

State of Arkansas
ARKANSAS LOTTERY COMMISSION
REQUEST FOR PROPOSAL

RFP Number: 09-00008	Buyer:
Commodity: Surety Bonding Program	Proposal Opening Date: September 8, 2009
Date: August 19, 2009	Proposal Opening Time: 4:00 p.m.

PROPOSALS WILL BE ACCEPTED UNTIL THE TIME AND DATE SPECIFIED ABOVE. THE PROPOSAL ENVELOPE MUST BE SEALED AND SHOULD BE PROPERLY MARKED WITH THE PROPOSAL NUMBER, DATE AND HOUR OF PROPOSAL OPENING AND VENDOR'S RETURN ADDRESS. IT IS NOT NECESSARY TO RETURN "NO BIDS" TO THE ARKANSAS LOTTERY COMMISSION.

Vendors are responsible for delivery of their proposal documents to the Arkansas Lottery Commission prior to the scheduled time for opening of the particular proposal. When appropriate, vendors should consult with delivery providers to determine whether the proposal documents will be delivered to the Arkansas Lottery Commission office street address prior to the scheduled time for proposal opening. Delivery providers, USPS, UPS, FedEx, and DHL deliver mail to our street address, 500 President Clinton Ave., Suite 215, Little Rock, AR 72201, on a schedule determined by each individual provider. These providers will deliver to our offices based solely on our street address.

MAILING ADDRESSES: P.O. Box 3238 Little Rock, AR 72203; 500 President Clinton Ave., Suite 215 Little Rock, AR 72201	PROPOSAL OPENING LOCATION: Arkansas Lottery Commission Office
TELEPHONE NUMBER: (501) 683-2000	

Company Name: _____

Name (type or print): _____

Title: _____

Address: _____

Telephone Number: _____

Fax Number: _____

E-Mail Address: _____

Signature: _____

USE INK ONLY; UNSIGNED PROPOSALS WILL NOT BE CONSIDERED

Identification:

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Federal Employer ID Number

Social Security Number

FAILURE TO PROVIDE TAXPAYER IDENTIFICATION NUMBER MAY RESULT IN PROPOSAL REJECTION

Business Designation (check one):	Individual *	Sole Proprietorship *	Public Service Corp *
	Partnership *	Corporation *	Government/ Nonprofit *

GENERAL DESCRIPTION:	Surety Bonding Program
TYPE OF CONTRACT:	Term
BUYER:	
AGENCY P.R. NUMBER	

INVOICE TO:

F.O.B:

MINORITY-OWNED AND FEMALE-OWNED BUSINESS POLICY

Participation by minority-owned and female-owned businesses is encouraged in this and all other procurements by state agencies. "Member of a minority" is defined at Arkansas Code Annotated § 23-115-103(15) as "a lawful permanent resident of this state who is: (A) African American; (B) Hispanic American; (C) American Indian; (D) Asian American; or (E) Pacific Islander American". "Minority-owned business" is defined at Arkansas Code Annotated § 23-115-103(16) as "a business that is owned by: (A) An individual who is a member of a minority who reports as his or her personal income for Arkansas income tax purposes the income of the business; (B) A partnership in which a majority of the ownership interest is owned by one (1) or more members of a minority who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the income of the partnership; or (C) A corporation organized under the laws of this state in which a majority of the common stock is owned by one (1) or more members of a minority who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the distributed earnings of the corporation". The Arkansas Economic Development Commission conducts a certification process for minority businesses. Vendors unable to include minority-owned business as subcontractors "may explain the circumstances preventing minority inclusion".

"Female-owned business", defined at Arkansas Code Annotated § 23-115-103(5), means a business:
(A) Whose management and daily business operations are under the control of one (1) or more females; and
(B) Either: (i) Individually owned by a female who reports as her personal income for Arkansas income tax purposes the income of the business; (ii) Which is a partnership in which a majority of the ownership interest is owned by one (1) or more females who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the income of the partnership; or (iii) Which is a corporation organized under the laws of this state in which a majority of the common stock is owned by one (1) or more females who report as their personal income for Arkansas income tax purposes more than fifty percent (50%) of the distributed earnings of the corporation.

EQUAL OPPORTUNITY POLICY

The ALC is committed to ensuring that minority-owned businesses and minority employees are given every opportunity to participate in the creation and ongoing operation of the ALC. The ALC makes every effort to meet, and exceed, the intent of the Arkansas General Assembly by developing a plan to encourage participation of minority- and female-owned businesses through prime and sub-prime contracting opportunities. All Vendors must submit in its response a copy of the Vendors EO policy.

ACT 157 of 2007 EMPLOYMENT OF ILLEGAL IMMIGRANTS

Pursuant to Act 157 of 2007 (Arkansas Code Annotated § 19-11-105), all Vendors must certify prior to award of the contract that they do not employ or contract with any illegal immigrants in its contract with the State. Vendors shall certify online at: http://www.arkansas.gov/dfa/procurement/pro_index.html.

