ADDENDUM NO.3 TO ALL OFFERORS:

Reference: Request for Proposal: **RFP#07119ANB**

Commodity: **Scratch Ticket Printing and Services**

Dated: **August 14, 2019**

Q1: Would the Virginia Lottery please provide total expenditure by print vendor for each of the prior three fiscal years (FY17, FY18 and FY19)?

A1: The Lottery previously provided the pricing schedules for each of the Lottery’s current contracts for scratch ticket printing. The Lottery will provide the total scratch ticket printing, warehousing and distribution costs (“ticket expense” below) for each of the three fiscal years requested, but not by scratch ticket printing vendor. The Lottery owns ticket inventory and expenses the inventory cost as tickets are sold; providing a total by vendor is not readily available. Ticket warehousing and distribution expenses are 0.425% of sales (net scratch ticket sales).

- **FY17**: $1,117,709,151 scratch sales $14,569,965 ticket expense
- **FY18**: $1,184,641,974 scratch sales $16,387,182 ticket expense
- **FY19**: $1,221,920,294 scratch sales $15,855,366 ticket expense

Q2: Is the +/- .05% tolerance for the prize structure based on total prize amount or by prize level?

A2: The total prize amount tolerance is +/-.5%

Q3: Will the Virginia Lottery please confirm how many perforated inserts it needs for each game and how the inserts are packed?

A3: The Lottery requires 1 insert in every pack of tickets ordered.

Q4: Would the Lottery please confirm if the samples requested in item 25 for physical sample tickets will be included in the 400-page count?

A4: The Lottery is **not** requesting samples of tickets with proposal submissions.

Q5: Please explain what is being requested here by additional “black” display.
A5: Additional black display shall be defined as an entire play area which has a seamless image.

Q6: Can the Lottery give an example of what a new gaming concept would be in comparison to a new game design?

A6: New gaming concepts may include a New game or game component that facilitates cross-promotional play, delivers prizes through new and innovative mechanisms, or provides unique winning opportunities for our players.

New game design may include new play styles and/or game mechanics, and the ability to develop new wire frames to drive new looks and play action.

Q7: In the first round of Q&A, the Lottery clarified that the prize structure tolerance shall be +/-0.5%. Will the Lottery please clarify if by prize structure tolerance it is referring to +/-0.5% of payout or +/-0.5% per prize type? If it refers to per prize type, this does not match the “prize level balance of +/-2% adjusted for tickets delivered” as per the current contract. Will the Lottery please confirm which tolerance will be accepted in the contract that results from this RFP?

A7: Prize structure tolerance is referring to the payout tolerance.

Q8: Since it is the intention of the Lottery to award a Contract to a primary Scratch ticket printer, would the Virginia Lottery please indicate what percentage of the Lottery’s Scratch ticket business the primary Scratch ticket printer will be guaranteed during the term of the Contract? Additionally, how does the Lottery define its Scratch ticket printing business for purposes of calculating the percentage of Scratch ticket business – for instance is it based on the number of games, sales of tickets, number of standard units, etc.?

A8: Please refer to the purpose of the RFP found on page 5 and pasted below.

It is the intention of the Lottery to award a contract to a primary scratch ticket printer and related services partner, and for the resulting partnership to operate in a manner mutually beneficial for the Lottery and the partner in terms of efficiencies and economies of scale, premium
offerings, enhanced selling opportunities, and effective business strategy execution. The Lottery will maintain the ability to purchase some number of scratch tickets games that represent either patented materials or other features that may not be available from the primary partner, or in the event of some type of service interruption.

Additionally, please see page 15, Specified Options, 1. Ticket Printing: f and g.

Q9: It is customary in the surety industry that performance bonds be annually renewable, would the Lottery be willing to accept this form of bond?

A9: Yes

Q10: Would the Lottery accept the following wording in the bond, as is customarily used in the surety industry: “Neither non-renewal by the surety, nor failure, nor inability of the Principal to file a replacement bond shall constitute a loss to the Obligee recoverable under this bond.”

Q10: Yes

Q11: Would the Lottery consider reducing the level of the required bond from the stated entire contact value to, for example, 5 to 10% of the contract value as is common in the Lottery industry?

A11: The Lottery will be willing to negotiate this at the appropriate juncture but not prior to an award of any resulting contract.

Q12: Will the Lottery please accept an industry standard bond form in lieu of the standard bond form to be provided by the Purchasing Department?

A12: Yes

Q13: Will the Lottery please confirm that the Performance and Payment Bond amount will be amended accordingly if the Vendor is awarded a Secondary contract?

A13: The Lottery will be willing to negotiate this at the appropriate juncture.
Q14: The successful Offeror must deliver a Standard Performance and Labor and Material Payment Bonds, each in the sum of the Contract amount. How will the Contract amount be calculated and over what time period, given that the pricing and the annual revenues to be received by the Offeror will be variable?

A14: For purposes of the Standard Performance and Labor and Material Payment Bonds, the contract amount calculated will be estimated as a one-year contract value.


Question: It is industry standard to provide a performance and/or payment bond for a percentage of the total contract value. Can Lottery clarify if performance bond and payment bond both need to be for the full contract value or just a percentage, i.e., 10% of total contract value?

A15: For purposes of the Standard Performance and Labor and Material Payment Bonds, the contract amount calculated will be estimated as a one-year contract value.

Q16: The Lottery states that a claim upon the Bond may be made by the Lottery under the following conditions:

• The Offeror is deemed not to be a successful Offeror; and

• The Offeror files a legal protest or takes any other action in contesting any Contract decision resulting from this solicitation.

