

## ***TENNESSEE EDUCATION LOTTERY CORPORATION***

### **REQUEST FOR QUALIFICATIONS FOR INVESTMENT SERVICES FIRM**

#### **A. PURPOSE**

The Tennessee Education Lottery Corporation (“TEL”) is seeking to qualify firms capable of providing United States security investments to fund multiple-year prizes, (grand prizes, jackpot prizes, etc). Submissions, including qualifications, description of services and capabilities, and completed exhibits shall be delivered to the TEL in accordance with the instructions and specifications detailed herein.

#### **B. GENERAL INFORMATION AND SCHEDULE**

***This RFQ has been issued on Friday, March 7, 2008.*** The RFQ Coordinator is to be the **sole** point of contact at the TEL for firms, effective with the date of release of this RFQ until your firm is placed on either the active or reserve list. Contact with any representative of the TEL, other than the RFQ Coordinator, will result in disqualification. The TEL’s RFQ Coordinator is:

Jessica M. Starling  
RFQ Coordinator  
Tennessee Education Lottery Corporation  
Plaza Tower MetroCenter  
200 Athens Way  
Nashville, TN 37228  
Telephone: 615-324-6669

**You or your firm must deliver (or cause for delivery) five (5) copies of the proposal, with original signatures, to the TEL’s RFQ Coordinator at the above address. There is no deadline for submitting proposals; however, the active list of firms is limited to the first six (6) firms that meet or exceed the qualifications contained herein.**

Issuance of this RFQ does not constitute an offer to purchase the services or a commitment on the part of the TEL to award a contract pursuant to this RFQ. The TEL reserves the right to reject any and all submissions submitted in response to this RFQ, in whole or in part, and to award a contract pursuant to this RFQ or cancel this RFQ if it is considered to be in the best interests of the TEL. The TEL further reserves the right to make changes to this RFQ at any time and from time to time by issuance of written addendum/addenda, amendment(s) or clarification(s). Any changes to this RFQ will be posted on the TEL’s website.

#### **C. EQUAL OPPORTUNITY**

The TEL prohibits discrimination on the basis of race, color, gender, religion, national origin, or disability in connection with employment of any person, or the award of any contract with the corporation.

The TEL will provide equal opportunities without regard to race, color, gender, religion, national origin, or disability, by requiring that any firm doing business with the corporation provide equal opportunity to persons and businesses employed by, or contracting with the supplier of products and services to the Corporation.

#### **D. MINORITY PARTICIPATION**

It is an overall objective of the TEL to encourage involvement by minority firms and suppliers in business activities generated by the TEL, while assuring that such activities will be conducted in accordance with all applicable laws. Furthermore, in accordance with the Tennessee Education Lottery Implementation Law (the “Act”), it is the declared policy and intent of the TEL to strive to maximize participation of minority owned businesses to achieve a minimum participation of fifteen percent (15%) through all business contracting opportunities. Firms interested in doing business with the TEL are required to complete Exhibit E and write a short narrative describing its commitment to assist the Corporation in striving to maximize participation of minority-owned businesses. **Failure to complete and submit an Exhibit E will result in disqualification of your proposal.**

#### **E. COSTS**

The TEL is not responsible or liable for any of the costs incurred by any firm in preparing and/or submitting qualifications pursuant to this RFQ.

#### **F. ORAL PRESENTATIONS AND QUESTIONS**

Any firm that submits qualifications may be requested to provide additional information to the TEL. Such information is only for the purpose of clarification. The TEL reserves the right to ask any or all firms to provide additional information following the submission of qualifications. The TEL will not be responsible for any costs or expenses incurred by a firm in its response to such inquiries.

#### **G. FORM OF SUBMISSIONS**

Each submission must be prepared simply, providing a clear description of the firm’s qualifications to meet the requirements of this RFQ. In order to expedite the evaluation process, respondents are required to submit along with their qualifications and the requirements in Section N, a completed Exhibit A and all others as referenced in Section N. Specifications and Requirements.