Any subcontractors used by the Vendor at the time of the Vendor's certification shall also certify that they do not employ or contract with any illegal immigrant. Certification by the subcontractors shall be submitted within thirty (30) days after contract execution.

ALTERATION OF ORIGINAL RFP DOCUMENTS

The original written or electronic language of the RFP shall not be changed or altered except by approved written addendum issued by the Arkansas Lottery Commission. This does not eliminate a Vendor from taking exception(s) to these documents, but does clarify that the Vendor cannot change the original document's written or electronic language. If the Vendor wishes to make exception(s) to any of the original language, it must be submitted by the Vendor in separate written or electronic language in a manner that clearly explains the exception(s). If Vendor's/Contractor's submittal is discovered to contain alterations/changes to the original written or electronic documents, the Vendor's response may be declared as "non-responsive" and the response shall not be considered.

REQUIREMENT OF AMENDMENT

THIS RFP MAY BE MODIFIED ONLY BY AMENDMENTS WRITTEN AND AUTHORIZED BY THE ARKANSAS LOTTERY COMMISSION. Vendors are cautioned to ensure that they have received or obtained and responded to any and all amendments to the RFP prior to submission.

DELIVERY OF RESPONSE DOCUMENTS

In accordance with the Arkansas Lottery Commission Major Procurement Rules, it is the responsibility of vendors to submit proposals at the place and on or before the date and time set in the RFP solicitation documents. Proposal documents received at the Arkansas Lottery Commission Offices after the date and time designated for proposal opening are considered late proposals and shall not be considered. Proposal documents that are to be returned may be opened to verify which RFP the submission is for.

INTENT TO AWARD

After complete evaluation of the proposal, the intent to award will be posted on the Arkansas Lottery Commission website (www.lotterycommission.arkansas.gov). The purpose of the posting is to establish a specific time in which vendors and agencies are aware of the anticipated award. The RFP results will be posted for a period of at least five (5) business days prior to the issuance of any award. Vendors and agencies are cautioned that these are preliminary results only, and no official award will be issued prior to the end of the five (5) day posting period. Accordingly, any reliance on these preliminary results is at the agency's/vendor's own risk.

The Arkansas Lottery Commission reserves the right to waive this policy, The Intent to Award, when it is in the best interest of the State. Vendors are responsible for viewing the Intent to Award section of the Arkansas Lottery Commission Major Procurement Rules.

PAST PERFORMANCE

A vendor's past performance with the State may be used in the evaluation of any offer made in response to this solicitation. The past performance should not be greater than three (3) years old and must be supported by written documentation on file in the Arkansas Lottery Commission at the time of the proposal opening. Documentation may be in the form of either a written or electronic report, VPR; memo, file or any other appropriate authenticated notation of performance to the vendor files.

EO-98-04 GOVERNOR'S EXECUTIVE ORDER

Completion of Disclosure Forms located at www.state.ar.us/dfa/procurement/pro_eo9804.html is required by Governor's Executive Order EO-98-04 as a condition of obtaining, extending, amending, or renewing a contract, lease, purchase agreement, or grant award with any Arkansas state agency.

SECTION I. GENERAL INFORMATION

1.0 SCHEDULE OF EVENTS

Release RFP	August 19, 2009
Written vendor questions due	August 28, 2009
Answers to vendor questions	September 2, 2009
Evaluation of proposals	Approximately 7 days after Bid Opening
Anticipation to Award	Approximately 2 days after evaluation period ends
ASLLOC review	Approximately 8 days
Contract Execution	Approximately 3 days after ASLLOC review

Proposals are due no later than the date and time listed on Page 1 of the RFP.

1.1 CAUTION TO VENDORS

During the time between the proposal opening and contract award, any contact concerning this RFP will be initiated by the issuing office or requesting entity and not the vendor. Specifically, the person(s) named herein will initiate all contact.

Any statement in this document that contains the word "must" or "shall" means that compliance with the intent of the statement is mandatory, and failure by the bidder to satisfy that intent will cause the proposal to be rejected.

The ALC reserves the right to waive one or more of the provisions contained herein, if it is determined to be in the best interests of the ALC.

The ALC reserves the right to award a contract or reject a proposal for any or all line items of a proposal received as a result of this RFP, if it is in the best interest of the State to do so. Proposals will be rejected for one or more reasons not limited to the following:

- a. Failure of the Vendor to submit his or her proposal(s) on or before the deadline established by the issuing office;
- b. Failure of the Vendor to respond to a requirement for oral/written clarification, presentation, or demonstration;
- c. Failure to supply Vendor references;
- d. Failure to sign an Official RFP Document;
- e. **Failure to complete the Official Proposal Price Sheet(s) and include them sealed separately from the rest of the proposal;**
- f. Any wording by the Vendor in their response to this RFP, or in subsequent correspondence, which conflicts with or takes exception to a requirement in the RFP; or
- g. Failure of any proposed services to meet or exceed the specifications.

