



Tuesday, July 07, 2009

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

RE: Clarification Questions for the Arkansas Lottery Commission's RFP Number ALC-090001 "Instant Ticket Lottery Game Services"

Dear Mr Passailaigue:

Scientific Games is pleased to participate in the Arkansas Lottery Commission's RFP Number ACL -090001 for Instant Ticket Lottery Game Services. In accordance with Section 1.2 (Schedule of Events) and Section 1.10 (Clarification of RFP and Questions of 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, Frank Candido, Director, Business Development, serves as an alternate contact. He may be reached at 770-664-3734, or via e-mail at frank.candido@scientificgames.com.

We look forward to receiving answers to our questions by July 15, 2009.

Best Regards,

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

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Vendor Questions:

1) Section 1.3:

The RFP requires two electronic versions of the proposal - (one redacted and one unredacted), that must be submitted with our response, (preferably in Word or Excel format).

Because of the large volume of written material and graphics that are required to be submitted with the RFP response, and the generation of extremely large electronic files, (with a high potential for complications/problems in Word/Excel) will it be acceptable to the ALC to submit our electronic files in a PDF format?

2) General Questions

- a) Will the Lottery please provide an electronic copy of their logo in EPS or PSD format for use in our proposal response? If EPS or PSD format is unavailable, please provide an electronic copy in a high resolution JPG format.
- b) Would the ALC please indicate if and how alternate/other instant ticket vendors will be qualified under this procurement ?

3) Section 1.2, page 4 – Schedule

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

4) Section 1.6 , page 5 – Type of Contract

RFP states “The ALC will have the option to renegotiate at time of renewal”.

Does this mean the right to renegotiate is solely a unilateral right of the Lottery or does the Successful Vendor also have the option to renegotiate at the time of renewal?

5) Sec. 3.7 (p.16)

The RFP states that the Successful vendor will be required to distribute up to seven games per year purchased by the ALC from other vendors. Will the ALC purchase these seven games on a percent of sales basis or on a per 1,000 ticket basis?

6) Sec. 5.4 (p.24)

Are the prices for “Program Options” to be submitted as percent of sales prices or per 1,000 ticket prices ?

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7) Section 3.3.5 TICKET TESTING

RFP Requirement - The ALC may arrange for quality, security, and bar code testing of tickets by an independent laboratory selected by the ALC as deemed necessary. The Successful Vendor shall be responsible for all costs for up to three (3) such tests per year.

- a) What is the estimated cost for each of the three independent laboratory tests per year?
- b) What US laboratory testing facility is the ALC planning to use for the ticket testing?
- c) Will this requirement apply to the Primary Ticket Vendor only?

5) Section 1.7 PAYMENT AND INVOICE PROVISIONS

RFP requirement - This item 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."

- a) Is the ALC a tax exempt organization?
- b) Will the ALC provide the successful vendor with their exemption certificate?
- c) Will the sale of printed lottery tickets in Arkansas be exempt from sales tax?

6) Section 1.8 Liquidated Damages

- a) The ALC has listed - "untimely vending machine repair" (bullet point #6) as a liquidated damage when no vending machines are required under this procurement. We respectfully recommend that this item be removed from Section 1.8 Liquidated Damage.
- b) The Lottery has listed - "unavailability of the telemarketing and inventory control system" (bullet point # 11) as a liquidated damage when this is not a requirement under this procurement. We respectfully recommend this item be removed from Section 1.8 Liquidated Damages.

7) 3.7 Distribution of Tickets from Other Vendors

- a) Could the ALC please provide what percentage of the overall instant ticket sales will make up these 7 games from other vendors?
- b) Could the ALC provide more clarification/definition on what the ALC is requesting under the " 3 licensed properties per year requirement" for all vendors section?

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- c) Would the ALC commit to a specific percentage of the total sales that these other 7 games would represent on the overall game mix – ex - 5% of the total instant annual sales?
- 8) **Page 15 Section 3.5 Warehousing of new tickets, promotional items, and point-of-sale items**
- a) Can the lottery please clarify if the 4,000 sq ft of secured, segregated space is included in the 9,000 sq ft of secured space or if it is in addition to this space?
- b) Is the total amount of secured warehouse space for use by the ALC 9,000 sq ft. or 13,000 sq ft?