It is a widely accepted practice in the lottery industry [and other industries undergoing public procurements] to include in such Litigation Bond a third condition that would need to be satisfied before the Bond may be drawn upon, and we would ask that the Lottery add the following condition to conform to such industry standard:
A court determines that the action or any portion thereof was frivolous, or was brought in bad faith, or was not brought upon reasonable grounds.

A16: The Lottery will agree to add the requested language.

Q17: The Lottery has indicated that if it chooses to use a validation algorithm, such algorithm will be provided by the Contractor but (i) maintained in escrow and (ii) owned by the Lottery. Items placed in escrow are owned by the Contractor and subject to release to the Lottery (as beneficiary) subject to certain (defined) release terms. If an item is owned by the Lottery, there is no need to escrow that item as the Lottery could/would have rightful possession to such item. Will the Lottery please confirm that if it intends to use a validation algorithm that it will be: (1) placed in escrow; (2) owned by the Contractor; and (3) licensed to the Lottery for its use under any resulting Contract?

A17: The Lottery utilizes a validation algorithm from its primary gaming system vendor and therefore this requirement is removed.

Section IV. B. Specific Proposal Requirements section shall be renumbered as listed below:

2. Offeror shall provide complete details on the availability of all printing options requested in Section III., Statement of Needs, A. Base Requirements, 1. Ticket Printing.

3. Offeror shall provide complete details of all information include in Preliminary/Final Working papers to include but not limited to information requested in Section III., Statement of Needs, A. Base Requirements, 2. Preliminary/Final Working Papers.

4. Offeror shall provide detail of final game approval as requested in Section III., Statement of Needs, A. Base Requirements, 3. Final Game Approval.

5. Offeror shall provide agreement that prize structures will vary from game to game and the ability to use GLEPS as requested in Section III., Statement of Needs, A. Base Requirements, 4. Prize Structure.

6. Offeror shall provide details of how all requirements found in Section III., Statement of Needs, A. Base Requirements, 5. Prizes.

8. Offeror shall provide complete details of the ticket delivery process as specified in Section III., Statement of Needs, A. Base Requirements, 7. Ticket Delivery. Information shall include but is not limited to timeframe for delivery from signing of Working Papers, process followed during delivery, delivery mode, description of how pallets and cartons will be labeled, security during transfer, how omitted tickets will be identified, delivery documentation, and detail of ability to ensure label compatibility to Lottery scratcher product management system.

9. Offeror shall provide detail of availability to provide ticket pack inserts for all games printed as requested in Section III., Statement of Needs, A. Base Requirements, 8. Ticket Pack Inserts. Detail should include but is not limited to a sample ticket pack insert.

10. Offeror shall provide a personnel plan to cover, at a minimum, the positions requested in Section III., Statement of Needs, A. Base Requirements, 9. Personnel. Detail should include but is not limited to amount of time provided by each resource and where resource will be located.

11. Offeror shall provide detail of reports offered including but not limited to those listed in Section III., Statement of Needs, A. Base Requirements, 10. Business Planning.

12. Offeror shall provide detail of all security measures followed during the production of Scratcher Tickets as requested in Section III., Statement of Needs, A. Base Requirements, 11. Overall Security. Details should include but is not limited to plant security, game ticket construction security, anti-counterfeiting and validation security, redemption security, game design security, and exposure to unintentionally removing a top-prize that has been included in the End of Game Prize Structure from the game. Additionally, any potential security risks should be identified with potential resolution.

13. Offeror shall provide a detailed operation plan as requested in Section III., Statement of Needs, A. Base Requirements, 12. Operational Security. Details should include but are not limited to risk assessment
and treatment, security policy, organization of internal security, 
organization of external security, asset management, human resources 
security, physical security, equipment security, communications and 
operations management, access control, systems security, technical 
vulnerability management, security incident management, compliance, 
and operations security plan evaluation and maintenance.

14. Offeror shall provide a detailed plan for all security measures to be 
followed at each printing plant facility available as requested in Section 
Details should include but is not limited to the ability to provide all 
minimum requirements listed.

15. Offeror shall provide a detailed plan for a risk-based approach to 
ticket reconstructions as requested in Section III., Statement of Needs, A. 
Base Requirements, 14. Ticket Reconstruction.

16. Offeror shall provide detail of testing process used to ensure ticket 
security as requested in Section III., Statement of Needs, A. Base 
Requirements, 15. Game Accounting and Testing Review.

17. Offeror shall provide a detailed continuity of operations and 
disaster recovery plan as requested in Section III., Statement of Needs, A. 
Base Requirements, 16. Business Continuity and Disaster Recovery.

18. Offeror shall provide detail of all available offerings pertaining to all 
specified options requested concerning Ticket Printing as requested in 
Section III., Statement of Needs, B. Virginia Lottery Specified Options, 1. 
Ticket Printing. Details should include but are not limited to printing 
technology not previously requested.

19. Offeror shall provide detail of all available offerings pertaining to 
each topic included in specified options listed as Additional Areas of 
Interest as requested in Section III., Statement of Needs, B. Virginia 
Lottery Specified Options, 2. Additional Areas of Interest.

20. Offeror shall provide detail of any and all Invited Options that 
would add value to the Lottery’s Scratcher Ticket services as requested in 
Section III., C. Invited Options.
Note: The Virginia Lottery will address any additional requests to amend terms and conditions during the negotiation process. Please provide, with each proposal, a redlined copy of terms and conditions incorporating all requested changes.

Sincerely,

Amanda K. Nos-Berger
Procurement Manager

IMPORTANT NOTE: A signed acknowledgement of this addendum must be received at the location indicated on the RFP either prior to the proposal due date and hour or attached to your proposal. Signature on this addendum does not substitute for your signature on the original proposal document. The original proposal document must be signed.

________________________________________________
Name of Firm

________________________________________________
Signature/Title

________________________________________________
Date