



Vendor Acknowledgement of Addendum

RFP: Full Service Lottery System

Amendment Number: One

Date Issued: 11/20/08

By signing below, the bidder attests to receiving and responding to the amendment number indicated above.

Bidder Name: _____

Company: _____

RFP Amendments

Section	Change
1.4	Terminal delivery changed to January 7 th , 2009
1.32	Reference changed from 2.23 to 2.18
1.33	Reference changed from 1.19 to 1.18
3.9.2	Changed to "The maximum number of live transactions in any one week on the operating system."
Appendix L, #26	Reference changed to Appendix L, #7
Attachment 1	Added a surety letter to the checklist



New York Lottery Full Service Lottery System RFP Question's and Answers Round I

SECTION I

1. Section 1.1 - Introduction (Page 2)

This section makes reference to the wide area network services being replaced either by the deliverables requested in this RFP by the successful bidder or a third party. Is the state issuing a RFP seeking proposals from third parties for wide area network services? Can you please clarify the timeline for procuring wide area network services assuming the services are not selected for implementation under this RFP? An understanding of the state's plans for the network services is needed to thoroughly respond to this RFP, i.e., implementation plans, operational staffing requirements and ongoing provisioning services.

Answer: The Lottery will not issue a separate RFP for the network. It will be provided either by the Successful Vendor or OFT and that determination will be made prior to contract signing.

2. Section 1.2 - Background Information (Page 2)

The Lottery states that "by the end of the current contract, there will be up to 14,000 planned self-service validators around the state that are used only for on-line tickets. In the contract to be awarded pursuant to this RFP, these self-service validators will be able to check the status of any lottery ticket and will be available to every location."

Is it the Lottery's intention to continue to use the existing self-service validators under the new contract or does the term "these" refer to new self-service validators as requested in RFP Section 3.2.1.3.C - self-service validator?

Answer: The current self-service Validators belong to the current vendor and must be replaced as part of the new contract.

3. Section 1.3, Minimum Qualifications; 1.27, Joint Proposals; 3.3, Communications Network Pages 3; 14; 63

Section 1.3 states that "It is required as a minimum that any Vendor submitting a Proposal has one or more current North American clients to whom it supplies a Full Service Lottery System including central systems, retailer terminals, retailer network, and facilities management." Although the New York Lottery is accepting joint proposals under Section 1.27, would the Lottery please confirm that to the extent two firms may submit a joint bid, each firm in the joint bid must meet the requirements of Section 1.3?

Answer: As stated in 1.27, The Lottery desires to contract with one vendor or a primary vendor in the event of a joint proposal. If a joint proposal is submitted, the relationships, responsibilities and experience of the parties will be evaluated against the requirements of the RFP. Bidding teams must jointly meet the requirements of Section 1.3.

Further, would the Lottery please confirm that the communications network is part of the Full Service Lottery System under Section 3.3 and, if so, will the Lottery please confirm that the New York State Office for Technology will be held to the same requirements as the other potential vendors under Section 1.3 and Section 3.9.2, Gaming Systems Experience?

Answer: As stated in section 3.3 the communications network is a specified option under this RFP. The Office for Technology could not be held to all the same requirements as a primary Vendor for this RFP since it would be excluded from bidding due to not currently providing a full service lottery system in North America. It is the Lottery's intent that OFT will be held to the same performance requirements, but not experience requirements since they are not operating lottery systems. As explained in section 1.2, the State's Office for Technology is currently providing the communications network service.

4. Section 1.3, Page 3, and Section 3.9.2: Page 116,

There are several issues with the requirement that any Vendor submitting a proposal has one or more current North American clients to whom it supplies a Full Service Lottery System and facilities management. First, the term "facilities management" is somewhat vague and certainly open to interpretation. In business, Wikipedia states that "facility management" (or facilities management) is the management of building, estates which encompasses both building fabric and services. The services are sometimes considered to be divided into "hard services" and "soft services". Hard services include such things as ensuring that a building's air conditioning is operating efficiently, reliably, safely and legally. Soft services include such things as ensuring that the building is cleaned properly and regularly or monitoring the performance of contractors (e.g. builders, electricians)." Under this, or any other general interpretation of "facilities management", a Vendor would seem to be qualified solely by the fact that they maintain and operate a data center for a North American Lottery. Our suspicion is that the Lottery might have been using the term facilities management to refer to the warehousing and distribution of instant tickets however that is unclear. The second issue relating to the Vendor qualifications is that the requirement specifying a North American client is unnecessarily restrictive and could potentially eliminate one or more qualified Vendors from the process, particularly if the term facilities management refers to the warehousing and distribution of instant tickets. The practice of having the on-line vendor responsible for the warehousing and distribution of instant tickets, while being prevalent overseas and becoming more acceptable in the US has not been a standard practice in North America. In addition, qualifying a Vendor based upon their experience in North America is not in the best interest of the Lottery or the State of New York. Because of the size of the Lottery and the diversity of the geography and citizenship in New York, a Vendor's international experience operating in various countries with their own unique challenges is quite possibly more important than their North American experience.

