



#18-001

REQUEST FOR PROPOSALS

**FOR INSTANT TICKET PRINTING AND
RELATED SERVICES**

AND

A PLAYER LOYALTY PROGRAM

FOR THE NEW MEXICO LOTTERY AUTHORITY

*4511 Osuna Road NE
Albuquerque, NM 87109
Issued October 18, 2017*

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PART ONE - PURPOSE, GENERAL INFORMATION & REQUIREMENTS

PURPOSE AND INTENT OF REQUEST FOR PROPOSALS

The New Mexico Lottery Authority (hereinafter the “NMLA” or “Purchaser”) has two objectives for issuing this Request for Proposals (“RFP”):

1. to identify and select for the award of a written contract the Instant Ticket Printing and Related Services Offeror or Offerors whose proposal(s) is/are most advantageous to the NMLA; taking into consideration the evaluation factors identified in this RFP; and
2. to identify and select for the award of a written contract a Player Loyalty Program Offeror whose proposal is most advantageous to the NMLA, taking into consideration the evaluation factors identified in this RFP.

INSTANT TICKET PRINTING AND RELATED SERVICES OFFEROR

The NMLA’s intent is to identify an instant ticket Offeror or Offerors that will provide the NMLA insight and strategies to increase instant ticket sales with a primary objective of maximizing revenue solely in accordance with the purposes set forth in the New Mexico Lottery Act (the “Act”). Given the Offeror community has wide ranging exposure and access to best practices as well as emerging technologies, the NMLA expects the chosen Offeror or Offerors to work collaboratively with the NMLA while providing services that meet or exceed industry standards.

The NMLA expects an instant ticket Offeror to produce instant games that lead to high player satisfaction for quality and performance, including colorful and attractive artwork, a variety of play styles, quality materials, innovative prize structures, and innovation and integration with technology.

The NMLA expects an instant ticket Offeror to produce instant games that are secure, maintain the integrity of the lottery and uphold public confidence.

The NMLA expects an instant ticket Offeror to take an active role in the New Mexico retail lottery environment by assessing retailer sales, inventory and marketing strategies.

PLAYER LOYALTY PROGRAM OFFEROR

The NMLA expects the Player Loyalty Program Offeror to provide the NMLA with a highly beneficial, cost-effective, secure, easy to use, interactive and architecturally sound Player Loyalty Program. The program will reward its current players, build player and retailer value by providing them with an incentive to continue playing and selling and attract the next generation of players.

1. GENERAL INFORMATION

1.1 Authority

This RFP is issued in accordance with the Act and the purchasing policies and procedures of the NMLA. All Offerors should read and be familiar with the Act (Attachment A).

This RFP is also issued in accordance with the Procurement Code of the State of New Mexico, NMSA 1978, §§ 13-1-28 through 13-1-199 (the “Procurement Code”).

The Procurement Code imposes civil and misdemeanor criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for bribes, gratuities and kick-backs.

1.2 Issuing Office and Offeror-Initiated Contact

The NMLA issues this solicitation document, and shall be the sole point of contact with regards to this solicitation. The NMLA is the only entity authorized to clarify, modify, amend, alter, or withdraw the specifications, terms and conditions of this RFP and any contract awarded as a result of this RFP.

Except as otherwise provided herein; all communications concerning this procurement must be addressed, in writing to: Purchaser, New Mexico Lottery Authority, PO Box 93130, Albuquerque, New Mexico, 87199-3130. In addition to sending communications by mail to such address, communications may be delivered to the Purchaser by e-mail at: rfp@nmlottery.com; or hand-delivered at the NMLA's physical address: 4511 Osuna Rd. NE, Albuquerque, NM 87109. Note, however, that an Offeror's proposal may not be submitted by email as outlined further in Section 2.2.

After issuance of this RFP, no Offeror-initiated contact related to this RFP will be allowed between an Offeror and any representative of the NMLA, including any member of its evaluation committee, Board of Directors, NMLA Chief Executive Officer ("CEO"), or NMLA staff, with the exception of the Purchaser as expressly set forth in this solicitation. Any such contact may disqualify an Offeror from further consideration. Requests for clarification by Offerors will be allowed provided that such requests are received in writing within the appropriate timeframe as outlined in this solicitation and are made through the above contact.

1.3 RFP Clarifications

This RFP will provide only the basic information necessary to submit a proposal. It is the Offeror's responsibility to examine the entire RFP and to seek clarification of any requirement, specification, term or condition that may not be clear. By submitting a proposal, the Offeror agrees that it has satisfied itself from its own investigation of the requirements to be met, and that it fully understands its obligations if awarded a contract under this RFP and will not make any claims for, or have any rights to, cancellation or relief without penalty because of any misunderstandings or lack of information.

If an Offeror discovers any error, ambiguity, conflict, discrepancy, exclusionary specification, omission, or other error in this RFP, it shall immediately notify the Purchaser in writing. If an Offeror fails to notify the NMLA of any error, ambiguity, conflict, discrepancy, exclusionary specification omission or other error which the Offeror discovered or reasonably should have discovered, the Offeror's response to this RFP is at the Offeror's own risk. If awarded a contract, the Successful Offeror shall not be entitled to additional compensation, relief, or time by reason of the error or its later correction.

1.4 Question and Answer Period

Written questions will be accepted from prospective Offerors via e-mail, hand-delivery or US mail, if the NMLA receives them no later than the date and time specified in the timetable in Section 2.1. Telephone inquiries will not be answered. All questions and answers will be e-mailed or mailed via US Postal Service by the NMLA to all Offerors who submitted questions or a letter of interest by the date indicated in Section 2.1, or who received a copy of the RFP. It is the sole responsibility of the Offerors to verify receipt of questions.

1.5 Revisions and Supplements

The NMLA reserves the right to amend this solicitation document prior to the final due date identified in Section 2.1 for Proposals Due. If it becomes necessary to revise any part of this RFP or if additional information is necessary to clarify any provisions of the RFP after proposals are received, the revision and/or additional information will be provided to all Offerors who submitted a proposal. Unless the RFP is amended in writing, it will remain unchanged.

The solicitation document may also be amended after submission of proposals. In such event, the amendments will be provided to Offerors, who will be permitted to submit new proposals or to amend

those submitted. If, in the opinion of the NMLA, a contemplated amendment significantly changes the nature of the procurement, the RFP will be cancelled and a new RFP issued.

1.6 Right to Use Information in Proposal

The NMLA has the right to use all ideas or adaptations of ideas contained in any proposal received in response to this RFP. Selection or rejection of a proposal shall not affect this right.

If an Offeror believes any portion of a proposal contains information considered to be confidential, or proprietary (price is not confidential) the Offeror must conspicuously mark across each page containing such confidential and/or proprietary information in large capital letters (16 point font or larger) the word "CONFIDENTIAL". NMLA is not responsible for dissemination of pages not so marked. By submitting a proposal, the Offeror releases the NMLA from any and all liability for dissemination of information contained on a page not so marked on the copy submitted to the NMLA. In the event an Offeror provides a proposal with any information designated as confidential, the Offeror must also submit an additional copy of its proposal with the confidential information redacted. The NMLA will review all requests for confidentiality and determine their validity and treat appropriate information as confidential to the extent permitted by law.

1.7 Retention of Proposals

It is understood that all proposals will become a part of the NMLA's procurement files and will not be returned to the Offeror. The NMLA incurs no obligation by retention of these proposals.

1.8 Copyrighted Proposals

Copyrighted proposals are unacceptable and will be rejected as non-responsive.

1.9 Incurred Expenses

The NMLA will not be responsible for any expenses, fees or costs incurred by the Offeror in preparing and submitting a proposal or otherwise responding to the RFP.

1.10 Oral Presentations

Any Offeror who submits a proposal in response to this RFP may be requested to make an oral presentation of its proposal to the NMLA. Such presentation shall in no way change the Offeror's proposal as originally submitted. The NMLA will schedule the times and location for these presentations, if required. The NMLA will not be responsible for any costs, fees or expenses incurred by the Offeror in making its presentation.

1.11 Proposal Tenure

All proposals must be valid for one hundred and eighty (180) calendar days from the proposal due date and will be considered valid for that period unless withdrawn in writing, prior to NMLA acting on the proposal.

1.12 Experience

Offerors submitting proposals for Instant Ticket Printing and Related Services must have experience in the design, manufacture, administration and marketing of instant games with on-line bar code validation bar codes, PDF417 bar code and UPC coding. Offerors must have a minimum of three (3) years related lottery experience and have current printing experience with at least two (2) US lottery jurisdictions who are members of the North American Association of State and Provincial Lotteries (NASPL).

Offerors submitting proposals for a Players Loyalty Program must have experience in designing, developing, testing, securing, hosting, administrating, maintaining, and upgrading (when necessary) an

integrated, comprehensive responsive web-based Player Loyalty Program. Offerors must have a minimum of one (1) year loyalty program experience with at least one (1) US lottery jurisdiction who is a member of the North American Association of State and Provincial Lotteries (NASPL).

1.13 Evaluation

The NMLA reserves the right to reject any proposal that deviates from the requirements, specifications, terms or conditions contained in the RFP, as well as the right to reject any proposal containing a statement, representation, warranty or certification determined by the NMLA to be materially false, incorrect, misleading or incomplete. The NMLA further reserves the right to reject the proposal of any Offeror who fails to abide by the requirements, specifications or terms and conditions contained in the RFP.

The NMLA reserves the right to obtain, from any and all sources, information concerning an Offeror that it deems pertinent to this RFP, and to consider such information in evaluating the Offeror's proposal.

An award will be made to a responsive Offeror whose proposal is determined to be the most advantageous to the NMLA, taking into account objective and subjective evaluation factors, such as: technical ability; financial stability; cost; services; experience and ability to deliver in the time frames outlined.

Discussions may be conducted with responsive Offerors who submit proposals for the purpose of clarification to assure full understanding of, and responsiveness to, the RFP requirements. Offerors will be accorded fair treatment with respect to any opportunity for discussion and revision of proposals, and such revisions may be permitted after submission and before award for the purpose of obtaining the best and final proposals.

1.14 Proposal Negotiations and Acceptance

The NMLA reserves the right to accept a proposal or proposals in whole or part. An Offeror will be strictly held to the terms submitted in its proposal as maximums, but may be required to reduce fees and/or costs depending upon the aspects of the proposal that the NMLA may determine unnecessary or for which the NMLA in its own discretion, decides to assume responsibility. Negotiations for a best and final offer may be conducted with responsive Offerors who submit proposals found to be reasonably likely to be selected for award. Proposals may also be accepted or rejected without any discussions or negotiations.

1.15 Rejection of Proposals and Cancellation of RFP

Issuance of this RFP in no way constitutes a commitment by the NMLA to award a contract. The NMLA reserves the right to reject any or all proposals received in response to this RFP, or any portion thereof, or to cancel this RFP if it is in the best interest of the NMLA to do so.

The NMLA may reject any response that is conditional, incomplete, or contains any material deviations. Any provisions of this document that are defined or referred to as requirements shall be considered mandatory. If all Offerors fail to meet one or more of the mandatory requirements, the NMLA reserves the right to continue the evaluation of the proposals and to select the response that most closely meets the requirements specified in this document.

After determination of the apparent Successful Offeror, failure or refusal on the part of the intended awardee to execute a contract as proposed within fifteen (15) working days of submission of the proposed contract for signature may be treated as repudiation of the contract at the sole discretion of the NMLA. The NMLA may then select an alternate proposal.

The NMLA reserves the right to cancel any and all elements of the procurement or rescind an announced award at any time up to and including execution of the actual contract with the Successful Offeror.

1.16 Background Investigations

In accordance with the Act, the NMLA will conduct investigations into the background of any firm, officers, principals, lawyers, employees, independent contractors or any associates of the Successful Offeror(s) it deems necessary, at its sole discretion. Such background investigations may include, but not be limited to: financial/credit and criminal matters; other inquiries, as deemed appropriate to verify information and conduct the background investigation; and fingerprint identification by the NMLA, the New Mexico Department of Public Safety and/or the Federal Bureau of Investigation.

1.17 Protest Process

Any Offeror who claims to be aggrieved in connection with the issuance of this RFP, the evaluation process or award of a contract may formally protest the NMLA's action. A written protest must be filed with the Purchaser and copies provided to the NMLA's CEO and the Board of Director's Chairperson within fifteen (15) calendar days after knowledge of the facts or occurrences giving rise to the protest. Any Offeror that has been sent written notice of any fact or occurrence, such as notice of the award, is presumed to have knowledge of the facts or occurrences. Protests not timely filed will not be considered.

To be considered valid, a protest must be received at the NMLA's office within the time outlined. The protest and noted copies shall be submitted to the Purchaser at the following address:

Physical address:
New Mexico Lottery Authority
Purchaser
4511 Osuna Road NE
Albuquerque, NM 87109

Mailing address:
New Mexico Lottery Authority
Purchaser
PO Box 93130
Albuquerque, NM 87199-3130

For an Offeror to protest, the protest must be in writing and must contain the following: name and address of the protesting party; the RFP number and title; a statement of the grounds for the protest, including identification of the procedure or statutory provision allegedly violated; a brief statement of the relevant facts; an identification of the issue or issues to be resolved; and any arguments and authorities in support of the protest, including any supporting documents and the ruling requested.

Upon filing of a timely protest, the NMLA will give notice of the protest to the Successful Offeror if an award has been made, or if no award has been made, to all Offerors who appear to have a substantial and reasonable prospect of receiving an award if the protest is denied.

The CEO may take any action reasonably necessary to resolve the protest and will deliver his/her findings and recommendations to the Board of Directors (Board). After reviewing the protest and the CEO's recommendation, the Board may take any action reasonably necessary to resolve the protest and will then make and issue a written determination on the protest, which may include: an order dismissing or rejecting the protest; an order cancelling the solicitation or award; ratifying, affirming or revising the Contract; or voiding the Contract. The written determination will be served on the protester and other Offerors involved in the procurement, by certified mail, return receipt requested, and the determination shall be administratively final when issued. The NMLA Board will make all final decisions on behalf of the NMLA concerning the award of the Contract.

1.18 Organization & Location of NMLA

The NMLA is a public body, politic and corporate, separate and apart from the state, constituting a governmental instrumentality. A board of seven directors who are appointed by the Governor governs the NMLA. The NMLA Board will have final approval of any contract awarded exceeding \$75,000, or where required by the Act, or referred thereto by the CEO. Approval of an Offeror's contract by the Board authorizes any future extensions as may be authorized by this RFP or by statute.

The CEO of the NMLA reports directly to the NMLA Board of Directors. The NMLA staffing consists of the following divisions: Executive, Administration, Gaming Products, Human Resources, Information Technology, Sales, Advertising & Marketing, and Security.

The NMLA operates out of a single administrative office including a claim center located in Albuquerque. There is a single building housing administrative staff, online Vendor staff and the warehouse. The online Vendor's field staff works out of their homes and vehicles. All NMLA employees are located in the administrative offices.

1.19 Purpose of the New Mexico Lottery Authority

The New Mexico Lottery's purpose is to maximize revenues to the State of New Mexico for the Legislative Lottery Scholarship Fund for resident undergraduates at New Mexico post-secondary educational institutions.

1.20 Instant Ticket History and Retailer Base

The NMLA has a retail network of approximately 1,100 retailers. 28% of these retailers (301 retailers) are in the Albuquerque area and account for about 52% of the instant ticket sales.

Net Instant Sales History in Millions

	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17
\$1	\$15.6	\$14.6	\$13.4	\$12.7	\$11.0	\$10.4	\$9.5	\$8.0
\$2	\$14.5	\$12.3	\$10.0	\$11.0	\$9.4	\$10.6	\$10.7	\$9.8
\$3	\$14.9	\$17.1	\$15.1	\$14.3	\$15.7	\$15.1	\$14.1	\$13.3
\$5	\$18.4	\$17.8	\$19.9	\$18.4	\$18.2	\$22.2	\$23.1	\$20.9
\$10	\$6.1	\$5.5	\$1.5	\$5.2	\$8.7	\$14.3	\$17.7	\$19
\$20	\$9.0	\$8.6	\$8.9	\$8.3	\$6.9	\$7.4	\$8.1	\$1.4
Total	\$78.4	\$75.8	\$68.7	\$69.9	\$69.8	\$80.0	\$83.1	\$72.4

1.21 News Release

Offerors for these services agree not to discuss with or disclose to any third party without the prior written approval of the NMLA: (1) the fact whether they have submitted, or intend to submit, a proposal; and (2) any information that is or may be included in the proposal.

The Successful Offeror(s) agrees not to use the NMLA's name, logos, images, or any data or results arising from this procurement process or contract award pursuant to this RFP as a part of any news release or commercial advertising or solicitation without prior written approval by the NMLA. The disclosure to any third party of the contents of a proposal prior to the award of a contract under this RFP may result in disqualification.

2. TIMETABLE & DELIVERY REQUIREMENTS

2.1 Timetable

ACTION	DATE	TIME
Notice of Proposal	October 18, 2017	
RFP Issued to Offerors	October 18, 2017	9:00 a.m. MT
Written Questions from Offerors Due Round 1	November 6, 2017	3:00 p.m. MT
Answers provided to all Offerors	November 13, 2017	3:00 p.m. MT
Written questions from Offerors Due – Round 2	November 27, 2017	3:00 p.m. MT
Answers provided to all Offerors	December 1, 2017	3:00 p.m. MT
Proposals Due	December 15, 2017	3:00 p.m. MT
Evaluation Period (including possible oral presentations and negotiations)	December 15, 2017 – February 21, 2018	
Award Contract	February 21, 2018 Board of Directors Meeting	TBD

These dates are for information and planning purposes only and may change during the course of the procurement process at the discretion of the NMLA's CEO. Potential Offerors will be informed of any material change in writing.

2.2 Response Packaging and Delivery

All proposals in response to this RFP must be received no later than **3:00 p.m. MT December 15, 2017**. Requests for extension of this deadline will not be granted. *Fax or electronic transmissions will not be accepted.* Mail or deliver proposal to:

Physical address for hand-delivery:
New Mexico Lottery Authority
Purchaser
4511 Osuna Road NE
Albuquerque, NM 87109

Mailing address:
New Mexico Lottery Authority
Purchaser
PO Box 93130
Albuquerque, NM 87199-3130

Postmark date will not constitute timely delivery. Responses received after the Proposal due date and time will not be considered. Offerors are solely responsible for ensuring timely receipt of their responses.

3. REQUIRED DETAILS

All Offerors must furnish all of the information requested in this Section 3 (Required Details) through Section 15 (Other Relevant Information); Section 31 (Professional Liability Insurance and General Liability Insurance); and, Section 34 (Litigation Bond), using a corresponding numbering system in their proposal.

3.1 Proposal and Cost Proposal

Offeror(s) shall submit separate proposals for the Instant Ticket Printing and Related Services and/or the Player Loyalty Program. For each proposal, the following conditions will apply:

No more than one (1) proposal will be accepted from any Offeror and that proposal must reference and address in sequence, each of the numbered sections and subsections of this RFP. Conciseness and clarity of content must be emphasized. Each page should be sequentially numbered. Failure to fully and directly respond will have a negative impact on the evaluation of the proposal and may result in the rejection of the proposal as non-responsive.

One original Offeror Proposal and seven (7) copies must be received by the NMLA at the address outlined in Section 2.2 no later than the date and time specified in Section 2.1. The original proposal shall be clearly labeled "ORIGINAL" and signed by a person in the organization with authority to legally bind the company.

The NMLA believes that its relationship with its Offerors should be a partnership. As such, the NMLA expects that the Successful Offeror will make a reasonable profit. However, the NMLA does not want to pay for services or products it does not need or use. Nor does the NMLA want to be involved in a compensation arrangement that is not the "best value" for the NMLA and the citizens of New Mexico. Cost proposals will be evaluated on the basis of thoroughness, completeness, value and simplicity to administer.

Offerors for Instant Ticket Printing and Related Services must submit one original cost proposal in the form of **Attachment D - Pricing for Instant Ticket Printing and Related Services. All such cost proposals shall be submitted in a separate sealed envelope that is clearly labeled "ORIGINAL COST PROPOSAL - INSTANT TICKET PRINTING AND RELATED SERVICES."**

Offerors for the Player Loyalty Program must submit one original cost proposal in the form of **Attachment E - Player Loyalty Program. All such cost proposals shall be submitted in a separate sealed envelope that is clearly labeled "ORIGINAL COST PROPOSAL – PLAYER LOYALTY PROGRAM."**

Someone in the organization who has the power to legally bind the organization must sign each cost proposal. An Offeror's inclusion of any cost information in a written proposal other than as set forth in this RFP may be cause for disqualification of that Offeror by the NMLA.

In preparing Offeror's proposed fee structure, please take note of the following:

Offeror must absorb the cost of familiarizing itself with the NMLA programs, policies and procedures, rules, and regulations and policy documents and any other relevant information shall be made available for Offeror's review at the NMLA's office in Albuquerque. Offeror should expect to devote a considerable amount of time for having its staff become familiar with NMLA policies and procedures, rules, and regulations. The NMLA will not pay for such work. Indicate how much time Offeror expects to devote to familiarizing itself with NMLA programs, policies and procedures, rules, and regulations, and provide a timetable for doing so.