1.2 SEALED PRICES

The Official Proposal Price Sheet submitted in response to this RFP must be submitted separately sealed from the proposal response. Bidders must include all pricing information on the Official Price Proposal Sheet and must clearly mark said page(s) as pricing information. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal.

1.3 TYPE OF CONTRACT

This will be a term contract for a term of two (2) years from date of award, with an option for renewal up to five (5) additional times in one (1) year increments or a portion thereof.

1.4 PROPRIETARY INFORMATION

Proprietary information submitted in response to this RFP will be processed in accordance with the ALC's Major Procurement Rules. Proposals and documents pertaining to the RFP become the property of the ALC and shall be open to public inspection subsequent to proposal opening subject to exemptions as

outlined in § 23-115-404(a)(1)(A) and (B). It is the responsibility of the Vendor to identify all proprietary information and to seal such information in a separate envelope marked as confidential and proprietary.

The vendor must submit one complete copy of the proposal from which any proprietary information has been removed, i.e., a redacted copy. The redacted copy should reflect the same pagination as the original, show the empty space from which information was redacted, and be submitted on a CD. Except for the redacted information, the CD must be identical to the original hard copy. The vendor is responsible for ensuring the redacted copy on CD is protected against restoration of redacted data.

1.5 CLARIFICATION OF RFP AND QUESTIONS

If additional information is necessary to enable Vendors to better interpret the information contained in the RFP, written questions will be accepted until the close of business (5:00 PM CDT) on August 21, 2009. Vendor questions submitted in writing will be consolidated and responded to by the ALC. The questions and the consolidated written ALC response will be posted on the ALC website on or before the close of business (5:00 PM CDT) on August 26, 2009. Written questions should be sent to the ALC at either address listed on page 1.

1.6 BID EVALUATION

The ALC will evaluate all proposals to ensure all requirements are met. The ALC reserves the right to award the contract not only on the basis of the premium cost, but also to consider endorsements attached, form of policy and other factors beneficial to the ALC.

1.7 ORAL AND/OR WRITTEN PRESENTATIONS/DEMONSTRATIONS

The ALC will formulate an Evaluation Team of ALC staff and/or other Consultants to review completed proposals. Selected finalists may be invited to make an oral and/or written presentation as a part of the evaluation process. This will provide the Evaluation Team the opportunity to have further questions and concerns answered and to obtain clarification of proposal responses submitted.

The RFP Evaluation Committee chairperson will schedule the time and location for each demonstration or presentation. All presentations are subject to be recorded. All expenses associated with the initial demonstration except travel, meals, and lodging for ALC personnel, will be borne by the Vendor.

1.8 PERFORMANCE SECURITY

Prior to execution of a contract the Successful Vendor shall furnish a Performance Bond in the sum of Five Hundred Thousand Dollars (\$500,000.00). The bond must be maintained in full force and effect until the completion of the Contract. The bond shall indemnify the ALC against all direct and consequential damages suffered by failure of the Vendor to perform according to the provisions of the Contract. The bond shall be forfeited to the ALC if the Vendor, at the sole discretion of the ALC, defaults in the performance of the Contract.

1.9 PRIME CONTRACTOR RESPONSIBILITY

The selected Vendor will be required to assume prime contractor responsibility for the contract and will be the sole point of contact. If any part of the work is to be subcontracted the Vendor is subject to the provisions of Arkansas Code Annotated § 23-115-501(c), in that the Vendor must disclose the same information for the subcontractor as for itself. Responses to this RFP must include a list of subcontractors, including: firm name and address, contact person, complete description of work to be subcontracted, and descriptive information concerning subcontractor's organizational activities.

1.10 DELEGATION AND/OR ASSIGNMENT

The Vendor shall not assign the contract in whole or in part or any payment arising there from without the prior written consent of the ALC. The Vendor shall not delegate any duties under this contract to a subcontractor unless the ALC has given written consent to the delegation.

1.11 CONDITIONS OF CONTRACT

The Successful Vendor shall at all times observe and comply with federal and State laws, local laws, ordinances, orders, and regulations existing at the time of or enacted subsequent to the execution of this contract which in any manner affect the completion of the work. The Successful Vendor shall indemnify and save harmless the agency and all its officers, representatives, agents, and employees against any claim or liability arising from or based upon the violation of any such law, ordinance, regulation, order, or decree by an employee, representative, or subcontractor of the Successful Vendor.

1.12 CANCELLATION

In the event the ALC no longer needs the service specified in the contract due to program changes, changes in laws, rules or regulations, relocation of offices, or lack of appropriated funding, the ALC may cancel the contract by giving the contractor written notice of such cancellation thirty (30) days prior to the date of cancellation.