For the reasons stated above, we respectfully request that the Lottery change the minimum qualifications to the following. It is required, at a minimum, that any Vendor submitting a Proposal has one or more current clients to whom it supplies a Lottery Gaming System with on-line and instant components. This language will allow all three major Vendors to qualify for this RFP while still allowing the Lottery to evaluate each Vendor's experience. In addition, utilizing this language will prevent a potential legal battle between the Lottery and a non-winning Vendor who contends that the winning Vendor did not qualify under the terms of the RFP, similar to the situation that has occurred in Ohio.

Answer: The facilities management requirement includes the operation of and not just the sale of a lottery system. For example a lottery vendor who simply sells software and related lottery equipment to a jurisdiction would not qualify since it does not "operate" the system. Yes, the operation of both an online lottery system and instant ticket distribution and warehousing component of a lottery jurisdiction is required. The Lottery's position is that terminal and system experience within North America is of a higher relative value to the New York Lottery in its generation of over \$2 billion in annual aid to education. The operational situations, installations and systems within North America are considered to be more similar to what will be encountered by the successful vendor in New York.

5. Section 1.4 - Schedule (Page 3)

The Lottery has requested retail terminals to be delivered to the Lottery on January 2, 2009. Based on equipment required in Section 1.19.1.J, this shipment will be delivered by truck. Given the New Year's holiday, special provisions will be required to ensure delivery on January 2nd. Will the Lottery please change the terminal delivery date to January 9th to allow for shipping after the holiday?

Answer: The terminal equipment delivery date is amended to January 7th.

6. Section 1.4 – Schedule (Pages 3-4)

The RFP states that “The following dates are established for informational and planning purposes. The Lottery reserves the right to change any of the dates.”

Event	Days To Complete	Date
RFP Issued		Thursday, October 30, 2008
Vendors submit written questions	14	Thursday, November 13, 2008 Noon
Lottery answers issued in Addendum	7	Thursday, November 20, 2008
Vendors submit written questions	6	Wednesday, November 26, 2008 2:00 PM
Lottery answers issued in Addendum	8	Thursday, December 4, 2008
Price Proposal Submissions (Courier)	13	Wednesday, December 17, 2008 3:00 PM
Technical Proposal Submissions	2	Friday, December 19, 2008 3:00 PM
Retailer terminals delivered	14	Friday, January 2, 2009
Start Site Visits & Vendor Presentations	35	Friday, February 6, 2009
End Site Visits & Vendor Presentations	14	Friday, February 20, 2009
Award Announced	28	Friday, March 20, 2009
Contract Finalized	7	Friday, March 27, 2009
Contract Approved	75	Wednesday, June 10, 2009
Start Lottery Acceptance Testing (120 d before conversion)		Saturday, October 31, 2009
Complete Lottery Acceptance Testing(30 d before conversion)	90	Friday, January 29, 2010
Start Terminal Conversion		Tuesday, September 1, 2009
Full Conversion Completed	180	Sunday, February 28, 2010

- a) The schedule indicates that the Lottery requires a phased migration approach to the conversion by stipulating a start terminal conversation (sic) date before Lottery acceptance testing start. Is this correct?

Answer: No, we do not require a phased migration approach.

- b) If the Lottery is not requiring a phased migration, please explain why there is a start terminal conversion date before Lottery acceptance testing is to begin?

Answer: This period is to allow time to plan and order the necessary lines and equipment and to physically install the required equipment.

- c) If the Lottery desires that the terminals start to be deployed before Lottery acceptance testing begins, how many business days does the Lottery require to certify and accept the terminal and Point-of-Sale (POS) application running on the current vendor's system?

Answer: There has been no stipulation that the Successful Vendor's terminals operate on the current vendor's system.

- d) Installing a third party retailer terminal on the current vendor's system will require integration testing. Will the Lottery provide space for the successful bidder at the Lottery's or current vendor's facility to perform the integration tests with the current vendor and the Lottery?

Answer: If operating on the current vendor's system is a solution proposed by a Vendor, the Lottery must be advised of the space and technical requirements of the Successful Vendor's integration testing space. The Successful Vendor will be responsible for any additional costs.

- e) Will the Lottery require that the current vendor provide on-site expert engineering support during the integration testing?

Answer: If a Vendor proposes operation of its terminal on the current vendor's system, the Successful Vendor must absorb all costs associated with development and testing.

7. **Section 1.4**

The schedule indicates a 180 day conversion period with significant daily penalty for non-performance. Will Lottery reconsider and instead invoke emergency extension provisions to extend the current contract in order for Successful Vendor to complete conversion in a more reasonable timeframe? Under what circumstances will Lottery not impose penalty for failure to meet 180 days?

Answer: The RFP does not provide for any penalties. Liquidated Damages may be assessed if an unexcused delay caused by the Successful Vendor imposes losses on the Lottery.

8. **Section 1.4: Page 4,**

Due to January 2, 2009 being a holiday for most vendors. Would the Lottery respectfully consider changing the date of when the terminals are to be delivered to the Lottery from Friday, January 2, 2009 to any date after January 5, 2009?

Answer: The terminal equipment delivery date is amended to January 7th.

