner, if in concurrence with the process and its results, will issue a notice of award and begin Contract negotiations with the preferred Bidder. Upon completion of negotiations, the proposed Contract will be submitted to the State Administrative Board for approval. The Contract will not be valid until the State Administrative Board approval has been received.

Contract negotiations are not intended to result in transformational changes to terms and conditions, offered services, products, or pricing as defined by the RFP and the awarded Proposal, but may address Options, Option delivery schedules, and other delivery variations for the benefit of the Lottery.

Should the Lottery be unable to reach agreement with the preferred Bidder, the Lottery shall issue another notice of award and then undertake negotiations with the second most preferred Bidder, and so on. This process shall continue at the sole option of the Lottery until a Contract is reached or all Proposals are rejected.

APPENDIX A: LOTTERY BACKGROUND INFORMATION

Michigan Bureau of State Lottery. The Michigan Bureau of State Lottery ("Lottery" also represented in this document as the “State”) was established by Public Act 239 of 1972 (as amended) and operates as an autonomous agency within the Department of Treasury. The mission of the Lottery is: to generate revenue for the State of Michigan consistent with the public good; to provide quality entertainment to the public consistent with the Bureau of Lottery’s statutory mandate; to maintain the integrity of lottery games and activities. The Lottery Commissioner is responsible for directing the activities of the Lottery and reports directly to the Governor. The Lottery appropriation and authorization for full-time equivalent employees (FTE’s) are established by the Legislature annually.

Retailers. Currently the Lottery has approximately eleven thousand (11,000) Retailers selling On-line game tickets (including Club Keno) through a Terminal and Instant Game tickets. Approximately two thousand six hundred (2,600) of these Retailers are Club Retailers who sell primarily Club Keno and/or Pull Tab tickets. These locations are primarily bars, bowling centers and restaurants. Approximately one thousand (1,000) of these Club Retailers sell Pull Tabs and must provide their own vending machines for the sale of Pull Tab tickets.

Staffing. The Lottery currently consists of approximately two hundred and one (201) full-time employees. Among these are a sales staff of seventy-nine (79) employees including seven (7) regional managers and a State sales manager. In addition, the Lottery employs ninety-four (94) employees in its five (5) divisions: Executive, Marketing, Administration, Operations, and Charitable Gaming. Information Technology services are provided by twenty-eight (28) employees of the Department of Information Technology. Within the Marketing division there is a team assigned to the management of digital products and digital marketing which consists of a manager, interactive coordinator, digital product coordinator and an analyst.

Claims Handling. The Lottery has six (6) prize payment claim centers in the southern Lower Peninsula. The northern Lower Peninsula and the Upper Peninsula are served by Lottery claim centers located in banks. Approximately thirty (30) banks are under contract to pay claims between six hundred dollars ($600) and fifty thousand ($50,000). Refer to the Lottery website for more information regarding Lottery claim centers.

Additional Information. For further information regarding the Lottery including game description, organization chart, statistical information, and a complete financial history including sales by game, go to www.michigan.gov/lottery and refer to Comprehensive Annual Financial Reports (CAFR).

APPENDIX B: GLOSSARY

Add-On Wager: The cost to participate in an optional feature of an iLottery Game. It is incremental to the cost of the Base Wager.

Affiliate Retailers: An organization such as businesses that manage online websites, mobile websites, mobile apps, and tablet apps with established traffic to host digital advertising that promotes the iLottery Portals.

API: Abbreviation for Application Programmable Interfaces.

Applicable Laws: All applicable State, Federal, and local laws and ordinances.

Auto-Failover: Capability for the System to recover from failures without operator intervention.

Baseline: The System including all features and capabilities for an offered price, without additional pricing for Options.

Base Wager: The initial, or required, cost to participate in an iLottery Game.

Bidder: Vendor that submits a Proposal in response to the RFP.

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

Business Day: A working day occurring Monday through Friday except legal holidays observed by the State of Michigan.

Business Week: The period beginning on Tuesday and running through the end of the day the following Monday. This is also known as the "accounting week."

CAT: Abbreviation for customer acceptance testing environment. It is the environment where Lottery reviews Contractor software.

CGS: Abbreviation for Centralized Gaming Services. It is the mix of software and services that readily enables the integration of third-party, or Contractor, iLottery Games.

Channel Mix: The digital distribution channels deployed to support iLottery such as web, mobile app or tablet app.

Checksum: An algorithm-based method of determining the integrity and authenticity of a digital data object. Used to check whether errors or alterations have occurred during the transmission or storage of a data object.

CMMI: The Capability Maturity Model Integrated is a process improvement best practices model for product and service development and maintenance.

CMS: Abbreviation for Content Management System. This is a self-service tool that allows for content changes and publishing to Portals without technical knowledge or programming expertise.

COBIT: The Control Objectives for Information and related Technology is a set of best practices (framework) for information management created by the Information Systems Audit and Control Association (ISACA), and the IT Governance Institute (ITGI).

Confidential Information: All nonpublic proprietary information of the Contractor which is marked confidential, restricted, proprietary or with a similar designation.

Contract: The written agreement resulting from a successful Proposal and subsequent negotiations, which shall incorporate, among other things, this RFP and the Contractor's Proposal, and all modifications hereto and thereto, and in addition shall contain such other terms and conditions as may be required by the Lottery.

Contractor: The Vendor with whom the Lottery executes the Contract pursuant to this RFP.

Contract Manager: A member of the Lottery's management staff, designated by the Lottery Commissioner, who will provide oversight for the Deliverables and performance of the Contract on a day-to-day basis.

Conversion: The phase of an implementation project during which an existing System is replaced. During the conversion, data and Files from the existing System must be transferred, for continuity, to the new system.

CSC: Abbreviation for Customer Support Center. This is the mix of facilities, hardware, software and services that is in place to handle all player inquiries.

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

Deliverable: A defined product or feature required by the RFP and/or proposed by the Contractor.

District Sales Representative (DSR): Marketing/Sales Representative of the Lottery, an individual that supports Retailers through direct interaction and Retailer-site visits.

DNS: Abbreviation for Domain Name System.

Downtime or Down: The time during which a System is not functioning due to hardware, operating system or application program failure.

EFT: Electronic Funds Transfer through a bank employing the Automated Clearing House (ACH) network.

Engagement Features: A general term used to describe common features and techniques used by digital games, whether wagering games or non-wagering games, that successfully make games more interesting to players.

Estimated iLottery Sales: Means the total Average Comparison iLottery sales through the applicable Portal and/or CGS during the Applicable Period. For purposes of clarification, total iLottery sales start tallying at time right after the player places the last Wager before the Portal and/or CGS goes Down, not when the draws related to such Wager occur. For further clarification, if the Applicable Period is less than an hour, for example thirty (30) minutes, the Estimated sales would be the Average Comparison iLottery sales divided by two (2).

> For example, if a Portal was Down between 12pm and 2pm on a Saturday, then the Estimated iLottery sales would be the sum of the two (2) hourly Average Comparison iLottery sales: Saturday between 12pm and 1pm and Saturday between 1pm and 2pm.