#### **H. NON-EXCLUSIVE RIGHTS**

By this RFQ, the TEL does not intend to grant any firm the exclusive rights to provide all equipment, materials, and services required by the TEL during the period covered by any contract resulting from this RFQ. If the TEL determines that creation and production of materials and services by various firms is in the TEL’s best interest, the TEL shall have the right to purchase, contract for, and use these materials and services without infringing upon or terminating any contract resulting from this RFQ.

#### **I. DELIVERY**

It is the firm’s responsibility to assure that its qualifications are **delivered at the proper place**, as specified in this RFQ. **Submissions transmitted by email, telephone, or fax**

**will not be accepted.** Rates may not be altered after delivery, unless requested by the TEL.

#### **J. SUBMISSIONS SUBJECT TO OPEN RECORDS**

All data, material and documentation originated and prepared for the TEL pursuant to this RFQ may be available to the public in accordance with the Tennessee Open Records Act, §10-7-101. However, in accordance with T.C.A. §4-51-124, the TEL will make reasonable attempts to maintain the confidentiality of any trade secrets or proprietary information identified by a firm if such firm properly identifies the particular data or other materials which are trade secrets or proprietary information in writing by page, paragraph and sentence or upon submission to the TEL of the data or other materials to be protected. The firm also should state the reasons such confidentiality is necessary. However, under no circumstance will the TEL be liable to any firm or to any other person or entity, for any disclosure of any such trade secret or confidential information. The TEL may not consider submissions in which all or a substantial portion of the submission is declared by the firm to constitute trade secrets or confidential information.

#### **K. NEWS RELEASES**

The TEL is the only entity authorized to issue news releases relating to this RFQ, its evaluation, and the award of any contract and performance there under. Under no circumstances shall any firm issue any such news releases without the express prior written consent of the TEL in each instance.

#### **L. INTERPRETATIONS AND DISPUTES**

Any questions concerning conditions and specifications in this RFQ shall be directed in writing to the TEL RFQ Coordinator. Inquiries must reference this RFQ and the date delivery of the submission is due to the TEL RFQ Coordinator. No interpretation shall be considered binding unless provided in writing by the TEL through the RFQ Coordinator. Any actual or prospective firm who disputes the reasonableness or appropriateness of the terms, conditions, and specifications of the RFQ or any action taken by the TEL in connection with this RFQ, or the contract to be awarded pursuant hereto, must first pursue and exhaust any and all remedies available to it in accordance with the dispute resolution procedures adopted by the TEL, as amended from time to time. Any appeal of any decision of the Board of Directors of the TEL must be made in accordance with such dispute resolution procedures and Section 4-51-127 of the Act.

#### **M. NONASSIGNABILITY**

Any award resulting from this RFQ cannot be assigned in whole or in part without the prior written approval of the TEL.

#### **N. SPECIFICATIONS AND REQUIREMENTS**

In accordance with the Act, the TEL was established as a vehicle to operate the Tennessee Lottery.

The TEL funds multiple-year prizes (grand prizes, jackpot prizes, etc.) by purchasing eligible investments from qualified brokerage firms. The investments are used to pay the winner in accordance with a schedule consistent with the specified lottery prize.

The TEL seeks competitive bids for the purchase of U.S. Government securities and/or other investment products to fund the multi-year prizes. Investments other than U.S. backed securities must be approved as part of TEL's investment policy.

Prize awards may vary from ten (10) to thirty (30) annual installments. The first payment is paid in cash by the TEL and the remaining payments are funded through the purchased investments.

The TEL may, from time to time, allow qualified firms to propose security exchanges. Exchanges would involve the TEL selling a security owned by the TEL which is being held in safekeeping and purchasing a like security with the same maturity and safety of principal and interest.