9. **Section 1.12, Acceptance of RFP Content; 1.17, State's Reserved Rights, Item K; 2.14, Form of Contractual Agreement Pages 6; 8; 25**

The RFP provides in relevant sections that:

- The contents of this RFP, any modifications, and the proposal will become contractual obligations if a contract ensues (1.12).
- The Lottery may negotiate with the Successful Offeror (1.17, Item K).
- The Lottery does not intend to negotiate any changes in the provisions of the contract form (2.14).

Consistent with Section 1.17, Item K, would the Lottery please confirm that it intends to negotiate the terms and conditions of a contract with the Successful Offeror?

Answer: The Lottery does not intend to negotiate with the apparent Successful Offeror unless the price proposal is unreasonable; in that case, the Lottery may require the apparent Successful Offeror to reduce the amount(s) of the quoted price(s) without any change(s) in the technical proposal.

10. **Section 1.15 – Freedom of Information Law (Page 6)**

Does the Lottery require the requested exemptions from the NY Freedom of Information Law to be included as a separate document or can such requests be noted on the individual proposal sections?

Answer: A request for confidential handling of a trade secret or information which would cause substantial injury to the competitive position of a commercial enterprise may be included in a proposal or in a separate document submitted with a proposal.

11. Section 1.17 - State's Reserved Rights (Page 7)

Item J on this list of the state's reserved rights includes a request for best and final offers. The next item, K, is a negotiation phase with the Successful Offeror in the best interests of the State, followed by item L, which includes the right to set aside the original Successful Offeror for being non-responsible and then award of the contract to the Offeror with the next highest total combined score.

We suggest the Lottery revise item J to allow the State to enter into proposal discussions and negotiations with the bidding companies versus requesting a price-only focused best and final offer submission. By including this phase in the process, the State will be able to negotiate and discuss the scope of work with all bidders and realize a best value contract award that focuses on the technical and marketing elements versus the price components of the RFP.

Answer: The Lottery does not intend to request best and final offers except as permitted by the New York State Finance Law if circumstances arise that were not anticipated by the RFP or the proposals. The Lottery does not intend to negotiate with the apparent Successful Offeror unless the price proposal is unreasonable; in that case, the Lottery may require the apparent Successful Offeror to reduce the amount(s) of the quoted price(s) without any change(s) in the technical proposal.

12. Section 1.18 – Protest or Appeal (Page 8)

In the event a protest is filed, what manner will the Lottery calculate the difference in compensation paid to the current vendor and that which would have been paid to the apparent successful vendor?

What other costs will be included in the event an appeal is filed? Will such costs be imposed upon the protesting vendor in the event the protest is upheld?

Answer: The calculation of the costs of the appeal will include the following: the difference between the rates paid as a percentage of sales under the current contract and the successful vendor's proposal; the difference in costs under existing contracts for the maintenance of instant ticket vending machines and under the successful vendor's proposal; the difference between current installation costs for communication lines to retailers under the existing relationship with the State's Office for Technology and the successful vendor's (if that specified option is chosen) and other losses to the Lottery as identified.

13. Section 1.18

If the Proposer appeals Lottery's protest determination, is the Proposer responsible to pay the costs noted if OSC rules in favor of the Proposer?

Answer: If OSC decides a protest in favor of an unsuccessful Proposer, the Lottery will consider a request by that unsuccessful Proposer to be excused from the obligation to pay the costs of appeal defined in RFP section 1.18. The Lottery will determine such a request consistently with OSC's decision and the applicable law.

14. Section 1.18

Since the costs that the Proposer must pay relevant to an appeal include the difference in fees paid to the current vendor and what would be paid to the apparent Successful Vendor, what are the current fees paid? Will those fees change if services if current service is required beyond current contract expiration, and if so, what will be the fees at that point?

Answer: The Lottery currently pays the following fees:

- **GTECH receives 1.285% of online sales and a net .74% of instant sales.**
- **The State's Office for Technology is paid \$515 for installation of communication lines for retailers and approximately \$141 a month for each retailer connection.**
- **Instant ticket vending machine maintenance is based on the number of machines and related bins in place. The ITVM maintenance and move costs are projected at \$3.7 million for fiscal year 2008-09.**

15. Section 1.18, Protest or Appeal Page 9

The last paragraph of Section 1.18 effectively restricts any proposer's opportunity to challenge and appeal a decision, even if such challenge or appeal is made in good faith and is not frivolous. We respectfully request that the Lottery please revise Section 1.18 to delete this paragraph.

Answer: The Lottery declines to delete the last paragraph of RFP section 1.18. Please see the answer to question 13, above.

16. Section 1.19, Proposal Format; Attachment 1 Page 10; Appendix

In Section 2.20, Performance Bond, the last paragraph states that "Along with its Proposal, each Vendor must include a letter from a qualified surety company or agent acting on behalf of such surety stating that the Vendor will be able to secure a Performance Bond in the amount required by the RFP."

Under Section 1.19.1, the Proposal Bond and Litigation Bond are listed as sections to be tabbed in the Technical Proposal. Would the Lottery please confirm that the letter of qualification by the Surety should be inserted and follow this section?

