



INTEROFFICE MEMO

Gary Grief, Executive Director

Alfonso D. Royal III, Charitable Bingo Operations Director

To: J. Winston Krause, Chairman
Carmen Arrieta-Candelaria, Commissioner
Doug Lowe, Commissioner
Robert Rivera, Commissioner

From: Mike Fernandez, Administration Division Director *MA*

Date: February 8, 2018

Re: Report, possible discussion and/or action on proposals for drawing studio and production services (RFP No. 362-18-0001), including approval to execute contract.

The following is an action item for the Drawing Studio and Production Services contract. Staff is seeking Commission approval to execute a contract with the Apparent Successful Proposer to commence upon the execution date and continue through August 31, 2022.

Service or Goods Provided	Drawing Studio & Production Services
Vendor(s)	Elephant Productions, Inc.
Proposed Action	Execute new contract
Description	Perform drawing studio and production services for the broadcast of all Texas Lottery draw games
Current Term of Contract	Execution to August 31, 2022 with one 1-year extensions
Estimated Annual Cost	\$2,150,000



**CONTRACT FOR
DRAWING STUDIO AND PRODUCTION SERVICES
BETWEEN
THE TEXAS LOTTERY COMMISSION
AND
ELEPHANT PRODUCTIONS, INC**

RECITAL

This Contract is entered into by and between the Texas Lottery Commission, hereinafter referred to as "the Commission, TLC or the Texas Lottery," and Elephant Productions, Inc., 3404 Guadalupe Street, Austin, TX 78705, hereinafter referred to as "Contractor."

WHEREAS, the TLC previously issued a Request for Proposals (RFP) for Drawing Studio and Production Services (RFP No. 362-18-0001);

WHEREAS, Elephant Productions, Inc., submitted a proposal in response to the RFP; and

WHEREAS, following review of proposals submitted in response to the RFP, the TLC has selected Contractor to provide Drawing Studio and Production Services for the TLC for the Contract term and any renewal periods.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:

I. TERM

This Contract shall commence on the execution date and continue through August 31, 2022, subject to the termination provisions in the RFP and subject to the TLC being continued and funded by the Texas Legislature.

At the end of the initial term, the Texas Lottery, at its sole discretion, reserves the right to extend this Contract for one (1) additional one-year period, at the Contract rate or rates as modified during the term of the Contract.

At the end of the initial term or any renewal period, the Texas Lottery, at its sole discretion, reserves the right to extend this Contract for up to three (3) additional months, in one-month intervals, at the Contract rate or rates as modified during the term of this Contract.

At the end of the Contract term (including any renewal period), or upon earlier termination under any provision of this Contract, Contractor shall, in good faith and with reasonable cooperation, aid in the transition to any new arrangement and provider, if requested by the Texas Lottery.

The TLC, in its sole discretion, may terminate, in whole or in part, this Contract at will and without cause upon no less than thirty (30) days' advance written notice. The TLC also may terminate this Contract immediately with written notice if the Executive Director, in his sole judgment, believes that the integrity or security of the TLC is in jeopardy and it is in the best interest of the TLC to do so.

II. PRODUCTS AND SERVICES

During the term of this Contract, Contractor, as an independent contractor and not as an employee or agent of the TLC, shall provide the following services:

Those products and services requested in and pertaining to the TLC Request for Proposals for Drawing Studio and Production Services (RFP), issued September 26, 2017 (attached hereto as Exhibit A), as may have been clarified and modified in responses to questions submitted by proposers (attached hereto as Exhibit B), Contractor's Proposal submitted November 10, 2017 (attached hereto as Exhibit C) and Contractor's revised Cost Proposal (Exhibit D). Contractor's revised Cost Proposal supersedes the cost proposal included in the Contractor's Proposal and shall apply during the Contract term (including any renewal period).

Exhibits A, B, C and D are incorporated into this Contract by reference the same as if recited at length and are made a part of this Contract for all purposes. The terms of the RFP and the Proposal are controlling except as modified by the terms of this Contract, which shall control in all events. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: Sections I-VIII of this document, together with the Contractor's revised Cost Proposal (Exhibit D); the RFP (Exhibit A); and Contractor's Proposal (Exhibit C). Contractor's performance shall be in accordance with the terms and conditions established in exhibits A, B, C and D and as specified in sections I through VIII of this document.

Notwithstanding anything herein to the contrary, the parties agree the following RFP sections are added or replaced in their entirety as shown below and shall apply during the Contract term and any renewal period:

- (1) RFP Section 6.7 Approval and Implementation of Final Transition Plan (beginning of contract) is deleted in its entirety.