3.2 Letter of Transmittal

Each Offeror must submit a Letter of Transmittal, that identifies the entity submitting the proposal, the scope of the proposal (Instant Ticket Printing and Related Services and/or Players Loyalty Club), and includes a commitment statement by the entity to provide the services required by the NMLA in this RFP. The letter must state that the proposal is valid for one hundred-eighty (180) calendar days from the “Proposals Due” date in section 2.1. Any proposal containing a term of less than one hundred-eighty (180) days for acceptance may be rejected. A person legally authorized to bind the Offeror to the representations in the response must sign the letter and the Offeror’s Commitment (**Attachment C**). Each Offeror should also indicate, in its Letter of Transmittal, why it believes it provides the best business solution for respective services and proposals required by the NMLA in this RFP.

Offerors for Instant Ticket Print and Related Services must include in the Letter of Transmittal an acknowledgment that they have reviewed and agree to be bound by the terms and conditions set forth in Part One Section 16 (Agreement Documents) through Section 44 (Procurement Goods and Services) and Part Two (Instant Ticket Printing and Related Services) of this RFP.

Offerors for Player Loyalty Program services must include in the Letter of Transmittal an acknowledgment that they have reviewed and agree to be bound by the terms and conditions set forth in Part One Section 16 (Agreement Documents) through Section 44 (Procurement Goods and Services) and Part Three (Player Loyalty Program) of this RFP.

If any Offeror takes exception to any of the proposed terms and conditions, those exceptions must be noted in the Letter of Transmittal. Each Offeror should realize, however, that failure to accept the terms and conditions may result in disqualification of its proposal.

3.3 Executive Summary

Each Offeror must provide an executive summary of its proposal, **excluding cost information**, which describes the manner in which Offeror intends to meet the performance requirements of the contract resulting from the RFP as set forth in Part Two (Instant Ticket Printing and Related Services) and/or Part Three (Player Loyalty Program), as applicable. If the Offeror proposes to provide services beyond those specifically requested in this RFP, those services must be identified. If the Offeror is offering services that do not meet the specific requirements of this RFP, but in the opinion of the Offeror are equivalent or superior to those specifically requested, any such differences must be noted in the Executive Summary. Each Offeror should realize, however, that failure to provide the services specifically required may result in disqualification. The Executive Summary must not exceed five (5) pages and should represent a full and concise summary of the contents of the proposal.

4. **BACKGROUND AND MANAGEMENT**

Each Offeror shall provide the following information in its proposal as required by Section 6-24-20 of the Act, or an explanation as to why the information is not applicable to it. Failure to provide the required information may result in disqualification or rejection of the proposal.

4.1 Business name and address of the Offeror submitting the proposal and the names and addresses of the following:

- 4.1.1 if the Offeror is a partnership, all of the general and limited partners;
- 4.1.2 if the Offeror is a trust, the trustee and all persons entitled to receive income or benefit from the trust;
- 4.1.3 if the Offeror is an association, the members, officers and directors;

- 4.1.4 if the Offeror is a corporation, the officers, directors and each owner or holder, directly or indirectly, of any equity security or other evidence of ownership of any interest in the corporation; except that in the case of owners or holders of publicly held equity securities of a publicly traded corporation, only the names and addresses of those owning or holding five percent or more of the publicly held securities must be disclosed;
 - 4.1.5 if the Offeror is a subsidiary company, each intermediary company, holding company or parent company involved therewith and the officers, directors and stockholders of each; except that, in the case of owners or holders of publicly held securities of an intermediary company, holding company, or parent company that is a publicly traded corporation, only the names and addresses of those owning or holding five percent or more of the publicly held security must be disclosed; and
 - 4.1.6 if the Offeror is a limited liability company, the managers, officers and members, and each owner or holder, directly or indirectly, of any ownership interest in the limited liability company.
- 4.2 The type of business entity (e.g. corporation, partnership, etc.). If the Offeror is a corporation, all jurisdictions in which the Offeror is authorized to do business and the nature of that business, and the place of incorporation if any.
- 4.3 A list of jurisdictions which the Offeror has contracts to supply gaming materials, equipment or services.
- 4.4 The details of any conviction by a federal or any state court of the Offeror or any person whose name and address is required under Section number 4.1, above, for a criminal offense punishable by imprisonment for more than one year. The Offeror shall submit to the NMLA a full set of fingerprints of such person made at a law enforcement agency by an agent or officer of such agency on forms supplied by the NMLA. Forms will be provided at an Offeror's request.
- 4.5 The details of any disciplinary action taken by any jurisdiction against the Offeror or any person whose name and address is required under Section 4.4, above, regarding any matter related to gaming services or the selling, leasing, offering for sale or lease, buying or servicing of gaming materials or equipment.
- 4.6 Audited financial statements of the Offeror for the preceding five years. If five years of audited annual financial statements are not available, provide: a statement indicating that five years of audited financial statements are not available; five years of unaudited financial statements certified by a company financial executive; and a statement regarding evidence of the financial stability of the Offeror, including the ability of the Offeror to perform the functions required by this RFP and to provide those services represented by the Offeror in its response. Financial information may be submitted on a USB flash drive.
- 4.7 A statement of the Offeror's gross receipts realized in the preceding year from gaming services and the sale, lease or distribution of gaming materials or equipment to jurisdictions operating lotteries and to private persons licensed to conduct gambling, differentiating that portion of the gross receipts attributable to transactions with states operating lotteries from that portion of the gross receipts attributable to transactions with private persons licensed to conduct gambling.
- 4.8 The name and address of any source of gaming materials or equipment for the Offeror, if applicable.
- 4.9 The number of years the Offeror has been in the business of supplying gaming services or gaming materials or equipment, if applicable.

5. IDENTIFICATION INFORMATION

5.1 The name, address, and telephone number, fax number and e-mail address of the Offeror's principal contact person regarding all matters relating to this RFP shall be provided.

5.2 The Offeror's Federal Employer Identification Number(s) and New Mexico Tax Identification Number(s) shall be provided.

5.3 The name and telephone number of all attorneys and law firms representing the Offeror in the State of New Mexico, if any.

6. SUBCONTRACTING

If the Offeror proposes to subcontract any part of the contract between the NMLA and the Offeror, the Offeror shall state in writing in the proposal a description of the subcontractor's organization and the proposed sub-contractual arrangements. The subcontractor must comply with all security and insurance requirements.

The Offeror is prohibited from subcontracting, assigning, or otherwise transferring any interest therein, of its power to execute such agreement to any other company, corporation, or entity without the previous consent and written approval of the NMLA. In the event the NMLA approves the use of subcontractors in performance of this contract, the prime Offeror shall continue to be liable to satisfy all the terms, provisions, and conditions of the RFP and contract.

7. FINANCIAL SOUNDNESS

An Offeror and any subcontractors must provide adequate information to permit an evaluation of its capabilities to undertake and complete satisfactorily any contract awarded pursuant to this RFP. Offerors must provide evidence of financial responsibility and stability for performance of a contract of this magnitude.

8. CONFLICT OF INTEREST

Each Offeror must disclose any potential conflict of interest relative to the performance of the requirements of this RFP. Any Offeror's employees who are former NMLA employees must be identified along with their position and responsibilities within the Offeror's organization. Also, any personal or business relationship between the Offeror, the principals, and employees assigned to this contract and/or of their immediate families with any employee of the NMLA or its Offerors or contractors must be disclosed. As of the time of this RFP, major NMLA Vendors are: Kilmer Kilmer Marshall Duran, NMLA advertising services; IGT, NMLA instant game ticket Vendor; Scientific Games, Inc., NMLA instant game ticket Vendor; and Intralot, NMLA on-line system Vendor. Any such relationship that might be perceived or represented as a conflict should be disclosed. Failure to disclose any such relationship may be a cause for contract termination or disqualification of the proposal.

9. CHANGES IN FINANCIAL CONDITION

The proposal must include a certification to notify the NMLA of a change in financial condition. If an Offeror experiences a material change in its financial condition during the period prior to the award of any contract pursuant to the RFP, or if an Offeror experiences a substantial change in its financial condition during the term of the contract or any extension thereof, the NMLA must be notified of the change in writing at the time the change occurs or is identified. Failure to notify the NMLA of such substantial change in financial condition during the period prior to the award of the contract or the term of

the contract and any extension thereof will be sufficient grounds for rejecting the proposal or terminating any contract.

10. CHANGES IN OWNERSHIP

The proposal must include a certification to notify the NMLA of a change in ownership. If an Offeror experiences a material change in its ownership during the period prior to the award of any contract pursuant to the RFP, or if the Successful Offeror experiences a substantial change in its ownership during the term of the contract or any extension thereof, the NMLA must be notified of the change in writing at the time the change occurs or is identified. Failure to notify the NMLA of such substantial change in ownership during the period prior to the award of the contract or the term of the contract and any extension thereof will be sufficient grounds for rejecting the proposal or terminating any contract.

11. OFFEROR'S UNDERSTANDING OF LOTTERY TICKET PURCHASES RESTRICTIONS

Pursuant to this RFP and any subsequent contract that results from this RFP, all employees of the Successful Offeror who are materially involved in providing the services requested by this RFP or the resulting contract are prohibited from purchasing tickets or participating in games and promotions offered by the NMLA. Offeror's proposal must include a description of a specific plan to ensure compliance with this requirement.

12. SUBCONTRACTOR'S UNDERSTANDING OF OFFEROR'S PROPOSAL

Each Offeror must provide a statement, signed by an individual authorized to legally obligate the subcontractor, attesting to the fact that the subcontractor has read and will agree to provide the services as represented by the Offeror in this proposal.

13. EXAMINATION OF REQUIREMENTS

Offeror should thoroughly examine this document and become fully aware of the scope of services required. Responses must be based solely on the information and materials contained in the final solicitation document and any addenda issued by the NMLA (including any relevant provision of the Act and the Procurement Code or its regulations).

If an Offeror fails to notify the NMLA of an error in this solicitation document which the Offeror discovered or reasonably should have discovered, the Offeror's response to this RFP is at the Offeror's own risk. If awarded the Contract, the Offeror shall not be entitled to additional compensation or time by reason of the error or its later correction.

By submitting a proposal, the Offeror agrees that it has satisfied itself from its own investigation, of the requirements to be met, and that it fully understands its obligations, if awarded a contract.

14. EQUAL OPPORTUNITY EMPLOYER

The NMLA requires that Offeror be an Equal Opportunity Employer. Please state that Offeror complies fully with all government regulations regarding nondiscriminatory employment practices.

15. OTHER RELEVANT INFORMATION

Please provide any other relevant information which will assist the NMLA in evaluating Offeror's ability to provide Instant Lottery Ticket Printing and Related Services and/or a Player Loyalty Program to the NMLA.

16. AGREEMENT DOCUMENTS

Any contract between the NMLA and a Successful Offeror will follow the general format specified by the NMLA. The NMLA reserves the right to negotiate provisions in addition to those stipulated in this RFP. The contents of this RFP, as modified by published addendums and the Successful Offeror's proposal will be incorporated into the contract. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: The Lottery Act, the written contract agreement, the RFP, questions and answers to the RFP and the Successful Offeror proposal. Specific exceptions to this general rule may be noted in the written agreement.

17. AMENDMENTS

The contract may be amended only by signed, written agreement of the parties.

18. LOTTERY'S CONTRACTING AUTHORITY

The contract resulting from this RFP shall be solely the obligation of the NMLA and is an operating expense of the NMLA payable solely out of the income, revenues, and receipts of the NMLA.

19. TERM OF THE INSTANT TICKET AND RELATED SERVICES CONTRACT

The term of the contract will be six (6) years. The NMLA shall have the sole option to extend the term of the contract at the same prices set forth in the original contract in whatever increments are deemed most advantageous to the NMLA for a total period not to exceed two (2) years. For each such extension, if any, the NMLA must provide written notice of the extension to the Successful Offeror at least 30 days prior to the expiration of the contract term, including any previous extension of the contract term, or at a time mutually agreed upon by both parties. If the NMLA becomes authorized to contract for a period of more than eight (8) years, the parties may mutually agree, in writing, to additional extensions as may be authorized without issuing a new RFP, but the total contract period may not exceed statutory authorization.

The NMLA reserves the right to re-negotiate prices at any time during the Contract term or any renewal period and any change must be mutually agreed upon.

20. TERM OF THE PLAYER LOYALTY PROGRAM

The term of the contract will be one (1) year. The NMLA shall have the sole option to extend the term of the contract at the same prices set forth in the original contract in whatever increments are deemed most advantageous to the NMLA for a total period not to exceed seven (7) years. For each such extension, the NMLA must provide written notice of the extension to the Successful Offeror at least 30 days prior to the expiration of the contract term, including any previous extension of the contract term, or at a time mutually agreed upon by both parties. If the NMLA becomes authorized to contract for a period of more than eight (8) years, the parties may mutually agree, in writing, to additional extensions as may be authorized without issuing a new RFP, but the total contract period may not exceed statutory authorization.

The NMLA reserves the right to re-negotiate prices at any time during the Contract term or any renewal period and any change must be mutually agreed upon.

21. OFFEROR'S CONTRACTING AUTHORITY

The Offeror warrants and represents that the person(s) named in Attachment C – Offeror's Commitment has the full right, power and authority to execute a contract on behalf of the Offeror.

22. CLARIFICATION OF INTENT

It is the responsibility of the Successful Offeror to discuss all questions with the NMLA's designated representative and achieve a clear understanding of its contractual obligations during the contract term. The NMLA will use its best efforts during normal business hours to provide reasonable and timely resolutions to questions of policy or procedure as they may affect the Successful Offeror's effort. The NMLA's normal office hours are from 8:30 a.m. to 4:30 p.m., Mountain Time, Monday through Friday, each week of the contract period, except for NMLA holidays.

23. RELATIONSHIP OF THE PARTIES

The Successful Offeror and the NMLA agree and understand that the Successful Offeror will render services under any resulting contract as an independent contractor and nothing contained in the contract will be construed to create or imply a joint venture, partnership, agency or any other relationship between the parties. The employees of the Successful Offeror will not be considered employees of the NMLA within the meaning of any Federal, State or local law, ordinance or regulation including, but not limited to laws, ordinances, or regulations concerning unemployment insurance, Social Security benefits, Worker's Compensation or withholding requirements. The Successful Offeror will be responsible for complying with any such laws, ordinances, or regulations, and will indemnify and hold harmless the NMLA from any costs or damages sustained by the NMLA resulting from the Successful Offeror's breach of its obligations under this section.

24. PAYMENTS

The NMLA will make monthly payments to the Successful Offeror within thirty (30) days of receiving an accurate and complete invoice. Assignments of liquidated damages and other amounts owed to the NMLA shall, at the option of the NMLA, be withheld from payments unless other arrangements are made and agreed to in writing by the NMLA.

25. FORCE MAJEURE

Except as otherwise provided, neither the Successful Offeror(s) nor the NMLA shall be liable to the other for any delay in, or failure of performance of, any requirement contained in the contract caused by force majeure. The existence of such causes of delay or failure shall extend the period of performance in the exercise of reasonable diligence until after the causes of delay or failure have been removed. Force majeure is defined as those causes generally recognized under New Mexico law as constituting impossible conditions not caused by or within the control of the party claiming a force majeure. Each party must inform the other in writing, with proof of receipt, within three (3) business days, of the existence of such force majeure or, otherwise, waive this right as a defense.

26. TERMINATION FOR CONVENIENCE

The NMLA reserves the right to terminate the Contract for convenience upon thirty (30) days written notice to the Successful Offeror. The NMLA shall incur no liability or obligation for products, materials or services not yet ordered if it terminates for convenience. If the NMLA terminates for convenience after an order for products, materials or services has been placed, the Successful Offeror shall be entitled to compensation upon submission of invoices and proper proof of claim, in that proportion which its services and products were satisfactorily delivered up to the time of termination.

27. TERMINATION FOR CAUSE

The NMLA reserves the right to immediately terminate the contract awarded pursuant to this RFP, in whole or in part, and the right to pursue any remedies authorized by law or equity, upon occurrence of any of the following conditions:

27.1 A receiver, conservator, liquidator, or trustee of the Successful Offeror, or of any of its property, is appointed by order or decree of any court or agency or supervisory authority having jurisdiction; or an order for relief is entered against the Successful Offeror, under the Federal Bankruptcy Code; or the Successful Offeror is adjudicated bankrupt or insolvent; or any portion of the property of any of the Successful Offeror is sequestered by court order and such order remains in effect for more than thirty (30) days after such party obtains knowledge thereof; or a petition is filed against the Successful Offeror under any state, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation, or receivership law of any jurisdiction, whether now or hereafter in effect, and such petition is not dismissed within thirty (30) days; or

27.2 The Successful Offeror files a case under the Federal Bankruptcy Code or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership, or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any case or petition against it under any such law; or

27.3 The Successful Offeror makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee, or liquidator of the Successful Offeror or of all or any part of its property; of judgment for the payment of money in excess of \$50,000.00 (which is not covered by insurance) is rendered by any court or governmental body against the Successful Offeror, and the Successful Offeror does not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within thirty (30) days from the date of entry thereof, and within said 30-day period or such longer period during which execution of such judgment shall have been stayed, protest therefrom and cause the execution thereof to be stayed during such protest while providing such reserves therefor as may be required under generally accepted accounting principles; or a writ or warrant of attachment or any similar process shall be issued by any court against all or any material portion of the property of the Successful Offeror, and such writ or warrant of attachment or any similar process is not released or bonded within 30 days after its entry; or

27.4 A court of competent jurisdiction finds that the Successful Offeror has failed to adhere to any laws, ordinances, rules, regulations, or orders of any public authority having jurisdiction; or

27.5 The Successful Offeror fails to communicate with the NMLA as required by the contract; or

27.6 The Successful Offeror fails to remove any person from work relating to the contract upon written notice from the NMLA; or

27.7 The Successful Offeror breaches an industry standard of confidentiality with respect to this RFP; or

27.8 The NMLA determines that the Successful Offeror has failed to substantially perform under the contract, which determination shall specify the events resulting in the NMLA's determination that the Successful Offeror has failed to substantially perform under the contract; or

27.9 The Successful Offeror fails to comply with any of the terms, conditions or provisions of the contract, in any manner whatsoever, or has failed to correct anything when notified.

27.10 The State enacts legislation or a law which removes or restricts the authority or ability of the NMLA to employ or utilize the product or service which is the subject of the Contract.

27.11 The NMLA Board of Directors does not appropriate monies for the contract or services provided herein.

28. PAYMENT OF TAXES

The NMLA shall have no responsibility whatsoever for the payment of any federal, state or local taxes that become payable by the Successful Offeror, officers, or employees, by reason of the contract. The Successful Offeror shall pay and discharge all such taxes, license fees, levies, and other obligations or charges of every nature.

29. SUCCESSORS AND ASSIGNS

Subject to the limitations on assignment contained herein, the contract shall inure to the benefit of, and be binding upon, the successors and assigns of the respective parties hereto.

No right or obligation of the Successful Offeror under any contract resulting from this RFP may be assigned by the Successful Offeror without the prior written approval of the NMLA, and in the event of any 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 Successful Offeror is thereunder bound and obligated. No assignment, if any, shall operate to release the Successful Offeror from its liability for the prompt and effective performance of its obligations thereunder.

30. INDEMNIFICATION

The Successful Offeror shall indemnify and hold harmless the NMLA, its officers, agents, and employees, from liability of any nature or kind arising out of or relating to the products and services provided under the contract, including, but not limited to, any claim, suit or actions based on acts, errors or omissions in connection with the products and services provided under the contract, or any act, error or omission by the Successful Offeror's employees or independent contractors, or resulting from the exercise by the NMLA of its rights as set forth in the RFP or contract, whether the claim or suit is based on negligence, wrongful acts or omissions of the Successful Offeror or the NMLA, or the conduct of either is subjected to a strict liability standard, or on the basis of any other culpable conduct; and the Successful Offeror shall defend all such claims and litigation, including the payment of the NMLA's attorney's fees and costs, whether such litigation or claims are frivolous or not.

31. PROFESSIONAL LIABILITY INSURANCE AND GENERAL LIABILITY INSURANCE

The Successful Offeror must include a statement in its proposal describing the professional liability and general liability insurance of the types described herein, that the Offeror carries, including: amounts of any per claim and aggregate limits; the amounts of deductibles; and the name and address of the carrier. If the insurance per claim and aggregate limits do not meet the specifications included in this RFP for general and professional liability insurance, the Offeror shall include a statement certifying that the Offeror will increase its limits to the requirements set forth in the RFP if it is chosen as the Successful Offeror. Under any contract entered into pursuant to this RFP, the Successful Offeror shall maintain professional liability insurance covering all liabilities and risks inherent in the Successful Offeror's performance of the services required under the contract(s), and general liability insurance to cover any additional liabilities and risks that could be incurred in connection with performance of the duties under the contract(s). The Successful Offeror's professional liability insurance policy must provide per claim and aggregate limits of at least two million dollars (\$2,000,000.00), must provide for a per claim/aggregate deductible in an amount reasonable for a firm of the Successful Offeror's size and

financial condition, and must be in a form acceptable to the NMLA. The Successful Offeror's general liability insurance must provide per claim and aggregate limits of at least one million dollars (\$1,000,000.00), must provide for a per claim/aggregate deductible in an amount reasonable for a firm of the Successful Offeror's size and financial condition, and must be in a form acceptable to the NMLA. The Successful Offeror must provide the NMLA with acceptable certificates of insurance in force at the time of the inception of the contract and at each anniversary date, extension or renewal of the contract, which provides for not less than thirty (30) days' notice to the NMLA of non-renewal or cancellation. The Successful Offeror shall immediately notify the NMLA in the event of any cancellations, modifications or changes in the amounts of coverage provided under such professional liability coverage. Failure to have, maintain and continue professional and general liability coverage in the amount and form specified in the contract shall be cause for immediate termination of the contract and shall not require the notice provided for in Section 26 (Termination for Convenience).