The TEL is seeking experienced, financially strong firms capable of offering investment services to the TEL with the most effective yield and the most economical purchase price. The firms shall provide service of the highest quality in connection with such investments.

The TEL will maintain an active list of qualified firms who are eligible to participate in the bidding process. The active list will contain up to ten (10) qualified firms.

The TEL will qualify firms based upon the following:

1. Firm's understanding of the products and services required.
2. Firm's background and related experience.
3. Firm's compliance with the minimum requirements noted below.
4. Firm's acceptance of the terms of the contractual agreement (Exhibit D)

Firms are encouraged to submit such other information believed to be valuable or appropriate to demonstrate their experience, financial strength and ability to provide the required products and services to the TEL.

#### **Qualification Process:**

**A firm desiring to be designated as a qualified firm with the TEL, and thereby eligible to submit a bid for the sale of U.S. Government securities and/or other investment products to the TEL, must first be qualified by providing the information requested by the TEL in the attached Organization Specification Questionnaire (Exhibit B), by entering into a Contractual Agreement (Exhibit D) with the TEL, and completion of the Minority Owned Business Utilization Form (Exhibit E).**

Firms will be notified in writing when the TEL determines that the firm is a qualified firm.

A firm's failure to comply with the following requirements may result in their removal from the active list of qualified firms for at least a two (2) year period and they will be placed at the bottom of the reserve list of qualified firms: **1.)** A firm's failure to honor a bid; **2.)** A firm's failure to submit a bid on two (2) consecutive bid dates.

Once the active list of qualified firms has been established, remaining brokerage firms that are determined by the TEL to be a qualified firm will be placed on a reserve list of qualified firms. When a firm is removed from the active list, the date of removal is used for ranking on the reserve list. Firms will be notified in writing when they are removed from the active list. When an opening on the active list occurs, the qualified firm ranked first on the reserve list will be contacted to reaffirm the qualification and requirements originally submitted. Once the firms qualifications are reaffirmed, the qualified firm will be placed on the active list.

### **Requirements:**

Firms are required to be licensed within the State of Tennessee to sell U.S. Government securities and/or other investment products such as those required by the TEL, and possess such other licenses and/or registrations necessary to operate its business. In addition, firms must meet the following minimum requirements:

1. Current financial strength (credit) rating of A or better from A. M. Best Company (comparable ratings from Moody's, Standard and Poor's, or other national rating service will be acceptable). The firm must have maintained the rating for the past three (3) consecutive years.
2. If seeking qualification as a licensed subsidiary of a parent company, the subsidiary must have the written guarantee of its obligations from the parent company.

As part of the firm's response to this RFQ, the firm must submit the following information:

1. A completed Organization Specifications Questionnaire (Exhibit B) signed by an authority that can bind the firm to contract terms;
2. Authorization Form (Exhibit C) completed by a contractual signatory of the Parent Company, if applicable, which guarantees the obligations of the subsidiary;
3. Signed copy of the Contractual Agreement (Exhibit D);
4. Short narrative of its minority utilization plan, along with a signed copy of the Minority-Owned Business Utilization Plan specific to this RFQ (Exhibit E);
5. Most recent Annual Report;
6. Documentation supporting the financial and/or credit rating of A.M. Best or similar nationally recognized rating agency (Moody's Service Credit Opinion, Standard and Poor's);

7. Documentation supporting all current insurance policies in effect for Fidelity and Fiduciary Blanket Bond Coverage (minimum of \$10 million), Errors and Omission (minimum of \$5 million), Commercial General Liability (minimum of \$1 million per occurrence), and Professional Liability (\$1 million each claim/wrongful act/ loss);
8. Proof of license with the State of Tennessee to sell U.S. Government securities and/or other investment products;
9. Experience and expertise of firm and principals who will service the account;
10. Service facilities available in the State of Tennessee;
11. Date of registration to do business as a dealer with the Securities and Exchange Commission, including most recent prospectus, and 10-K and 10-Q filings if applicable; and
12. The name, addresses, and phone numbers of three current or past clients for which the firm has provided services similar to those called for in this request for qualification. The firm must provide an individual of each of these clients that the TEL may contact for purposes of obtaining references.