Answer: The Lottery confirms that a letter from a qualified surety or agent of a qualified surety stating that the Proposer will be able to secure a Performance Bond as described in RFP section 2.20 should be inserted in the Proposal as required by RFP section 1.19.

Also, in Attachment 1, Document Submittal Checklist, under Bonds, the qualification letter has been omitted. Would the Lottery please amend the checklist to include this letter?

Answer: The checklist has been modified to include the letter confirming the Vendor can secure the Performance Bond.

17. Section 1.19.1, Volume I – Technical (Non-Price) Proposal Page 10

This section states that "No cost figures shall be contained in the Technical Proposal." Would the Lottery please confirm whether this requirement forbids the use of wording such as "included in the base price" and "separately priced" in discussions of Invited and Offered Options in the Technical Proposal? If vendors are permitted to include these words in the Technical Proposal, it would be easier for evaluators to determine which options are in the baseline system. Evaluators would then know which options to read more closely for evaluation purposes. Otherwise, it appears evaluators might have to wait until the Price Proposal is opened to determine which options in the Technical Proposal can be evaluated.

Answer: Correct, Vendors should indicate in the Technical Proposal which options are included as part of the base price and which are separately priced, without identifying what the cost is.

18. Section 1.19.1.E (page 11); and Section 3.9.10 – Financial Viability (Page 118)

The RFP asks the bidder to provide "an original and four (4) copies of the required financial information ... with one of the original Technical Proposals" Since it is unlikely that a single binder can contain the Technical Proposal plus an original and four copies of the financial information, will the New York Lottery amend this requirement to permit an original hard copy and four (4) CDs containing a PDF file of the required financial information?"

Answer: The Lottery will accept one original of the financial information and four copies in a PDF format on separate CD's.

19. Section 1.19.1.F, Vendor-Supplied Technical Documentation as Appendices Page 11

Would the Lottery please clarify the types of documentation to be provided behind the 1.19.1.F tab? Does the Lottery intend for the vendor to place all vendor-provided attachments and supplemental information (i.e., resumes, certifications, Gantt Chart, marketing collateral, etc.) behind this tab?

Answer: Vendors are given flexibility to place any large documents in a tabbed Appendix Volume as long as the location is noted in the relevant proposal section.

20. Section 1.19.1.J - Retailer Terminal Delivery (Page 11)

Under RFP requirement 1.19.1, item J, the NY Lottery requests bidders to submit two of each type of proposed retailer terminal in working order, operating in standalone mode. All types of point of sale devices and displays, including self-service terminals, are to be included in this requirement.

As there is broad interpretation as to what constitutes a point of sale device, a display, and a self-service terminal, will the Lottery please specifically list the required equipment for delivery by mapping the equipment list back to specific RFP section titles and section numbers, i.e., Player Advertising Display (RFP 3.2.1.3.A), Player Transaction Display (RFP 3.2.1.3.B), Self Service Validator (RFP 3.2.1.3.C). Providing this level of specificity ensures each bidding company is compliant with the requirement and meets the Lottery's expectations equally for equipment evaluation. Also, please confirm the understanding that the equipment to be delivered must only be in response to mandatory or specified options, or alternatively provided at no additional charge as invited or offered options as equipment cannot be factored into the evaluation if offered as separately priced invited or offered options.

Answer: Please provide in relation to 1.19.1.J Retailer Terminal Delivery the following: 3.2.1.1, 3.2.1.2 (excluding any identified invited options), 3.2.1.3a through 3.2.1.3g, 3.2.4.2, 3.2.4.4. While delivery of devices related to invited and offered options will be accepted under this section, those devices will not be evaluated unless provided at no charge as an invited or offered option by the bidder.

21. Section 1.19.1.J - Retailer Terminal Delivery (Page 11)

The RFP states that: "Two of each type of proposed retailer terminal in working order.....must be included." Due to the size and weight of the delivery, this equipment must be shipped by truck. It is anticipated that there will be several pallets of equipment, including the self-service terminals. Recent RFPs from other jurisdictions, which have required a terminal delivery, have allowed the bidder to provide technicians to unload, uncrate, move and set up the retailer terminals as part of the delivery.

- a) Will the Lottery please allow bidder personnel to unload, uncrate, move and set-up the retailer terminals and peripherals as part of the delivery?

Answer: Yes

- b) Can the Lottery please confirm the address that the shipment should be sent to?

Answer: One Broadway Center, Schenectady, NY 12305

- c) Does this location have a loading dock?

Answer: Yes

- d) Are there any special procedures or instructions to be followed when delivering the terminal equipment?

Answer: Please contact Mark Messercola at 518- 527-4092 at least one hour before you will arrive at the Lottery.

e) Will the retailer equipment be returned after the contract is awarded?

Answer: Yes, it will be available for pickup at your expense.

f) If the equipment is to be returned after the contract award, will the Lottery store the shipping and packing material that accompanies the delivery so that it can be used for the return shipment?

Answer: Yes, the Lottery will provide space at its Rotterdam warehouse for the vendor to deliver, store, and retrieve such materials.