1.13 PUBLICITY

News release(s), media interviews or other publicity by a Vendor pertaining to this RFP or any portion of the project shall not be made without prior written approval of the ALC. Failure to comply with this requirement is deemed to be a valid reason for disqualification of the Vendor's proposal.

The Successful Vendor agrees not to use the ALC's names, trademarks, service marks, logos, images, or any data arising or resulting from this RFP or the Contract as part of any commercial advertising or proposal without the express prior written consent of the ALC in each instance.

1.14 CONFIDENTIALITY

The Vendor may learn of information, documents, data, records or other material that is confidential in the performance of this Contract. The Vendor may not disclose any information obtained by it as a result of this Contract, without the written permission of the ALC. The Vendor may assume that all state information, documents, data, records or other material is confidential. The Vendor's obligation to maintain the confidentiality of the information will not apply where it 1) was already in the Vendor's possession before disclosure by the ALC and it was received by the Vendor without the obligation of confidence; 2) is independently developed by the Vendor; 3) is or becomes publicly available without breach of this Contract; 4) is rightfully received by the Contractor from a third party without an obligation of confidence; 5) is disclosed by the Vendor with the written consent of the ALC; or 6) is released in accordance with a valid order of a court or governmental agency, provided that the Vendor (a) notifies the ALC of such order immediately upon receipt of the order and (b) makes a reasonable effort to obtain a protective order from the issuing court or agency limiting disclosure and use of the confidential information solely for the purposes intended to be serviced by the original order of production.

The Vendor will return all originals of any information and destroy any copies it has made on termination or expiration of this Contract. The Vendor will be liable for the disclosure of confidential information. The parties agree that the disclosure of confidential information of the ALC may cause the ALC irreparable damage for which remedies other than injunctive relief may be inadequate, and the Vendor agrees that in the event of a breach of the obligations hereunder, the ALC shall be entitled to temporary and permanent injunctive relief to enforce this provision without necessity of providing actual damages. This provision shall not, however, diminish or alter any right to claim and recover. Consistent and/or uncorrected breaches of confidentiality may constitute grounds for cancellation of the Contract.

1.15 PROPOSAL TENURE

All Proposals shall remain valid for one hundred eighty (180) calendar days from the Proposal due date referenced on Page 1 of the RFP.

1.16 COST

All charges must be included on the Official Proposal Price Sheets, must be valid for one hundred eighty (180) days following proposal opening, and shall be included in the costing evaluation. The pricing must

include all associated cost for the service being bid. Pricing from the Official Proposal Price Sheet must be separately sealed from the proposal response and clearly marked as pricing information. Do not include any pricing from the Official Proposal Price Sheet on the copies, including the CD. The electronic version of the Official Proposal Price Sheet must also be sealed separately from the electronic version of the proposal.

SECTION 2. OVERVIEW

2.0 ALC OVERVIEW

The Arkansas Lottery Commission is an independent agency of the State of Arkansas. It plans to employ approximately ninety (90) people statewide, have a headquarters located in the Little Rock and may staff and operate three (3) prize payment centers by the start-up of instant ticket sales on or around September 29, 2009. The ALC is committed to maximizing revenues for the Arkansas Academic Challenge Scholarship Program (AACSP) and other non-lottery education programs in furtherance of the findings and declarations set forth in the Act creating the Arkansas Scholarship Lottery (ASL). The Legislation creating ALC and the ASL was signed into law on March 26, 2009 (the Arkansas Scholarship Lottery Act, Ark. Code Ann. § 23-115-101 et seq. and § 6-85-201 et seq.).

2.1 ALC OBJECTIVES

The integrity of the Arkansas Scholarship Lottery is essential. The ALC must maintain control over all functions and be assured that they are performed to provide the greatest long-term benefit to the State of Arkansas, the greatest integrity for the ALC, and the best service and products for the public, all in a manner consistent with the dignity of the State of Arkansas. The ALC, for the benefit of the people of Arkansas, issues this Request For Proposals with the clear intent to operate a lottery that provides continuing entertainment to the public, maximizes the revenue generated for the support of higher education scholarships, preserves the integrity and dignity of the process, and accounts to the public and the General Assembly through reports and audits. All responses to this RFP shall reflect the following overall goals and objectives of the ALC:

- Uniform and/or aggressive competitive rate structure for Retailers;
- Fast bond underwriting for newly licensed Retailers in order to expedite set up and installation so that the new retailer can begin selling tickets;
- Automate the tracking of bonded Retailers;
- Ability to adjust a retailer's bond during the year if circumstances call for such a change;
- Reduce paperwork and filing;
- Reduce ALC costs by eliminating the need to contact Retailers to renew their bond;
- Automated claims reporting (if possible); and
- Automate the annual reassessment of necessary bond coverage for each retailer.