**EXHIBIT A**

***TENNESSEE EDUCATION LOTTERY CORPORATION***

**SIGNATURE AND CERTIFICATION**

(Authorized representative must sign and return)

I certify that this information is being provided without prior understanding, agreement, or connection with any corporation, firm, or person submitting their qualifications for the same materials, supplies, equipment, or services and is in all respects fair and without collusion or fraud. I understand collusive bidding is a violation of State and Federal Law and can result in fines, prison sentences and civil damage awards. I am authorized to submit these qualifications and am the authorized representative of the responding firm.

Date: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Company Name: \_\_\_\_\_

**NOTE: PLEASE ENSURE THAT ALL REQUIRED SIGNATURE BLOCKS ARE COMPLETED. FAILURE TO SIGN THIS FORM AND INCLUDE IT WITH YOUR SUBMISSION WILL RESULT IN REJECTION OF YOUR SUBMISSION.**

**EXHIBIT B**

**OFFEROR'S ORGANIZATION SPECIFICATIONS  
QUESTIONNAIRE**

Instructions: Complete each item, using attachments where necessary. Attachments shall indicate the item number and heading being referenced as it appears below. Failure to make full and complete disclosure may result in the rejection of your bid as unresponsive.

1. Name of firm \_\_\_\_\_  
Address of firm \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Phone Number: ( ) \_\_\_\_\_ Fax Number: ( ) \_\_\_\_\_  
Federal ID Number: \_\_\_\_\_ Number of Years in Business: \_\_\_\_\_  
Local Office Address and Contact: \_\_\_\_\_  
\_\_\_\_\_

2. The firm is (mark appropriate category):  
\_\_\_\_ Corporation- For Profit      \_\_\_\_ Partnership      \_\_\_\_ Other (please specify)  
\_\_\_\_ Brokerage Firm      \_\_\_\_ Insurance Company

3. Authorized Signatories

A. \_\_\_\_\_  
(Name and Title)

B. In the absence of the principal authorized signatory named above,  
\_\_\_\_\_  
(Name, Title)

C. \_\_\_\_\_  
Name and Title of the Firm's authorized representative, responsible for overall management of contract services. The TEL shall address all notices relative to this Contract to the attention of same.

	YES	NO
4. Has any Federal or State agency ever made a finding of noncompliance with any relevant civil rights requirements with respect to your business activities? <b>If YES, please attach an explanation.</b>		
5. Has the Offeror, its major stockholders with a controlling interest, or its officers been the subject of criminal investigations or prosecutions or convicted of a felony? <b>If YES, please attach an explanation.</b>		
6. Have any governmental licenses ever been denied, revoked, suspended, or provisionally issued within the past five years? <b>If YES, please attach explanation,</b>		
7. Have you or has your organization terminated any contracts, had any contracts terminated, or been involved in contract lawsuits? <b>If YES, please attach an explanation.</b>		

<h2 style="margin: 0;">OFFEROR'S ORGANIZATION SPECIFICATIONS QUESTIONNAIRE</h2>
---

	YES	NO
<p>8. Do you, your staff, any of your relatives, or voting members of your Board of Directors maintain any ownerships, employments, public and private affiliations or relationships which may have substantial interest in any contract, sale, purchase, or service involving the TEL? <b>If YES, please attach description of the nature of the conflict of interest.</b></p>		
<p>9. Has your organization ever gone through bankruptcy? <b>If YES, When? Include the State, District and case number.</b></p> <p>_____</p> <p>_____</p>		

**EXHIBIT C**

**AUTHORIZATION FORM  
TENNESSEE EDUCATION LOTTERY**

The Offeror, whose signature appears below, authorizes the representative(s) or agents(s) listed below to act on behalf of \_\_\_\_\_ for the purpose of responding to any Request For  
(Name of Company)

Qualifications issued by the Tennessee Education Lottery (TEL) for the funding of multi-year prize winnings. I understand that this authorization may be revoked or changed at any time by submitting a new Authorization Form to the TEL. I also understand that any bid that is submitted by a person not listed below shall be rejected by the TEL.