32. PERFORMANCE BOND

The Successful Offeror, upon execution of a contract, shall be required to provide a performance bond in the amount of five hundred thousand dollars (\$500,000). The performance bond shall be in favor of the NMLA as principal. The performance bond is forfeited to the NMLA if the Successful Offeror defaults in the performance of the contract. The performance bond must be in a form approved by the CEO.

The bond must be executed by a company authorized to do business in the State of New Mexico and must meet the approval of the NMLA. The Offeror must pay the cost of the bond. The bond must be drawn in such a manner that, at any time it may be assessed all damage payments due the NMLA under the provisions of the RFP and the contract, which have not been received by the NMLA within thirty (30) calendar days after written notice of their being incurred has been received by the Offeror.

33. SELF-INSURANCE

The Successful Offeror may not elect to provide entirely or in part for the protection described for professional liability, errors and omissions, and general liability, through self-insurance provisions. A deductible is not considered as self-insurance unless the deductible amount exceeds one (1%) of the insurance policy's face amount.

34. LITIGATION BOND

The Successful Offeror shall certify in its proposal that the bonds required by the RFP will be obtained if it is chosen as the Successful Offeror. Each Offeror must submit a litigation bond or letter of credit in the amount of five hundred thousand dollars (\$500,000) with their proposal. No proposal will be considered unless the litigation bond is included in the proposal. A claim upon the bond would be made by the NMLA if: 1) the Offeror sues the State of New Mexico, the NMLA, the Evaluation Committee, any employees of the NMLA, any NMLA Authority member, or any individual member thereof, over the award of contracts as a result of this RFP; 2) the Offeror loses the lawsuit; and 3) a court determines that the action or any portion thereof was frivolous, or was brought in bad faith or was not brought upon any reasonable grounds. The purpose of the litigation bond is to discourage frivolous lawsuits by permitting the NMLA to recover the damages caused by the frivolous lawsuit. The Offeror shall pay the cost of such bond.

35. BONDS AND INSURANCE QUALIFICATIONS

All required bonds and insurance must be issued by companies that are financially rated A or better and may be written by a company not licensed to do business in the State of New Mexico, but the carrier must be acceptable to and approved by the NMLA.

36. CERTIFICATION OF INSURANCE AND BOND COVERAGE

The Successful Offeror(s) must provide the NMLA with applicable certificates of insurance and bond coverage, in force at the time of the inception of the contract and at each anniversary date, extension or renewal of the contract, which provides for not less than thirty (30) days' notice to the NMLA of non-renewal or cancellation. The Successful Offeror shall immediately notify the NMLA in the event of any cancellation, change of insurance/bond companies, modification or change in the amounts of coverage provided under such general and professional liability policies. Failures to have, maintain, and continue insurance and bond coverage in the amount and form specified shall be cause for immediate termination of the contract. The NMLA will be named as an additional insured on all policies and certificates of insurance, as allowed.

37. OWNERSHIP AND PROPRIETARY RIGHTS

All materials developed or acquired by the Successful Offeror shall become the property of the NMLA. Nothing developed or produced in whole or in part, by the Successful Offeror shall be the subject of an application for copyright or other claim of ownership by or on behalf of the Successful Offeror. The Successful Offeror will agree to transfer to the NMLA all intellectual property rights to the materials developed or delivered under any agreement resulting from the RFP.

38. NON-EXCLUSIVE RIGHT

Nothing in this RFP or any contract, agreement or amendment resulting from this RFP shall preclude the NMLA from purchasing the same or related services from others.

39. APPLICABLE LAWS

The Successful Offeror will comply with all applicable laws while performing under the terms of the contract.

40. ACCOUNTING AND OTHER RECORDS

The Successful Offeror is required to maintain its books, records, and other evidence pertaining to the contract in accordance with Generally Accepted Accounting Principles and other applicable industry record keeping standards. These records shall be available to the NMLA, its Internal Auditor or other designees at all times during the contract period and for a minimum of five (5) full years from the expiration date or the final payment of the contract, whichever is later.

41. SEVERABILITY

If any provision of the contract, or the application of any such provision to any person or circumstance, shall be declared to be unenforceable or void, such decision shall not have the effect of voiding the remainder of the contract, it being the intent and agreement of the parties that the contract shall be deemed amended by modifying such provision to the extent necessary to render it legal and enforceable while preserving its intent or, if such modification is not possible, by substituting therefore another provision that is legal and enforceable and that achieves the same objective.

42. NON-DISCLOSURE AGREEMENT

The Successful Offeror, and its agents and employees shall be required to execute a non-disclosure agreement similar to the one provided in **Attachment B**.

43. **CHOICE OF LAW**

Both this RFP and the resulting contract shall be interpreted and governed by the laws of the State of New Mexico.

44. **PROCUREMENT OF GOODS AND SERVICES**

The Offeror agrees that goods and services that enhance or support instant ticket sales and/or the NMLA's Player Loyalty Program, which are not identified within the incorporated provisions of the RFP or otherwise set forth in the contract resulting from the RFP, but which are of a nature similar to those used in the lottery industry, may also be procured or provided by the Offeror at the NMLA's request and approval. The NMLA is solely responsible for all cost associated with such goods and services provided pursuant to this section. The goods and services which may be procured include, but are not limited to, computer hardware and software, supplemental training programs, system support services and staffing, promotional vehicles, ticket dispensers or other equipment, and consultative services and related goods and services for the effective operation of the lottery. All costs will be provided as a pass-through charge as net cost, without mark up and shall be based on normal availability of the requested product or service.

PART TWO - INSTANT TICKET PRINTING AND RELATED SERVICES

1. SCOPE & SPECIFICATIONS FOR INSTANT TICKET PRINTING AND RELATED SERVICES

A successful instant ticket Offeror will be a supplier of Instant Ticket Printing and Related Services. The NMLA may designate any successful Offeror as an instant ticket service provider. An Offeror must comprehensively describe the services to be provided, the Offeror's experience providing the services outlined, and describe how the Offeror will fulfill the components below:

The NMLA reserves the right to award contracts to multiple Offerors. There is no guarantee that the NMLA will order any specific number of tickets from any particular Successful Offeror. There is the potential that services from one or more of the Successful Offerors would not be utilized at all.

1.1 The Offeror must provide the expertise, services, and supplies necessary to assist the NMLA in the planning, design, implementation, and measurement of an instant ticket product line.

1.2 The Offeror will be responsible for the instant ticket production, security of the process and tickets, and secure delivery to a warehouse designated by the NMLA.

1.3 The Offeror must work collaboratively with the NMLA in the design of instant ticket games, in accordance with a schedule set by the NMLA in conjunction with the Offeror, to make possible the winning of an immediately payable prize and/or provide for the possibility of winning future prizes or prize opportunities, such as entries into second chance prize drawings.

1.4 The Offeror must print and supply tickets containing licensed products from third party Offerors, subject to contractual agreement between the NMLA and the third party.

1.5 If requested, the Offeror will purchase non-cash prizes, either merchandise or annuities (either fixed period of lifetime) from third parties, as needed to fulfill elements of game prize structure, for the benefit of the NMLA. The Offeror will submit evidence of either prior facilitation of such fulfillment on behalf of another Lottery, or the capability of same.

1.6 The Offeror must coordinate with other NMLA Offerors and NMLA to ensure system integration and compatibility with the NMLA online gaming system.

1.7 The Offeror must provide access to the same technology and product options the Offeror may develop during the life of the Contract, and/or offer to its other instant game customers.

1.8 The Offeror must present new technology-based product options to the NMLA on a regular basis; emphasis should be on stable, proven services the Offeror can support with at least the same level as similar products or services already described in the RFP.

1.9 The Offeror may procure instant ticket dispensers, menu boards, and accompanying equipment on behalf of the NMLA for use by the retailer network.

1.10 The Offeror must assist with enhancing corporate account connections, and provide sales force training and seminars for retailers based on best practices. If the Offeror is unable to provide these services, they will contract with mutually agreed upon third parties to do so.

1.11 A successful Offeror must provide an Instant Ticket Marketing Plan for the next three (3) years, ensuring that it helps to achieve the goals and objectives of the NMLA. Currently, the NMLA has a 30% mandated return to the State of New Mexico; please describe how the Marketing Plan may be impacted if the New Mexico Legislature eliminates the 30% requirement.

1.12 In addition, the Successful Offeror at no additional cost may offer other components to the NMLA.

1.12.1 The Successful Offeror will always be responsible for the performance of any contractual obligations that may result from an award based on this RFP and shall not be relieved of non-performance of any or all subcontractor(s).

1.12.2 A response to this RFP must identify any joint Offeror or subcontractors and describe the contractual relationship between the Offeror and each joint Offeror or subcontractor.

1.12.3 An official of each proposed joint Offeror or subcontractor must sign and include, as part of the response to this RFP, a statement to the effect that the joint Offeror or subcontractor has read and will agree to abide by these Successful Offeror(s) obligations.

1.12.4 The Successful Offeror(s) must obtain written approval from the NMLA before subcontracting any portion of the contract requirements.

1.13 Other Offeror Requirements

1.13.1 The Successful Offeror must maintain in current status all federal, state and local licenses and permits required for the operation of the business conducted by the Offeror, as applicable to this RFP. This must be done on the Offeror's own time and at the Offeror's own expense which is not reimbursable by the NMLA and is not to be included in the Offeror's cost proposal.

1.13.2 The Offeror must furnish proof of its competence and qualifications to provide the requested products/services to the satisfaction of the NMLA. The engagements submitted as technical references must demonstrate similar requirements to those of the NMLA for high integrity and compliance with procedures, due to high public visibility and intense scrutiny by governmental agencies, as well as, the impact errors would have on the NMLA's credibility. Offerors shall describe any additional aspects or advantages of its products/services in any relevant area not covered elsewhere in its proposal.

2. STAFFING FOR INSTANT TICKET PRINTING AND RELATED SERVICES

During the term of the contract, the Successful Offeror shall not employ or permit the employment of unfit or unqualified person(s) not skilled in the tasks assigned to them. The Successful Offeror shall at all times employ sufficient labor to process work to full completion in the manner and time prescribed by any contract awarded pursuant to this RFP. The Successful Offeror shall be responsible to the NMLA for the acts and omissions of the Successful Offeror's employees (or subcontractors or independent contractors, if permitted by the NMLA). In addition, the Successful Offeror shall provide, at all times, adequate supervision and direction of Successful Offeror's employees to ensure compliance with and performance of all terms, conditions and obligations under the contract.

Any person employed by the Successful Offeror shall, at the written request of the NMLA, be removed forthwith by the Successful Offeror from work relating to the contract. If the person is not removed or if replacement personnel are deemed unqualified for proper completion of the work, the NMLA may immediately terminate the contract.

The Successful Offeror will be required to notify the NMLA within three (3) business days in the event of personnel changes of supervisor or management level personnel assigned to the contract. The Successful Offeror will be required to notify the NMLA of any material change in background status of any of Offeror's personnel assigned to work under the contract, including, but not limited to, misconduct, or arrest for any felony or gaming related offense in this or any other state. This notification will be given

with sufficient time, which will be determined by the Executive Vice President of Security, to allow for a background investigation to be performed on any Offeror employees that will be replacing current Offeror personnel. Offeror, lay staff and field personnel will be subject to cooperating in a background investigation and any updates, as may be required by the NMLA.

Offeror must provide information on how the Offeror will staff the NMLA account, including staff positions, functions, areas of responsibility, and experience. Include an organization chart indicating reporting relationships, and resumes for all proposed staff positions that will serve the account. The positions should be provided, but not limited to, the following:

Account Services Team:

2.1 Account Representative

This is the primary contact person responsible for communication between the NMLA and the Offeror as it relates to the development of instant ticket games and corporate Offeror relations. At a minimum, the Offeror's account representative will visit the NMLA's corporate office on a monthly basis, or more often if needed. The representative shall in no way be considered an employee of the NMLA and all compensation of any kind for said representative shall be provided by the Offeror. The representative must have the following expertise or knowledge or be able to gain quick access to the following fields or expertise:

- 2.1.1 Game design (names, themes, playstyles, graphics)
- 2.1.2 Prize structure development
- 2.1.3 Lottery industry trends
- 2.1.4 Marketing
- 2.1.5 Retail sales
- 2.1.6 Promotions
- 2.1.7 Data processing
- 2.1.8 Accounting
- 2.1.9 Security

2.2 Account Executive

This person is responsible for the accuracy of all content in the development of the Working Papers, proficient with and knowledgeable about the printing processes and continuous quality inspection of the final product. The representative must have the following expertise or knowledge or be able to gain quick access to the following fields of expertise:

- 2.2.1 Game design (names, themes, playstyles, graphics)
- 2.2.2 Production scheduling and support
- 2.2.3 Printing processes
- 2.2.4 Prize structure development

2.3 Graphic Team

The graphic team is responsible for the creative design and final ticket graphic output. They should be proficient with and have in depth understanding of the New Mexico culture and the ability to apply this to ticket designs.

2.4 Additional Support Team

Any other employees that would be involved with the NMLA account to support any promotion designed by the NMLA and the Offeror.

3. TICKET SPECIFICATIONS AND PRODUCTION REQUIREMENTS

The Production and Delivery Schedule shall begin on the date the Working Papers are executed. Games must be delivered within thirty (30) working days from game execution. "Working Days" means weekdays, excluding Saturday and Sundays and holidays recognized by the NMLA. Changes in the Delivery Schedule must be requested in writing by the Offeror and approved by the NMLA.

3.1 Algorithm

If necessary, the Offeror shall develop and test an instant ticket algorithm, which shall become the sole property of the NMLA. Currently the NMLA uses a three (3) digit game number but it may be necessary to convert that to a four (4) digit game number which would require a new algorithm.

As may be negotiated by the parties, the Offeror shall furnish an auto-cash algorithm(s) compatible with the NMLA on-line Vendor's system or any other future system it may employ during the term of the contract.

3.2 Client Standards and Working Papers

Client Standards will be generated by the Offeror for all instant games with NMLA approval. The Working Papers will be generated for each instant game with specific game information, with NMLA approval, and a final Executed set of Working Papers for each game.

3.3 Prize Structures

The Offeror shall consult with the NMLA to develop the prize structure for each game. The NMLA has final approval for all prize structures.

Each pack of tickets must contain a guaranteed dollar value of low-tier prizes as specified by the NMLA in the executed working papers. Four (4) different configurations of low-tier prizes must be equally and randomly incorporated in each pool and throughout all pools in the game. The different ways to win a low-tier prize within a GLEPS configuration will be randomly placed within a pack of tickets. Each configuration must have the same total dollar value of low-tier winners, but each will have varying numbers of winner of various denominations. Low tier is currently defined as a prize value of \$25.00 or less.

3.4 End of Production Prize Structure

An "End of Production Prize Structure" (EOPPS) will be provided which will accurately state the total number of tickets and total number of winning tickets, by prize type, for all prizes contained in the tickets delivered to the NMLA. Acceptable balancing standards for low, mid and high tier prizes must be addressed in the Client Standards and/or Working Papers.

3.5 Randomization

The odds of winning any prize of any level on a given ticket must not vary from the odds or winning that prize as stated in the final approved prize structure by reason of deficiencies of randomization including,

without limitation, by virtue of the ticket's location in its strip, pack, carton, shipping box, or pool; or by virtue of the contents (whether exposed or covered with scratch-off material) of any other ticket in the same or neighboring strip (page), shipping box, or pool.

High-tier winners must be randomly distributed within the pools of tickets or the game as a whole as specified by the NMLA in the executed working papers. The size of said pools must be agreed to by the NMLA and the Successful Offeror.

The Successful Offeror must be able to limit the number of consecutive non-winning tickets in a pack. The maximum number of consecutive non-winning tickets within a pack will be specified in the executed working papers by the NMLA.

The NMLA reserves the right to inspect the methodology and implementation of such randomization on its own or with the aid of an independent consultant at any time.

3.6 Ticket Size

The following are approximate sizes. Alternate sizes may be bid, however the sizes listed below, or the approximate equivalents are required sizes:

3.6.1 2.5" x 4.0"

3.6.2 4.0" x 4.0"

3.6.3 6.0" x 4.0"

3.6.4 8.0" x 4.0"

3.6.5 10.0" x 4.0"

3.6.6 12.0" x 8.0"

3.7 Fan-Folding

All Games – Continuously fan-folded. Each pack shall be assembled to maintain the consecutive order of the tickets in the packs. The pre-cut and stacked tickets shall be delivered in packs of 15, 30, 60, 100, 150, 300. Each pack shall be folded so that one side contains at least one ticket back and the other side contain at least one ticket front.

3.8 Perforation

Deep perforations between each ticket to allow for easy separation, but strong enough to prevent breaks in normal handling and dispensing from ticket dispensers and Self-Service Lottery Terminals (SSLTs). Tickets to be perforated (16 T/inch, .032 tie).

3.9 Ticket Artwork

Artwork shall be designed by the Offeror, with direction provided by the NMLA. Final approved artwork shall be provided to the NMLA via email in a format agreed upon by the NMLA and the Offeror.

Artwork also may be provided by the NMLA, local artists, or other Offerors with licensed properties. The Offeror will work with the NMLA and other contractors to ensure the ticket artwork and associated graphics, such as the creation of QR Codes, is successful.

3.10 Ticket Orientation

The NMLA will require tickets to be printed in both horizontal and vertical formats. The Offeror will be disqualified if it cannot or will not produce tickets in both formats at the same price. Perforations will be required to be placed on the four-inch (4") side of the ticket regardless of the vertical or horizontal format.

Font Generation

All imaged data (computer controlled) or graphic fonts (display printing) used in instant games whether they are standard, customized or licensed must be approved by the NMLA and provided at no additional cost.

3.11 Imaged Data

The game data will include, but not be limited to the following items: symbols, legends, captions, retailer codes, ticket numbers, validation numbers, inventory control data, UPC, and bar codes. These must be printed using a computer controlled imaging printer. Imaged data must meet the following requirements:

- 3.11.1 Printed in black or colored ink approved by the NMLA on the display printing side.
- 3.11.2 Uniformly positioned and aligned on the tickets, unless otherwise specified in the Client Standards for Instant Games and/or Executed Working Papers (as defined in Section 3.2) to prevent potential pick-out problems associated with said positioning and alignment.
- 3.11.3 Sufficiently legible so as to be readily discernible to a person with normal vision under normal conditions as determined by the NMLA representative at game sign-off.
- 3.11.4 Accompanied by appropriate captions and legends for play and prize symbols to provide redundancy for security reasons, to prevent consumer disputes and/or to preserve alignment between play and prize position on the ticket. Captions and legends must spell out or abbreviate the play and prize symbols in type smaller than the play and prize symbols themselves in a different but recognizable form. The captions and legends that will be used in each game shall be specified in the Executed Working Papers and agreed to by the NMLA.
- 3.11.5 No instant ticket will contain more game data than authorized in the Client Standards for Instant Games and/or Executed Working Papers.
- 3.11.6 All game data must meet NMLA requirements, industry standards and as specified in the Client Standards for Instant Games and/or Executed Working Papers (as defined in Section 3.2).

3.12 Ticket Stock

Ticket stock: Standard ten (10) point, coated one side, card stock. We prefer recyclable whenever possible, and understand that on some tickets it cannot be, based on material used. The stock must all be compatible with the SSLT's in use now and in the future.

If Offerors suggest other printing techniques and combinations that are of equal or better quality than indicated above, please suggest and detail those options in the proposal.

3.13 Scratch-Off or Exposing Material

The scratch-off or other exposing material shall be opaque and of such quality as to maintain the security of the ticket's symbol and validation number. The scratch-off material shall appear and feel smooth and regular to the touch, shall be completely and easily removable by scraping or rubbing with a fingernail, and shall fragment when so removed without causing dusting. The scratch-off material shall not be chemically or dermatologically irritating. It must cover the play area and overlay into the display area.

3.14 Protective Coating

The "play symbols" under the opaque scratch-off material must be covered in such a manner that the symbols are protected when the consumer scratches off the opaque covering. Graphic design of the ticket

may require that the release coat (UV coating) and the opaque scratch-off material over the protected symbol area be an irregular or unique shape and exceed the actual play area.

3.15 Security Tint

Each game will include a security tint in the play area on either or both the lily pad or seal coat which provides security against color copying. Security tints are required regardless of paper stock or printing process. The color tint used shall be determined by the NMLA representatives utilizing the Executed Working Papers.