2.2 ALC RESPONSIBILITIES

The ALC shall be responsible for the following administrative duties:

- Maintain the database to track the retailer base, including additions and deletions of licensed Retailers;
- Maintain historical sales data for each retailer;
- Develop and adjust accordingly, based upon the Director's discretion, minimum bonding requirements for each retailer;
- Perform an annual review and analysis of required bonding amounts;
- Submit Non-sufficient funds (NSF) claims to the vendor on a timely basis in accordance with ALC procedures; and
- Sweep the Retailer account for annual bond payment and remit the payment to the Vendor if the contract results in a blanket Retailer premium.

SECTION 3. RETAILER OPERATIONS

3.0 RETAILER BACKGROUND

Pursuant to Arkansas Code § 23-115-601 et seq., the ALC Commission is authorized to establish and maintain a statewide network of retailers. Retailers must meet the security and integrity standards of the Commission, satisfy the statutory and regulatory requirements for licensing, promote the sale of lottery games, and promote the best interest of the Arkansas Scholarship Lottery.

3.1 RETAILER BASE

The ALC's retailer base at start-up is expected to be approximately two thousand five hundred (2,500) and its retailer base may be expanded to up to three thousand two hundred (3,200) during the term of the Contract. Thereafter, based on subsequent developments and sales, the retailer base may be expanded.

There are various factors that affect the retailer base. Some factors include, but are not limited to, the following:

- Retailer decision to cancel license.
- Retailer sale of business.
- Lottery equipment availability.
- Lottery recruitment efforts to replace cancelled retailers.
- General economic conditions.
- Revocation of license by the ALC due to rule violations by retailers.
- Lottery retailer expansion efforts.
- General timing issues.

3.2 RETAILER SELECTION CRITERIA

In making a determination regarding a licensing application, the ALC considers the applicant's financial responsibility, security of the applicant's place of business or activity, accessibility to the public including compliance with the Americans with Disabilities Act, the applicant's integrity, and the applicant's reputation. Any material false statement on the application for a license is a class D felony.

The applicant for a retailer license must be current in filing all applicable tax returns to the State of Arkansas and in payment of all taxes, interest, and penalties owed to the State of Arkansas as well as submit a state and federal criminal background check conducted by the Identification Bureau of the Department of Arkansas State Police and the Federal Bureau of Investigation. The ALC is also prohibited from licensing any retailer any person who has been convicted of a criminal offense related to the security or integrity of a lottery in this or any other jurisdiction, has been convicted of any illegal gambling activity, false statements, false swearing, or perjury in this or any other jurisdiction or convicted of any crime punishable by more than one (1) year of imprisonment or a fine of more than one thousand dollars (\$1,000) or both.

3.3 RETAILER SALES AND BOND AMOUNT

Arkansas Code Ann. § 23-115-603 requires that, if applicable, the bond amount for the Retailers shall not exceed the district sales average of tickets for two (2) billing periods. As lottery games will not be sold until after September 28, 2009, this requirement is deemed inapplicable for the purposes of this RFP. For purposes of this RFP the minimum bond must be Ten Thousand dollars (\$10,000). After the first six (6) months of retail sales, the ALC will be able to determine a minimum bond amount based on district sales averages. The ALC will review the Retailer's bond on an annual basis, and any adjustment to the required bond coverage will be based on the Retailer's prior year's sales. In certain circumstances, the ALC may review a retailer's bond during the year to determine whether an adjustment to the bond should be made. Failure to obtain or retain a bond will result in automatic denial of the license application or cancellation of the retailer's license.

The bond coverage could increase or decrease based on sales. However, the minimum bond coverage requirement will never go below Ten Thousand Dollars (\$10,000). The various factors that affect annual sales include, but are not limited to:

- Customer interest in existing product line and new products.
- General economic conditions.
- Availability of gaming products.
- Gaming system downtime.
- Competition from other gaming choices and entertainment avenues.
- Frequency and amount of rolling jackpots.
- Number of licensed retailers.
- General timing issues.
- Weather related conditions.

3.4 ALC/RETAILER RELATIONSHIP

The Retailer is an independent contractor licensed by the ALC to sell approved lottery games and is the primary point of purchase for all lottery customers. The Retailer will sell both online and instant ticket lottery games. The ALC will provide to the Retailer equipment for online games such as Lottery terminals, game dispensers, and play stations. Retailers are also authorized to order and receive instant lottery games on a modified consignment basis. The ALC will pay Retailers a sales commission, a cashing commission and a commission for winning lottery games sold by the retailer regardless of where redeemed. Retailers must establish a single separate electronic funds transfer FDIC insured account for the purpose of depositing moneys from ticket or share sales, making payments to the ALC and receiving payments for the ALC.

Retailers are required to place all lottery proceeds due to the ALC in the account no later than the close of the next banking day after the date of their collection until the date it is collected by the ALC. At the time of the deposit, lottery proceeds are the property of the Commission. On a weekly basis, the ALC will sweep the Retailer's bank account to collect all proceeds. For the purposes of this RFP, lottery proceeds are defined as unsold tickets received by a retailer, cash proceeds of the sale of any lottery products minus any allowable sales commissions and credit for lottery prizes paid to winners.

