



July 2, 2009

Mr. Ernie Passailaigue
Arkansas Lottery Commission
Executive Director
State Capitol Bldg., Rm. 315
Little Rock, AR 72201

RE: Clarification Questions for the Arkansas Lottery Commission's Request for Proposal (RFP)
Number SP-09XXXX for Online Lottery Game Services and Lottery Gaming System and
Services

Dear Mr. Passailaigue:

Scientific Games is pleased to participate in the Arkansas Lottery Commission's RFP Number SP-09XXXX for Online Lottery Game Services and Lottery Gaming System and Services. In accordance with Section 1.2 (Schedule of Events) and Section 1.10 (Clarification of RFP and Questions) of the above referenced RFP, Scientific Games respectfully submits the attached clarification questions for your review and consideration.

If you have any questions or require additional information from our company, please feel free to contact me at 678-624-4318 or at simone.harrison@scientificgames.com. If I am unavailable, Steven Haber, Director, Business Development, serves as an alternate contact. He may be reached at 770-663-6823, or via e-mail at steven.haber@scientificgames.com.

We look forward to receiving answers to our questions by July 9, 2009.

Best Regards,

Simone Harrison
Vice President, Business Development
Sales and Global Marketing
Scientific Games International

Question 1. Section 1.2- Schedule of Events (pages 4 & 5).

Are the “days” referenced in the schedule business days or calendar days?

Question 2. Section 1.3.3 - Caution to Vendors (page 5).

This RFP section requires two electronic versions of the proposal (one redacted and one unredacted) be submitted with the response, preferably in Word or Excel format. Because of the large quantity of written material and graphics required to be submitted with the RFP response, and as such, the generation of extremely large electronic files with a high potential for complications/problems when opened, is it acceptable to submit the electronic files in a PDF format?

Question 3. Section 1.3.3 - Caution to Vendors (page 5).

This RFP section, and several other sections, makes reference to an “Official Proposal Price Sheet,” yet we are unable to find any such document within the RFP. Will the Lottery provide the “Official Proposal Price Sheet” to Bidders?

Question 4. Section 1.6- Type of Contract (page 6).

Will the Lottery please confirm that the number in parentheses after “three,” should be 3 and not 1?

Question 5. Section 1.7- Payment and Invoice Provisions (page 6).

This RFP section states: “The ALC shall have no responsibility whatsoever for the payment of any federal, state, or local taxes which become payable by the Successful Vendor or its subcontractors, agents, officers, or employees. The Successful Vendor shall pay and discharge all such taxes when due.”

Is the ALC a tax exempt organization?

Will the ALC provide the successful vendor with their exemption certificate?

Will the sale of printed lottery tickets in Arkansas be exempt from sales tax?

Question 6. Section 1.7- Payment and Invoice Provisions (page 6).

Will the Lottery agree to requiring third parties, such as independent auditors, to sign a non-disclosure agreement before Vendor provides access to any of its records?

Question 7. Section 1.9- Payment and Invoice Provisions (page 6).

This RFP section states: 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.”

As all vendors are required to submit redacted electronic versions of their respective bids, will the Lottery consider making it permissible for vendors to simply identify where confidential information begins and ends? This will avoid multiple proposals containing dozens of separately sealed envelopes.

Question 8. Section 1.13 – Performance Security (pages 7 & 8).

Due to the extremely compressed RFP response timeframe, the accurate calculation of the Performance Security as defined in RFP Section 1.13 (pages 7&8) will be a challenge for all vendors. The current requirement as outlined in the RFP defines the Performance Security as being “ ... at least 2% of the total proposal price..” based on a percentage of sales basis for a new start-up lottery. To better allow vendors to establish a more equitable cost for this Performance Security (in their pricing model calculations) would the Lottery please amend the language in Section 1.13 (pages 7&8) to reflect a specific dollar amount for an annual Performance Security.

Question 9. Section 1.13 – Performance Security (pages 7 & 8).

Since performance securities are typically issued only for annual periods and then renewed annually, are we correct to assume the Performance Security will be based upon the annual price rather than the “total proposal price?”

Question 10. Section 1.18 – Statement of Liability (page 9).

Will the ALC please add the words “by Vendor” in the last line of that section after the words “furnished or used”?

Question 11. Section 1.19 – Ownership of Materials and Right of Use (page 9).