For further example, a Portal was Down between 12pm and 1:20pm on a Saturday, then the Estimated iLottery sales would be the sum of the first hourly Average Comparison iLottery sales (between 12pm and 1pm) and one-third (1/3) (20min/60min) of the hourly Average Comparison iLottery sales between 1pm and 2pm.

Eastern Time: Eastern Standard Time when Daylight Saving Time is not in effect. Eastern Daylight Saving Time when Daylight Savings Time is in effect.

Facilities: The facilities required to provide and support the System, including data centers, warehouses, repair depots, and any other such locations.

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 (1) location to another, or to delete it.

Game Card: A pre-paid iLottery card program that enables Lottery-approved Retailers to sell Game Cards in a secure and accountable manner.

GLS: Geo-Location Services

GUI: Graphical User Interfaces

Incident: Any adverse event that compromises System data, System computer networks, or System security, including but not limited to:

1. Loss of confidentiality of information
2. Compromise of integrity of information
3. Misuse of service, systems or information
4. Denial of service
5 Damage to systems.
6. Theft of systems or data storage components
7. Any other suspicious activity, event or situation related to security of information or information systems.

iLottery Games: Digital versions of existing lottery games.

iLottery: An offer of existing array of lottery games (e.g. Instants, Keno, etc.) through modern digital channels of distribution.

Instant Game: Games sold on pre-printed tickets containing Play and verification data under a latex coating or such other coating as may be approved by the Lottery.

Intellectual Property: Patents, patent applications and certificates of invention; trade secrets; the protection of works of authorship or expression, including copyrights and future copyrights; and trademarks, service marks, logos, and trade dress; and similar equivalents under any laws or international conventions throughout the world.

Intellectual Property Rights: Any rights with respect to inventions, discoveries, or improvements, including patents, patent applications and certificates of invention; trade secrets, know-how, or similar rights; the protection of works of authorship or expression, including copyrights and future copyrights; and trademarks, service marks, logos, and trade dress; and similar rights under any laws or international conventions throughout the world, including the right to apply for registrations, certificates, or renewals with respect thereto, and the rights to prosecute, enforce and obtain damages.

ISO: The International Organization for Standardization (ISO) is an international standards-setting body composed of representatives from over 150 countries. ISO is a non-governmental organization (NGO) that acts as a consortium with strong links to governments but also bridges to the private sector.

Liquidated Damages: Payment made to the Lottery by the Contractor for failure to perform Contract obligations as specified in the Contract.

Lottery: The Michigan Bureau of State Lottery.

Lottery Commissioner: The chief executive of the Lottery, or an employee authorized to act on behalf of the chief executive of the Lottery. There are also Deputy

Commissioners of the Lottery.

Lottery Quality Assurance/Acceptance Testing: The process by which the Lottery separately tests any hardware or software changes to the System. Lottery QA represents the acceptance testing of the Contractor's products and is distinct from the Contractor's own quality assurance efforts.

Malware: Generic term for (MALicious softWARE) that is designed to destroy, wreak havoc, hide potentially incriminating information, and/or disrupt and damage computer systems. It includes, but is not limited to: viruses, worms, Trojan horse programs, spyware, root kits, logic bombs, phishing threats, etc.

MICR Printer: Magnetic Ink Character Recognition printers have the capability to print the special numbers and symbols on the bottom of checks. These printers use a special magnetic ink that allows check readers in the banking system to read checks as they are processed.

Mobile App: A native smartphone application.

Mobile Web: A mobile browser user experience.

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.

NIST: National Institute of Standards and Technology is a federal technology agency that develops and promotes measurement, standards, and technology.

Notifications: A data-driven and highly personalized communications to each player.

On-line Games: Games traditionally 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. Specified Options are required to be proposed, although the Lottery may opt not to take them. Invited Options are identified by the Lottery as of interest, but may be proposed at the discretion of the Bidder. Offered Options may be proposed at the discretion of the Bidder. Options may have additional cost quoted or may be included in the Baseline price.

Other Services: Charges for other commodities and/or services delivered outside of the Settlement of Funds.

PAM: Player Account Management

PCI DSS: Payment Card Industry Data Security Standard

PCI: Payment Card Industry

Person: An individual, a partnership, a joint venture, a registered limited liability partnership, an association, a corporation, a limited liability company, a trust, an unincorporated organization or any other entity, business or enterprise, authorized to do business in the State of Michigan.

Play: A single unit of purchase and consumption for an iLottery Game.

Play For Fun: A production environment enabling CGS without functions such as wager logging or prize payment while still allowing a player to play a game for fun.

Proceeding: Any litigation, investigation, arbitration or other formal procedure to handle disputes and claims.

PMS: Player Management System

Portal: A primary user interface to serve as the gateway to players for core services such as account management and game purchase and redemption.

Promo Dollars: Free wagering funds issued to players, by Lottery, for the Play of iLottery Games. Any Promo Dollars are considered "used" once a player has redeemed Promo Dollars for Play of an iLottery Game.

Proposal: All materials submitted by a Bidder in response to this RFP, together with all addenda, clarifications, and demonstrations.

Pull Tabs: Games sold on pre-printed tickets containing Play and verification data under a flap removed by the player.

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

Responsible Bidder: A Bidder judged by the Lottery to have the capability in all respects to perform fully the Contract requirements and to have the integrity, security, reliability, and financial condition that will ensure good faith performance.

Responsive Proposal: Timely and conforming in all material aspects to stipulations of the RFP.

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

RFP: Request for Proposals

RWT / Random Winner Technology: Software that randomly determines winning and non-winning outcomes of iLottery Games that is continually certified by an accredited third-party.

Scheduled Maintenance: Maintenance performed at a regularly scheduled time.

SMS: Short Message Service

State: The State of Michigan and its departments, boards, officers and employees.

Subcontractor: For purposes of this RFP, where creating obligations or bearing restrictions, the term "Subcontractor" refers to a firm retained by the Contractor to provide a contribution to the completion of the project. A Substantial Subcontractor is also a Subcontractor.

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

Successful Bidder: Bidder whose Proposal has been accepted, and with whom the Lottery intends to execute a Contract.

System: A set of hardware, software, Facilities, and procedural elements that provides useful services and which produces useful outputs. In this RFP there are numerous references to “system,” inclusive of subsystems of other referenced systems. The immediate context and adjectives or labels define which system is being discussed. When used without other qualification, "System" in this RFP refers to the iLottery System proposed by the Bidder.

Tax Withholdings: Federal and State Tax Withholding

Term: The time period when the Contract is in effect.

Terminal: Any ticket dispensing device and all attachments and peripherals installed by the Lottery’s existing retail gaming system Vendor at a retail location that is connected to the retail gaming system.

Unscheduled Maintenance: Unplanned maintenance performed to address unpredictable maintenance requirements that require prompt attention.

UPS: Uninterruptible Power System

Validation: Process by which winning wagers are checked against computer Files, to ensure that the wager is valid, and that it has not been redeemed previously.