The requirement for the approval and implementation of the final transition plan is not required due to TLC's acceptance of Offered Option 1 in the Contractor's Proposal for the

continued use of the existing broadcast equipment currently in operation at the Texas Lottery Drawing Studio.

(2) RFP Section 6.18 Web Casting

6.18.5 In addition to web casting and at the request of the TLC, Contractor shall upload the archived .mp4 files to the Texas Lottery's YouTube account and/or Facebook page at no additional cost to the Texas Lottery.

(3) RFP Section 6.24 Other Associated Goods or Services (Offered Option)

The Texas Lottery wishes to exercise Offered Option 1 in the Contractor's Revised Cost Proposal (Exhibit D) for the continued use of the existing broadcast equipment and studio lighting currently in operation at the Texas Lottery Drawing Studio (primary site), and the existing equipment currently in place at the back-up production site. The parties agree that on an as needed basis the Contractor shall upgrade and/or replace any existing equipment at either the primary or the back-up production site at no additional cost to the Texas Lottery during the term of the Contract and any renewals thereto.

III. PAYMENT

All payments will be made in accordance with TEX. GOV'T CODE ANN. ch. 2251 ("Payments for Goods and Services"). The Contractor shall submit separate invoices monthly for the previous month's services. Each invoice shall note the contract number, services rendered and date of services. Invoices may be submitted by mail to the Texas Lottery Commission, P. O. Box 16630, Austin, Texas 78761-6630, Attn: Accounts Payable or by e-mail to AccountsPayable@lottery.state.tx.us. Payments will be made only upon the completion of services or after the delivery of goods authorized in an approved invoice.

Pursuant to TEX. GOV'T CODE ANN. § 2251.025, interest is not due on a payment until it becomes "overdue." A payment is not "overdue" until the 31st day after the latter of: (1) the date the Texas Lottery receives the goods covered by the contract; (2) the date the performance of service under the contract is completed; or (3) the date the Texas Lottery receives an invoice for the goods or services. TEX. GOV'T CODE ANN. § 2251.021. Services are "completed" when accepted by the Texas Lottery.

Contractor acknowledges that the State of Texas requires consistent, high quality performance during the entire term of this Contract and during any transition to an alternate or successor provider. Contractor agrees that to ensure such consistent, high quality performance, and an orderly transition to a new vendor, the Texas Lottery may withhold 10% of the last three (3) payments due during the last year of this Contract (the "Hold Back"). In the event that the Contractor fully and completely performs all of its duties under this Contract, and a successful transition to an alternative provider is completed, then upon such completion the Texas Lottery shall pay the Hold Back to the Contractor. In the event that the Contractor fails to fully and completely perform all of its duties under this Contract, or the transition to an alternative vendor is unsuccessful, and such failure is proximately caused in whole or part by any act or omission of

the Contractor, the Texas Lottery shall be entitled to retain the Hold Back or such portion as the Executive Director deems equitable.

Contractor agrees that if the Texas Comptroller of Public Accounts is prohibited from issuing a warrant to Contractor under TEX. GOV'T CODE ANN. § 403.055, any payments owed to Contractor hereunder will be applied towards the debt or delinquent taxes that Contractor owes the State of Texas until the debt or delinquent taxes are paid in full.

IV. MODIFICATION

The TLC and Contractor may by mutual agreement modify the scope, personnel and prices set forth in this Contract. This modification must be in writing, recite that it is a modification pursuant to Section IV of the Contract, and be signed by individuals having the authority to bind the parties.

In no event shall Contractor be paid for work not authorized by the Contract or any of its written modifications.

V. GENERAL PROVISIONS

The following general provisions are specifically applicable to Contractor during the term of this Contract and any extension thereof, and shall survive the Contract where necessary:

A. Marketing and Advertising. No marketing or advertising related to this Contract may be conducted by Contractor without the prior written consent of the TLC.

B. Contractor Employees. In addition to the requirements set forth in the RFP, Contractor shall assign the work required by this Contract only to those persons identified in Contractor's Proposal by name, together with staff category, and who are reasonably satisfactory to the TLC. Contractor shall report on a quarterly basis, with deadlines to be supplied by the TLC, the number of full-time equivalent (FTE) employees used by Contractor or any Subcontractors to provide goods and services under this Contract.