22. Section 1.23 - Readiness for Production and Delivery (Page 13)

Per this section of the RFP, "every major hardware, software and communications technology must already be operational in at least one U.S. or Canadian lottery environment." Would the Lottery please revise this requirement to expand the operational jurisdiction to a worldwide gaming environment? The Lottery has demonstrated throughout its RFP a willingness to stay on the leading edge of lottery technology solutions, advanced product offerings, and innovative marketing approaches. The availability of innovative solutions is broader in the worldwide market. With an expansion of this readiness for production and delivery requirement, the Lottery would realize a more advanced solutions-based proposal with flexible products and services for future selection and implementation.

Answer: The operational requirement for technology in this section refers to "major" portions of the technology proposed. This will provide the Lottery flexibility going forward with technologies proven in a U.S. or Canadian lottery environment.

23. Section 1.26, Disclosure and Ownership of Proposal Contents by the Lottery Page 13

In this section, the Lottery states that all materials submitted become the property of the Lottery. We respectfully request that the Lottery please amend this section to provide that the Lottery only has the right to use the information contained in the materials submitted solely for evaluating the proposal, and, if the vendor is awarded a contract, any and all ideas presented shall only be used in accordance with the contract.

Answer: The Lottery declines to amend RFP section 1.26.

24. Section 1.32, Proposal Validity and Proposal Bond Page 15

In the last paragraph of Section 1.32 it states: "Refer to Section 2.23 for additional qualifications." Section 2.23 is Liquidated Damages Provision. Should the requirement read Section 2.18, Surety and Insurer Qualifications?

Answer: Yes, the RFP reference should be to Section 2.18.

25. Section 1.32, Proposal Validity and Proposal Bond Page 15

Would the Lottery please accept a Letter of Credit as an alternative form of security for the Proposal Bond?

Answer: Yes, and the Lottery reserves the right to render its acceptance based upon the terms, the issuer or other aspects of the Letter of Credit. The Letter of Credit must be issued by a bank registered in and with a physical presence in New York State.

26. Section 1.33, Litigation Bond Page 15

Would the Lottery please accept a Letter of Credit as an alternative form of security for the Litigation Bond?

Answer: Yes, and the Lottery reserves the right to render its acceptance based upon the terms, the issuer or other aspects of the Letter of Credit. The Letter of Credit must be issued by a bank registered in and with a physical presence in New York State.

27. **Section 1.33 – Litigation Bond (Page 15)**

Will the Lottery please confirm that it is the intent of this section to allow a contractor of the Lottery (in addition to the Lottery, and its officers, representatives, employees and retailers named as defendants) to make a claim on the litigation bond for expenses related to a lawsuit regarding an issue arising from the RFP, determination of responsiveness of award or the award of the contract pursuant to the RFP? Also, is the reference to section 1.19 supposed to be Section 1.18?

Answer: The Lottery does not intend that the litigation bond will be available to indemnify any contractor unless the contractor is a defendant or other adverse party in a judicial proceeding commenced by an unsuccessful vendor that challenges the award of a Contract pursuant to the RFP and the Lottery or the contractor is a prevailing party in the proceeding. Yes, the RFP reference should be to Section 1.18.

SECTION II

28. **Section 2.2 – Term of Contract (Page 19)**

How will the conclusion of the implementation term be recorded?

Answer: The conclusion of the implementation period will occur when all terminals are installed and ready to be made operational and will be recorded via a letter agreement between the Lottery and the Successful Vendor. A copy of such letter will be forwarded to the Office of the State Comptroller for inclusion in its contract records.

29. **Section 2.5, New York State Standard Vendor Responsibility Questionnaire; Appendix G, Page 20**

Would the Lottery please confirm that disclosure with respect to Affiliates under the Vendor Responsibility Questionnaire shall be limited to Affiliates involved in the performance of (a) this Contract or (b) other Lottery System Contracts similar in nature to this Contract?

Answer: Vendors are required to disclose information about all Affiliates, not only Affiliates involved in the performance of Lottery System contracts.

30. **Section 2.9 – Tax Law Section 5-A (Page 23)**

Does the certificate requirement in this section apply only to such subsidiaries, affiliates, subcontractors and subcontractors' subsidiaries and affiliates as are actually providing goods or services in New York? Or must all such entities be certified regardless of whether they are providing goods or services in New York?

Answer: The certificate requirement applies only to entities providing goods and services in New York.

31. **Section 2.19, Insurance Page 27**

Errors and Omissions insurance is a third-party liability policy for which the Insured must be found legally liable. Therefore, we respectfully request that the last three words "regardless of negligence" be deleted from the fourth bullet, Errors and Omissions Insurance, under Section 2.19, Insurance.

Answer: The Lottery declines to amend RFP section 2.19.

32. **Section 2.19.1, Insurance Coverage and Limits, Item B, General Liability Insurance Page 28**

Regarding General Liability coverage, insurance policies today are written on a Combined Single Limit Basis (CSL) in lieu of Split limits. Would the Lottery please accept evidence of \$10,000,000 CSL for Bodily Injury and Property Damage per occurrence and \$10,000,000 Aggregate in lieu of the split limits? This can be evidenced by a Commercial General Liability policy followed by an Umbrella (Excess) policy.