3.5 ALC INTERNAL CONTROLS

The ALC has strong internal controls in place to reduce the amount of non-payments by the Retailers. Such controls include: (1) criminal background check of applicants; (2) watch program which monitors excessive sales; (3) sales representatives monitoring inventory of instant tickets; (4) lot activation management to control the instant ticket inventory; (5) penalties and suspension of sales for non-transfer of funds (6) bi-monthly to monthly audits of the retailer's inventory by the ALC; (7) persistent collection efforts by the ALC Accounts Department; and (8) established hearing procedures. However, the ALC will accept proposals from Bidding Vendors which include other controls if such actions will reduce the premium costs for the retailer base.

3.6 ALC REMEDIES FOR NON-PAYMENT

A retailer and the officers of the retailer's business have a fiduciary duty to preserve and account for retail lottery proceeds, and Retailers are personally liable for all lottery proceeds. Dishonored electronic funds transfers, plus applicable penalties, and other invoiced items are due immediately. If a check or electronic transfer of funds to the ALC is dishonored, the ALC has the right to withhold credits and institute any and all legal actions authorized by law. If a retailer fails to remit the lottery proceeds, the ALC may cancel, suspend, revoke or terminate the retailer license. The Director is also authorized to close the business of a retailer if the retailer fails to deposit the lottery proceeds three (3) times within any consecutive twenty-four (24) month period. The only defense to a business closure pursuant to failure to remit is either written proof that the retailer remitted the delinquent lottery proceeds due or that the retailer has entered into an approved written payment agreement to satisfy the lottery proceeds delinquency.

SECTION 4. PROPOSAL REQUIREMENTS

4.0 SCOPE OF SERVICES

Arkansas Code Ann. § 23-115-603 requires that all lottery licensed Retailers obtain a surety bond in an amount to be determined by the ALC. The bond may be with any insurance company that is acceptable to the ALC. To further promote the operation of the Lottery and to assist the retailers in obtaining such required bond coverage at a lower cost, the ALC is seeking proposals from insurance/bonding

companies, agents, brokers or any other business entities capable of providing the services requested herein, and having all required licenses, authorizations or certificates necessary to provide these services in the State of Arkansas, to provide bonding coverage for the ALC retailer base relative to risks involved from non-payment of funds to the Arkansas Scholarship Lottery (ASL) for ticket sales and other risks as identified in this document. Specifically, the ALC desires to accomplish this task through a "Single Source" provider, which may be an insurance company or an authorized agent/agency/broker of the insurance company ("Vendor"). The ALC reserves the right to allow Retailers to acquire their own bond coverage, outside of the ASL's surety/fidelity bonding program, in order to assure that they receive the most competitive bond premiums. The Arkansas Scholarship Lottery Surety Bonding Program will be a voluntary program for the Retailers. Generally, Retailers that may seek to obtain their own bonds are large chain accounts, such as supermarkets or gasoline stations. Some Retailers presumably have forged an established relationship with an insurance provider for many aspects of their business insurance needs. As a result, it is likely that they are receiving competitive rates that are unique to their financial stability and credibility. However, it is the ALC's intention to obtain discounted surety rates per thousand dollars (\$1,000.00) of coverage, which would make the purchase through the "Single Source" or "master certificate" an attractive and viable alternative to self-placement.

The ALC desires that all Retailers obtain a bond premium rate that is reasonably priced. The ALC also desires that Retailer have a simple and convenient option for obtaining the required bond. Therefore, the ALC is accepting bid proposals for both a (1) blanket bond rate and/or (2) a tiered bond rate. The blanket Bond rate must cover all Retailers that choose to participate in the Arkansas Scholarship Lottery Surety Bonding Program. **This is will be the preferred method for bonding.** The tiered bond program may be based on various risk groups such as large vs. small retailers, low vs. higher bond coverage and credit scores. However, bond premiums shall be applied on a consistent basis and the administrative process must not be cumbersome.

The ALC is willing to entertain alternate methods of securing bonding coverage for its retailer base if the single source method is not practical or possible. Interested bidders are encouraged to offer any and all "solution oriented" option(s). Any optional method that is proposed by the Bidding Vendor must be in compliance with the general requirements of this RFP and the goals of the ALC.

Bidders are asked to quote on all of the coverages specified herein. The ALC recognizes the advantages of having its bonding program placed with a "Single Source" carrier, and if practicable, will give its best consideration to this approach. Interested bidders are encouraged to offer any and all "solution oriented" options. Bidders are also encouraged, however, to present to the ALC, an insurance program containing all requested coverage using more than one vendor if a single source is not available. Each method that is proposed by the Bidding Vendor must be in compliance with the general requirements of this RFP and the goals of the ALC.