Vendor: Generic reference to a firm.

VPN: A Virtual Private Network (VPN) is a private data network that makes use of the public telecommunication infrastructure (e.g., Internet) or other unsecured network. The VPN maintains privacy through the use of a tunneling protocol and security procedures (e.g., encryption) for confidentiality and integrity of the data in transit.

VWA: Abbreviation for Virtual Wagering Account. This represents the player-specific management of funds available for use within the System.

Wager: A transaction that represents an iLottery Game play on the System (i.e., bet).

Wager Pooling: The capability to automatically sum wagers or portions of wagers for use of creating a progressive / pari-mutuel prize.

APPENDIX C: DEMONSTRABILITY OF SYSTEM

The proposed products must be available for demonstrations and inspections during Proposal evaluation. The demonstrations and inspections will occur at an appropriate venue, as requested by the Lottery during the evaluation process. The Bidder's demonstration must show the Bidder's general ability to meet the requirements of the RFP.

Demonstrability may include several tests from each of the following categories, as requested by the Lottery:

A. Inspection Tests
B. Functional Tests (with observation of Usability)
C. Performance Tests
D. Failure, Recovery and Security Tests.

Various tests from the selection to follow could be considered. The following items listed are not all inclusive.

Process Quality

Bidder provides evidence that it has the Facilities, resources, systems, and capabilities expressed in the Proposal.

1. Process Quality

Does the Bidder have a quality-oriented software engineering practices in place, such as SEI CMM and/or ISO?

Functional Tests

Functional tests provide evidence that the proposed System can perform iLottery System functions, and that the System is in a position to be adapted to the Lottery's requirements.

1. Player Functions

Can simulated operations be run to demonstrate the major System operations as seen by the player? Is the user interface straightforward?

2. System Operator Functions

Can simulated operations be run to demonstrate the major System operations as seen by the data center operations staff? (Bringing the System up and Down, and monitoring operations.)

3. Lottery Games Administration Functions

Can simulated operations be run to demonstrate the major System operations as seen by the Lottery?

4 Maintenance Operations

Can simulated operations be run to demonstrate functions such as CSC activities and trouble reporting?

Performance Tests

Performance tests provide evidence that the Bidder's System is capable of supporting the business volume and response times required by the Lottery for excellent player service. Possible performance tests follow.

1. Response Time

Can it be shown that wagers and/or game Play are delivered within reasonable time? Typically these tests require that the System be loaded by a simulator.

2. Heavy Volume Throughput

Can simulation runs be shown with heavy simulated volume? Is a software monitor utility available to assess configuration load?

Failover, Recovery and Security

Failover and recovery tests provide evidence that the System can maintain operations, data integrity, and security during periods of equipment and software failure.

1. System Fault Tolerance

Can the primary System fail over to a backup? How long is the outage as seen by a player?

2. Player Loss of Connection

If a player starts to transact but loses a connection, how is that recovered?

APPENDIX D: SCHEDULE OF SERVICE LEVELS AND LIQUIDATED DAMAGES

All monetary values referenced are in US dollars. Liquidated Damages begin after grace periods noted.

D.1 Installation

Milestone 1 – The Contractor shall meet the readiness for Lottery Acceptance Testing milestone ninety (90) days prior to the Contract-agreed production start-up date. The Lottery may impose Liquidated Damages of one thousand dollars ($1,000) for each day of delay.

Milestone 2 – The Contractor shall meet the Lottery Acceptance Testing milestone ten (10) days prior to the Contract-agreed production start-up date. The Lottery may impose Liquidated Damages of two thousand dollars ($2,000) for each day of delay, if such delay is caused by unresolved errors and issues encountered in the Lottery Acceptance Testing.

Milestone 3 – The Contractor shall meet the Scheduled Implementation milestone beginning with the Contract-agreed production start-up date. The Lottery may impose Liquidated Damages of five thousand dollars ($5,000) for each day of delay.

Milestone 4 – The Contractor shall deliver all Deliverables in accordance with the delivery schedule, shall meet all requirements set forth in the Contract and shall resolve Lottery Acceptance Testing problems for upgrades and changes to the System prior to and after start-up. The Lottery may impose Liquidated Damages of five hundred dollars ($500) for each day of delay for each Deliverable that the Contractor fails to deliver in accordance with the delivery schedule or for each day of delay for requirements set forth in the Contract. After start-up, the Lottery may impose the above mentioned Liquidated Damages amount for each day of delay that the Contractor does not resolve a Lottery Acceptance Testing problem pursuant for upgrades and changes to the System for each defined project schedule.

D.2 Software Release Schedule Adherence

The Contractor will ensure that modification batches to the System and Portals meets the annual frequency as specified in the Contract. If Contractor fails to meet the annual frequency then Lottery may impose Liquidated Damages of ten thousand dollars ($10,000) per incident.

D.3 iLottery System Down

The Contractor will ensure that the System is not “Down” for more than three (3) minutes during the operational hours on any day. The System is Down if any Wagers cannot be sold or winning outcomes obtained. The Lottery may impose Liquidated Damages in an amount of one thousand dollars ($1,000) for each one (1) minute of System Downtime, or fraction thereof, which is greater than three (3) minutes in duration during the operational hours for iLottery sales on any day. The total time during which the System is Down during the day will be calculated as the sum of all time during such daily operational sales period when System is Down. For example, three (3) ten-minute long instances of Down time in one (1) day constitute thirty (30) minutes of daily down time. To address chronic problems, in the event that two (2) Downtime events of any length have already occurred in a Business Week, the grace period of three (3) minutes shall be rescinded, and Liquidated Damages shall begin immediately with any subsequent outage in that Business Week.

D.4 iLottery System Degraded Performance

The Contractor will ensure that the System does not evidence degraded performance for more than one (1) hour during the operational hours on any day. The System will be considered degraded if any of the following conditions are true:

- Any prescribed performance criteria described in Section 3.1.4 is not being upheld.

- Player access on average exceeds the response time requirements, or the System is incapable of meeting the throughput specifications set forth in the Contract

- The System processes transactions, but not for all gaming products and player-related activities

- Transactions do not log at the data center to at least two (2) local systems, one (1) remote system, and to the Lottery’s ICS

- Critical functions of System management and administration cannot be conducted by the management workstations

The transaction response time for response of the server to display the confirmation page back to the end user on Portals will be targeted for less than three (3) seconds with a maximum threshold of 10 seconds. Contractor will put monitoring in place that checks for transaction response time in intervals not to exceed fifteen (15) minutes.

Contractor will provide the appropriate network bandwidth to connect the Portals and/or CGS to consumer accessible networks (e.g. mobile network, internet, etc.). On a regular basis, Contractor shall monitor the bandwidth for capacity utilization. Contractor will take corrective

action to accommodate the additional traffic to meet all performance commitments required in this RFP.

