



**Pollard
Banknote
Limited**

July 6, 2009

Ernie Passailaigue, Executive Director
Arkansas Lottery Commission
500 President Clinton Ave., #215
Little Rock, Arkansas 72201
Tel: (501) 683-2000

**RE: Request for Proposal (RFP) for Instant Ticket Lottery Game Services (RFP
Number: ALC-0900001)**

Dear Mr. Passailaigue:

Pollard Banknote Limited Partnership (Pollard Banknote) would appreciate clarifications on the following questions derived from the Arkansas Lottery's RFP for Instant Ticket Lottery Game Services:

1. Regarding 1.7 Payment and Invoice Provisions on p. 5: This section of the

RFP states that the ALC shall have no responsibility whatsoever for the payment of any federal, state, or local taxes which become payable by the Successful Vendor and that the Successful Vendor shall pay and discharge all such taxes when due. Is the ALC aware of any Arkansas state or other local taxes payable to governmental authorities in the State of Arkansas that are exigible or chargeable in connection with the sale to the ALC of the goods and services called for under this RFP? In other words, will the sale of tickets—or the supply of warehousing and distribution services—by the Successful Vendor to the ALC give rise to any Arkansas state sales tax or local sales tax (or other similar tax on services) that will be required to be remitted by the Successful Vendor to the State of Arkansas or other local government authority?

2. Regarding 2.1 Lottery Objectives on p. 11: The Lottery mentions managing a minimum 50% prize payout. Does the Lottery intend to have upper limit restrictions by price point?



3. **Regarding 3.5 Warehousing of New Tickets, Promotional Items, and Point-of-Sale Items on p. 16:** The RFP states that “The warehouse must contain a minimum of nine thousand square feet (9,000 sq. ft.) of secured space for use by ALC. The warehouse must contain a minimum of four thousand square feet (4,000 sq. ft.) of secured, segregated space for ALC point-of-sale and premium items, supplies, and other items that are intended for delivery to Retailers and other marketing events.”

Would the Lottery please clarify if the 4,000 sq. ft. is in addition to the 9,000 sq. ft. mentioned above?

The RFP also states that the warehouse must contain approximately 1,500 sq. ft. to 1,800 sq. ft. of office space for ALC use. Is this space in addition to or part of the 9,000 sq. ft. and 4,000 sq. ft. of space mentioned above?

4. **Regarding 3.6 Ticket Inventory Control and Management on p. 16:** Does the Lottery plan to implement a strategy of pulling games after the last top prize is won? What are the Lottery’s current assumptions regarding game sell through rates?

5. **Regarding 3.7 Distribution of Tickets from Other Vendors on p. 16:** Would the Lottery kindly clarify its intent regarding the three licensed properties referenced herein? Is the wording intended to mean that the Lottery can choose three licensed properties from the Successful Vendor’s library of licensed games? Alternately, is the wording intended to mean that the Lottery could choose three licensed properties from someone other than the Successful Vendor but that the Successful Vendor would have to pay the licensing fees associated with the three licensed games? In such a case, will the Lottery be setting a dollar limit for games produced by another Vendor?

6. **Regarding 3.12 Marketing Services on p. 17:** Will the Lottery be able to expand into higher price points over the course of the contract? If so, are there any limitations?

Does the Lottery have advertising budgets and guidelines it could share in advance of the bid closing?

What is the size and scope of the Lottery’s sales force expected to be at start-up?



What is the commission rate the Lottery is planning to pay its retailer network? Also, does the Lottery anticipate offering a 'cashing fee' to retailers who cash players' winning tickets? If so, what is the expected compensation?

Is the Lottery planning on using other incentives to grow sales aggressively? If so, what strategies are planned?

7. Regarding the Official Proposal Price Sheet: Has the Lottery determined what ticket sizes it would prefer be used for each price point?

Additionally, could the Lottery please clarify if Vendors are to submit pricing as a single lump sum as indicated on the Official Proposal Price Sheet or as a percentage of net sales as indicated by **5.1.1 Pricing Formula** and **5.1.2 Determination of Net Sales**?

8. General Query: Would the Lottery consider providing an electronic version of its current logo—preferably via a high resolution JPEG image—so it can be incorporated into vendor responses?

Sincerely,

POLLARD BANKNOTE LIMITED PARTNERSHIP

Croft Petersmeyer

Manager, Proposal Development

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