The Selected Vendor shall offer to bond against loss to which the ALC may be subject by reason of said Retailer's breach of any ordinance, rule or regulation or contractual obligation. This includes, but is not limited to the following: non-transfer of funds relative to weekly invoice amounts and theft of ALC tickets.

4.1 PROPOSAL FORMAT

Each proposal must include sufficient data to allow the ALC to verify the total cost for the project and all of the Bidding Vendor's claims of meeting the RFP's requirements. Each Proposal must respond to every request for information in this Section whether the request requires a simple "yes" or "no" or requires a detailed explanation.

These instructions describe the required format for a responsive Proposal. The Bidding Vendor may include any additional information it believes is relevant. An identifiable tab sheet must precede each section of a Proposal, and each Proposal must follow the format outlined below. All pages, except pre-printed inserts, must be sequentially numbered. Any material deviation from the format outlined below may result in a rejection of the non-conforming Proposal.

Each Proposal must contain the following information in chronological order as stated below. The Cost Summary response shall be in a separate envelope labeled "Cost Summary."

1. Bidding Vendor Profile
2. Work Plan
3. Bidding Vendor's Approach
4. Staffing/Personnel Plan
5. Project Schedule
6. Premium Reductions
7. Cost Summary

Please provide 1 original proposal, 5 copies of the proposal and 1 electronic version of the proposal.

4.2 BIDDING VENDOR PROFILE

Each Proposal must include a profile of the Bidding Vendor. (The profile must disclose the following: (1) Bidding Vendor's legal name; (2) Federal Employer Identification number, d.b.a., address and telephone number, home office location; (3) date established; ownership (such as public firm, partnership, or subsidiary); place of incorporation (if applicable); and (4) firm leadership (such as corporate officers and owners)).

- (1) Provide the name, mailing address, telephone number, 800 number, FAX number, and e-mail address of a contact person who has authority to answer questions regarding the Proposal.
- (2) Provide the names and locations of any major bidding vendor offices that relate to the Bidding Vendor's performance under the terms of the RFP. Include contact information for each location.
- (3) A statement and documentation that proves the Bidding Vendor holds all required licenses, authorizations, or certificates to provide the required bonding insurance in the State of Arkansas.
- (4) A statement of individual(s) proposed to be the main service representative(s) or contact person(s) to which the ALC will be corresponding with questions, concerns or other issues.
- (5) Provide the name and contact information for any and all subcontractors, associated companies or consultants to be involved in any phase of the Contract.
- (6) Provide information about the financial stability of the insurance companies the bidder proposes using to meet the bid requirement for this RFP, including a certified financial statement.
- (6) Provide the A. M. Best ratings of all proposed insurance companies. The ratings must be A/VI or better.
- (7) Provide a list of any contracts terminated for default within the last three (3) years and submit full details including the other party's name, address and phone number.
- (8) All Bidding Vendors shall acknowledge that they are not in arrears for federal, state and local taxes of any type, and that there are no outstanding liens, levies, lawsuits, claims, causes of action or investigations of any type pending involving their corporation, partnership or joint venture for the past three (3) years. If such an acknowledgement cannot be provided, the Bidding Vendor must provide detailed information explaining such lien, levy, lawsuit or investigation.
- (9) Provide a disclosure of any filing by either the Bidding Vendor or any of its principals for protection under federal bankruptcy laws in the past three (3) years. If applicable, provide the current status of such filing.
- (10) If the Bidding Vendor is an Arkansas minority business enterprise (MBE) then provide a current certification or registration as an Arkansas based MBE business as issued by the Arkansas Department of Economic Development.
- (11) The proposal must be signed by an authorized representative for the Bidding Vendor.

4.3 WORK PLAN

- (1) Provide a statement of the Bidding Vendor's understanding of the requirements and scope for each section of this RFP.
- (2) Bidding Vendor's Capabilities. Provide a statement explaining why the Bidding Vendor is qualified to accept this underwriting and include how its staff is going to handle an account of this size. This statement shall include an explanation of the bidding vendor's specific expertise in the Surety marketplace. List three (3) insurance markets and the premium volume with each as it relates to Surety premium. List the three (3) largest surety accounts underwritten by your organization.

4.4 BIDDING VENDOR'S APPROACH

For all proposals:

- (1) The Selected Vendor shall allow reporting via bordereau. In the event of cancellation, please propose if the premium be on a pro-rata basis or flat rate basis.
- (2) The Selected Vendor shall provide the Lottery with its average turn-around time for handling claims.
- (3) The Bidding Vendor shall provide a statement or schedule that identifies the required timing of bond premium payments (i.e., prorated weekly, quarterly, semi-annually, annually, etc.) and that an exact bond premium payment process and procedure will be mutually agreed upon between the ALC and the Selected Vendor. If possible, this statement should also include an explanation on how all of the Lottery bonds written by this Vendor may be continuous unless cancelled.