If any of Contractor's server processes including but not limited to routers, CPU, disk space, Random Access Memory or the network interface card continually reach ninety percent (90%) capacity for more than twenty (20) minutes, then Contractor will take immediate corrective action with respect to those processes and equipment under Contractor's control. For equipment and software outside of Contractor's control, Contractor will contact Lottery within sixty (60) minutes to take the necessary corrective action. For the purposes herein, "control" means the ability to direct or influence the related operations, directly or indirectly, by virtue of contract, ownership of voting shares, or otherwise.

The Lottery may impose Liquidated Damages in the amount of one-thousand dollars ($1,000) for each hour of degraded time, or fraction thereof, which is greater than one (1) hour in duration during the operational period on any day. The total time during which the System is degraded during the day will be calculated as the sum of all time during the daily operational sales period when the Systems are operating at a "degraded performance level." To address chronic problems, in the event that two (2) degraded performance events of more than one (1) hour in length have already occurred in a Business Week, the grace period of one (1) hour shall be rescinded, and Liquidated Damages shall begin immediately with any subsequent degraded performance event in that Business Week.

D.5 iLottery System Timely and Accurate Reports

The Contractor shall produce and deliver timely, sufficient, and accurate Management reports within the time frames specified by the Lottery as set forth in the Contract (reports will be categorized into groups A and B according to time criticality and importance). The Lottery may impose Liquidated Damages of one thousand dollars ($1,000) per day, or fraction thereof, for each late, insufficient, or inaccurate Management report in Group A (once any approved grace period set forth in the Contract has passed), until such report is provided, made sufficient or corrected (as the case may be). The Lottery may impose Liquidated Damages of one hundred dollars ($100) per day, or fraction thereof, for each late, insufficient, or inaccurate management report in Group B (once any approved grace period set forth in the Contract has passed), until such report is provided, made sufficient or corrected (as the case may be).

D.6 iLottery System Timely and Accurate Files

The Contractor shall produce and deliver timely, sufficient, and accurate Files within the time frames specified by the Lottery as set forth in the Contract (Files will be categorized into Groups A and B according to time criticality and importance). The Lottery may impose Liquidated Damages of five thousand dollars ($5,000) per hour, or fraction thereof, for each late, insufficient, or inaccurate File in Group A (once any approved grace period as may be set forth in the Contract has passed), until such File is provided, made sufficient, or corrected (as the case may be). The Lottery may impose

Liquidated Damages of five hundred dollars ($500) per hour, or fraction thereof, for each late, insufficient, or inaccurate File in Group B (once any approved grace period as may be set forth in the Contract has passed), until such File is provided, made sufficient, or corrected (as the case may be).

D.7 Accurate Rendering of Data / Files

The Contractor shall process and render output Files accurately in all material respects. Rendering of processed Files may take shape in the form of an email, SMS message, web page display, or other communications initiated from Contractor-provided technology and services. The Lottery may impose Liquidated Damages of five thousand dollars ($5,000) per File for any output File that is not processed and rendered in an accurate manner.

D.8 Failure to Test and Deploy Games

The Contractor shall complete testing of modifications to existing games within fourteen (14) days or install new games and their supporting controls within twenty-one (21) 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 modification or installation of games). Deployment of games into Portals must be completed by Contractor within three (3) days. The Lottery may impose Liquidated Damages of ten thousand dollars ($10,000) for each day, or fraction thereof, of delay that the modified or additional game is not installed. The Contractor is not obligated to pay Liquidated Damages if the Lottery opts to release the change at a later time than the original agreed-upon schedule.

D.9 Failure to Produce a System Change

The Contractor shall modify or add software to the System to produce reports, screen displays, inquiries, or other applications as may be specified in the Contract with 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 shall deploy any such modified or additional software within a one-hundred and twenty (120) day time period. The Lottery may impose Liquidated Damages of five hundred dollars ($500) per day, or fraction thereof, that the modified or additional software is not installed.

D.10 Unauthorized Software/Hardware Modifications

The Contractor shall not modify any software or hardware without the prior written consent of the Lottery and the Contractor shall design Configuration Management practices to obviate this possible problem. "Modification" does not include replacement of a System component with an essentially similar working component in the event of

necessary maintenance. 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 modification be removed and the System restored to its previous operating state at the Contractor's expense. Further, the Lottery may impose Liquidated Damages of ten thousand dollars ($10,000) per violation in addition to any other damages that may occur as a result of such unauthorized modification.

D.11 Unauthorized Access or Compromise

The Contractor shall preclude personnel not authorized by the Lottery from accessing, modifying, or otherwise interfering with System data or software. The Lottery may impose Liquidated Damages of ten thousand dollars ($10,000) per Person per Incident in addition to any other damages that may occur as a result of such unauthorized access or compromise. An "Incident" is each act of access, modification, or interference System data or software by an unauthorized Person. An Incident must be reported to the Michigan Lottery Commissioner or designated staff within one (1) hours of discovery of occurrence.

D.12 iLottery System Failure to Report Incidents

The Contractor shall immediately report all significant incidents related to the operation of the System, either personally or by telephone within one (1) hour of the discovery of the incident, followed by a notice addressed to the Lottery's Contract Manager (and designees) within twenty-four (24) hours of the incident. The Contractor shall send all written reports and notifications by email. At a minimum, the Contractor shall provide a written report for each of the following types of events:

A. System takeovers

B. Major communications failures

C. Significant operator errors

D. Out of balance conditions

E. Emergency software or hardware changes

F. Security violations

G. Other conditions as defined by a memorandum of understanding

H. Any situation which may cause the general public to become alarmed and/or which may damage the integrity or public image of the Lottery.

If the Contractor fails to report any incidents as required, the Lottery may impose Liquidated Damages of one thousand dollars ($1,000) per day or fraction thereof, until an incident is correctly reported.

D.13 Failure to Comply

The Contractor shall comply with all commitments contained in the RFP, the Proposal, and the Contract, and all clarifications and amendments to these documents. The Contractor shall provide all products, services, data, and documents as obligated under the RFP, the Proposal, and the Contract. To the extent not specified elsewhere in this Appendix, if the Contractor fails to provide an obligated product, service, data, or document, where not otherwise addressed by other Liquidated Damage provisions in this Appendix, the Lottery may impose Liquidated Damages of five hundred dollars ($500) per day or per incident (at the Lottery's discretion) until the condition is rectified.

D.14 iLottery System Data Center Inter-site Communications Outages

The Contractor shall ensure that the inter-site connections are not lost or operating at a degraded level of performance. Connection points include the System data centers, (e.g., primary and backup data centers and any other communication point(s) that are required to support System functions. An outage occurs if a connection is lost due to the failure of the Contractor to correctly carry out established duties in supporting or administering the network, or by failure of a Contractor-specified protectively redundant network element to support a failover. In the event that a Contractor-specified protectively redundant network element to support a failover is not functional or in the event that a Contractor-provided WAN connection is lost, the Lottery may impose Liquidated Damages according to the following schedule: Five hundred dollars ($500) for each minute of network outage, or fraction thereof, per connection. Total time of network outage each day shall be calculated as each minute during the operational hours of each day that a WAN connection is Down after a thirty (30) minute grace period. If two (2) Downtime events of any length occur in a Business Week, the grace period of thirty (30) minutes shall be rescinded, and Liquidated Damages shall begin immediately with any subsequent outage in that Business Week.