3.16 Display Printing

Display printing on the front of the ticket shall be performed using four (4) process colors, and/or spot colors, with full bleeds. A combination of any of the process colors and spot colors could total six (6) colors, at the NMLA's option. Spot colors may be specified by the NMLA as PMS (Pantone® Matching System) colors or equivalents. The NMLA recognizes that certain ticket options may lend themselves better to one process than the other, and NMLA will specify the most efficient and cost-effective system that meets its marketing goals and quality standards for any given press run.

3.17 Overprint

At the NMLA's option, a six (6) color overprint, consisting of up to four (4) process colors plus two (2) spot colors, must be available for printing on top of the scratch-off material. The overprint shall consist of an artistic design that covers at least the same dimensions as the scratch-off material. The overprint shall be well defined, unblurred, and sharp in order to highlight any tampering of the ticket.

3.18 Scenes

Up to four (4) multiple scenes or continuous scene games.

3.19 UV Coating

All games will be required to have a full UV coating.

3.20 Ticket Back

Information on the back of the ticket will be determined between the NMLA and the Offeror, with the NMLA having final authority.

3.21 Ticket Numbering

The twelve (12) digit sequential Game-Pack-Ticket number will be imaged on the back of the ticket. The numbers will represent a three (3) digit game number, a six (6) digit pack number starting at 000001, and a three (3) digit ticket number starting at 000. Ticket numbers will be consecutive and no omissions will be permitted within any pack.

3.22 Pack Size

Subject to ticket size and price point, the pack size will be either 15, 30, 50, 100, 150 or 300 tickets with optional pricing for alternate sizes. Game insert cards must be included in each pack and will never cover the barcode.

3.23 Bar Coding

3.23.1 The Offeror must be able to produce bar codes of commercial quality that meet American National Standards Institute/International Organization for Standardization (ANSI/ISO) standards. The quality of all barcodes shall enable readers to achieve a first pass read rate of 99% or higher.

- 3.23.2 The Offeror shall provide barcode encoding solutions established as North American Association of State and Provincial Lotteries (NASPL) best practices or standards.
- 3.23.3 The NMLA uses bar code validation for all prize levels. A 2-of-5 bar code shall be printed on the back of tickets and will include human readable numbers above the bar code. This is an “intelligent” barcode that will identify low-tier winning tickets. The barcode will contain twenty-two (22) digits and will represent: a three (3) digit Game number, a six (6) digit Pack number, a three (3) digit Ticket number, and an encrypted ten (10) digit Validation number based on the NMLA algorithm.
- 3.23.4 The NMLA uses PDF-417 compressed bar codes under the rub-off material on the front of the ticket. Offerors’ proposals must describe their PDF-417, the processes and features they use to secure instant tickets.

3.24 UPC Barcode

A unique UPC barcode will be supplied by the Offeror at the Offeror’s expense for each game, and printed on the back of all instant tickets. The current NMLA code information is 6 08358 00GGG C, where GGG is the 3-digit game number and C is the check code digit.

3.25 Validation Number

Each ticket must contain a unique keyless ten (10) digit number imaged on the front of the ticket, based on the NMLA algorithm, covered by a latex coating. The first eight (8) digits will be the validation number followed by a two (2) digit check code. Three (3) digits will be boxed, signifying the security digits, and the box will float among the eight (8) digit validation number, varying from ticket to ticket.

3.26 Retailer Validation Codes

Each ticket will have a three (3) letter validation code for use by retailers for sight validation of low tier tickets. Low tier tickets are defined as any prize of twenty-five dollars (\$25.00) and under or as otherwise specified in the Executed Working Papers. These characters must float horizontally and vertically throughout the imaged area and appear randomly in not less than six (6) locations as specified in the Executed Working Papers.

3.27 Non-Winning Ticket Information

The Offeror shall provide individual secure internet files for non-winning tickets containing non-winning ticket validation information in accordance with the final prize structure after printing. Following the printing of a game, non-winning validation files will be sent to the NMLA’s designed Offeror(s) for its rewards program or second chance internet drawings, per the technical requirement of the NMLA and its designated Offeror(s).

3.28 Pre-Production Audit Steps

The Offeror shall follow the following pre-production audit steps:

- 3.28.1 Compare the game data file to the game image file to ensure the game is in compliance with the Executed Working Papers specifications and prize structure.
- 3.28.2 Examine the test data to determine if it would detect errors in the tickets printed for the game without exception.
- 3.28.3 Read test print images of all the game’s possible ticket images to verify image fonts.
- 3.28.4 Test Pool Reports.

- 3.28.5 Verify all parameters are met or that program will abort once parameter is violated.
- 3.28.6 Verify that the symbols are mapped correctly with a programmatic generation of play data.
- 3.28.7 Verify that the program can produce every winning type in the prize structure.
- 3.28.8 Examine 2 examples from low-tier, mid-tier and high-tier winners to ensure the game is playing correctly.

3.29 Post-Production Audit Steps

The Offeror shall follow the following post-production audit steps:

- 3.29.1 Compare time and date of programs used to produce game audit reports and error messages to ensure version of code run in production matches code run in Pre-Production Audit.
- 3.29.2 Compare the Prize Structure Summary Report (lists # of winners in each pool produced) to the seeding of high-level winners as presented in the Executed Working Papers. (For exact # of winners used in the End of Production Prize Structure (EOPPS)).
- 3.29.3 Prize Guarantee: Prizes will constitute no more than the percentage of gross revenue as determined by the NMLA prior to production of tickets and guarantee that larger prizes are all present in delivered tickets within tolerances agreed to in the Executed Working Papers.

3.30 Audit Report

The Offeror will provide the NMLA internal auditor with electronic copy of the Audit Reports for each game printed within thirty (30) days of production.

3.31 Agent Samples

Actual non-winning sample tickets in actual pack size shall be delivered with each game. The Validation number and security code will be all zeros (0). Tickets submitted shall be machine-made and not handmade or contrived samples. All sample tickets will have the word “void” or “sample” printed on the back. The number of sample packs varies according to the price point of the game.

3.32 Insert Cards

The Offeror shall supply insert cards for use in ticket displays for each game printed. These cards display modified artwork to highlight the main features of the ticket and its price point. These cards are included in each pack of tickets.

When the NMLA orders games with non-standard printing techniques, such as metallic or fluorescent inks or on non-standard paper, such as foil or holographic, the Offeror will provide the insert cards utilizing the same non-standard inks or papers at no additional cost to the NMLA.

In addition, the Offeror will deliver the artwork for the insert cards to the NMLA in jpg format, or such other format acceptable to the NMLA.

3.33 Patent and Trademark Search

The Offeror shall conduct a search regarding the right of the NMLA to use proposed marks for instant tickets and services. The search shall include, but not be limited to the latest available information from the records of the United States Patent and Trademark Office and trademark registers of the states.

3.34 Online Vendor

For each game produced, the Offeror will be responsible for coordinating with the NMLA's full-service online lottery system Vendor (currently Intralot USA) in a timely manner to ensure that tickets will dispense easily from the self-service vending machines. This coordination includes supplying sample tickets for testing purposes at each ticket size to ensure that bursting occurs in a proper manner.

Additionally, the Offeror will provide the NMLA a Secure File Transfer Protocol (SFTP) server where game files, game images containing, but not limited to the following information, per the final EOPPS of each individual instant game will be transferred at least two business days before instant game delivery:

- 3.34.1 Pack inventory including pack and ticket number;
- 3.34.2 Low-tier, mid-tier and high-tier prize validation information;
- 3.34.3 Any other essential information necessary in order to successfully validate instant tickets;
and
- 3.34.4 Any other essential information necessary for the NMLA to find detailed game, pack and ticket information in the current and future on-line Vendor's back office system.

4. **TICKET PRODUCTION AND PROTOCOLS**

The Offeror shall incorporate measures for manufacturer and distributor security. The location of the winning tickets to the pack-ticket numbers on the tickets shall not be matched in any computer tape, computer program and computer file, CD, DVD, or any other document.

The NMLA expects the Successful Offeror to subject all instant tickets to an array of tests to ensure their security, integrity, and playability. Tickets shall be tested for consistency from ticket to ticket and from pack to pack within each game.

The NMLA will regularly review the tests and at any times may consider the addition or elimination of one or more tests based on necessity, and/or benefits of effectiveness or substituted methods. Subsequent tests may be developed based upon newly acquired industry information or advancements in ticket technology.

Upon Contract execution and as the list changes, the Offeror shall provide to NMLA Security a list of tests and protocols followed to conduct testing as it relates to quality, minimum standards, and security of the tickets. The Offeror shall also permit NMLA staff to be present during any testing of the tickets and shall permit NMLA staff to conduct or require any additional tests at the Offerors' site.

If at any time the NMLA decides to change a ticket, bar code or validation media format, it shall be the responsibility of the Successful Offeror to provide additional test games at no additional cost to the NMLA.

Instant tickets may be subject to additional tests after initial release as deemed necessary by the NMLA.

4.1 Guidelines for Instant Ticket Testing

Tickets are tested to determine if they meet the following criteria:

- 4.1.1 Quality: The construction of the ticket must meet the specifications stated in the Executed Working Papers and/or Client Standards Document for bar codes. In addition, quality tests will establish whether the ticket is playable before release for sale.
- 4.1.2 Durability: The construction of the ticket is reasonably sufficient to endure environmental rigors and still be readily marketable.

- 4.1.3 Compromiseability: The construction of the ticket is sufficient and secure enough to withstand attempts, using methods and materials generally available to the public, to determine if the ticket is a winning or non-winning ticket without evidence of tampering.
- 4.1.4 Alterability: The construction of the ticket is sufficient and secure enough to withstand attempts, using methods and materials generally available to the public, to alter or copy the play data, prize amounts, or bar code that would change a non-winning ticket into a redeemable winning ticket and/or increase the prize amount on a winning ticket.

4.2 A summary of the current tests is identified below:

A report of the results of all tests conducted will be provided to NMLA Security.

4.2.1 Security Coating Scratch Test:

Purpose is to determine the amount of force needed to remove the scratch-off security coating.

4.2.2 Bar Code Measurements

Purpose is to determine that the quality of the bar codes is sufficiently compatible with the electronic equipment that reads them.

4.2.3 Washing Test:

Purpose is to determine the durability when exposed to conditions simulating accidental machine washing.

4.2.4 Environmental Exposure Tests:

Purpose is to determine susceptibility to compromise when exposed to intense light, heat, humidity, water, and steam.

4.2.5 Chemical Exposure Tests:

Purpose is to determine susceptibility to compromise when exposed to commonly available chemicals and chemical fumes.

4.2.6 Electrostatic/Magnetic Tests:

Purpose is to determine susceptibility to compromise after electrical charging or exposure to magnetic sources.

4.2.7 Mechanical Lift Tests:

Purpose is to determine the security coating's susceptibility to compromise by lifting it and replacing it onto the ticket.

4.2.8 Delamination Test:

Purpose is to determine susceptibility to compromise by separating the card stock.

4.2.9 Ultraviolet Test:

Purpose is to evaluate the ultraviolet security features that may or may not be present on the ticket.

4.2.10 Alteration Tests:

Purpose is to determine susceptibility to compromise by alteration attempts such as cut and paste, hand alterations, color copy reproduction and computer counterfeiting.

4.2.11 Transparentizing Tests:

Purpose is to determine susceptibility to compromise when exposed to alternate light sources, microscopes, magnification and computer equipment.

4.3 Printing Report

The Offeror shall provide a summarized report of the printing process to NMLA Security and keep a copy on file. The report shall include, but not be limited to, problems with equipment, personnel, security of the tickets, or any phase of testing of the tickets. The report shall specify where the problem occurred, both the phase of the printing and pool or pack number. The report shall also include what action was taken to remedy each problem encountered.

4.4 Shipping Requirements

The Offeror will generate detailed packing and shipping requirements and specifications in the Client Standards.

After production when the game is ready to be shipped to the NMLA, the Successful Offeror must email a "Shipment Notification" to the NMLA contact identified in the Client Standards. The "Shipping Notification" must include, at a minimum, the following: date, Successful Offeror name, shipment date and time, expected delivery date and time, game number and name, transportation carrier, trailer number, and total pallets per trailer.

All instant game tickets must be transported on a sealed and dedicated vehicle, i.e., no other customer's products may be on board. The seal requirements must be approved by the NMLA. The seal must be broken only by an authorized representative of the NMLA; failure to adhere to this requirement may be grounds for rejection of the entire shipment.

4.5 Test Packs

Three (3) scratched packs shall be pulled from each game (one from the "start", one from the "middle" and one from the "end") of the print run. There will not be any high-tier prizes in any of the packs. After the game has been balanced by the Offeror, the packs will be shipped overnight to the Executive Vice President of Security. The reconstruction report for these packs will be available on the SFTP site for NMLA Security.

4.6 Reconstruction Services

4.6.1 The Offeror shall provide full reconstruction services of tickets, as requested by the NMLA.

4.6.2 A monthly reconciliation report listing all reconstructions requested by the NMLA shall be provided to the NMLA Security no later than the 10th of the following month.

4.6.3 Upon termination of the Contract, the Offeror shall provide reconstruction services for a period of not less than one year after the announced end of the game by the NMLA, for all games produced and supplied by the Offeror during the term of the Contract.

5. PLANT SECURITY

5.1 The Offeror must demonstrate the capability and integrity required to maintain constant vigilance against any breach of security. Failure to meet or maintain security standards acceptable to the NMLA may be grounds for Contract cancellation.

6. MARKETING SUPPORT

6.1 Marketing Plan and Research

The Offeror shall develop a three (3) year marketing plan, per Part Two Section 1.11, and shall implement initial market research that will address game development and player attitudes, with regular updates. The research shall include, but is not limited to, player surveys and segmentation studies for the purpose of seeking information about player satisfaction, attitudes about the NMLA and its products and awareness and recall of advertising and the games offered by the NMLA. The NMLA estimates that the successful Offeror shall appropriate \$20,000 per year for research initiatives. In the event the NMLA contracts with multiple Offerors, the cost of the research will be shared proportionately, based on the number of tickets printed annually, among all print Offerors.

Offerors should indicate any other research services that may be provided to the NMLA.

6.2 At least once every quarter, the Offeror shall make a presentation to the NMLA staff which addresses:

- 6.2.1 Instant ticket game performance analysis broken down by game design, price points, prize structures, play styles, and theme. The analysis shall focus on lessons learned and recommendations for new or modified strategies that can be used by the NMLA to increase sales and net revenues.
- 6.2.2 The “State of the Industry” analysis of trends, game designs, production, distribution, new technologies and products, marketing strategies, and comparative sales information.
- 6.2.3 Any security or other issues that threaten the integrity of the NMLA and the products it offers.

6.3 Game Library

The Offeror shall supply internet access to an online “library” of instant games with game images and index information, which the Offeror has printed for other jurisdictions or has created as a concept.

7. TRAINING AND PROFESSIONAL DEVELOPMENT

The Offeror will annually or cumulatively be required to credit NMLA for the reimbursement of all expenses approved pursuant to NMLA’s Business Meal and Travel Policy for up to five (5) NMLA representatives to participate in professional development conferences, training seminars and/or classes to assist in continued education within the lottery industry, including related registrations, and any security plant and/or printing inspections required by the NMLA.

For these reimbursements, the NMLA will provide the Offeror an invoice with supporting documentation of the expenses. The NMLA will credit the amount owed per this invoice against the next payment (wire transfer or check) provided to the Offeror.

8. BUSINESS CONTINUITY PLAN – DISASTER RECOVERY

8.1 Prior to the contract execution, a successful Offeror must provide the NMLA with their proposed business Continuity Plan to be used if the successful Offeror primary place of business is rendered inoperable due to acts of terrorism, forces of nature or other unforeseen events.

8.2 This backup plan shall consist of an alternate printing site owned by a successful Offeror, or a written agreement with another party stating that they agree to perform the functions of this contract on behalf of the Successful Offeror until such time as deemed necessary by the NMLA.

8.3 In the event of disaster recovery efforts, provide the NMLA with a minimum of four (4) instant lottery ticket games and necessary services, in accordance with and within fifteen (15) days at the same price.

Additionally, the successful Offeror will provide a plan for Business Continuity/Disaster Recovery should the NMLA warehouse become destroyed or inaccessible through other phenomena. The plan should include preprinting and shipping timelines from notification to delivery to the NMLA's alternative warehouse site.

9. EVALUATION AND AWARD OF THE INSTANT TICKET AND RELATED SERVICES

9.1 Evaluation Process

An evaluation committee will be appointed by the CEO or his/her designee prior to the receipt of the proposals. The evaluation committee will consist of NMLA employees and may include other non-lottery representatives or entities.

The evaluation committee chairperson, or his/her designee, will review all proposals for completeness and compliance with the RFP requirements. Copies of the Offerors' proposals found to be complete and in compliance will be distributed to members of the committee for their independent review. The separate, sealed cost proposals will be kept by the Purchaser until after the initial review of the proposals.

The evaluation committee will first determine whether an Offeror meets the NMLA's minimum financial status and experience requirements. If not, the NMLA will reject the Offeror's proposal. If an Offeror does meet the NMLA's minimum financial status and experience requirements, the evaluation committee will evaluate the Offeror's proposal in order to determine a consensus score for each of the Technical Scoring Criteria. The committee will then evaluate the Offeror's Cost Proposal to determine a consensus score for the Cost Proposal Criteria.

Based on its evaluation as stated above, the evaluation committee will provide a written report to the NMLA's CEO, which will include a ranking of Qualified Offeror(s) based on each proposal's total score as set forth herein. The NMLA's CEO may initiate negotiations with Qualified Offerors for the purpose of obtaining best and final cost proposals prior to contract award. The contract award shall ultimately be made to the responsible Offeror or Offerors whose proposal is most advantageous to the NMLA.

The NMLA reserves the right to reject any proposal which deviates from requirement, specifications, terms or conditions contained in this RFP, as well as the right to reject any proposal containing a statement, representation, warranty or certification which is determined by the NMLA to be materially false, incorrect, misleading, or incomplete.

The NMLA reserves the right to obtain, from any and all sources concerning an Offeror, which it deems pertinent to the RFP, and to consider such information in evaluating the Offeror's proposal.

9.2 Evaluation Criteria for Instant Ticket Printing and Related Services

Proposals which are not rejected shall be evaluated and weighted as follows:

The financial status of the Offeror	Pass/Fail		
Offerors must have a minimum of three (3) years related lottery experience and have current printing experience with at least two (2) US lottery jurisdictions who are members of the North American Association of State and Provincial Lotteries (NASPL).	Pass/Fail		
TECHNICAL SCORING CRITERIA	POSSIBLE POINTS	% of Total	Points Awarded
The probable quality of the offered good or services	150	15%	
Marketing and Retailer Support	100	10%	
Game design and creativity	50	5%	
Disaster Recovery	50	5%	
The qualification of the Offeror's personnel	100	10%	
The experience of the Offeror in providing the requested goods or services	100	10%	
TECHNICAL SCORING SUBTOTAL	550	55%	
Cost Proposal Criteria:			
The Offeror's price to provide the goods or services	450	45%	
COST PROPOSAL SCORING SUBTOTAL	450	45%	
TOTAL	1,000	100%	

9.3 Final Award

The NMLA CEO will make the final determination of the Contract recommendation, subject to approval by the Board of Directors at their February 2018 meeting, TBA. In making this determination, the Chief Executive Officer may consult the Evaluation Committee.

Upon approval of the Contract by the NMLA Board of Directors, failure or refusal on the part of the apparent Successful Offeror to execute the Contract as bid within fifteen (15) working days of submission of the Contract for signature to the Successful Offeror, may be treated as repudiation of the contract at the sole discretion of the NMLA. The NMLA may then select an alternate proposal.

The NMLA reserves the right to cancel any and all elements of a procurement or rescind an announced award at any time up to and including execution of the actual Contract with the Successful Offeror, or pending fulfillment of requirements of the Lottery Act.

9.4 Award Notice

The NMLA will officially announce any award or awards to all Offerors submitting a proposal. Such award(s), however, will be contingent upon successful negotiation of a final Contract and meeting

requirements of this RFP. Further, the Board of Directors of the NMLA, must approve any award. The notice will state if any such contingencies remain to be completed.

The NMLA reserves the right to make multiple awards or to award a Contract by individual line items or alternatives, by group of line items or alternatives, or to make an aggregate award, whichever is most advantageous to the NMLA.

10. LIQUIDATED DAMAGES PROVISION

In all the below liquidated damages sections, the NMLA and the Offeror agree that it will be extremely impractical and difficult to determine actual damages which the NMLA will sustain. If the goods and services to be provided under the contract are not readily available on the open market, any breach by the Offeror will delay and disrupt the NMLA's operations and will lead to damages. Therefore, the parties agree that the liquidated damages as specified in all the sections below are reasonable.

In no case shall liquidated damages be measured in terms of potential lost revenue or potential lost net profit to the NMLA, unless and to the extent that the NMLA determines, or alternatively, that a court of competent jurisdiction determines that actual loss can be measured precisely and that the written liquidated damages provision is unreasonable and/or unenforceable as a matter of law.

It is not the NMLA's intent to assess liquidated damages. Rather the NMLA wants to create a business partnership with the Offeror(s) and work through challenges to find reasonable business solutions. Liquidated damages will be used as a last resort when other remedial actions fail, or when the Offeror is non-responsive.