For multi-tiered bonds, please also include the following with your answer:

- (4) Provide a statement explaining the specific work steps, including time requirements, for the retailer, the ALC, and your organization, in regard to issuing, renewing and cancellation of a retailer's bond. Include a detailed explanation on the criteria for approving or denying a retailer applying for a bond, as well as how your organization is going to propose annual rate increase/decrease calculations. Please provide a proposal for the basis for an increase or decrease.
- (5) The Selected Vendor is expected to provide a confirmation of approval within ten (10) days of the receipt of the bond application. Provide a statement of understanding certifying that each new ALC retailer, if not rejected for underwriting purposes within the ten (10) business day limitation, will automatically be covered by the bond upon activation of the Lottery license.
- (6) Provide the Discovery Period in the Surety policy that you propose using. What Extended Reporting Periods ("ERPs") are built into the policy and what, if any, additional ERPs are available?
- (7) The Selected Vendor shall offer rates for a blanket bond covering multiple locations owned by the same principal(s)/owner(s). However, the blanket bond amount shall not be any lower than the limit established by the Lottery, but may be less than the total bond limits if individual bonds are issued.
- (8) All bidders are required to furnish, as a part of their bid, COMPLETE SAMPLE POLICY CONTRACT(S). No bid will be considered without an accompanying specimen. The specimen contract(s) shall be EXACTLY the same as the proposal except that it is not required that limits, premiums, schedules, etc., be typed on the standard company forms, but the sample policy/policies shall include any and ALL endorsements, both mentioned and not mentioned in these specifications which the bidder's Insurance Company proposes to place on its policy.

4.5 STAFFING/PERSONNEL PLAN

- (1) The vendor shall provide at least one (1) dedicated employee for the ALC account to serve as the vendor's authorized representative or main contact person for purposes of addressing questions, concerns and other issues in a timely fashion.
- (2) Provide the address of the office or location be located that will be responsible for processing the bond applications, renewals and cancellation.

4.6 PROJECT SCHEDULE

Provide a brief schedule identifying the time requirements needed prior to implementation of this proposal.

4.7 PREMIUM REDUCTION

This Subsection is provided for the Bidding Vendor to make recommendations to the ALC on how the ALC can help reduce the bond premium costs and/or increase the efficiency in the bonding process. This can include running financial background checks, non-transfer of funds (NTF) reporting, etc.

4.8 COST SUMMARY

The Cost Summary response shall be in a separate envelope, attached to the back of the RFP response (Attachment B). The Summary should include:

- (1) A standard bond pricing schedule that segments the various premiums to be assessed for each retailer. This schedule should be quoted in increments of per \$1,000 of bonding coverage and may be tiered.

(2) A blanket premium price that will be assessed to any Retailer who chooses to participate in the Arkansas Scholarship Lottery Surety Bonding Program.

SECTION 5. EVALUATION CRITERIA FOR SELECTION

5.0 EVALUATION OF PROPOSALS GENERALLY

Proposals submitted in response to this RFP will be evaluated based upon the criteria established on the Bond RFP Rating Schedule (Attachments A and B).

5.1 TIMELINE FOR PROPOSALS

The evaluation process may consist of up to four distinct phases:

- (1) The procurement representative's initial review of all Proposals for defects;
- (2) The ALC's evaluation of the Proposals;
- (3) Request for more information (interviews, presentations, and/or demonstrations); and
- (4) Negotiations.

The ALC may decide whether phases three and four are necessary. The ALC has the right to eliminate or add phases three or four at any time in the evaluation process. The ALC also may add or remove sub-phases to phases 2 through 4 at anytime if the ALC believes doing so will improve the evaluation process.

SECTION 6. ADDITIONAL VENDOR PROVISIONS

6.1 AUDITS

Audits and inspections may be made by the vendor at all reasonable times during the policy period and within one (1) year after termination thereof. Appropriate adjustment in premium or additions/deletions of vendors shall be based on a rate no greater than that in effect at the inception of the policy period.

6.2 ENDORSEMENTS

Immediately at the request of the ALC, and prior to award of the contract the bidder shall be prepared to show, any endorsements expected to be placed on the policy that is not part of the RFP.

6.3 CANCELLATION

The contract with the Selected Vendor shall be from the execution date until October 30, 2011. The Lottery may exercise its renewal option with five (5) additional one-year periods. No policy shall be canceled by the Vendor until after the ALC's receipt of the thirty (30) days written notice to both the ALC and the insured. In the event of cancellation by either the ALC or the insured, cancellation premiums shall NOT be short rated, but instead, shall be pro rated on the basis of the terms of the policy. This provision shall be made part of every policy issued as a result of this RFP.

Regardless of the cancellation of the contract between the Lottery and the Selected Vendor, the bond coverage for the retailer shall remain in effect until the bond term is expired.

6.4 RESERVATION OF RIGHT

The ALC reserves the right to assign the market