**AUTHORIZED REPRESENTATIVES**

(Name)	(Title)
(Name of Company, if different from above)	(Company Address)
-( ) (Phone #)	-( ) (Fax #)

---

(Name)	(Title)
(Name of Company, if different from above)	(Company Address)
-( ) (Phone #)	-( ) (Fax #)

---

(Name)	(Title)
(Name of Company, if different from above)	(Company Address)
-( ) (Phone #)	-( ) (Fax #)

---

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
(Signature) (Date)

\_\_\_\_\_  
(Offeror's Name & Title)

State of \_\_\_\_\_

County of \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_  
by \_\_\_\_\_.

SEAL

\_\_\_\_\_  
(Notary Public)

My Commission Expires: \_\_\_\_\_

**EXHIBIT D**

**CONTRACTUAL AGREEMENT**

This agreement is made by and between The Tennessee Education Lottery Corporation (the “TEL”), located at 200 Athens Way, Suite 200, Nashville, Tennessee 37228, and

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (the “Firm”).

**BID SOLICITATIONS FOR THE PURCHASE OF INVESTMENT PRODUCTS**

**A. BIDS.** On a periodic basis as determined by the TEL, the TEL shall contact the Firm via email or fax in order to solicit a bid from the Firm for TEL’s purchase of U.S. Government securities or other eligible investments to fund future prize obligations. The communications shall be in the form of an Invitation to Bid (“ITB”), which shall include all required information necessary for the Firm to submit its bid (the “Bid”). The Bid period will start at 11 a.m. central time (CT), and the Firm’s Bid must be received no later than 12:00 p.m. CT the same business day.

**B. ACCEPTANCE OF BIDS.** If the Firm’s Bid is accepted, the TEL will notify the Firm via phone, email or fax the same business day once all bids have been collected and evaluated of the acceptance of its Bid. In the case of a tie bid by two or more qualified firms, the Bid first received by the TEL shall be accepted.

**C. BINDING BIDS AND FEES.** All Bids submitted by the Firm shall be binding on the Firm. The Bid must include the total cost of the purchase to the TEL. No other costs shall be payable to the Firm or on behalf of the Firm at the time of award or anytime during the completion of the purchase process. The Firm can only withdraw its Bid if it contains an error. The withdrawal must be in writing, and occur before the Firm confirms acceptance of the TEL’s notice of award during the TEL’s initial notification to the Firm of the successful Bid.

**D. SETTLEMENT DATE.** The TEL will provide the required funds to the successful firm within two (2) business days of bid acceptance.

**E. TERMINATION OF AGREEMENT.** The TEL may terminate this Agreement for convenience at any time without notice, without the payment of penalty, and without any obligation to the Firm other than for payment of funds for investments previously purchased. The Firm may terminate this Agreement for any reason by giving the TEL thirty (30) days advance written notice.

**F. INSURANCE.** The TEL requires that the qualified brokerage firm maintain sufficient Errors and Omissions insurance (minimum \$5 million), Commercial General Liability (minimum \$1 million per occurrence), Professional Liability (\$1 million each claim/wrongful act/loss), Fidelity and Fiduciary Blanket Bond Coverage (minimum \$10 million) and other insurance coverages while they are a part of the active list of qualified firms for any damages, claims, or other losses incurred by the TEL arising from the firm's actions or omissions in the performance of their respective obligations. Each qualified firm shall be required to maintain such categories and amounts of insurance and provide proof of such insurance coverage to the TEL on an annual basis.