Assessment of liquidated damages shall be in addition to, and not in lieu of, such other remedies as may be available to the NMLA. Except and to the extent expressly provided herein, the NMLA shall be entitled to recover liquidated damages under each section applicable to any given incident.

In the following liquidated damages sections, there shall be no pro-ration of damages for partial periods (e.g., partial days); for example, if penalties are five hundred dollars (\$500) per calendar day and the penalty period is on (1) hour, the penalty shall be five hundred dollars (\$500). For purposes for the Section, "day" or "calendar day" shall be defined as a twenty-four (24)-hour period, commencing as 12:00 a.m. and ending at 11:59 p.m.

All assessments of liquidated damages shall be made by the CEO of the NMLA. Upon determination that liquidated damages are to, or may, be assessed, the NMLA shall notify the Offeror of the potential assessment in writing.

10.1 Late Delivery

If the Successful Offeror fails to meet the required production and delivery schedule in the Executed Working Papers, and it causes a delay in a new instant game introduction, the Offeror will pay the NMLA up to fifteen thousand dollars (\$15,000) per day for each day the tickets have not been received in acceptable condition at the designated NMLA warehouse.

10.2 Late Reports

In the event the successful Offeror fails to provide any report or information required by this RFP, the Contract, Client Standards, or Executed Working Papers within the time specified, the Offeror will pay the NMLA up to five hundred dollars (\$500) per day, per report, for each day in which the Offeror fails to make such report available.

10.3 Unusable Games

- 10.3.1 If tickets are not delivered in a usable or sellable condition, as determined by the NMLA, and a delay to the scheduled start of the sales for that game results, the Offeror must pay to the NMLA fifteen thousand dollars (\$15,000) per day per unusable game for each day that usable replacement tickets have not been received by the NMLA.
- 10.3.2 If the game information and or data is provided or delivered in a condition that results in delay to the scheduled start of the game or interrupts the game sales any time thereafter, the Offeror must pay to the NMLA fifteen thousand dollars (\$15,000) per day per unusable game for each day that usable replacement tickets and usable game information and data have not been received by the NMLA.
- 10.3.3 If a game is determined to be unusable by the NMLA and it has to be pulled or sales are delayed or interrupted, the Offeror must pay to the NMLA fifteen thousand dollars (\$15,000) per day per unusable game for each day that the game is unusable until usable replacement tickets have been received by the NMLA.

10.4 Missing/Incomplete Trademark Search

The Offeror at its own expense will conduct Federal and State trademark and service mark searches as per the requirement listed in Section 3.34, Patent and Trademark Search. If the trademark search or certification are inadequate, incomplete or incorrect and a game currently on sale must be canceled, the Offeror must provide and deliver a replacement game specified by the NMLA within fourteen (14) calendar days at no charge to the NMLA. Offeror will pay the NMLA fifteen thousand dollars (\$15,000) per day from the date of cancellation until the replacement game is received by the NMLA.

10.5 Nonconformity of Printed Tickets

If a single ticket in any pack fails to conform to specifications, then the entire pack may be deemed to be nonconforming. A ticket may be deemed nonconforming if not complete or in accordance with the Client Standards and Executed Working Papers.

If the result of any test or inspection by the NMLA establishes that any tickets, either prior to or after being distributed or offered for sale, fails to meet the requirements specified or are otherwise defective due to manufacturing error, the nonconforming tickets/packs may be rejected by the NMLA and the NMLA may require that the game be replaced within thirty (30) days. The Offeror will pay the NMLA fifteen thousand dollars (\$15,000) per day from the date tickets are deemed nonconforming until the replacement game has been received by the NMLA.

If the NMLA has reason to believe that the integrity of any game may have been compromised, the game may be pulled and the Offeror will pay all associated expenses in addition to the Liquidated Damages.

If the NMLA has reason to believe that the integrity of any range of tickets within any game may have been compromised, the range of tickets may be pulled and the Offeror will pay all associated expenses in addition to the Liquidated Damages.

The Offeror will initiate an investigation immediately upon notification by the NMLA. Upon determining the cause of the non-conformity the Offeror will notify the NMLA of its findings. The Offeror will provide the NMLA with a report of the cause of nonconformity and the steps taken to rectify the nonconformity within forty-eight (48) hours.

10.6 Unacceptable Characteristics

The liquidated damages for tickets with unacceptable characteristics as determined by the NMLA and identified hereinafter will be in the amount of five thousand dollars (\$5,000) per game.

Each ticket produced must discourage tampering by making it evident such tampering has occurred. The NMLA will reject any and all tickets that show excessive visible scratches, holes or pitting as determined by the NMLA. Tickets will also be rejected if they fail to meet any or all security standards defined by the NMLA including but not limited to the following:

- 10.6.1 Scratches across the latex covering on a ticket which exposes portions of hidden play symbols or may tend to make the consumer believe that the ticket has been tampered with even if no portion of the play symbols has been exposed;
- 10.6.2 Rough, uneven latex coverings that do not readily reveal attempts to compromise the ticket by “pin-pricking” or “microsurgery” techniques;
- 10.6.3 Scratch Off Coatings that have holes which expose portions of hidden play symbols or may tend to make the consumer believe that the ticket has been tampered with even if no portion of the play symbols has been exposed;
- 10.6.4 Scratch Off Coatings that “drip” into the display printing;
- 10.6.5 Scratch Off Coatings that smear or fail to come off when scratched;
- 10.6.6 Overprint designs that are not clear and crisply printed;
- 10.6.7 Perforations between tickets that improperly cause tickets to separate;
- 10.6.8 Tickets out of order within a pack;
- 10.6.9 Lottery play symbols that are “clipped” or “incomplete”;
- 10.6.10 Offsetting of inks on latex coverings from one ticket to another;
- 10.6.11 Scratch off Coatings that are out of registration;
- 10.6.12 Play symbols that “peek-out” from under the latex covering;
- 10.6.13 Play symbols that smear with slight moisture or normal handling;
- 10.6.14 Play symbols that fail to smear with solvents;
- 10.6.15 Play symbols that are obliterated during normal removal of the scratch off coating;
- 10.6.16 Ticket packs that are not trimmed straight;
- 10.6.17 Ticket packs that contain large amounts of paper shavings (i.e., “snow”);
- 10.6.18 Display print designs that are not clearly and crisply printed;
- 10.6.19 Captions that are not clear or do not correctly describe the lottery play symbol;
- 10.6.20 Scratch Off Coating that is difficult to scratch, or causes the play area to be destroyed when scratched;
- 10.6.21 Misprints, print flaws, or ink marks which distort or make language, symbols or other characteristics illegible or misleading about how to play the game;
- 10.6.22 Scratch off Coating that permits the play symbols to be visible when viewed with a high intensity light or by use of CCD cameras and/or use of infrared luminescence;

10.6.23 Perforation markings on the latex of packaged or wrapped tickets (caused by printing process);

10.6.24 The use of inks or latex coverings which permit play symbols to be viewed upon being electrostatically charged;

10.6.25 Tickets, inks and/or Scratch Off Coatings susceptible to common household chemicals.

10.7 Warranty of High Tier Prizes

The Offeror warrants that the exact number of high tier prizes (\$601 or more) approved by the NMLA will be in a game. The liquidated damages for claimed additional high tier prize tickets not approved by the NMLA will be the amount of the prize paid per occurrence in the game. The Offeror will remit damages directly to the NMLA, or at the option of the NMLA, the NMLA may withhold amounts otherwise due to the Offeror.

10.8 Warranty of Game Data Files

The Offeror shall warrant that the game pack and validation files for the games will be accurate. The liquidated damages for erroneous or corrupted data files will be five hundred dollars (\$500) per game. If there is a delay to the scheduled start of the sales for that game or the game has been distributed the Offeror will pay the NMLA fifteen thousand dollars (\$15,000) per day until the game is successfully out for sale or issues are remedied to the NMLA's satisfaction.

10.9 Warranty of Unique Validation Numbers

The Offeror shall warrant that all tickets will have a unique validation number within the game. The liquidated damages for erroneous validation numbers within a game will be in the amount of five hundred dollars (\$500) per game plus actual losses for any prizes paid. The Offeror will remit damages directly to the NMLA or at the option of the NMLA, the NMLA may withhold amounts otherwise due the Offeror.

10.10 Improperly Packed and Shipped Deliveries

The Offeror shall pack the tickets as specified in the Client Standards for Instant Tickets, including, but not limited to, the order of the packs in the carton, the order of the cartons on the pallet, labels on the boxes or pallets, and the shrink wrap. Exclusive trucks will be packed, locked and sealed from the Offeror's plant to the NMLA warehouse as specified in the Client Standards for Instant Tickets. At the NMLA's discretion liquidated damages for tickets not packed and shipped as specified in the Client Standards and/or Executed Working Papers will be in the amount of up to five hundred dollars (\$500) per game per delivery.

11. COLLECTION OF LIQUIDATED DAMAGES ASSESSMENT

11.1 Upon determination by the NMLA that liquidated damages are to be assessed, the NMLA shall notify the Successful Offeror of the assessment(s) in writing. The assessment of any liquidated damages may be collected, at the CEO's discretion, by withholding the funds from any payment(s) due the Successful Offeror before or after the date of assessment.

11.2 Alternatively, at the CEO's discretion, the notice may require direct payment of the assessment by the Successful Offeror. If payment is thus directed, the Successful Offeror shall pay the assessed liquidated damages within thirty (30) days of receipt of said notice. In the event the CEO determines that any damages were caused in part by the NMLA, the damage assessment against the Successful Offeror shall be reduced proportionately.

11.3 The performance bond or letter of credit shall be drawn in such a manner that at any time the payment(s) due the Successful Offeror are not sufficient to cover liquidated damages contained in this section, and such damage shall not have been otherwise paid by the Successful Offeror, the balance of the liquidated damages will become due from such performance bond or letter of credit as outlined below, and any liquidated damages in subsequent periods will be deducted from payments due Successful Offeror until paid in full.

All assessed liquidated damages may be deducted from any moneys owed the Successful Offeror by the NMLA under the contract, and in the event the amount due to the Successful Offeror is not sufficient to satisfy the amount of liquidated damages, the Successful Offeror shall pay the balance to the NMLA within thirty (30) calendar days of written notification by the NMLA. In the event the Successful Offeror fails to pay within the thirty (30) day period, the NMLA may then make a claim for payment against the Performance Bond, with or without notice to the Successful Offeror. Assessment of liquidated damages shall be in addition to, and not in lieu of, such other remedies as may be available to the NMLA.

12. SEVERABILITY OF INDIVIDUAL LIQUIDATED DAMAGES CLAUSES

If any portion of these liquidated damages provisions is determined to be unenforceable in one or more of its applications, that portion remains in effect in all applications not determined to be invalid that are severable from the invalid applications. If any portion of the liquidated damages provisions is determined to be unenforceable, all other portions and provisions shall remain in full force and effect.

PART THREE - PLAYER LOYALTY PROGRAM

1. SCOPE AND SPECIFICATIONS OF A PLAYER LOYALTY PROGRAM (PLP)

The Offeror(s) shall provide a Specification and Project Plan which shall include all services associated with designing, developing, testing, hosting, administrating, maintaining, securing and upgrading (when necessary) an integrated, comprehensive responsive Software as a Service (SaaS) web-based Player Loyalty Program solution in accordance with the requirements and provisions as set forth herein.

Offerors submitting a complete and separate proposal for the Players Loyalty Program shall provide details that outline a base program, (1) administered in its entirety by the NMLA, (2) administered in its entirety by the Offeror, (3) jointly administered.

The Offeror should recommend and produce programs to link instant tickets and online tickets with interactive play via digital channels such as reward programs, social networks, microsites, and mobile applications.

The program website shall be designed in a way that it enables players to participate on all devices (e.g. mobile, desktop, tablet).

General Minimum Requirements for the PLP shall include:

1.1 The Offeror's PLP shall transfer current Players Club members into the new PLP, including an immediate reward for those players.

1.2 The Offeror's PLP shall provide program content, creative services, and customer relationship management (CRM) services to manage the NMLA's interaction with current and future PLP members to create valuable customer experiences.

1.3 The Offeror's PLP shall seamlessly link and/or integrate with the NMLA's website/portal and mobile applications. If requested by the NMLA, the Offeror should assist with integration with third party applications.

1.4 The Offeror's PLP shall include a dynamic content management system (CMS) to manage/update;

1.4.1 Offers, rewards, challenges

1.4.2 Points allocations

1.4.3 Ticket information

1.4.4 Drawings

1.4.5 Advertising and promotional content

1.5 Cosmetic web design alterations

1.5.1 Content pages

1.6 The Offeror's PLP shall contain a player registration database that provides for sign-up/registration for the program on all web and mobile applications.

1.7 The Offeror's PLP shall allow for players to scan and/or manually enter winning and non-winning instant and draw game tickets for points.

1.8 The Offeror's PLP shall support the ability to integrate with the NMLA's back office systems via Lottery-provided APIs in order to validate ticket entries for points and provide mobile ticket checker capabilities.

1.9 As determined by the NMLA, the Offeror's PLP shall allow for points to be earned through a variety of engagement activities including, but not limited to: signing up for the PLP, providing additional demographic information and play habits, social media, engagement, likes, comments, and shares, filling out a survey, referring a friend to the program watching a video or signing up/reading/opening NMLA emails and/or texts.

1.10 The Offeror's PLP shall provide the ability for players to redeem their points for entries into 2nd Chance/promotional drawings, experiential prizes, and near-cash merchandise such as coupons and digital rewards.

1.11 The Offeror's PLP shall allow registered players to view their points balance, both confirmed and pending.

1.12 The Offeror's PLP must be able to provide integrated draw functionality and conduct secure official drawings on behalf of the NMLA.

1.13 The Offeror's PLP shall provide dynamic player segmentation, custom engagement analytics, dashboards, graphical reports, and CSV export capabilities.

1.14 The Offeror's PLP shall be compatible with existing and planned lottery games, regardless of game vendor.

1.15 The Offeror's PLP shall contain interactive games for entertainment play and/or to earn points in the program.

1.16 The Offeror's PLP should allow loyalty members to share content and activity with social media platforms.

1.17 The Offeror's PLP shall include the ability to send push notifications, email, and SMS communications to players regarding new games, promotions, events and other news the NMLA wishes to communicate.

1.18 The Offeror's PLP shall provide technical support and monitoring of the loyalty solution, including an email support messaging system for players to report any problems, as well as a database of frequently asked questions (FAQ) to be available to the player online.

1.19 The Offeror's PLP shall provide for free game play to be used by NMLA for customer satisfaction purposes when appropriate.

2. MARKETING AND PROMOTIONAL SUPPORT

The Offeror shall provide marketing and promotional support related to the PLP solution. Please provide detailed responses describing how the Offeror will accomplish each of the requirements below:

2.1 The Offeror shall provide marketing strategies and present ways in which the PLP may be combined with promotions to enhance the sale of targeted lottery games or tickets.

2.2 The Offeror shall offer insights and provide specific recommendations to maximize the awareness of the PLP.

2.3 The Offeror shall provide ideas to incentivize NMLA retailers to promote and increase membership of the NMLA's PLP, as well as help drive traffic to their stores.

3. EXPERIENCE AND APPROACH

This section of the RFP includes requirements and provisions relating to the Offeror's experience and expertise in delivering and administering a successful loyalty program solution. Please provide detailed responses for each of the requirements below:

3.1 The Offeror shall describe the history and nature of the company in providing similar requirements to this RFP.

3.2 The Offeror shall outline its methodology for points tracking, drawing facilitation, non-winning ticket entry, prize procurement and fulfilment; customer metrics and usage log; and prize/point liability that will not expose the NMLA to financial liability.

3.3 The Offeror shall describe how its loyalty program will securely collect and store demographic data from the players and must include the ability to provide analysis and reports related to that demographic data and player activity within the site.

3.4 The Offeror shall describe its overall approach to implementing and operating a successful loyalty program, including projected timeframes for implementation of all services to be provided.

3.5 The Offeror should describe its approach for updating changes to the program, as requested by the NMLA.

3.6 The Offeror shall provide a detailed description of the personnel assigned to the NMLA's account that will be involved in the implementation and ongoing administration of the loyalty program.

3.7 The Offeror shall describe its plan and timetable for troubleshooting and resolving issues that may occur with the site.

3.8 The Offeror shall describe its experience in providing mobile applications that are compatible with iOS and Android operating systems.

3.9 The Offeror shall describe the cyber analytics used to monitor the system from hackers and other unlawful intrusion.

4. STAFFING FOR THE PLAYER LOYALTY PROGRAM

During the term of the contract, the Successful Offeror shall not employ or permit the employment of unfit or unqualified person(s) not skilled in the tasks assigned to them. The Successful Offeror shall at all times employ sufficient labor to process work to full completion in the manner and time prescribed by any contract awarded pursuant to this RFP. The Successful Offeror shall be responsible to the NMLA for the acts and omissions of the Successful Offeror's employees (or subcontractors or independent contractors, if permitted by the NMLA). In addition, the Successful Offeror shall provide, at all times, adequate supervision and direction of Successful Offeror's employees (or subcontractors or independent contractors) to ensure compliance with and performance of all terms, conditions and obligations under the contract.

Any person employed or contracted by the Successful Offeror shall, at the written request of the NMLA, be removed forthwith by the Successful Offeror from work relating to the contract. If the person is not removed or if replacement personnel are deemed unqualified for proper completion of the work, the NMLA may immediately terminate the contract.

The Successful Offeror will be required to notify the NMLA within three (3) business days in the event of personnel changes of supervisor or management level personnel assigned to the contract. The Successful Offeror will be required to notify the NMLA of any material change in background status of any personnel assigned to work under the contract, including, but not limited to, misconduct, or arrest for any felony or gaming related offense in this or any other state. This notification will be given with sufficient time, which will be determined by the Executive Vice President of Security, to allow for a background investigation to be performed on any personnel that will be replacing current Offeror personnel. Offeror, lay staff and field personnel will be subject to cooperating in a background investigation and any updates, as may be required by the NMLA.

Offeror must provide information on how the Offeror will staff the NMLA account, including staff positions, functions and areas of responsibility. Include an organization chart indicating reporting relationships, and resumes for all proposed staff positions that will serve the account. The positions should be provided, but not limited to, the following:

4.1 Account Services Team

4.2 Customer Services

4.3 Social Media Support

5. EVALUATION AND AWARD OF A PLAYER LOYALTY PROGRAM

5.1 Evaluation Process

An evaluation committee will be appointed by the CEO or his/her designee prior to the receipt of the proposals. The evaluation committee will consist of NMLA employees and may include other non-lottery representatives or entities.

The evaluation committee chairperson, or his/her designee, will review all proposals for completeness and compliance with the RFP requirements. Copies of the Offerors' proposals found to be complete and in compliance will be distributed to members of the committee for their independent review. The separate, sealed cost proposals will be kept by the Purchaser until after the initial review of the proposals.

The evaluation committee will first determine whether an Offeror meets the NMLA's minimum financial status and experience requirements. If not, the NMLA will reject the Offeror's proposal. If an Offeror does meet the NMLA's minimum financial status and experience requirements, the evaluation committee will evaluate the Offeror's proposal in order to determine a consensus score for each of the Technical Scoring Criteria. The committee will then evaluate the Offeror's Cost Proposal to determine a consensus score for the Cost Proposal Criteria.

Based on its evaluation as stated above, the evaluation committee will provide a written report to the NMLA's CEO, which will include a ranking of Qualified Offeror(s) based on each proposal's total score as set forth herein. The NMLA's CEO may initiate negotiations with Qualified Offerors for the purpose of obtaining best and final cost proposals prior to contract award. The contract award shall ultimately be made to the responsible Offeror or Offerors whose proposal is most advantageous to the NMLA.

The NMLA reserves the right to reject any proposal which deviates from requirement, specifications, terms or conditions contained in this RFP, as well as the right to reject any proposal containing a statement, representation, warranty or certification which is determined by the NMLA to be materially false, incorrect, misleading, or incomplete.

The NMLA reserves the right to obtain, from any and all sources concerning an Offeror, which it deems pertinent to the RFP, and to consider such information in evaluating the Offeror's proposal.

5.2 Evaluation Criteria for a Player Loyalty Program

Proposals which are not rejected shall be evaluated and weighted as follows:

The financial status of the Offeror	Pass/Fail		
Offerors or subcontractors must have a minimum of one (1) years related lottery experience with player's clubs in a US lottery jurisdiction who is a member of the North American Association of State and Provincial Lotteries (NASPL).	Pass/Fail		
TECHNICAL SCORING CRITERIA	POSSIBLE POINTS	% of Total	Points Awarded
Each Proposal must include a profile of the Offeror's history, capability, capacity and relevant experience in providing the requested goods and services.	100	10%	
Qualifications of the Offeror's Staff and Support Services.	50	5%	
Scope of Work, Marketing and Promotional Support. Offeror must clearly address the requirements as detailed in Part Three.	100	7.5%	
General Requirements			
A. Website (mobile, desktop, tablet)	50	5%	
B. Membership transfer	25	2.5%	
C. Customer Service and Support	25	2.5%	
D. Dynamic Content Management System (CMS)	25	2.5%	
E. Player and Retailer Promotions and Campaigns	25	2.5%	
F. Analytics	25	2.5%	
G. Geofencing and Triggered marketing	25	2.5%	
H. Free Play Games	25	2.5%	
I. Messaging	25	2.5%	
J. APIs to integrate ticket information	25	2.5%	
K. Security – cyber analytics	25	2.5%	
TECHNICAL SCORING SUBTOTAL	550	55%	
Cost Proposal Criteria:			
The Offeror's price to provide the goods or services	450	45%	
COST PROPOSAL SCORING SUBTOTAL	450	45%	
TOTAL	1,000	100%	

5.3 Final Award

The NMLA Chief Executive officer will make the final determination of the Contract recommendation, subject to approval by the Board of Directors at their February 2018 meeting, TBA. In making this determination, the Chief Executive Officer may consult the Evaluation Committee.