In the first paragraph, after the words “provided under the Contract” will the Lottery please add the phrase: “and that are developed solely for use by the ALC.”

Question 12. Section 1.19, Ownership of Materials and Right of Use (page 9).

With regard to the last sentence of paragraph 3, please confirm that this is not intended to include the intellectual property that may be provided to the ALC as value-added materials, such as branded properties, unique production methods or

Question 19. Section 3.0.1.1 – On-line Lottery Games and Operating System (page 15).

What amount per square foot is the annual rent the ALC will charge to vendors for space at ALC headquarters?

If Keno/monitor games are not allowed, will the ALC still want 3,200 player activated ticket checkers?

Question 20. Section 3.0.6 – Internal Control Systems (page 20).

Is the Internal Control System to verify and confirm instant ticket transactions in addition to on-line game transactions?

Question 21. Section 3.1.4 – Hotline Services (page 21).

The RFP states: “The hotline will be housed in the space leased from the ALC at the ALC's headquarters location or at the Successful Vendor's main data center located in the State of Arkansas.”

Will the ALC consider allowing the vendors to provide Hotline Services at a consolidated call center outside the state of Arkansas? This requirement can impact staffing models and pricing without positively impacting overall sales or support levels.

Question 22. Section 3.1.5 – Equipment Maintenance and Supplies (page 22).

The RFP states: “The Successful Vendor will be required to respond to all service requests within two (2) hours in metropolitan areas and within four (4) hours in nonmetropolitan areas within the state, as determined by the ALC.”

Will the ALC provide clarification as to what is considered a “metropolitan and nonmetropolitan areas” in Arkansas?

Typically, hotline calls dramatically decrease after draw break around 8:00pm. Is it the Lottery's desire to have the vendor's field service staff respond to dispatch service calls up to 12:00 midnight or beyond?

Will the Lottery limit the “service hours” from 7:00 am to 9:00 pm daily as these requirements can impact staffing models, preventive maintenance schedules, and pricing, without positively impacting overall sales or levels of support.

Question 23. Section 3.1.5 – Equipment Maintenance and Supplies (page 22).

The RFP states: “The Successful Vendor will also be responsible for providing all supplies to the ALC and all active retailers included but not limited to, ticket

stock, ribbons, play slips, play stations, pens, pencils, and neon or equivalent signs.”

Will the Lottery add the words “online gaming” before supplies to help limit the type of supplies the vendor is responsible for?

Question 24. Section 3.1.5 – Equipment Maintenance and Supplies (page 22).

The RFP states: “Cash drawers are to be furnished at a cost to the Retailer.”

Will the Lottery elaborate how the cash drawers will be furnished, cost be tracked at the retailer, and what is the responsibility of the vendor, if any, regarding cash drawers?

Does the vendor directly invoice the retailer for this cost?

Question 25. Section 3.1.8 – Ticket Stock and Play Slips (page 22).

As this requirement can impact pricing without positively impacting overall sales, will the Lottery please confirm the desire to have fixed length tickets?

Question 26. Section 3.1.8 – Ticket Stock and Play Slips (page 22).

The RFP states: "The ticket stock must be a premium, top coated, high sensitivity, gaming ticket grade. The requisite specifications are set out in Attachment B made a part hereof. Tickets will be a fixed length of 4.66 inches."

Most single and (sometimes even multiple) played tickets in the US Lottery industry today can fit properly on a 3" ticket receipt. Requiring a 4.66 inch fixed length ticket significantly increases paper consumption and therefore cost. Adding 1.66 inch of paper to most transactions is also inconsistent with environmentally sound, sustainability policies.

The industry standard is now variable length tickets so as to provide flexibility in purchases for players and enhance the marketing capabilities of the online ticket itself. Additionally, with fixed length tickets, the ability to provide top of ticket marketing messages, graphics, logos, coupons and other promotional messages is greatly inhibited.

We request that the Lottery please amend the ticket length requirement to the following industry standard: "Tickets having a uniform size or variable length as determined by the Lottery. Each ticket, regardless of length, must contain a pre-printed stock number on the back."

Question 27. Section 3.1.10 – Electronic Displays (page 23); and Section 3.0.2.1 (Retailer operated Terminals (page 17)).

Are the electronic displays required by RFP Section 3.1.10 different than the displays required by RFP Section 3.0.2.1? If so, what is the difference in the requirements?

Question 28. Section 3.2 – Security Plan (page 23).