Answer: Combined Single Limit (CSL) coverage at those levels in lieu of split limits is acceptable.

33. Section 2.19.1, Insurance Coverage and Limits, Item D, Automotive Liability Page 28

Automobile Liability policies are also written on a Combined Single Limit basis in lieu of split limits. Would the Lottery please accept evidence of Automobile Liability \$4,000,000 CSL Bodily Injury and Property Damage to satisfy this requirement? This can also be evidenced by an underlying Automobile Liability followed by an Umbrella (Excess) Policy.

Answer: Combined Single Limit (CSL) coverage at those levels in lieu of split limits is acceptable.

34. Section 2.20, Performance Bond Page 29

Would the Lottery please accept a Letter of Credit as an alternative form of security in lieu of a Performance Bond?

Answer: No.

35. Section 2.20, Performance Bond Page 29

Surety companies require that a Performance Bond be annually renewable. Would the Lottery please amend Section 2.20 to include language that the Performance Bond can be renewed on an annual basis and that the bond is not cumulative, the penal sum of the bond will not exceed \$25,000,000?

Answer: The intent of the paragraph matches the change you are requesting. The Lottery requires a \$25,000,000 performance bond in place during each year of the contract.

36. Section 2.21, Fidelity Bond Page 29

A Fidelity Bond and/or Crime Insurance does not extend coverage to agents or subcontractors. As such, we respectfully request that the Lottery delete the words "agents or subcontractors" in this section.

Answer: The Successful Vendor must provide assurance to the Lottery to the extent of \$5,000,000 through a fidelity bond or other acceptable means (including separate coverage) that covers not only the Successful Vendor, but its officers, employees, agents and substantial subcontractors.

37. Section 2.22, Vendor Error Liability Page 29

Section 2.22 states that "In addition to any Liquidated Damages, the Successful Vendor will be liable for any specific and definite financial obligations arising as a result of errors and faults by the Successful Vendor's staff, subcontractors and the System. These cases include, but are not limited to, errors in entry or posting of winning numbers by System operators, software and hardware errors that create retailer or payout liabilities, and apparent winning tickets issued by the Successful Vendor's System and presented for redemption which are not identified as valid, winning tickets in the transactions supplied by the Successful Vendor to the Lottery's Internal Control System (ICS). The Successful Vendor will pay all prize costs for any such ticket, and shall pay any additional cost incurred by the Lottery under the indemnification provisions in Section 2.47 of this RFP."

However, New York Lottery Traditional Gaming Rules state the following:

§ 2804.10. General definitions, qualifications, restrictions, validations and rules applying to all Lottery games.

(c)(2) The Lottery shall not be responsible for: (v) tickets that have not been issued in an authorized manner, or are misregistered, defective, or printed or produced in error.

(e) Any ticket which does not conform to the requirements of subdivision (c) (2) shall be considered null and void, and will not be paid. However, the director may, at his sole discretion, replace such void ticket with an unplayed ticket from the game or an equivalent one in sales price from any other game.

(f) In all and any events, the liability and responsibility of the Lottery, for any tickets described or disputed in this section, shall be the replacement of such ticket in that or an equivalently priced other lottery game.

To the extent a Successful Vendor and the Lottery are faced with an error or fault as described in Section 2.22 above, is it the intent of the Lottery to impose a greater liability on the Successful Vendor even though the Lottery itself is protected under § 2804.10?

Answer: The Lottery intends to interpret and apply RFP section 2.22 and Lottery regulation section 2804.10 according to the provisions of those sections and to avoid any conflicts between the provisions of those sections. The Lottery does not believe that section 2.22 would impose any liability on a Successful Vendor that would exceed the Lottery's own obligations under the New York State Lottery for Education Law (Tax Law Article 34) and the Lottery's regulations.

38. Section 2.23, Liquidated Damages Provisions Page 30

Notwithstanding the provisions of Section 2.23 and Appendix L and consistent with the law regarding liquidated damages, would the Lottery please amend the RFP to provide: (i) that the Successful Vendor may furnish, and the Lottery will consider, factual evidence where available to establish that the Lottery's actual damages were less than the liquidated sum; (ii) that the Lottery will not assess more than its actual damages for any incident where the evidence establishes to the Lottery's reasonable satisfaction that its actual damages were less than the liquidated amount; and (iii) that the Lottery will not assess liquidated damages in multiple categories for the same incident if to do so would amount to an unenforceable penalty under New York law?

Answer: Consistent with the provisions of RFP section 2.23 and Appendix L and the laws governing contractual liquidated damage provisions, the Lottery agrees that it does not intend to attempt to collect a penalty that would be unenforceable under New York law.

39. Section 2.23 – Liquidated Damages Provisions (Page 30)

Will the Lottery please insert, “The amount of liquidated damages assessed under this Section 2.23 shall be reasonable and rationally related to damages actually incurred by the Lottery to the extent possible”?

Answer: The Lottery declines to add the requested provision. Please see the answer to question 38, above.

40. Section 2.23.1 – Notification of Liquidated Damage Assessment (Page 30)

Will the Lottery please insert, “The parties agree that liquidated damages will not be assessed by the Lottery under multiple provisions relating to a single incident”?