D.15 Failure to Comply with Required Standards or to Remedy Audit Recommendations

Audit Findings – The Contractor shall correct or address, to the Lottery's satisfaction, all recommendations made to the Contractor as a result of a System audit. If audit recommendations are not corrected, or addressed to the Lottery's satisfaction, within sixty (60) calendar days of notification, unless specifically exempted by the Commissioner, the Lottery may impose Liquidated Damages of five thousand dollars ($5,000) at the end of the initial sixty (60) day period and an additional five thousand dollars ($5,000) for each subsequent thirty (30) day period or any portion thereof, for

which the Contractor audit recommendation has not been corrected or addressed to the Lottery's satisfaction.

Multi-jurisdictional Standards – The Contractor shall comply with all required Lottery and/or multi-jurisdictional standards. If The Contractor fails to comply with any required Lottery or multi-jurisdictional association standard, the Lottery may impose Liquidated Damages of five thousand dollars ($5,000) for each instance of non-compliance. In addition, the Lottery may impose an additional five thousand dollars ($5,000) for each subsequent seven (7) day period, or portion thereof, for each instance for which compliance has not been achieved.

D.16 Failure to Provide Software Testing and Quality Software Turnovers

The Contractor shall provide the Lottery with quality tested software. If untested software is turned over for Lottery Acceptance Testing or the software does not meet the specification standards established by the Lottery, the Lottery may impose Liquidated Damages of ten thousand dollars ($10,000) for the first violation (return or retraction of the software) and twenty thousand dollars ($20,000) for each subsequent violation.

D.17 Failure to Provide New Employee Documentation and Obtain Security Clearance Prior to Employment

The Contractor shall provide the Lottery with all required employee documentation for completion of background and security checks prior to employment on the Contract. If an employee is placed in service on the Contract before the employee has been approved by the Lottery, the Lottery may impose Liquidated Damages of two hundred dollars ($200) for each violation.

D.18 iLottery System Customer Support Center Communication Outages, Hold Times, Response Times and Service Levels

The Contractor shall maintain reliable communications services for iLottery players to reach the CSC. Support response times should be reasonable while keeping Service Levels in parity across support channels. CSC Service Level requirements for support are:

A) Ninety-five (95%) percent of inbound calls to be answered within one hundred and twenty (120) seconds

B) Respond to ninety-five (95%) percent of all email inquiries within three (3) business days

C) Respond to ninety-five (95%) percent of live chat inquires within three (3) minutes

Other Support Requirements include:

A) Ninety-nine (99%) percent of all calls without a busy signal

B) Abandoned call rate not to exceed two (2%) percent

C) Average call hold time not to exceed two (2) minutes

D) Ninety-nine (99%) percent of all chats will be answered

E) Average live chat wait time not to exceed one (1) minute

F) Abandoned live chat rate not to exceed five (5%) percent

G) Ninety-nine (99%) percent of all email inquiries to be answered

H) Average email inquiry wait time not to exceed twenty four (24) hours

I) Abandoned email inquiry rate not to exceed five (5%) percent

Monthly Service Level Requirements for inbound iLottery user inquiries are:

Call center with human operators, email inquiry, live chat, and the knowledge database shall be available twenty-four (24) hours a day, seven (7) days per week. In addition, an automated prompt system that offers balance inquiries and other transactional support shall be available twenty-four (24) hours per day, seven (7) days per week.

The Lottery may impose Liquidated Damages of fifteen thousand ($15,000) dollars per month in the event that any Service Level or Other Support Requirement associated with Customer Service are not satisfied during a month. If the Contractor fails to maintain a reliable call-in service, email service, live chat service, or knowledge database, the Lottery may impose Liquidated Damages of one thousand dollars ($1,000) per hour (after a ten (10) minute grace period) that the service is interrupted. The Lottery may impose Liquidated Damages of fifty dollars ($50) per call, email or live chat inquiry that does not meet CSC Service Level or Other Support Requirements.

D.19 iLottery Portal Downtime

The Contractor will ensure that all Portals and/or CGS are publicly available to users twenty-four (24) hours a day, seven (7) days a week (a week, for the purposes of calculating liquated damages in this Portal Downtime section,shall be deemed to commence at 12am Eastern Time on Sunday and extend for seven (7) days), with the exception of planned periods of maintenance authorized by Lottery (“Scheduled Maintenance”); provided that there will be no

period of interruption in public accessibility to the Portals and/or CGS ("Downtime" or "Down") that exceeds forty-four (44) cumulative minutes over a rolling thirty (30) day period ninety-nine point nine percent (99.9%) availability), excluding Scheduled Maintenance. Downtime is measured as any one (1) minute period during which Contractor processes no queries from would-be users of the Portals and/or CGS. Downtime covers all Unscheduled Maintenance as well as any scheduled outage that cannot be performed during the agreed upon Scheduled Maintenance window. In the instance of Downtime beyond the forty-four (44) minutes over a rolling thirty (30) day period, Contractor shall maintain a record detailing the total amount of Downtime and shall report an accurate record to Lottery.

Unless agreed upon otherwise in writing between Lottery and Contractor, Scheduled Maintenance may be scheduled and performed by Contractor on a Lottery business day, that precedes another Lottery Business Day, between the hours of 2am to 6am Eastern Time. If any Scheduled Maintenance by Contractor will render the Portals and/or CGS unavailable, Contractor shall provide not less than two (2) Business Days prior written notice (including e-mail) to Lottery of the time during which the Portals and/or CGS shall be not available due to Scheduled Maintenance.

Unscheduled Maintenance shall be performed by Contractor to address critical security and network issues on an emergency basis provided that Contractor provides prior written notice (including e-mail) to Customer as soon as commercially practicable under the circumstances.

Lottery shall be entitled to defer any Scheduled Maintenance or Unscheduled Maintenance to a subsequent Schedule Maintenance window provided that any adverse effects to the service and products relating to such deferral shall be the sole responsibility of Lottery and, provided further, that Lottery shall not be entitled to defer maintenance which is required to be immediately applied to other Contractor customers and suppliers in order to maintain the security and/or integrity of the applicable Contractor data center and applications.

If a Portal and/or CGS experiences Downtime for more than forty-four (44) minutes per rolling thirty (30) day period, the Lottery may assess damages in an amount equal to the greater of forty-one dollars and fifty cents ($41.50) per minute of Downtime or Estimated iLottery sales. For purposes of this section, the following terms have the following meanings:

"Applicable Period" means the period of time which the applicable Portal and/or CGS is Down expressed as a time, in minutes, of operating day and a day of the week for the beginning and the ending of the Downtime period.