**G. NON-EXCLUSIVE AGREEMENT.** This agreement is non-exclusive, and the TEL may contract with other or additional entities without infringing on the terms of this agreement. No firm is assured the purchase of any product or service by the TEL merely through the selection of this firm as a qualified firm.

**H. INDEMNITY OF LOTTERY OFFICIALS.** The Firm shall defend, protect, indemnify and hold harmless all TEL directors, officers and employees, from and against all claims, suits, or actions arising from negligent or wrongful acts or omissions of the Firm while performing under the terms of this Agreement.

**I. ASSIGNMENT.** This Agreement may not be assigned in whole or in part without the prior written approval of the TEL. The TEL may withhold, condition or delay its approval of an assignment for any or no reason.

**J. SIGNATURES.** The document and all bids must be manually signed for by a firm representative who is authorized to contractually bind the firm.

**K. INCORPORATION BY REFERENCE.** Included in this agreement by reference is the TEL's Request for Qualifications for investment services firm dated March 7, 2008 (the "RFQ"), and Firm's Response to the RFQ (the "Proposal"). In the event of a conflict between this agreement, RFQ and the response, the RFQ shall control the Proposal. However this contractual agreement controls any further actions of the bidder.

**L. REPRESENTATION AND WARRANTY.** The Firm represents and warrants that it is properly licensed to provide the products and services contemplated by this agreement and that it is in compliance with all of the registration and licensing requirements imposed by the state of Tennessee or federal government to sell the investments necessary to meet the requirements of a bid solicitation by the TEL.

In witness whereof, the parties have had their respective authorized representatives execute this agreement as of the date last signed below.

TENNESSEE EDUCATION LOTTERY  
CORPORATION

FIRM

\_\_\_\_\_  
(Name of Firm)

By: \_\_\_\_\_  
President and CEO

By: \_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

Approved as to Legal Sufficiency:

\_\_\_\_\_  
Date

\_\_\_\_\_  
\_\_\_\_\_  
Printed Name and Title

**EXHIBIT E**  
**TENNESSEE EDUCATION LOTTERY CORPORATION**  
**EQUAL BUSINESS OPPORTUNITY PROGRAM**

**EBO FORM B**

**MINORITY-OWNED BUSINESS UTILIZATION PLAN  
 (TO BE SUBMITTED WITH QUALIFICATIONS)**

**Company:** \_\_\_\_\_

**RFQ/RFP/ITB:**            **INVESTMENT SERVICES FIRM**

\_\_\_\_\_, does certify that on the above noted procurement  
 (Firm)

opportunity, the following minority-owned businesses may be utilized as subcontractors, joint-venturers, suppliers, or provide professional services:

Name	Description of Work	Contract Value	Joint Venture (Yes/No)	% of Minority Ownership	Certified (Yes/No)	Certification Agency

*(If additional space is needed this form may be duplicated)*

Are you a minority-owned business? Yes/No \_\_\_\_\_  
 If yes, what is the percentage of ownership? \_\_\_\_\_

TOTAL COMMITMENT VALUE: \_\_\_\_\_

TOTAL % OF MINORITY BUSINESS PARTICIPATION: \_\_\_\_\_

*The successful bidder/proposer is required to finalize and resubmit this form prior to execution of a contract. At that time, the above underlined word "may" will be changed to "will". Joint Venture Agreements, partnering agreements and all pertinent information must be presented upon request by the TEL. This information will be incorporated into the contract and will become a contractual obligation of the successful bidder/proposer. The finalized EBO Form B shall not be changed or altered after contract execution without approval from the TEL. The company is required to provide written notice describing the reasons for the change to the TEL to obtain approval of any changes to this form.*

Submitted by:

\_\_\_\_\_  
 Authorized Representative Signature

\_\_\_\_\_  
 Title

\_\_\_\_\_  
 Date