How often are SAS-70 audits required? When is the first SAS-70 audit to be completed?

Question 29. Section 4.1 – Pricing Formula (page 25).

Is the “top-of-the line terminal” as indicated in the pricing formula the same as “full function terminal?”

Question 30. Section 4.4 – Program Enhancements (page 26).

Are portable terminals required within the base proposal/base price or are they optional?

Is ticket branding required within the base proposal/base price or is it optional?

Should portable terminals and ticket branding be included within the technical proposal? If so, where?

Question 31. Section 5.9- Background and Financial Viability (page 28).

The RFP states “a Vendor must submit a copy of its last three (3) years financial statements that have been audited by an independent public accounting firm.”

In order to save on paper and reduce the size of the submission, and in accordance with, and in the spirit of the Federal Paperwork Reduction Act of 1995, will the Lottery permit this financial information to be provided instead on a CD?

Question 32. Section 6 – Evaluation Points (page 29).

How will the award of cost points be determined?

Is there a formula which allocates the points between the Bidders based upon the prices each bidder proposes (such as lowest Bidder gets 50 points and other bidders get a proportionate number of points based upon the difference in price from the lowest Bidder)?

Question 33. General Question

Will the Lottery please provide an electronic copy of their logo in EPS or PSD format? If EPS or PSD format is unavailable, please provide an electronic copy in a high resolution JPG format.

Question 34. General Question

Will the Lottery please provide vendors with a copy of your planned ALC organization chart, including the number of sales representative positions?

Question 35. General Question

Does the Lottery have a proposed 12-month marketing plan in terms of online game launches and will the Lottery please provide this marketing plan to vendors to better assist vendors in their responses?

Question 36. General Question

Will the Lottery please provide a copy of all currently approved retailer locations with addresses and retail types?

Question 37. General Question

Does the Lottery plan to have any instant-only retailer locations?



July 2, 2009

Mr. Ernie Passailaigue
Arkansas Lottery Commission
Executive Director
500 President Clinton Avenue, #215
Little Rock, AR 72201

RE: Additional Clarification Questions for the Arkansas Lottery Commission's Request for Proposal (RFP) Number ALC-090002 for Online Lottery Game Services and Lottery Gaming System and Services

Dear Mr. Passailaigue:

Scientific Games is pleased to participate in the Arkansas Lottery Commission's RFP Number ALC-090002 for Online Lottery Game Services and Lottery Gaming System and Services.

After receiving the Official Price Proposal Sheet issued at the Arkansas Lottery Commission meeting on July 1, 2009, Scientific Games respectfully submits the attached additional clarification questions for your review and consideration.

If you have any questions or require additional information from our company, please feel free to contact me at 678-624-4318 or at simone.harrison@scientificgames.com. If I am unavailable, Steven Haber, Director, Business Development, serves as an alternate contact. He may be reached at 770-663-6823, or via e-mail at steven.haber@scientificgames.com.

We look forward to receiving answers to our questions by July 9, 2009.

Best Regards,

Simone Harrison
Vice President, Business Development
Sales and Global Marketing
Scientific Games International

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Question 1. Official Price Proposal Sheet

Is the Official Proposal Price Sheet identical for both the On-line and Instant RFPs? Will the Lottery consider amending the Official Price Proposal Sheet to incorporate vendor specific, proprietary product pricing (shown as optional pricing by item)?

Question 2. Official Price Proposal Sheet

It seems as though the lump sum price requirement is contradictory to RFP Section 4.1 which requires "a single cost quotation expressed as a numeric percentage of sales." Are bidders now required to estimate annual sales to determine a dollar amount for the lump sum price? Is the pricing still to be quoted as a percentage of sales even though the Official Proposal Price Sheet requires a lump sum price only?

Question 3. Official Price Proposal Sheet

Does the "lump sum price" only cover the seven year base contract period? Or should the pricing be quoted as an annual sum for the initial 7 year contract term?

Question 4. Official Price Proposal Sheet

How will the Lottery compare the lump sum prices submitted by vendors? How will the Lottery compare and give consideration to what may be differing sales estimates that will be submitted by vendors, thus leading to differing lump sum pricing responses?

Question 5. Official Price Proposal Sheet

Is there a minimal breakout of pricing that the Lottery wishes to see in the "itemized listing of the pricing for each of the component parts and services that comprise the lump sum price?"