"Average Comparison iLottery Sales" means the average hourly iLottery sales on a specific day of the week (by specific hour of day on that day) through the applicable Portals and/or CGS for the Applicable Period during the thirteen (13) operating weeks preceding the week in which the applicable Portal and/or CGS was Down (or if there are less than thirteen (13) operating weeks at the time such Portal and/or CGS is Down, then such less amount of operating weeks). For example, the web Portal was Down between 12pm and 1pm on a Saturday, then the Average Comparison iLottery Sales would be the average sales between 12pm and 1pm on Saturdays for the thirteen (13) operating weeks preceding the week in which the applicable Portal was Down.

"Estimated iLottery Sales" means the total Average Comparison iLottery Sales through the applicable Portal and/or CGS during the Applicable Period. For purposes of clarification, total iLottery sales start tallying at time right after the player places the last Wager before the Portal and/or CGS goes Down, not when the draws related to such Wager occur. For further

clarification, if the Applicable Period is less than an hour, for example thirty (30) minutes, the Estimated sales would be the Average Comparison iLottery Sales divided by two (2).

For example, if a Portal was Down between 12pm and 2pm on a Saturday, then the Estimated iLottery Sales would be the sum of the two (2) hourly Average Comparison iLottery Sales: Saturday between 12pm and 1pm and Saturday between 1pm and 2pm.

For further example, a Portal was Down between 12pm and 1:20pm on a Saturday, then the Estimated iLottery Sales would be the sum of the first hourly Average Comparison iLottery Sales (between 12pm and 1pm) and one-third (1/3) (20min/60min) of the hourly Average Comparison iLottery Sales between 1pm and 2pm.

D.20 iLottery Security Breach

In connection with the iLottery Program, the Contractor shall comply with all applicable Michigan Compiled Laws ("MCL") and Federal laws such as the breach notification laws contained in the ID Theft Protection Act with respect to an exposure of non-public personal information ("PI").

In the event that there is a data security breach of non-public PI (as such breach is identified in the ID Theft Protection Act), the Contractor shall pay any fines associated with such act for each incident in which the Contractor knowingly fails to provide notice of such breach in accordance with the breach notification requirements set forth in the ID Theft Protection Act.

For reference, and subject to the provisions of the ID Theft Protection Act, the Contractor shall provide breach notification notice without unreasonable delay, and the Contractor shall make such notification by way of:

a. An email sent to each iLottery player affected, and

b. A postage paid letter, in a sealed envelope, sent to each iLottery account holder affected

Such notice shall be written in a clear and conspicuous manner and contain the following content:

- Description of the security breach in general terms
- Description of the type of personal information that is subject of the unauthorized access or use
- If applicable, general description what the Contractor has done to protect the data from further security breaches
- Include a telephone number where a notice recipient may obtain assistance or additional information
- A reminder to notice recipients of the need to remain vigilant for incidents of fraud and identity theft.

Any legal, copywriting, design, printing, postage or other cost associated with the production and delivery of such notices shall be incurred by the Contractor.

APPENDIX E: LOTTERY IT SECURITY POLICIES

1. Every user that supports iLottery System business functions shall have a user-ID that uniquely identifies that user. The unique user-ID shall be used as the user's identifier in every iLottery information system accessed.

2. iLottery System user identifications must be used only by the assigned user.

3. All information processing and transmittal actions shall be traceable to an individual and unique user-ID.

4. Appropriate use of any approved authentication mechanism is required. Creating unauthorized links to other systems, bypassing authentication mechanisms, circumventing data access control procedures or otherwise jeopardizing the security of any component within the iLottery System or State of Michigan networks is prohibited.

5. Privacy of any authentication mechanism, method, or procedure shall be maintained. Any personal identification number (PIN), password, or other secret identifier that is used for authentication shall not be shared with any other user (except initial or reset passwords), posted on any machine or hardware token, or made obvious to any other person.

6. The Contractor shall comply with iLottery System password complexity rules.

7. Login to any iLottery System information component requires the user to authenticate via approved authentication method (e.g., strong password, two-factor authentication token).

8. All user-level and system-level passwords for iLottery System components shall be changed at least every ninety (90) days. For critical or sensitive resources, the change interval shall be at least every sixty (60) days.

9. Default credentials (usernames and passwords) in network equipment (e.g., routers, switches, appliances) shall be changed prior to implementation into the iLottery network. Passwords must comply with iLottery System password complexity rules.

10. Passwords shall be maintained in unreadable format (e.g., encrypted, hash function) when held in electronic storage for any significant period of time.

11. Application passwords shall not be stored in clear text or any reversible form within the application code.

12. Passwords for iLottery System components that are assigned to Contractor users must be distributed in a discreet manner. The user shall change an initial or reset password upon first login to an iLottery computer system.

13. Data owned, used, created, or maintained for the Lottery shall be classified into one (1) of the following three (3) categories:

    A. Public – applies to information that is available to the general public and may be intended for distribution outside the Lottery.

    B. Official Use Only – applies to sensitive information that must be guarded due to proprietary, ethical, or privacy considerations. Official Use Only data is information that is intended for internal use to Lottery employees or business partners who have a legitimate purpose for accessing such data.

    C. Confidential – applies to information that is protected by statutes, regulations, Lottery policies or contractual language.

14. Data that falls under the categories of: accounting information, social security numbers, credit card numbers, Federal Employer Identification Numbers, bank account information, player/winner identifying or personal information, security vulnerabilities, passwords/PINs, wager control numbers, and Validation information shall default to a Confidential classification.

15. Each sensitivity classification shall have separate handling requirements and procedures for how that data is accessed, used, and destroyed.

16. Information shall be consistently protected according to its classification throughout its life cycle, from its origination to its destruction.

17. Information shall be protected in a manner commensurate with its sensitivity, regardless of where it resides, what form it takes, what technology is used to handle it, or what purpose(s) it serves. Appropriate access control measures shall be used to protect and keep private any confidential or personal identifying information.

18. The Contractor is responsible for the security of any computer account set up to access iLottery System information and shall be held accountable for any activity that takes place in these accounts. Any discovered violation or attempted violation of system security must be reported immediately to the Lottery IT Security Officer.

19. Lottery information that has been designated as Confidential shall not be removed or transmitted from the Contractor work premises without written permission from the Lottery.

20. All Contractor users that have iLottery System information on any mobile device (e.g., laptop, smartphone, etc.) are required to protect IT equipment in their possession from theft or information disclosure.

21. Any person connected to the iLottery computer system shall not leave his or her computer (PC), workstation, or Terminal unattended without first logging-out or locking the workstation. iLottery computer systems shall not be unattended without activated access controls.

22. Access granted to iLottery System components shall be subject to verification of a person, machine, or software identity credentials.

23. Users of the Contractor shall not attempt to obtain access to iLottery System components for which proper authorization has not been granted.

24. The computer and data communications system privileges of all Contractor users, system services, and programs that support the iLottery System shall be restricted based on the least privileged security principle that grants access to systems based on only those rights necessary to perform iLottery work assignments and job functions.

25. Review and revision of authorizations shall occur whenever personnel, position description, or business responsibility changes take place and an audit trail shall be produced. Access to iLottery System information or information resources shall be managed, controlled, and periodically reviewed and audited to ensure only authorized users or systems gain access based on the specific privileges granted.