Answer: The Lottery declines to add the requested provision. Please see the answer to question 38, above.

41. Section 2.23.6 – Applicability of Liquidated Damages (Page 31)

Will the Lottery please agree that the successful vendor shall not be liable for liquidated damages to the extent the incident was caused by the Lottery, its retailers, third parties not acting at the direction or on behalf of the successful vendor, communications failures not caused by the successful vendor as well as events of Force Majeure?

Answer: The Lottery declines to add the requested provision. Please see the answer to question 38, above.

42. **Section 2.25 – Right of Use (Page 31)**

Does the Lottery intend for this section to apply and the right of use to be exercised in the event of a termination of the contract by the Lottery not for cause or otherwise for the convenience of the Lottery?

Answer: The Lottery intends to exercise the right of use described in RFP section 2.25 only under the circumstances described in section 2.25.

43. **Section 2.26, Force Majeure Page 32**

Under the definition of “Force Majeure,” would the Lottery please confirm that, consistent with the definition of “Force Majeure” under other lottery contracts in the United States, Force Majeure includes acts or omissions of communications carriers?

Answer: If the Successful Vendor provides the communications network, it will be responsible for any acts or omissions by the communications carriers. RFP section 2.26 will be interpreted and applied according to its provisions and New York law.

44. **Section 2.27.1 – Vendor Personal Background (Page 33)**

Does the Lottery have authority to request disclosure of personal identifying information, such as social security numbers? If so, what is the basis of that authority? How in detail will the Lottery ensure the protection of such personal identifying information from unauthorized disclosure?

Answer: Under the Contract, the Successful Vendor will be designated a licensed lottery sales agent and will be subject to the Lottery’s authority under the New York State Lottery for Education Law (Tax Law Article 34) to, among other things, establish an internal security plan, conduct background investigations, and require the disclosure of relevant information. Personal identifying information held by the Lottery is subject to the provisions of the Freedom of Information Law (Public Officers Law Article 6) and the Personal Privacy Protection Law (Public Officers Law Article 6-A) and may not be disclosed unless required or permitted by those laws.

45. **Section 2.28 – Production-Ready Acceptance Test Following Contract Award (Page 34)**

As it regards “acceptance criteria” as referenced in this section, it is unfair to require a vendor to attempt to meet essentially unknown and potentially changeable acceptance testing standards. Therefore, will the Lottery please agree to create and provide acceptance criteria to the Successful Vendor prior to commencing acceptance testing?

Answer: Yes, criteria will be provided.

Or allow the Successful Vendor to participate in the development of such criteria?

Answer: The Successful Vendor may make recommendations, but the Lottery will determine the criteria.

Likewise, will the Lottery confirm that the decision whether acceptance testing has been successfully completed be made on a reasonable basis and acceptance will not be unreasonably withheld?

Answer: Yes

46. **Section 2.29 – End of Contract Conversion (Page 35)**

Will the Lottery please confirm that any sharing of information by the vendors during end of contract conversion will be subject to protection of confidential information?

Answer: Yes

47. Section 2.30.2.3 – Workload Accommodation – Expanded Requirements (Page 36)

The requirement for the Successful Vendor to agree to unknown and unknowable financial commitments for changes required by third parties to the contract is unreasonable from a business perspective. While a commitment to ensure performance of the goods and services meets the needs of the Lottery and its obligations to such third party organization can be made, the cost of such performance should at the very least be a negotiable item and not imposed upon the vendor blindly. Will the Lottery agree to make such modifications part of Section 2.30.4, where they more appropriately fall, as the Proposal will include cost for all current requirements and in conformity with Section 2.38?

Answer: An increase in the number of multi-jurisdictional games or organizations the Lottery is involved in falls under 2.30.2.3. If the change requires those items in 2.30.4.2 then that section applies. The intent of this requirement is not to have a Vendor install new systems for a new game, but to assure that systems are designed to accommodate significantly increased volumes.

48. Section 2.30.2(3)

Can Lottery please provide additional parameters around what is meant by “Expanded requirements”. As drafted, significant changes in the System may be required and the Successful Vendor must have accounted for these in the base price. What if expanded requirements requires a change in hardware, software or network components? When would “expanded requirements” result in costs that could be charged to the Lottery outside the base price? What if the “expanded requirements” resulted in a change that would exceed the Gaming Quantitative Performance Criteria identified in Section 3.1.4?

Answer: See question 47

49. Section 2.31, Approval of Hardware and Software Changes and Upgrades Page 36

We respectfully request that this section be revised to permit modifications to software or hardware as necessary to correct emergency situations, provided that the Lottery’s prior verbal approval is obtained.

Answer: No, but written approvals can include email.

50. Section 2.32, Management of Software and Documentation Page 37

We respectfully request that the Lottery please amend the first sentence of 2.32 to provide that delivery of a complete set of the Successful Vendor’s software source programs, program object code, operations manuals, service manuals, written procedures, and any such other materials necessary for the Lottery to operate the System to a Lottery-approved escrow agent (and not directly to the Lottery) is sufficient. Further, would the Lottery please confirm that Iron Mountain is an approved escrow agent?