Upon approval of the Contract by the NMLA Board of Directors, failure or refusal on the part of the apparent successful Offeror to execute the Contract as bid within fifteen (15) working days of submission of the Contract for signature to the Offeror, may be treated as repudiation of the contract at the sole discretion of the NMLA. The NMLA may then select an alternate proposal.

The NMLA reserves the right to cancel any and all elements of a procurement or rescind an announced award at any time up to and including execution of the actual Contract with the Successful Offeror, or pending fulfillment of requirements of the Lottery Act.

5.4 Award Notice

The NMLA will officially announce any award or awards to all Offerors submitting a proposal. Such award(s), however, will be contingent upon successful negotiation of a final Contract and meeting requirements of this RFP. Further, the Board of Directors of the NMLA, must approve any award. The notice will state if any such contingencies remain to be completed.

The NMLA reserves the right to make multiple awards or to award a Contract by individual line items or alternatives, by group of line items or alternatives, or to make an aggregate award, whichever is most advantageous to the NMLA.

6. LIQUIDATED DAMAGES PROVISION

In all the below liquidated damages sections, the NMLA and the Offeror agree that it will be extremely impractical and difficult to determine actual damages which the NMLA will sustain. If the goods and services to be provided under the contract are not readily available on the open market, any breach by the Offeror will delay and disrupt the NMLA's operations and will lead to damages. Therefore, the parties agree that the liquidated damages as specified in all the sections below are reasonable.

In no case shall liquidated damages be measured in terms of potential lost revenue or potential lost net profit to the NMLA, unless and to the extent that the NMLA determines, or alternatively, that a court of competent jurisdiction determines that actual loss can be measured precisely and that the written liquidated damages provision is unreasonable and/or unenforceable as a matter of law.

It is not the NMLA's intent to assess liquidated damages. Rather the NMLA wants to create a business partnership with the Offeror(s) and work through challenges to find reasonable business solutions. Liquidated damages will be used as a last resort when other remedial actions fail, or when the Offeror is non-responsive.

Assessment of liquidated damages shall be in addition to, and not in lieu of, such other remedies as may be available to the NMLA. Except and to the extent expressly provided herein, the NMLA shall be entitled to recover liquidated damages under each section applicable to any given incident.

In the following liquidated damages sections, there shall be no pro-ration of damages for partial periods (e.g., partial days); for example, if penalties are five hundred dollars (\$500) per calendar day and the penalty period is on (1) hour, the penalty shall be five hundred dollars (\$500). For purposes for the Section, "day" or "calendar day" shall be defined as a twenty-four (24)-hour period, commencing as 12:00 a.m. and ending at 11:59 p.m.

All assessments of liquidated damages shall be made by the CEO of the NMLA. Upon determination that liquidated damages are to, or may, be assessed, the NMLA shall notify the Successful Offeror of the potential assessment in writing.

6.1 Implementation and Startup

Offeror shall complete, except as otherwise approved by the NMLA, all agreed upon implementation tasks and deliverables required pursuant to the Specification and Project Plan outlined in Part Three Section 1 (Scope and Specifications of a Player Loyalty Program). The NMLA may impose liquidated damages for each calendar day of startup delay beginning with the Contract-agreed production start date specified in the Specification and Project Plan at the rate of \$1,000 per day of delay to a maximum of fifty thousand dollars (\$50,000).

6.2 Timely Deliverables

Each and every deliverable identified in the Specification and Project Plan must be available on the date specified in the Specification and Project Plan and thereafter on the schedule agreed upon by the parties in the Specification and Project Plan. Deliverables to be specifically identified in the Specification and Project Plan include such reports, files and other documents required by the NMLA on a recurring basis. The NMLA may impose up to one thousand dollars (\$1,000) per day per deliverable.

6.3 System Down

The System shall be defined to be "down" if a primary component of the Hosted Services fails as a consequence of an error or omission on the part of the Offeror that materially impairs large groups of players from logging in, registering, submitting tickets or redeeming points. The NMLA may impose liquidated damages up to one thousand dollars (\$1,000) for each one (1) hour of Hosted Services downtime, or fraction thereof, in excess of one (1) hour. For greater certainty, no Liquidated Damages shall be assessable unless and until the Hosted Services have been down for a period in excess of one (1) hour.

6.4 Unauthorized Content Modifications

The Offeror shall not modify any player-facing content or user interface without the prior, authorized written consent of the NMLA nor shall the Offeror modify, nor to the best of its ability allow any third party to make any modification to any software or hardware without providing prior written notice to the NMLA. "Modification" does not include replacement of a Hosted Services component or functionality with an essentially similar working component or functionality. The NMLA may impose liquidated damages up to five thousand dollars (\$5,000) per violation in addition to any other damages that may occur as a result of such unauthorized modification.

6.5 Unauthorized Access or Compromise

The Offeror shall preclude personnel, not authorized by the NMLA, from accessing, modifying, or otherwise interfering with the Hosted Services, and any data or software. Each person and every act that permits access, modification, or interference by an unauthorized person is an incident. The NMLA may impose liquidated damage up to ten thousand dollars (\$10,000) per person, for each incident.

6.6 Failure to Report Incidents

It will be the responsibility of the Offeror to immediately report all significant incidents related to the operation of the PLP System. The immediate reporting shall be delivered personally or by telephone within one (1) hour of the discovery of the incident, followed by a written communication to NMLA Director of Gaming Products and the Information Technology Administrator within twenty-four (24) hours of the incident. At a minimum, each of the following types of events shall require a written report:

- 6.6.1 Incidents of down time that materially impair large groups of players from logging in, registering, submitting tickets or redeeming points;
- 6.6.2 Incidents where data integrity is at risk;
- 6.6.3 Widespread access interruption; or
- 6.6.4 Unauthorized access to or compromise of the Hosted Services.
- 6.6.5 Security violations.

The NMLA may impose liquidated damages up to five thousand dollars (\$5,000) per day, until an incident is correctly reported from the time of the incident.

6.7 Failure to Comply with Proper Second Chance Drawing Procedures

If, without prior authorization, the Offeror deviates from specific instructions, usual, customary, or established drawing procedures for second chance draws and that deviation compromises the integrity of the second chance draw, the NMLA may assess liquidated damages up to twenty thousand dollars (\$20,000) per occurrence.

6.8 Failure to Adhere to Email SLA

If the Offeror fails two or more times in any thirty (30) period to achieve the email service level agreement, the NMLA may assess liquidated damages. The NMLA may imposed liquidated damages up to one thousand dollars (\$1,000) per occurrence.

7. COLLECTION OF LIQUIDATED DAMAGES ASSESSMENT

7.1 Upon determination by the NMLA that liquidated damages are to be assessed, the NMLA shall notify the Successful Offeror of the assessment(s) in writing. The assessment of any liquidated damages may be collected, at the CEO's discretion, by withholding the funds from any payment(s) due the Successful Offeror before or after the date of assessment.

7.2 Alternatively, at the CEO's discretion, the notice may require direct payment of the assessment by the Successful Offeror. If payment is thus directed, the Successful Offeror shall pay the assessed liquidated damages within thirty (30) days of receipt of said notice. In the event the CEO determines that any damages were caused in part by the NMLA, the damage assessment against the Successful Offeror shall be reduced proportionately.

7.3 The performance bond or letter of credit shall be drawn in such a manner that at any time the payment(s) due the Successful Offeror are not sufficient to cover liquidated damages contained in this section, and such damage shall not have been otherwise paid by the Successful Offeror, the balance of the liquidated damages will become due from such performance bond or letter of credit as outlined below, and any liquidated damages in subsequent periods will be deducted from payments due Successful Offeror until paid in full.

All assessed liquidated damages may be deducted from any moneys owed the Successful Offeror by the NMLA under the contract, and in the event the amount due to the Successful Offeror is not sufficient to satisfy the amount of liquidated damages, the Successful Offeror shall pay the balance to the NMLA within thirty (30) calendar days of written notification by the NMLA. In the event the Successful Offeror fails to pay within the thirty (30) day period, the NMLA may then make a claim for payment against the Performance Bond, with or without notice to the Successful Offeror. Assessment of liquidated damages shall be in addition to, and not in lieu of, such other remedies as may be available to the NMLA.

8. SEVERABILITY OF INDIVIDUAL LIQUIDATED DAMAGES CLAUSES

If any portion of these liquidated damages provisions is determined to be unenforceable in one or more of its applications, that portion remains in effect in all applications not determined to be invalid that are severable from the invalid applications. If any portion of the liquidated damages provisions is determined to be unenforceable, all other portions and provisions shall remain in full force and effect.

ATTACHMENT A – NEW MEXICO LOTTERY ACT

ARTICLE 24 - New Mexico Lottery

Section

- 6-24-1 Short title.
- 6-24-2 Legislative findings.
- 6-24-3 Purposes.
- 6-24-4 Definitions.
- 6-24-5 New Mexico lottery authority created.
- 6-24-6 Powers of the authority.
- 6-24-7 Board of directors; duties.
- 6-24-8 Lottery games; adoption of rules, policies and procedures by board.
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- 6-24-10 Chief executive officer; compensation; appointment; duties.
- 6-24-11 Employees; conflict of interest; investigations; bonds.
- 6-24-12 Executive vice president for security; qualifications; duties.
- 6-24-13 Determination of confidential information; applicability of Open Meetings Act; criminal investigations.
- 6-24-14 Lottery retailers; contracts; sales commission; bonds.

- 6-24-15 Lottery tickets; sales.
- 6-24-16 Termination of lottery retailer contracts.
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6-24-1. Short title.

Chapter 6, Article 24 NMSA 1978 may be cited as the "New Mexico Lottery Act".

6-24-2. Legislative findings.

The legislature finds that:

- A. lotteries have been enacted in many states and the revenues generated from those lotteries have contributed to the benefit of the residents of those states;
- B. many New Mexicans already participate in other state lotteries and support the establishment of a state lottery in New Mexico; and
- C. the most desirable, efficient and effective mechanism for operation of a state lottery is an independent lottery authority organized as a business enterprise separate from state government, without need for state revenues or resources and subject to oversight, audit and accountability by public officials and agencies.

6-24-3. Purposes.

The purposes of the New Mexico Lottery Act [6-24-1 NMSA 1978] are to:

- A. establish and provide for the conduct of a fair and honest lottery for the entertainment of the public; and
- B. provide the maximum amount of revenues, without imposing additional taxes or using other state revenues, for the purpose of providing tuition assistance to resident undergraduates at New Mexico post-secondary educational institutions.

6-24-4. Definitions.

As used in the New Mexico Lottery Act [6-24-1 NMSA 1978]:

- A. "authority" means the New Mexico lottery authority;
- B. "board" means the board of directors of the authority;

C. "chief executive officer" means the chief executive officer of the authority appointed by the board pursuant to the New Mexico Lottery Act;

D. "lottery" means the New Mexico state lottery established and operated by the authority pursuant to the New Mexico Lottery Act;

E. "lottery contractor" means a person with whom the authority has contracted for the purpose of providing goods or services for the lottery;

F. "lottery game" means any variation of the following types of games, but does not include any video lottery game:

- (1) an instant-win game in which disposable tickets contain certain preprinted winners that are determined by rubbing or scraping an area or areas on the tickets to match numbers, letters, symbols or configurations, or any combination thereof, as provided by the rules of the game; provided, an instant-win game may also provide for preliminary and grand prize drawings conducted pursuant to the rules of the game; and
- (2) an on-line lottery game in which a lottery game is hooked up to a central computer via a telecommunications system through which a player selects a specified group of numbers or symbols out of a predetermined range of numbers or symbols and purchases a ticket bearing the player-selected numbers or symbols for eligibility in a drawing regularly scheduled in accordance with game rules;

G. "lottery retailer" means a person with whom the authority has contracted for the purpose of selling tickets in lottery games to the public;

H. "lottery vendor" means any person who submits a bid, proposal or offer as part of a major procurement contract and any person who is awarded a major procurement contract; and

I. "person" means an individual or any other legal entity.

6-24-5. New Mexico lottery authority created.

A. There is created a public body, politic and corporate, separate and apart from the state, constituting a governmental instrumentality to be known as the "New Mexico lottery authority". The authority is created and organized for the purpose of establishing and conducting the New Mexico state lottery to provide revenues for the public purposes designated by the New Mexico Lottery Act [6-24-1 NMSA 1978].

B. The authority shall be governed by a board of directors composed of seven members who are residents of New Mexico appointed by the governor with the advice and consent of the senate. The members of the board of directors shall be prominent persons in their businesses or professions and shall be appointed so as to provide equitable geographical representation. No more than four members of the board shall be from any one political party. The governor shall consider appointing at least one member

who has at least five years experience as a law enforcement officer, at least one member who is an attorney admitted to practice in New Mexico and at least one member who is a certified public accountant certified in New Mexico.

C. Board members shall be appointed for five-year terms. To provide for staggered terms, four of the initially appointed members shall be appointed for terms of five years and three members for terms of three years. Thereafter, all members shall be appointed for five-year terms. A vacancy shall be filled by appointment by the governor for the remainder of the unexpired term. A member shall serve until his replacement is confirmed by the senate. Board members shall be eligible for reappointment.

D. The board shall select one of its members as chairman annually. A chairman may be selected for successive years. Members of the board may be removed by the governor for malfeasance, misfeasance or willful neglect of duty after reasonable notice and a public hearing unless the notice and hearing are expressly waived in writing by the member.

E. The board shall hold regular meetings at the call of the chairman, but not less often than once each calendar quarter. A board meeting may also be called upon the request in writing of three or more board members. A majority of members then in office constitutes a quorum for the transaction of any business and for the exercise of any power or function of the authority.

F. Board members shall receive no compensation for their services but shall be paid expenses incurred in the conduct of authority business as allowed and approved by the authority in accordance with policies adopted by the board.

G. A board member shall be subject to a background check and investigation to determine his fitness for office. The results of that background check shall be made available to the governor and the senate.

6-24-6. Powers of the authority.

A. The authority shall have all powers necessary or convenient to carry out and effectuate the purposes and provisions of the New Mexico Lottery Act [6-24-1NMSA 1978] that are not in conflict with the constitution of New Mexico and that are generally exercised by corporations engaged in entrepreneurial pursuits, including the power to:

- (1) sue and be sued;
- (2) adopt and alter a seal;
- (3) adopt, amend and repeal bylaws, rules, policies and procedures for the conduct of its affairs and its business;
- (4) procure or provide insurance;
- (5) hold copyrights, trademarks and service marks and enforce its rights with respect thereto;
- (6) initiate, supervise and administer the operation of the lottery in accordance with the provisions of the New Mexico Lottery Act and rules, policies and procedures adopted pursuant to that act;
- (7) enter into written agreements or contracts for the operation, participation in or marketing or promotion of a joint lottery or joint lottery games with operators of a lottery:

- (a) in one or more other states;
 - (b) in a territory of the United States;
 - (c) in one or more political subdivisions of another state or territory of the United States;
 - (d) in a sovereign nation;
 - (e) in an Indian nation, tribe or pueblo located within the United States; or
 - (f) legally operated outside of the United States;
- (8) acquire or lease real property and make improvements thereon and acquire by lease or by purchase personal property, including computers, mechanical, electronic and on-line equipment and terminals and intangible property, including computer programs, systems and software;
 - (9) enter into contracts to incur debt and borrow money in its own name and enter into financing agreements with the state, with agencies or instrumentalities of the state or with any commercial bank or credit provider;
 - (10) receive and expend, in accordance with the provisions of the New Mexico Lottery Act, all money received from any lottery or nonlottery source for effectuating the purposes of the New Mexico Lottery Act;
 - (11) administer oaths, take depositions, issue subpoenas and compel the attendance of witnesses and the production of books, papers, documents and other evidence relative to any investigation or proceeding conducted by the authority;
 - (12) appoint and prescribe the duties of officers, agents and employees of the authority, including professional and administrative staff and personnel, and to fix their compensation, pay their expenses and provide a benefit program, including a retirement plan and a group insurance plan;
 - (13) select and contract with lottery vendors and lottery retailers;
 - (14) enter into contracts or agreements with state, local or federal law enforcement agencies or private investigators or other persons for the performance of law enforcement, background investigations and security checks;
 - (15) enter into contracts of all types on such terms and conditions as the authority may determine;
 - (16) establish and maintain banking relationships, including establishment of checking and savings accounts and lines of credit;
 - (17) advertise and promote the lottery and lottery games;
 - (18) act as a lottery retailer, conduct promotions that involve the dispensing of lottery tickets and establish and operate a sales facility to sell lottery tickets and any related merchandise; and
 - (19) adopt, repeal and amend such rules, policies and procedures as necessary to carry out and implement its powers and duties, organize and operate the authority, conduct lottery games and any other matters necessary or desirable for the efficient and effective operation of the lottery and the convenience of the public.

B. The powers enumerated in this section are cumulative of and in addition to those powers enumerated elsewhere in the New Mexico Lottery Act [6-24-1 NMSA 1978], and no such powers limit or restrict any other powers of the authority.

6-24-7. Board of directors; duties.

The board shall provide the authority with the private-sector perspective of a large marketing enterprise and shall make every effort to exercise sound and prudent business judgment in its management and promotion of the lottery. It is the duty of the board to:

- A. adopt all rules, policies and procedures necessary for the establishment and operation of the lottery;

- B. maximize the revenue for the public purposes of the New Mexico Lottery Act [6-24-1 NMSA 1978] and to that end assure that all rules, policies and procedures adopted further revenue maximization;
- C. appoint a chief executive officer, prescribe the chief executive officer's qualifications, duties and salary and set the salaries of the other officers and employees of the authority;
- D. approve, disapprove, amend or modify the annual budget recommended by the chief executive officer for the operation of the authority;
- E. approve or disapprove all procurements over seventy-five thousand dollars (\$75,000);
- F. supervise the chief executive officer and the other officers and employees of the authority and meet with the chief executive officer at least once every three months to make and consider recommendations, set policies, determine types and forms of lottery games to be operated by the lottery and transact other necessary business;
- G. conduct, with the chief executive officer, a continuing study of the lottery and other state lotteries to improve the efficiency, profitability and security of the authority and the lottery;
- H. prepare quarterly and annual reports and maintain records as required under the New Mexico Lottery Act;
- I. pursue other matters necessary, desirable or convenient for the efficient and effective operation of lottery games, the continued entertainment and convenience of the public and the integrity of the lottery; and
- J. support problem gambling initiatives and provide information to players about where to obtain problem gambling assistance in New Mexico.

6-24-8. Lottery games; adoption of rules, policies and procedures by board.

The board may adopt rules, policies and procedures for the conduct of lottery games in general, including, but not limited to the following matters:

- A. the type of games to be conducted, which may include any type of lottery game not prohibited by the New Mexico Lottery Act [6-24-1 NMSA 1978];
- B. the percentage of lottery revenues that shall be returned to the public in the form of lottery prizes;
- C. the method and location of selecting or validating winning tickets;

- D. the manner and time of payment of prizes, which may include lump-sum payments or installments over a period of years;
- E. the manner of payments of prizes to the holders of winning tickets;
- F. the frequency of games and drawings or selection of winning tickets;
- G. the method to be used in selling tickets, which may include the use of electronic or mechanical devices;
- H. the price of each ticket and the number and size of prizes;
- I. the conduct of drawings and determination of winners of lottery games;
- J. requirements governing lottery tickets, including, but not limited to, requirements that all instant-win tickets be recyclable; and
- K. any and all other matters necessary, desirable or convenient toward ensuring the efficient and effective operation of lottery games.

6-24-9. Legislative oversight; legislative finance committee; duties.

- A. The legislative finance committee shall oversee the operations of the authority, as well as periodically review and evaluate the success with which the authority is accomplishing its duties and operating the lottery pursuant to the New Mexico Lottery Act [6-24-1 NMSA 1978]. The committee may conduct an independent audit or investigation of the lottery or the authority.
- B. The legislative finance committee shall report annually its findings and recommendations on the lottery and the operation of the authority to each regular session of the legislature.

6-24-10. Chief executive officer; compensation; appointment; duties.