26. Privileges shall be established such that system users are not able to modify production data or business processes in an unrestricted manner. Modifications to production data or business processes require a controlled process approved by Lottery.

27. Lottery reserves the right to revoke the privileges of any Contractor user at any time if conduct interferes with the operation of iLottery's information systems.

28. Access to iLottery System information or information resources shall be protected through appropriate access controls commensurate with the criticality or confidentiality associated with that resource.

29. All iLottery System information system privileges shall be promptly terminated, not to exceed twelve (12) hours, from the time that a worker ceases to provide services to the Lottery. Contractor users that have privileged access (e.g., administrators) shall

be immediately terminated at the time that a worker ceases to provide services to the Lottery.

30. iLottery information systems shall be sufficiently secured and configured to prevent unauthorized access to information, applications, utilities, operating system Files, or any other information resource.

31. All server resident Files and databases for the iLottery computer information systems shall be backed up according to a Lottery-approved and documented backup and File retention schedule.

32. Backup Files shall be tested periodically to ensure reliability and functionality.

33. File and database backups shall be rotated to a secure off-site location on a scheduled basis.

34. iLottery System data that is designated as “confidential” (e.g., SSN, FEIN, credit card numbers, etc.) shall be sent in encrypted format and digitally signed when transmitted across public network (e.g., Internet) or via wireless transmission.

35. iLottery System data that is designated as “confidential” shall be stored in encrypted format when it resides on a laptop computer or any mobile device.

36. The strength of the encryption method used shall be correlated to the sensitivity of the data being encrypted.

37. Encryption keys that are used to encrypt other keys shall not be used to encrypt data. Data encryption keys and key encryption keys shall be kept separate and both shall be stored in encrypted form. The encryption of keys shall be performed with a stronger algorithm than is used to encrypt other sensitive data protected by encryption.

38. Proven, standard and unbroken algorithms shall be used as the basis for encryption technologies and proven, standard message digest hash algorithms shall be used as the basis for creating and verifying a digital signature or File integrity.

39. Encryption key lengths must be approved by Lottery and will be reviewed annually and upgraded as technology allows.

40. IT security functionality shall be developed in conjunction with all other system functionality. Security requirements must be considered and addressed in all phases of development (including system modification) or acquisition of new information processing systems.

41. The identification of vulnerabilities and the selection and implementation of safeguards shall continue as the iLottery System progresses through the phases of

the life cycle, including after the system has been released into production. If changes are made to an iLottery System application or system that affects the types of security controls that are needed, then the security controls shall be updated to mitigate any risks identified.

42. Effective and appropriate change management controls (e.g., SEI CMMI) shall be used through all phases of the development life cycle.

43. Risk assessments of gaming and iLottery IT systems (e.g., hardware, software, firmware) must be conducted annually to identify potential security threats to those resources and appropriate safeguards must be put in place to protect those resources.

44. At a minimum the risk assessments shall produce:
    A. Comprehensive list of possible and significant threats.
    B. Estimate of loss potential if the threat is exercised on a vulnerability.
    C. Probability or likelihood of the threat(s) being exercised on a vulnerability.
    D. Recommended list of safeguards, countermeasures, and/or actions to mitigate the risk(s).

APPENDIX F – SALES & PROFIT PROJECTIONS

TOTAL REVENUES	Year 1	Year 2	Year 3	Year 4
iLottery Game Sales	$ 43,419,755	$ 81,332,842	$ 115,618,172	$ 152,766,187
iLottery Prizes	$ 28,222,840	$ 54,493,004	$ 79,776,539	$ 108,463,993
iLottery Promo Dollars	$ 434,198	$ 813,328	$ 1,156,182	$ 1,527,662
iLottery Game Gross Profits	$ 14,762,717	$ 26,026,509	$ 34,685,452	$ 42,774,532

TOTAL REVENUES	Year 5	Year 6	Year 7	Year 8
iLottery Game Sales	$ 309,824,713	$ 344,445,912	$ 413,119,816	$ 468,034,854
iLottery Prizes	$ 226,172,040	$ 258,334,434	$ 313,971,060	$ 360,386,838
iLottery Promo Dollars	$ 3,098,247	$ 3,444,459	$ 4,131,198	$ 4,680,349
iLottery Game Gross Profits	$ 80,554,425	$ 82,667,019	$ 95,017,558	$ 102,967,668

APPENDIX G – SECURITY FORMS

Bidders are required to complete all security forms posted in association with this RFP as separate files available for download at www.milotteryconnect.com

Each Bidder must complete and submit the following forms:

1. "REQUEST FOR BACKGROUND INFORMATION" form.

2. An "AUTHORIZATION TO RELEASE BACKGROUND INFORMATION" form must be completed for each of the following:

   i) The Bidder.
   ii) Owners with at least a 5% interest in the Bidder.
   iii) Business entities with at least 5% interest in the Bidder (if applicable).
   iv) Officers of the Bidder.

All Bidders must submit original, notarized forms together with disclosure requirements described in Section 1.34 in a separately sealed envelope addressed to "Lottery Security Director" as described in Section 1.14.

NOTE: If applicable, Bidder may provide the international equivalent to any fields on the forms.

APPENDIX H: LOTTERY NOTIFICATION FEES

Lottery currently has a contract and system in place for creating, sending, automating and tracking Notifications to players. The Lottery's current provider of these services is ExactTarget. Documentation which details integration methods with the ExactTarget system is available publicly at the following location:

http://docs.code.exacttarget.com/020_Web_Service_Guide/Triggered_Email_Scenario_Guide_For_Developers

Lottery has per message rates designated for each year of the contract with ExactTarget. These rates decline as volume of messages increase. The rates are as follows:

Message Type	Per Message Cost
Email	$0.007
SMS	$0.0375

APPENDIX I: INTERACTIVE MARKETING PROGRAM BACKGROUND INFORMATION

Interactive Staff. Beginning in 2009, the Lottery began building an interactive business unit. It was established in order to generate a positive return on marketing investment through the planning and execution of digital marketing programs and digital products. Today the business unit consists of four (4) full-time employees within Lottery:

- Interactive Marketing & Product Manager
- Digital Product Coordinator
- Interactive Marketing Coordinator
- Market Research / Data Analyst

The staff manages short-term and long-term programs, products, and technology platforms which are focused on the following objectives:

- Create awareness (e.g. website visits)
- Engage consumers (e.g. fun play volume)
- Data acquisition (e.g. mobile app installs)
- Drive incremental sales (e.g. Keno "To Go")
- Cultivate customer loyalty (e.g. Player Club signups)

This same staff will be leveraged to manage distribution, product, marketing and promotion activities of iLottery operations.

Consumer Footprint. Based on a 2012 independent player tracking study, it is estimated that sixty two (62%) percent of the Michigan adult population purchases a Michigan Lottery product within any given year.