C. Improper Influence. Contractor hereby agrees that Contractor shall not knowingly make a gift, loan or political contribution, either directly or indirectly, to any Texas State Officer or a member of the Texas State Legislature, during the term of this Contract. For purposes of this Contract, "Texas State Officer" means those whose duties concern the State of Texas at large or the general public, or who are authorized to exercise their official functions throughout the entire State, without limitation to any political subdivision of the State. Contractor further agrees that it shall direct its officers, directors, employees, agents, lobbyists and representatives not to make any such gift, loan or political contribution on Contractor's behalf; provided, that any gifts, loans or political contributions that these individuals or entities may make on their own behalf or on behalf of someone other than Contractor shall not be a violation of this provision. Any violation of this provision may, at the sole discretion of the TLC, result in either the immediate termination of this Contract or liquidated damages in the amount of \$10,000 for each occurrence.

D. Conflict of Interest. Contractor shall promptly disclose to the Texas Lottery in writing any actual, potential or perceived conflict of interest relative to the performance of the requirements of this Contract. Contractor must disclose any personal or business relationship of (a) itself; (b) any of its principals, officers, directors, investors, owners, partners, and employees (collectively, Contractor Personnel); (c) any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any Contractor Personnel; (d) any affiliate; or (e) any Subcontractor, with any employee or representative of the Texas Lottery (including the Texas Lottery Executive Director and its commissioners) or its major and prime vendors.

E. Change in Financial Condition. Contractor shall notify the Texas Lottery of a material adverse change in financial condition during the Contract term and any renewal thereof. If the Contractor experiences a material adverse change during the term of the Contract or any extension thereof, Contractor shall notify the Texas Lottery in writing of such change at the time the change occurs or is identified. Failure to notify the Texas Lottery of such material adverse change will be sufficient grounds for terminating the Contract. The term "material adverse change" shall mean any change or changes that individually or in the aggregate are materially adverse to (i) the assets, properties, business, results of operations or financial condition, taken as a whole, of Contractor or other applicable obligor, (ii) the ability of Contractor or such other obligor to perform its or their obligations under the Contract, or (iii) the legality or enforceability against Contractor or such obligor of the Contract.

F. Contractor Standards. Contractor shall perform its responsibilities by following and applying at all times the highest professional and technical guidelines and standards.

G. Hiring of Texas Lottery Personnel. Pursuant to Section 572.069 of the TEX. GOV'T CODE ANN., Contractor certifies that it has not employed and will not employ a former state officer or employee of the Texas Lottery who participated in a procurement or contract negotiation for the Texas Lottery involving the Contractor before the second anniversary of the date the Contract was signed or the procurement was terminated or withdrawn.

H. Contingencies. This Contract is subject to the following contingencies:

- (1) Contractor's presentment of all bonds and insurance certificates in the form and amount required by the TLC in accordance with the requirements set forth in the RFP.
- (2) Satisfactory criminal history and background investigation report in accordance with the requirements of the State Lottery Act (Chapter 466 of the Texas Government Code), including sections 466.103 and 466.155.

I. Multiple Originals. This Contract is executed in three (3) identical copies, each of which shall be deemed an original.

VI. NOTICES

Unless otherwise directed, all invoices, notices, reports and correspondence required by this Contract shall be in writing and delivered to the following representatives of the TLC and Contractor, or their successors in function:

Texas Lottery
Angela Zgabay-Zgarba
Contracts Management & Procurement Manager
Texas Lottery Commission
P.O. Box 16630
Austin, Texas 78761-6630

Contractor
Quincy Lowman
President
Elephant Productions, Inc.
3404 Guadalupe Street
Austin, Texas 78705

VII. APPLICABLE LAW

This Contract [Sections I-VIII of this document, the RFP (Exhibit A), as may have been clarified and modified in responses to questions submitted by proposers (Exhibit B), Contractor's Proposal (Exhibit C), and Contractor's revised Cost Proposal (Exhibit D)] shall be governed by and construed in accordance with the laws of the State of Texas, and venue for any dispute arising from this Contract shall be in state district court, Travis County, Texas. This Contract constitutes the entire agreement between the TLC and Contractor, and may be amended only by formal written agreement properly executed by both the TLC and Contractor.

VIII. EQUAL OPPORTUNITY

Contractor agrees that all employees shall be recruited, hired, trained, assigned, promoted, transferred, downgraded, laid off, recalled and terminated based upon their own abilities, achievements and experience, and in compliance with the provisions of the Civil Rights Act of 1964 (42 USCA 2000e, *et. seq.*) and other applicable federal and state laws.

EXECUTED on this _____ day of _____ 2018, by a person having the authority to contractually bind Elephant Productions, Inc.

ELEPHANT PRODUCTIONS, INC

By: _____
QUINCY LOWMAN
President

EXECUTED on this _____ day of _____ 2018, by a person having the authority to contractually bind the Texas Lottery Commission.

TEXAS LOTTERY COMMISSION

By: _____
GARY GRIEF
Executive Director