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

Within the scope of a new Lottery entity, it is problematic for a vendor to accurately compute “at least two percent (2%) of the total proposal price” within ten working days, for several reasons. First, it is a complex exercise to know what the Lottery’s sales will be as the total proposal price will be based upon a percentage of sales. Secondly, “at least two percent” is to some extent imprecise and leaves the Successful Vendor liable for potentially considerable unbudgeted costs should the performance security amount be significantly larger than 2% of the total proposal price.

- a) Will the Lottery please amend this language to a fixed dollar amount for the Performance Security?

10) **Section 3.7, Page 16 – Distribution of Tickets from Other Vendors**

- a) What volume of tickets does the Lottery expect to procure from other vendors?
- b) Will re-orders count as one of the seven games?

11) **Section 3.8, Page 16-17 – Tickets Order Packaging**

- a) What annual volume/weight related to “additional materials” does the Lottery anticipate will be delivered to retailers?
- b) Will the Lottery amend this RFP to allow the successful Vendor to invoice the Lottery the cost (without markup) for delivering “additional materials” to retailers in the packages containing the instant tickets?

12) **Section 3.9, Page 17 – Instant Ticket Distribution**

- a) What annual volume/weight related to “other ALC materials such as point of sale material, on-line game supplies, retailer manuals and newsletters” does the Lottery anticipate will be delivered to retailers?

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13) Section 5 Evaluation Points, page 22

- a) How will the cost points be determined?
- b) 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)?

14) Official Price Proposal Sheet

Will the Lottery consider amending the Official Price Proposal Sheet to incorporate vendor specific, proprietary product pricing (shown as optional pricing by item)?

15) Official Price Proposal Sheet

It seems as though the lump sum price requirement is contradictory to RFP Section 5.1.1 which requires "a single cost quotation expressed as a numeric percentage of sales."

- a) Are bidders now required to estimate annual sales to determine a dollar amount for the lump sum price?
- b) 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?

16) Official Price Proposal Sheet

- a) Does the "lump sum price" only cover the seven year base contract period?
- b) Should the pricing be quoted as "an annual sum" for the initial 7 year contract term?

17) Official Price Proposal Sheet

- a) How will the Lottery compare the lump sum prices submitted by vendors?
- b) 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?

18) 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"?

19) Official Price Proposal Sheet

Since some optional printing related programs/services are based on particular size/volume measures of expected implementation, (where lottery input determines the size/scale of the service/program), can vendors supply optional services/programs listings under the designation "TBD – to be determined" pricing qualifier?

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20) 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"?

21) 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."

22) 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 patented play styles owned by Scientific Games or trademarks, logos or other intellectual properties that may be owned by third parties."

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

In the fourth paragraph, will the ALC please confirm that the usufruct referred to will only be in the contractual items owned or licensed to the ALC under this Contract?

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

In the third paragraph, will the ALC please limit the license provided by the first sentence to the term of the Contract (as opposed to a perpetual license)?

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

Will the Lottery please confirm that in the third paragraph it is only discussing materials, systems and equipment that are developed solely for use by the Lottery, as opposed to products and services that the Vendor provides to multiple customers?

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

The RFP states: "Successful Vendor agrees to grant the ALC non-exclusive intellectual property usage rights for games and properties owned by the Vendor at no cost during the term of the Contract period of this Proposal.

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Will the Lottery please confirm that this is not intended to include the intellectual property that may be provided to the Lottery as value-added materials, such as branded properties, unique production methods or patented play styles owned by the vendor or trademarks, logos or other intellectual properties that may be owned by third parties?

27) Section 1.24 – Confidentiality (page 10).

Will the Lottery please add the word "confidential" before the word "information" in the first line?

28) Section 1.28 – Ongoing Performance Requirements (page 11).

Will the Lottery please consider replacing the word "sole" with "reasonable" in the third line of the first paragraph?