Bridge Products (products sold at retail and played digitally). Club Keno "To Go", Cashword Instant Games, and Bingo Instant Games are all products sold at retail which are then played through digital channels. These products represent the current mix of Bridge Products available. Club Keno "To Go" was launched in October of 2010 and it drove nearly one hundred ($100) million dollars in revenues in FY12. Consumers purchase tickets at a Lottery Retailers and then use information from their ticket to watch the game / reveal their winnings using the Lottery's website application or mobile app. Cashword and Bingo are both Instant Games (i.e. scratch tickets) that offer an extended play opportunity to win additional prizes online or using mobile apps. Unlike Club Keno "To Go", it is not possible to directly measure sales attributed to the interactive portion of these products. However, player research has revealed that a strong correlation between engaged users of the interactive portion of the game and repeat sales at retail.

Player Segmentation & Direct Marketing Platform. A direct marketing platform was established in order to generate a positive return on marketing investment in the interactive space by leveraging proven technology platforms which are designed to create awareness, engage customers and acquire, integrate and manage data from many disparate sources. All player data is managed within the platform and a single-view of the player, across all channels, is provided to Lottery within a web application. The platform utilizes innovative tools that allow for the execution of a dynamic marketing strategy that employs segmented, personalized and semi-automated communications which maximize the Lottery's ability to be successful and cost-effective in promoting Lottery games, developing a personalized dialogue with players, and creating true sustained player loyalty.

Player's Club. The current Player's Club, since its inception in June of 2010, has more than four hundred sixty thousand (460,000) registered members. In the last ninety (90) days, roughly twenty-three (23%) percent of players have logged into their Player's Club account. Players can go to the site to enter non-winning Lottery tickets in exchange for reward points and entries into various second chance drawings. Roughly thirty-seven (37) million tickets were entered into the Player's Club in FY12. Points can be redeemed for more entries for various drawings or redeemed directly for merchandise and free play coupons. Players can also opt-in to receive email messages or texts after joining the Player's Club. At the close of FY12 there were over two hundred and sixty-eight thousand (268,000) email opt-ins and over sixty-four thousand (64,000) text opt-ins. Moreover, email open rates for opt-in Player's Club members far exceeds industry standards of twenty-two (22%) percent with an open rate of thirty-seven (37%) percent in FY12.

Michiganlottery.com. The michiganlottery.com website houses the Player's Club along with a varying range of content aimed at promoting Lottery games and deepening player engagement. Page views to michiganlottery.com in FY12 totaled one hundred sixteen million, one hundred eighteen thousand, one hundred eighty-two (116,118,182) which was up sixty (60%) percent in comparison to FY11. This growth has occurred even while content has become fragmented into mobile and social channels. Much of this growth can be attributable to new interactive features to the website including finding Retailers and winners near you and the Keno "To Go" application which allows players to watch a replay of their purchased Club Keno draws on demand on the website.

Mobile Applications. Currently, the interactive marketing program has deployed three (3) successful mobile applications each for iOS and Android. App downloads had the following total installations through the close of FY12:

App	**Total Installs / Downloads**
Michigan Lottery	164,000+
Cashword	28,000+

Bingo	16,000+

The mobile app channel for the Michigan Lottery entered the marketplace in April 2011 with the launch of the Michigan Lottery app, which offers similar content to michiganlottery.com. These features include winning numbers, jackpots, and Keno "To Go". Michigan Lottery app downloads exceeded one hundred sixty-four thousand (164,000) at the close of FY12. The growth rate for mobile app installs year over year from FY11 to FY12 is greater than any other acquisition measure at one hundred and seventy-three (173%) percent.

The Michigan Lottery's first "second chance game" app was deployed in early FY12 for the Instant Game base game three dollar ($3) Cashword. A "second chance game" app allows players to enter non-winning tickets into the app for additional interactive plays of the game for chances to win Player's Club points or free play coupons valid for redemption at Lottery Retailers. The app also features a play for fun function. The app has proved to be a huge success at creating game awareness, player engagement and new player acquisition with over one million (1,000,000) Plays in FY12 and research revealing that sixty-four (64%) of players that "played for fun" without purchasing a ticket were influenced to purchase Cashword tickets in the future. Moreover, over two thirds (2/3) of Cashword free play games are consumed in the app versus the web which makes the app channel vital to reaching and engaging new players. Mid 2012 brought about the deployment of the three dollar ($3) Bingo "second chance game" app. To date, the Bingo app has posted similarly strong numbers and continues to gain momentum with the addition of a multiplier feature in August of 2012. Each second chance game app can also be accessed and played via a microsite version of the game accessible through the michiganlottery.com website.

Social Media Channels. The interactive business unit also manages social media engagement across several social channels. Facebook remains the largest social channel for player engagement with over fifty-eight thousand (58,000) likes to date. Facebook "Likes" grew by 3X in FY12 compared to FY11. The interactive marketing team has conducted several successful Facebook promotions, including a mobile web optimized promotion for mobile users, that focused on player acquisition, interaction, and spreading our message to new players. Thus, total Facebook interactions amongst "Liked" users and other viral users surpassed 12 million in FY12. Twitter, as a social engagement channel, has been increasingly utilized to engage a younger, on the go generation of new players. To date, the Michigan Lottery has over two thousand one hundred (2,100) Twitter followers. Lastly, the interactive marketing program will roll out a Michigan Lottery YouTube Channel in early FY13 with a goal of creating awareness and engagement via interactive game demos, videos and drawings.

Interactive Vendor Mix. Lottery has partnered with a carefully selected vendor mix in order to ensure the continued success of the digital programs and attainment of each program's goals. The following provides a brief overview of the interactive vendor mix:

1) ePrize provides the Michigan Lottery with an online player affinity website which offers a redemption catalogue and various engagement activities for players while functioning as the primary web channel and data acquisition initiative for the Michigan Lottery. It also provides the Lottery with a real-time data management solution that manages the warehousing, rules and access of single sign on credentials for online Player's Club registrants, and a real-time loyalty point management solution that manages the warehousing, rules, administration and access of loyalty points. Lastly, the Michigan Lottery mobile app with all of its functionality and player engagement features was also created through the Lottery's partnership with ePrize. www.eprize.com

2) Dovetail provides a single marketing data management solution which integrates, consolidates and maintains quality standards for all player data originating from disparate sources. This solution also provides analytics and segmentation tools which enables business intelligence to be extracted, lists to be created, promotions to be tracked, and ROI to be calculated. www.dovetaildatabase.com

3) ExactTarget provides a self-service technology solution which allows for the creation, deployment and automation of personalized email and SMS messages. www.exacttarget.com

4) Pollard Banknote provides the Lottery with design, development, and implementation of its "second-chance" extended play game apps and microsites on web. www.pollardbanknote.com

5) Foresee Results provides customer satisfaction measurement for Lottery's website and primary mobile app. Customer satisfaction insights are further utilized to effectively predict web / mobile changes that can impact desired consumer behaviors. www.foreseeresults.com

6) Google Analytics is utilized for all website activity reporting. www.google.com/analytics

7) Flurry Analytics is utilized for all mobile app activity reporting. www.flurry.com