- A. The board shall appoint and set the compensation of a "chief executive officer", who shall serve at the pleasure of the board.
- B. The chief executive officer, who shall be an employee of the authority, shall:

- (1) manage and direct the operation of the lottery and all administrative and technical activities of the authority in accordance with the provisions of the New Mexico Lottery Act [6-24-1 NMSA 1978] and pursuant to rules, policies and procedures adopted by the board pursuant to that act;
- (2) employ and supervise such personnel as deemed necessary;
- (3) with the approval of the board and pursuant to rules, policies and procedures adopted by the board, enter into contracts for materials, equipment and supplies to be used in the operation of the lottery, for the design and installation of lottery games, for consultant services and for promotion of the lottery;
- (4) contract with lottery retailers pursuant to the New Mexico Lottery Act and board rules;
- (5) promote or provide for promotion of the lottery and any functions related to the authority;
- (6) hire an executive vice president for security and an internal auditor and take all necessary measures to provide for the security and integrity of the lottery;
- (7) prepare an annual budget for the approval of the board;
- (8) provide quarterly to the board, the governor and the legislative finance committee a full and complete report of lottery revenues and expenses for the preceding quarter; and
- (9) perform such other duties as are necessary to implement and administer the lottery

C. The chief executive officer may refuse to renew a lottery contract in accordance with the provisions of the New Mexico Lottery Act or the rules, policies and procedures of the board.

D. The chief executive officer or his designee may conduct hearings and administer oaths to persons for the purpose of assuring the security or integrity of lottery operations or to determine the qualifications of or compliance by lottery vendors and lottery retailers.

6-24-11. Employees; conflict of interest; investigations; bonds.

A. No employee of the authority shall participate in any decision involving a lottery retailer with whom the employee has a financial interest.

B. No employee of the authority who leaves the employment of the authority may represent any lottery vendor or lottery retailer before the authority for a period of two years following termination of employment with the authority.

C. A background investigation shall be conducted on each applicant who has reached the final selection process prior to employment by the authority. The authority is authorized to pay for the actual cost of such investigations and may contract with the department of public safety for the performance of the investigations.

D. The authority shall bond authority employees with access to authority funds or lottery revenue in an amount determined by the board and may bond other employees as deemed necessary.

6-24-12. Executive vice president for security; qualifications; duties.

A. The chief executive officer shall hire an executive vice president for security, who shall be qualified by training and experience, including at least five years of law enforcement experience, and be knowledgeable and experienced in computer security. The executive vice president for security shall take direction as needed from the chief executive officer and shall be accountable to the board.

B. The executive vice president for security shall:

- (1) be the chief administrative officer of the security division of the authority, which is designated as a law enforcement agency for the purposes of administering the security provisions of the New Mexico Lottery Act [6-24-1 NMSA 1978];
- (2) be responsible for assuring the security, honesty, fairness and integrity of the operation and administration of the lottery and to that end shall institute all necessary security measures, including an examination of the background of all prospective employees, lottery retailers, lottery vendors and lottery contractors;
- (3) in conjunction with the chief executive officer, confer with the attorney general or his designee to promote and ensure the security, honesty, fairness and integrity of the operation and administration of the lottery; and
- (4) in conjunction with the chief executive officer, report any alleged violation of law to the attorney general or any other appropriate law enforcement authority for further investigation and action.

C. The executive vice president for security and the employees of the division assigned by him as security agents shall be commissioned by the board as peace officers with full powers of arrest in the performance of their duties. These peace officers shall seek and must obtain certification pursuant to the provisions of the Law Enforcement Training Act [29-7-1 NMSA 1978].

D. The department of public safety in conjunction with the authority shall develop policy and procedures to require background checks. The policy and procedures shall require the fingerprinting of all board members and prospective employees. Fingerprint cards will be submitted to the department of public safety records bureau for processing through the federal bureau of investigation. The department of public safety will not disseminate the criminal history information to the authority.

E. An applicant for consideration shall be fingerprinted and shall provide two fingerprint cards to the department of public safety. Convictions of felonies or misdemeanors contained in the federal bureau of investigation record shall be used in accordance with Section 6-24-18 NMSA 1978. Other information contained in the federal bureau of investigation record supported by independent evidence can form the basis for the denial, suspension or revocation for good and just cause. Such records and any related information shall be privileged and shall not be disclosed to individuals not directly involved in the decisions affecting the specific applicants or employees. The authority shall pay for the cost of obtaining the federal bureau of investigation record. The department of public safety shall implement the provisions of this section on or before July 1, 1999.

6-24-13. Determination of confidential information; applicability of Open Meetings Act; criminal investigations.

A. The authority is specifically authorized to determine which information relating to the operation of the lottery is confidential. Such information is limited to trade secrets and proprietary information; security measures, systems or procedures; security reports; information concerning bids or other contract data

during the negotiation process, the disclosure of which would impair the efforts of the authority to contract for goods or services on favorable terms; and information obtained pursuant to investigations that would be protected from public disclosure under the Inspection of Public Records Act [14-2-4 NMSA 1978].

B. The authority is subject to the provisions of the Open Meetings Act [10-15-1.1 NMSA 1978]; provided that meetings or portions of meetings devoted to discussing information deemed to be confidential pursuant to Subsection A of this section are exempt from the provisions of that act.

C. The authority or its authorized agent shall:

- (1) conduct criminal background investigations and credit investigations on all potential lottery retailers and all lottery vendors prior to the execution of any contract with a lottery retailer or a lottery vendor;
- (2) supervise ticket validation and lottery drawings;
- (3) inspect at times determined solely by the authority the facilities of any lottery vendor or lottery retailer in order to determine the integrity of the lottery vendor's product or the operations of the lottery retailer in order to determine whether the lottery vendor or the lottery retailer is in compliance with its contract;
- (4) report any suspected violations of the New Mexico Lottery Act [6-24-1 NMSA 1978] to the appropriate district attorney, the attorney general or to any law enforcement agency having jurisdiction over the violation; and
- (5) upon request, provide assistance to any district attorney, the attorney general or a law enforcement agency investigating a violation of the New Mexico Lottery Act.

6-24-14. Lottery retailers; contracts; sales commission; bonds.

A. Lottery tickets shall be sold only by a lottery retailer who, pursuant to a contract with the authority, has been issued a certificate of authority signed by the chief executive officer. The lottery retailer shall display the certificate conspicuously at each authorized location. No lottery retailer shall sell a lottery ticket except from the locations listed in his contract and as evidenced by his certificate of authority unless the authority authorizes in writing any temporary location not listed in his contract.

B. Before entering into a contract with a lottery retailer applicant, the chief executive officer shall consider:

- (1) the financial responsibility and security of the applicant and his business or activity;
- (2) the accessibility of his place of business or activity to the public; and
- (3) the sufficiency of existing licenses to serve the public convenience and the volume of the expected sales.

C. No person shall be a lottery retailer who:

- (1) is under eighteen years of age;
- (2) is engaged exclusively in the business of selling lottery tickets;
- (3) is a lottery vendor or an employee or agent of any lottery vendor doing business in New Mexico;
- (4) has been found to have violated any provisions of the New Mexico Lottery Act [6-24-1 NMSA 1978] or any rule adopted by the board pursuant to that act; or

(5) fails to certify to the chief executive officer that his premises are in compliance with the federal Americans with Disabilities Act of 1990.

D. All lottery retailer contracts may be renewable annually in the discretion of the authority unless sooner terminated.

E. The authority to act as a lottery retailer is not assignable or transferable.

F. Lottery retailer applicants shall pay an application fee established by the board to cover the cost of investigating and processing the application.

G. The board shall determine the commission to be paid lottery retailers for their sales of lottery tickets.

H. Each lottery retailer shall keep a complete and current set of records accounting for all of his sales of lottery tickets and shall provide it for inspection upon request of the board, the chief executive officer, the legislative finance committee or the attorney general.

I. Lottery retailers shall make payments to the lottery only by check, bankdraft, electronic fund transfer or other recorded, noncash financial transfer method as determined by the chief executive officer.

J. No lottery retailer shall contract with any person for lottery goods or services except with the approval of the board.

6-24-15. Lottery tickets; sales.

A. The price of each lottery ticket shall be clearly stated on the ticket. No person shall sell a ticket at a price other than at the price established by the authority unless authorized in writing by the chief executive officer. No person other than a lottery retailer shall sell lottery tickets, but this subsection shall not be construed to prevent a person who may lawfully purchase tickets from making a gift of lottery tickets. Transactions between individuals on a nonprofit basis are permissible. Nothing in the New Mexico Lottery Act [6-24-1 NMSA 1978] shall be construed to prohibit the authority from designating certain of its agents or employees to sell or give lottery tickets directly to the public.

B. Lottery tickets may be given by merchants as a means of promoting goods or services to customers or prospective customers.

C. Tickets shall not be sold to or purchased by individuals under eighteen years of age. Persons under eighteen years of age may receive lottery tickets as gifts.

D. Tickets may be purchased only with cash or a check and shall not be purchased on credit.

E. The names of elected officials shall not appear on any lottery ticket.

6-24-16. Termination of lottery retailer contracts.

A. Any lottery retailer contract executed by the authority pursuant to the New Mexico Lottery Act [6-24-1 NMSA 1978] shall specify the reasons for which a contract may be terminated by the authority, which reasons shall include but not be limited to:

- (1) a violation of the New Mexico Lottery Act or any rule, policy or procedure of the board adopted pursuant to that act;
- (2) failure to accurately or timely account for lottery tickets, lottery games, revenues or prizes as required by the authority;
- (3) commission of any fraud, deceit or misrepresentation;
- (4) failure to achieve sales goals established by the lottery;
- (5) conduct prejudicial to public confidence in the lottery;
- (6) the lottery retailer's filing for or being placed in bankruptcy or receivership;
- (7) any material change as determined in the sole discretion of the authority in any matter considered by the authority in executing the contract with the lottery retailer; and
- (8) failure to meet any of the objective criteria established by the authority pursuant to the New Mexico Lottery Act.

B. The chief executive officer may terminate a contract with a lottery retailer for violations or actions that according to the terms of the contract, pursuant to Subsection A of this section, require termination.

6-24-17. Disclosure of odds.

The authority shall make adequate disclosure of the odds with respect to each lottery game by stating the odds in lottery game advertisements or by posting the odds at each place in which lottery tickets are sold.

6-24-18. Felony and gambling-related convictions; ineligibility for lottery positions.

No person who has been convicted of a felony or a gambling-related offense under federal law or the law of any state may be a board member, chief executive officer, officer or employee of the authority, lottery vendor or lottery retailer. Prior to appointment as a board member, chief executive officer or other officer or employee, a person shall submit to the board a full set of fingerprints made at a law enforcement agency by an agent or officer of such agency on forms supplied by the authority. The executive vice president for security may require a lottery retailer to submit fingerprints prior to completing a contract.

6-24-19. Procurement; competitive proposals.

The authority shall enter into a contract for a procurement after evaluating competitive proposals and shall not design requests for proposals to provide only for sole source contracts. The authority shall conduct its own procurement, but the authority shall conduct all procurement in accordance with the Procurement Code [13-1-28 NMSA 1978]. In all procurement decisions, the authority shall take into account the particularly sensitive nature of the lottery and shall act to promote and ensure security, honesty, fairness and integrity in the operation and administration of the lottery and the objectives of raising revenue for the public purposes of the New Mexico Lottery Act [6-24-1 NMSA 1978]. Procurements shall not be artificially divided to reduce the cost of the procurement below the procurement thresholds provided in the Procurement Code.

6-24-20. Disclosures by lottery vendor.

A. Any lottery vendor that submits a bid or proposal for a contract to supply lottery equipment, tickets or other material or services for use in the operation of the lottery shall disclose at the time of such bid or proposal:

- (1) the lottery vendor's business name and address and the names and addresses of the following:
 - (a) if the lottery vendor is a partnership, all of the general and limited partners;
 - (b) if the lottery vendor is a trust, the trustee and all persons entitled to receive income or benefit from the trust;
 - (c) if the lottery vendor is an association, the members, officers and directors;
 - (d) if the lottery vendor is a corporation, the officers, directors and each owner or holder, directly or indirectly, of any equity security or other evidence of ownership of any interest in the corporation; except that, in the case of owners or holders of publicly held equity securities of a publicly traded corporation, only the names and addresses of those owning or holding five percent or more of the publicly held securities must be disclosed; and
 - (e) if the lottery vendor is a subsidiary company, each intermediary company, holding company or parent company involved therewith and the officers, directors and stockholders of each; except that, in the case of owners or holders of publicly held securities of an intermediary company, holding company, or parent company that is a publicly traded corporation, only the names and addresses of those owning or holding five percent or more of the publicly held securities must be disclosed;
- (2) if the lottery vendor is a corporation, all the states in which the lottery vendor is authorized to do business and the nature of that business;
- (3) other jurisdictions in which the lottery vendor has contracts to supply gaming materials, equipment or services;
- (4) the details of any conviction by a federal or any state court of the lottery vendor or any person whose name and address is required under this section for a criminal offense punishable by imprisonment for more than one year and shall submit to the board a full set of fingerprints of such person made at a law enforcement agency by an agent or officer of such agency on forms supplied by the authority;
- (5) the details of any disciplinary action taken by any state against the lottery vendor or any person whose name and address are required by this section regarding any matter related to gaming services or the selling, leasing, offering for sale or lease, buying or servicing of gaming materials or equipment;
- (6) audited annual financial statements of the lottery vendor for the preceding five years;

- (7) a statement of the lottery vendor's gross receipts realized in the preceding year from gaming services and the sale, lease or distribution of gaming materials or equipment to states operating lotteries and to private persons licensed to conduct gambling, differentiating that portion of the gross receipts attributable to transactions with states operating lotteries from that portion of the gross receipts attributable to transactions with private persons licensed to conduct gambling;
- (8) the name and address of any source of gaming materials or equipment for the lottery vendor;
- (9) the number of years the lottery vendor has been in the business of supplying gaming services or gaming materials or equipment; and
- (10) any other information, accompanied by any documents the board by rule may reasonably require as being necessary or appropriate in the public interest to accomplish the purposes of the New Mexico Lottery Act [6-24-1 NMSA 1978].

B. No contract for supplying goods or services for use in the operation of the lottery is enforceable against the authority unless the requirements of this section have been fulfilled.

6-24-21. Drawings for and payment of prizes; unclaimed prizes; applicability of taxation.

A. All lottery prize drawings shall be open to the public. If the prior written approval of the chief executive officer and the executive vice president for security are obtained, the selection of winning entries may be performed by an employee of the lottery. A member of the board shall not perform the selection of a winning entry. Drawings for a prize of more than five thousand dollars (\$5,000) shall be conducted and videotaped by the security division and witnessed by the internal auditor of the authority or his designee. Promotional drawings for a prize of less than five thousand dollars (\$5,000) are exempt from the requirements of this subsection if prior written approval is given by the chief executive officer and the executive vice president for security. All lottery drawing equipment used in public drawings to select winning numbers or entries or participants for prizes shall be examined and tested by the chief executive officer's staff and the internal auditor of the authority or his designee prior to and after each public drawing.

B. Any lottery prize is subject to applicable state taxes. The authority shall report to the state and federal taxing authorities any lottery prize exceeding six hundred dollars (\$600).

C. The authority shall adopt rules, policies and procedures to conduct fair and equitable drawings and establish a system of verifying the validity of tickets claimed to win prizes and to effect payment of such prizes, provided:

- (1) no prize shall be paid upon a ticket purchased or sold in violation of the New Mexico Lottery Act [6-24-1 NMSA 1978]. Any such prize shall constitute an unclaimed prize for purposes of this section;
- (2) the authority is discharged from all liability upon payment of a prize;
- (3) the board may by rule provide for the payment of prizes by lottery retailers, whether or not the lottery retailer sold the winning ticket, whenever the amount of the prize is less than an amount set by board rule. Payment shall not be made directly to a player by a machine or a mechanical or electronic device;
- (4) prizes not claimed within the time period established by the authority are forfeited and shall be paid into the prize fund. No interest is due on a prize when a claim is delayed;
- (5) the right to a prize is not assignable, but prizes may be paid to a deceased winner's estate or to a person designated by judicial order;

- (6) until a signature or mark is placed on a ticket in the area designated for signature, a ticket is owned by the bearer of the ticket, but after a signature or mark is placed on a ticket in the area designated for signature, a ticket is owned by the person whose signature or mark appears, and that person is entitled to any prize attributable to the owner; and
- (7) the authority is not responsible for lost or stolen tickets.

6-24-22. Lien on lottery winnings for debt collected by human services department; payment to department; procedure.

A. The human services department shall periodically certify to the authority the names and social security numbers of persons owing a debt to or collected by the human services department. This list shall include individuals that owe child support being collected by the state's child support enforcement agency pursuant to Title IV-D of the Social Security Act.

B. Prior to the payment of a lottery prize in excess of six hundred dollars (\$600), the lottery shall check the name of the winner against the list of names and social security numbers of persons owing a debt to or collected by the human services department.

C. If the prize winner is on the list of persons owing a debt to or collected by the agency, the lottery shall make a good-faith attempt to notify the human services department, and the department then has a lien against the lottery prize in the amount of the debt owed to or collected by the agency. The lottery has no liability to the human services department or the person on whose behalf the department is collecting the debt if the lottery fails to match a winner's name to a name on the list or is unable to notify the department of a match. The department shall provide the lottery with written notice of a lien promptly within five working days after the lottery notifies the department of a match.

D. If the lottery prize is to be paid directly by the authority, the amount of the debt owed to or collected by the human services department shall be held by the lottery for a period of ninety days from the lottery's confirmation of the amount of the debt to allow the department to institute any necessary administrative seizure proceedings in accordance with Section 27-1-11 NMSA 1978. If an administrative seizure a proceeding is not initiated within the ninety-day period, the authority shall release the lottery prize payment to the winner.

E. The human services department, in its discretion, may release or partially release the lien upon written notice to the authority.

F. A lien or administrative seizure established against a lottery prize on behalf of a child support enforcement case shall take first priority over all other liens established by the department.

G. A lien under this section is in addition to any other lien created by law.

6-24-23. Lottery tuition fund created; purpose.

A. The "lottery tuition fund" is created in the state treasury. The fund shall be administered by the commission on higher education [higher education department]. Earnings from investment of the fund shall accrue to the credit of the fund. Any balance in the fund at the end of any fiscal year shall remain in the fund for appropriation by the legislature as provided in this section.

B. Money in the lottery tuition fund is appropriated to the commission on higher education [higher education department] for distribution to New Mexico's public post-secondary educational institutions to provide tuition assistance for New Mexico resident undergraduates as provided by law.

6-24-24. Disposition of revenue.

A. As nearly as practical, an amount equal to at least fifty percent of the gross annual revenue from the sale of lottery tickets shall be returned to the public in the form of lottery prizes.

B. No later than the last business day of each month, the authority shall transmit at least twenty-seven percent of the gross revenue of the previous month until December 31, 2008 and at least thirty percent of the gross revenue of the previous month thereafter to the state treasurer, who shall deposit it in the lottery tuition fund.

C. Operating expenses of the lottery include all costs incurred in the operation and administration of the lottery and all costs resulting from any contracts entered into for the purchase or lease of goods or services required by the lottery, including the costs of supplies, materials, tickets, independent audit services, independent studies, data transmission, advertising, promotion, incentives, public relations, communications, commissions paid to lottery retailers, printing, distribution of tickets, purchases of annuities or investments to be used to pay future installments of winning lottery tickets, debt service and payment of any revenue bonds issued, contingency reserves, transfers to the reserve fund and any other necessary costs incurred in carrying out the provisions of the New Mexico Lottery Act [6-24-1 NMSA 1978].

6-24-25. Prohibition on use of state funds.

The authority shall be self-sustaining and self-funded. No appropriations, loans or other transfer of state funds shall be made to the authority or used or obligated to pay the expenses of the authority or lottery prizes. No claim for the payment of any lottery expense or lottery prize shall be made against any money other than money credited to the authority.

6-24-26. Authorization to issue revenue bonds.

A. In order to provide funds for the initial development and operation of the lottery, the board is authorized to issue lottery revenue bonds in an amount not to exceed three million dollars (\$3,000,000) payable solely from revenues of the authority generated from operation of the lottery.

B. The board may issue bonds to refund other bonds issued pursuant to this section.

C. The bonds shall have a maturity of no more than five years from the date of issuance. The board shall determine all other terms, covenants and conditions of the bonds; provided, however, that the bonds may provide for prepayment in part or in full of the balance due at any time without penalty.

D. The bonds shall be executed with the manual or facsimile signature of the chief executive officer or the chairman of the board and attested by another member of the board. The bonds may bear the seal, if any, of the authority.

E. The proceeds of the bonds and the earnings on those proceeds are appropriated to the authority for the initial development and operation of the lottery, to pay expenses incurred in the preparation, issuance and sale of the bonds, to pay any obligations relating to the bonds and the proceeds of the bonds under the Internal Revenue Code of 1986 and for any other lawful purpose.

F. The bonds may be sold either at a public sale or at a private sale to the state investment officer or to the state treasurer. If the bonds are sold at a public sale, the notice of sale and other procedures for the sale shall be determined by the chief executive officer or the board.

G. This section is full authority for the issuance and sale of the bonds, and the bonds shall not be invalid for any irregularity or defect in the proceedings for their issuance and sale and shall be incontestable in the hands of bona fide purchasers or holders of the bonds for value.

H. An amount of money from the sources specified in Subsection A of this section sufficient to pay the principal of and interest on the bonds as they become due in each year shall be set aside, and is hereby pledged, for the payment of the principal and interest on the bonds.

I. The bonds shall be legal investments for any person or board charged with the investment of public funds and may be accepted as security for any deposit of public money, and the bonds and interest thereon are exempt from taxation by the state and any political subdivision or agency of the state.

J. The bonds shall be payable by the authority, which shall keep a complete record relating to the payment of the bonds.

6-24-27. Revenue and budget reports; records; independent audits.

A. The board shall:

- (1) submit quarterly and annual reports to the governor and the legislative finance committee disclosing the total lottery revenue, prizes, commissions, ticket costs, operating expenses and other revenue of the authority during the reporting period and, in the annual report,

- describe the organizational structure of the authority and summarize the functions performed by each organizational division within the authority;
- (2) maintain weekly or more frequent records of lottery transactions, including the distribution of lottery tickets to retailers, revenue received, claims for prizes, prizes paid, prizes forfeited and other financial transactions of the authority; and
 - (3) use the state government fiscal year.

B. The board shall provide, for informational purposes, to the department of finance and administration and the legislative finance committee, by December 1 of each year, a copy of the annual proposed operating budget for the authority for the succeeding fiscal year. This budget proposal shall also be accompanied by an estimate of the revenue to be deposited in the lottery tuition fund for the current and succeeding fiscal years.

C. The board shall contract with an independent certified public accountant or firm for an annual financial audit of the authority. The certified public accountant or firm shall have no financial interest in any lottery contractor. The certified public accountant or firm shall present an audit report no later than March 1 for the prior fiscal year. The certified public accountant or firm shall evaluate the internal auditing controls in effect during the audit period. The cost of this financial audit shall be an operating expense of the authority. The legislative finance committee may, at any time, order an audit of any phase of the operations of the authority, at the expense of the authority, and shall receive a copy of the annual independent financial audit. A copy of any audit performed by the certified public accountant or ordered by the legislative finance committee shall be transmitted to the governor, the speaker of the house of representatives, the president pro tempore of the senate, the legislative finance committee and the legislative council service library.

6-24-28. Internal auditor; appointment; duties.

A. The board, with the recommendation and assistance of the chief executive officer, shall employ an internal auditor. The internal auditor, who shall be an employee of the authority, shall be qualified by training and experience as an auditor and management analyst and have at least five years of auditing experience. The internal auditor shall take direction as needed from the chief executive officer and be accountable to the board.

B. The internal auditor shall conduct and coordinate comprehensive audits for all aspects of the lottery, provide management analysis expertise and carry out any other duties specified by the board and by law. The internal auditor shall specifically:

- (1) conduct, or provide for through a competitive bid process, an annual financial audit and observation audits of drawings;
- (2) create an annual audit plan to be approved by the board;
- (3) search for means of better efficiency and cost savings and waste prevention;
- (4) examine the policy and procedure needs of the lottery and determine compliance;
- (5) ensure that proper internal controls exist;
- (6) perform audits that meet or exceed governmental audit standards; and
- (7) submit audit reports on a quarterly basis to the board, the chief executive officer, the state auditor and the legislative finance committee.

C. The internal auditor shall conduct audits as needed in the areas of:

- (1) personnel security;
- (2) lottery retailer security;
- (3) lottery contractor security;
- (4) security of manufacturing operations of lottery contractors;
- (5) security against lottery ticket counterfeiting and alteration and other means of fraudulently winning;
- (6) security of drawings among entries or finalists;
- (7) computer security;
- (8) data communications security;
- (9) database security;
- (10) systems security;
- (11) lottery premises and warehouse security;
- (12) security in distribution;
- (13) security involving validation and payment procedures;
- (14) security involving unclaimed prizes;
- (15) security aspects applicable to each particular lottery game;
- (16) security of drawings in games whenever winners are determined by drawings;
- (17) the completeness of security against locating winners in lottery games with preprinted winners by persons involved in their production, storage, distribution, administration or sales; and
- (18) any other aspects of security applicable to any particular lottery game and to the lottery and its operations.

D. Specific audit findings related to security invasion techniques are confidential and may be reported only to the chief executive officer or his designee, the board, the governor and the attorney general.

6-24-29. Unlawfully influencing and fraud; penalties.

A. It is unlawful to knowingly:

- (1) influence the winning of a prize through the use of coercion, fraud, deception or tampering with lottery equipment or materials;
- (2) make a material false statement in any application for selection as a lottery retailer or any lottery vendor proposal or other proposal to conduct lottery activities or to make a material false entry in any book or record that is compiled or maintained or submitted pursuant to the provisions of the New Mexico Lottery Act [6-24-1 NMSA 1978];
- (3) obtain or attempt to obtain access to a computer database or information maintained by the authority without the specific written authorization of the authority; or
- (4) obtain or attempt to obtain access to a computer database or information maintained by a person pursuant to a contract with the authority without the specific written authorization of the authority.

B. Any person who violates any provision of Subsection A of this section is guilty of a fourth degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978.

6-24-30. Conflicts of interest; penalties.

A. It is unlawful for the chief executive officer, a board member or any employee of the authority or any person residing in the household of the officer, board member or employee to:

- (1) have, directly or indirectly, an interest in a business, knowing that such business contracts with the lottery for a major procurement, whether such interest is as a natural person, partner, member of an association, stockholder or director or officer of a corporation; or
- (2) accept or agree to accept any economic opportunity, gift, loan, gratuity, special discount, favor, service or hospitality having an aggregate value of more than twenty dollars (\$20.00) in any calendar year, except for food and beverages consumed by the recipient at the time of receipt, from a person, knowing that the person:

- (a) contracts or seeks to contract with the state to supply gaming equipment, materials, lottery tickets or consulting services for use in the lottery; or
- (b) is a lottery retailer.

B. It is unlawful for a lottery retailer or a lottery vendor to offer, pay, give or make any economic opportunity, gift, loan, gratuity, special discount, favor, service or hospitality having an aggregate value of more than twenty dollars (\$20.00) in any calendar year, except food and beverages consumed by the recipient at the time of receipt, to a person, knowing the person is the chief executive officer, a board member or an employee of the authority, or a person residing in the household of the officer, board member or employee.

C. Any person who violates any provision of this section is guilty of a misdemeanor and shall be sentenced pursuant to the provisions of Section 31-19-1 NMSA 1978.

D. If a board member, the chief executive officer or an employee of the authority, or any person residing in the household thereof, is convicted of a violation of this section, that board member, chief executive officer or employee shall be removed from office or employment with the authority.

6-24-31. Forgery of lottery ticket; penalty.

A. It is unlawful to falsely make, alter, forge, pass, present or counterfeit, with intent to defraud, a lottery ticket, or receipt for the purchase thereof, issued or purported to have been issued by the lottery under the New Mexico Lottery Act [6-24-1 NMSA 1978].

B. It is unlawful to steal, knowingly possess or attempt to redeem stolen lottery tickets.

C. A person who violates the provisions of Subsection A of this section when:

- (1) the value of all things received in return for the forged lottery ticket or forged receipt for the purchase of a lottery ticket is one hundred dollars (\$100) or less is guilty of a petty misdemeanor and shall be sentenced pursuant to the provisions of Section 31-19-1 NMSA 1978;

- (2) the value of all things received in return for the forged lottery ticket or forged receipt for the purchase of a lottery ticket is more than one hundred dollars (\$100) but not more than one thousand dollars (\$1,000) is guilty of a misdemeanor and shall be sentenced pursuant to the provisions of Section 31-19-1 NMSA 1978;
- (3) the value of all things received in return for the forged lottery ticket or forged receipt for the purchase of a lottery ticket is more than one thousand dollars (\$1,000) but not more than two thousand five hundred dollars (\$2,500) is guilty of a fourth degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978;
- (4) the value of all things received in return for the forged lottery ticket or forged receipt for the purchase of a lottery ticket is more than two thousand five hundred dollars (\$2,500) but not more than twenty thousand dollars (\$20,000) is guilty of a third degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978; and
- (5) the value of all things received in return for the forged lottery ticket or forged receipt for the purchase of a lottery ticket is more than twenty thousand dollars (\$20,000) is guilty of a second degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978.

D. A person who violates the provisions of Subsection B of this section when:

- (1) the face value of the lottery tickets is one hundred dollars (\$100) or less is guilty of a petty misdemeanor and shall be sentenced pursuant to the provisions of Section 31-19-1 NMSA 1978;
- (2) the face value of the lottery tickets is more than one hundred dollars (\$100) but not more than one thousand dollars (\$1,000) is guilty of a misdemeanor and shall be sentenced pursuant to the provisions of Section 31-19-1 NMSA 1978;
- (3) the face value of the lottery tickets is more than one thousand dollars (\$1,000) but not more than two thousand five hundred dollars (\$2,500) is guilty of a fourth degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978;
- (4) the face value of the lottery tickets is more than two thousand five hundred dollars (\$2,500) but not more than twenty thousand dollars (\$20,000) is guilty of a third degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978; and
- (5) the face value of the lottery tickets is more than twenty thousand dollars (\$20,000) is guilty of a second degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978.

6-24-32. Unlawful sale of lottery ticket; penalty.

A. It is unlawful for:

- (1) any person to sell a lottery ticket at a price other than that fixed by the authority pursuant to the New Mexico Lottery Act [6-24-1 NMSA 1978];
- (2) any person other than the authority or a lottery retailer to sell or resell any lottery ticket; and
- (3) any person to sell a lottery ticket to any person under eighteen years of age.

B. Notwithstanding the provisions of Subsection A of this section, any person may make a gift of lottery tickets, and the authority or a lottery retailer may make a gift of lottery tickets for promotional purposes.

C. Any person who violates any provision of this section for the first time is guilty of a misdemeanor and shall be sentenced pursuant to the provisions of Section 31-19-1 NMSA 1978.

D. Any person who violates any provision of this section for a second or subsequent time is guilty of a fourth degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978.

6-24-33. Unlawful purchase of lottery ticket; penalty.

A. It is unlawful for the following persons to purchase a lottery ticket or to share knowingly in the lottery winnings of another person:

- (1) the chief executive officer, a board member or an employee of the authority; or
- (2) an owner, officer or employee of a lottery vendor or, in the case of a corporation, an owner of five percent or more of the corporate stock of a lottery vendor.

B. Notwithstanding the provisions of Subsection A of this section, the chief executive officer may authorize in writing any employee of the authority and any employee of a lottery contractor to purchase a lottery ticket for the purposes of verifying the proper operation of the lottery with respect to security, systems operation and lottery retailer contract compliance. Any prize awarded as a result of such ticket purchase shall become the property of the authority and shall be added to the prize pools of subsequent lottery games.

C. Nothing in this section shall prohibit lottery retailers or their employees from purchasing lottery tickets or from being paid a prize for a winning ticket.

D. Certain classes of persons who, because of the unique nature of the supplies or services they provide for use directly in the operation of the lottery, may be prohibited, in accordance with rules adopted by the board, from participating in any lottery in which such supplies or services are used.

E. Any person who violates any provision of this section for the first time is guilty of a misdemeanor and shall be sentenced pursuant to the provisions of Section 31-19-1 NMSA 1978.

F. Any person who violates any provision of this section for a second or subsequent time is guilty of a fourth degree felony and shall be sentenced pursuant to the provisions of Section 31-18-15 NMSA 1978.

6-24-34. Criminal provisions of act in addition to any existing Criminal Code provisions.

The criminal provisions of the New Mexico Lottery Act [6-24-1 NMSA 1978] are not intended to and do not replace or preempt prosecution for Criminal Code [30-1-1 NMSA 1978] violations based on identical or similar conduct.

ATTACHMENT B – NON-DISCLOSURE AGREEMENT

In consideration of the New Mexico Lottery Authority (New Mexico Lottery) retaining the services of _____ (Successful Offeror), and because of the sensitivity of certain information that may come under the care and control of Successful Offeror, both parties agree that all data and information relating to the business of the New Mexico Lottery which is, or has been, disclosed to, or obtained by, Successful Offeror in connection with its engagement or employment by the New Mexico Lottery (Confidential Information) shall remain confidential subject to release only with the prior written permission of the New Mexico Lottery, and more specifically agree as follows:

- The Confidential Information may be used by the Successful Offeror only to assist the Successful Offeror in connection with its engagement or employment with the New Mexico Lottery.
- The Successful Offeror will not, at any time, use the Confidential Information in any fashion, form, or manner except in its approved capacity with the New Mexico Lottery.
- The Successful Offeror agrees to maintain the confidentiality of the Confidential Information.
- The Confidential Information may not be copied or reproduced without the New Mexico Lottery's prior written consent.
- All Confidential Information made available to Successful Offeror, including copies thereof, shall be returned to the New Mexico Lottery upon the first to occur of (a) completion of the project, (b) termination of Successful Offeror's engagement or employment, or (c) request by the New Mexico Lottery.
- The foregoing shall not prohibit or limit Successful Offeror's use of the Confidential Information (including, but not limited to, ideas, concepts, know-how, techniques and methodologies) (a) previously known to it (b) independently developed by it, (c) acquired by it from a third party or (d) which is or becomes part of the public domain through no breach by the Successful Offeror.
- The foregoing shall not prohibit or limit the Successful Offeror's disclosure of Confidential Information after notification to the New Mexico Lottery if required by an appropriate judicial order.
- This agreement shall become effective as of the date Confidential Information is first made available to the Successful Offeror and shall survive any agreement for services or employment and shall be a continuing obligation of Successful Offeror.
- Successful Offeror will require that this agreement be signed by all its employees and agents who are assigned to perform any services at or for the New Mexico Lottery or who are privy to Confidential Information concerning the New Mexico Lottery.
- This agreement shall not be construed as an employment contract.

Successful Offeror:

New Mexico Lottery:

By_____

By_____

Title_____

Title_____

Date_____

Date_____

ATTACHMENT C – OFFEROR’S COMMITMENT

I certify that I have the authority to bind the Offeror indicated below to the specific terms and conditions described in the attached Proposal for Instant Ticket Printing and Related Services and/or a Player Loyalty Program and that by signature on this document, the Offeror specifically agrees to: all of the waivers; restrictions; and requirements of the RFP, as conditions precedent to submitting this proposal.

I further state that in making this proposal, the Offeror has not consulted with others for the purpose of restricting competition and that the Offeror has not made any knowingly false statements in its proposal or background information.

I hereby commit _____
(Company Name(s))

To complete the tasks described in the attached Proposal for Instant Ticket Printing and Related Services and/or a Player Loyalty Program as required in the Request for Proposals issued as of October 18, 2017 for the New Mexico Lottery Authority.

AUTHORIZED OFFEROR’S SIGNATURE

TITLE

DATE

ATTACHMENT D - PRICING FOR INSTANT TICKET PRINTING AND RELATED SERVICES

1. OPTION 1: COST PER THOUSAND

Pricing option shall be presented in a cost per thousand matrix format. All cost from initial game design to delivery of finished tickets to the NMLA should be reflected in one all-inclusive price as its “Basic Ticket Price”. The “Basic Ticket Price” shall include all ticket specifications as stated in the RFP, Part Two and Pricing for Instant Ticket and Related Services Section 2.1 Required Ticket Options.

Price quote should be in a matrix for the following ticket sizes: 2.5” x 4.0”; 4.0” x 4.0”; 6.0” x 4.0”; 8.0” x 4.0”; 10.0” x 4.0”; and 12.0” x 8.0”, showing cost per thousand tickets ordered. Each size should be in a matrix showing prices for .240, .360, .480, .600, .720, .960, 1.20, 1.44, 1.68 million ticket orders. For other quantities, please detail the formula that will be used. Matrix should show cost savings if games are print simultaneously (2, 3, 4 games) together.

Price quote should include a matrix for extended play games for the following ticket sizes: 6.0” x 4.0”; 8.0” x 4.0”; 10.0” x 4.0”. Matrix should show cost savings if games are printed simultaneously (2, 3, 4 games) together.

The NMLA reserves the right to select quantities, ticket sizes and options that are in the best interest of the NMLA.

2. OPTION 2: TICKET PRICE AS A PERCENT OF NET SALES

Cost as a Percentage of Net Sales: _____

(“Net Sales”, Net Instant Ticket sales are equal to instant ticket settlements minus returns, lost, stolen, or damaged tickets, and/or free/promotional tickets.)

Please detail how the cost is determined.

Important Note: Pricing options must be submitted in a sealed envelope and not included with the proposal. The original cost proposal shall be clearly labeled “ORIGINAL COST PROPOSAL”. (See Part One Section 3.1 Required Details)

Licensed Products – Describe the range of licensed properties offered and their relevance to the NMLA. Please include the cost of just the licensed property, as well as, costs inclusive of a second chance entry site, draw management, prize fulfillment and tax processing.

Where options are included in the technical proposal, then the Offeror must also submit prices as separate line items. Any item for which there is no additional price (i.e., included in the base price) must be shown as no Charge (N/C).

2.1 Required Ticket Options

The NMLA acknowledges that each Offeror has their own list of possible ticket enhancements or game options. The NMLA encourages Offerors to include additional options in the base price that they feel would enhance the NMLA instant ticket and increase sales for the NMLA. As new game enhancements and options are developed the NMLA expects the Offerors to demonstrate new features.

- 2.1.1 Offeror(s) extended play marking system(s).
- 2.1.2 Provide one (1) licensed property per year.
- 2.1.3 Multiple scenes or continuous scene game beyond four (4) scenes for up to 4 games a year.
- 2.1.4 Multiple colored ink imaging for up to four (4) games a year.
- 2.1.5 Additional display colors (more than six (6)) for 2 games a year.
- 2.1.6 Neon/Fluorescent ink for up to six (6) games a year.
- 2.1.7 Best quality metallic ink for up to four (4) games a year.
- 2.1.8 Color pulse for up to two (2) games a year.
- 2.1.9 Use of Offeror's proprietary play action games.
- 2.1.10 Provide up to \$50,000 reimbursement to the NMLA for any costs incurred by the NMLA or its on-line vendor, at any time during the term of the Contract or any extensions, to convert to any new validation processes developed by the Offeror.

Since the NMLA may decide to print more than the annual required number of games in the required ticket options, please include pricing for the required options as a separate line item in the Price Proposal.

Offerors are encouraged to propose options regarding innovative functions, features, services, and solutions. Optional items must be presented as separate line items in the Price Proposal. Unless clearly identified as priced as an additional cost, all options will be considered to be included as part of the base price.

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

2.2 Invited Options

In a separate line item including pricing for the following invited options:

- 2.2.1 Offerors are invited to offer support for the launch and /or promotion of up to four (4) "special" games per year (licensed properties, games with an interactive play for fun game, etc.) in the form of promotional items or financial credit applied to the cost of the game.
- 2.2.2 The NMLA is striving to enhance the level of retailer rapport in order to maximize lottery sales and revenues to its network of retailers. The Offerors will be expected to support this endeavor by submitting proposals to enhance retailer relations by means of promotions, innovative programs and other means.

- 2.2.3 Offerors are invited to submit proposals for an annual presentation to NMLA Management and Sales Staff, and select retailers to demonstrate different methods of positioning lottery within Retailer establishments of different types with view to improving lottery presence and sales. This option will include suggestions for Point of Sales items, advertising, signage, etc. and also include case studies for specific sites.
- 2.2.4 The Offerors are invited to submit proposals for a series of annual training courses for the NMLA sales force (which includes the online Vendor's Field Service Representatives) of approximately twenty-five (25) personnel. It is envisioned that these courses would be held on a regular basis (e.g. 2 times over the course of 12 months) and will demonstrate to Sales Representatives ways to improve lottery presence in retail establishments, promote lottery, introduce lottery to new outlets, increase sales, etc.
- 2.2.5 Offerors are invited to submit proposals for second chance drawing responsive websites where NMLA players can enter their winning or non-winning tickets for games which provide second chance prizes. The proposal will include initial set charges, costs for the drawings, costs for site maintenance, customer service, and prize fulfillment, if included.
- 2.2.6 Offerors are invited to submit proposals for interactive and augmented reality games for fun that are integrated with the instant ticket games, or complementary. Games must be playable on all web platforms. The proposal will include initial set up charges, hosting, costs for site maintenance, customer service, and any other incurred charges.
- 2.2.7 Offerors are invited to submit proposals to securely transport and destroy returned instant tickets of closed games or obsolete NMLA property at a secure facility approved by the NMLA. The Offeror will provide proof of successful certification in a format to be approved by the NMLA Executive Vice President of Security.
- 2.2.8 Offerors are invited to submit proposals for printing promotional tickets, for providing a promotional game with a value of twenty-five thousand dollars (\$25,000) per year, coupons, digital coupons/vouchers, or a retailer game that the NMLA may use at its discretion.
- 2.2.9 Offerors are invited to submit pricing for new lottery retailer equipment. i.e., vending machines, dispensers, equipment signage, in-lane sales solutions, and hand-held ticket scanners.

ATTACHMENT E - PRICING FOR PLAYER LOYALTY PROGRAM

1. PRICING FOR PLAYER LOYALTY PROGRAM

Important Note: Pricing options must be submitted in a sealed envelope and not included with the proposal. The original cost proposal shall be clearly labeled “ORIGINAL COST PROPOSAL”. (See Part One Section 3.1 **Required Details**)

Base Program Costs: (Per Year)

PLP Administered by the NMLA: \$_____

PLP Administered by the Vendor: \$_____

PLP Jointly Administered: \$_____