Answer: The first sentence already says an Escrow Agent can be used. Iron Mountain is an approved agent.

51. Section 2.33 – Retailer Settlement/Collection & Successful Vendor Fee Payment (Page 37)

Are there any registration or other licensing requirements that the Successful Vendor will need to complete under this section?

Answer: No

52. Section 2.34, Title to, Use and Compensation for Intellectual Property Page 38

We respectfully request that the Lottery please amend the first sentence of the first paragraph of Section 2.34 to read as follows:

“To the extent a Successful Vendor licenses third-party intellectual property rights in fulfilling its obligations under the Contract, the Successful Vendor will represent that it has the valid right to use such intellectual property right.”

Answer: The Lottery declines to make the requested amendments to RFP section 2.34.

Further, the RFP provides that the Lottery be granted a license to make use of Intellectual Property on an indefinite basis with respect to Lottery conduct of games. As the Lottery would only require a license until the end of the term of the Contract, would the Lottery please amend the license duration accordingly?

Answer: The Lottery declines to make the requested amendments to RFP section 2.34.

53. Section 2.36, Attachment of Third Party Systems, Terminals or Products; 2.47, Indemnification , Pages 39; 42

Would the Lottery please amend Section 2.47 to provide that the Successful Vendor’s obligation under this section shall not extend to any liability caused by (a) the negligence of, or the unauthorized use of, the Lottery System by the Lottery, the State of New York, or their agents, officials or employees; (b) the Successful Vendor’s actions or omissions if requested by, or in compliance with, the Lottery’s requirements; (c) any act or omission of a third party not a subcontractor of the Successful Vendor; or (d) the Lottery’s use of any attachment to the Lottery System of a third-party system, terminal, or product as contemplated by Section 2.36?

Answer: The Lottery declines to make the requested amendments to RFP section 2.36.

54. Section 2.40, Termination Without Cause or for Convenience; 2.41, Lottery Monetization Page 40

Section 2.40 states that “Compensation to a Successful Vendor for a Contract terminated without cause for the convenience of the Lottery shall be limited to reasonable expenses for products, materials, and supplies, and for services rendered, and not yet, or not fully compensated.” Given the nature of payment under the Contract as a percentage of sales over the term of the Contract, would the Lottery please confirm that the cost of work performed and services rendered in constructing and implementing the system in order to meet the requirements and timeline, either prior to conversion under Section 2.52 or after conversion, are recoverable expenses?

Answer: Those may be recoverable expenses subject to negotiation and other parameters of paragraph 2.40.

55. Section 2.52

Compensation during conversion: Vendor is apt to incur significant expense prior to full acceptance. Will Lottery reconsider this statement instead providing compensation as particular components are installed or milestones reached?

Answer: No

SECTION III

56. Section 3.1.1 - Gaming Configuration at the Primary Site (Page 46)

This requirement states that “all game, database, and games administration functions for mission-critical on-line and instant gaming support must be supported by a protectively redundant configuration. At the primary site, the processing complex must consist of at least two (2) physically separate systems, networked or clustered for high availability processing and storage redundancy. A component failure in one primary site system must not cause a failure in the other system(s).” Does the requirement for two physically separate systems preclude the use of a shared storage area network (SAN) as the disk array component for storage redundancy for the primary site systems?

Answer: No, as long as the data is recorded to 2 distinct disks.

57. **Section 3.1.1(7)**

Are there any location requirements around where the DR site would be in the event the primary site can not be used? Can Lottery provide a specific time interval as to what would be defined as “extended abandonment”?

Answer: No location requirements, as long as it is not the Backup site. Extended abandonment would be any period expected to be over 120 days.

58. **Section 3.1.2.3, Remote Backup Location; 3.6.2, Remote Backup Site Pages 47; 102**

The requirement in Section 3.1.2.3 seems to contradict the requirement in Section 3.6.2 in relation to the backup data center being in a facility that shares processing support with other business operations of the successful vendor. Would the Lottery please clarify which of these two requirements prevails?

Answer: There is no contradiction. The facility can be shared with other Lottery operations, with the approval of the NY Lottery.

59. **Section 3.1.2(5)**

Are there any location requirements around where the DR site would be in the event the remote backup site can not be used?

Answer: No, as long as it is not the Primary Host site.

60. **Section 3.1.5 - Operating Hours (Page 50)**

The requirement states: “The ability to accommodate near twenty-four (24) hour-a-day operations is required by the Lottery (specified as a minimum of 23 hours of sales and validations, including instant ticket processing). Current operating hours are 5:30 am until 12:15 am Eastern Time.”

- a) What are the service hours that service calls would be performed in the field? We are assuming the current operating hours are 5:30 a.m. until 12:15 a.m. midnight, Eastern Time. Based on that assumption, typically, Hotline calls dramatically decrease after draw break. Thus, field service staff are not required to work past 10:00 p.m. daily.

Answer: Terminal service will be required from 5:30 a.m. until 12:00 midnight, unless the retail location is closed.

- b) Is it the Lottery’s desire to have the bidder’s field service staff respond to dispatch service calls up to 12:00 a.m. midnight?

Answer: Yes

- c) Would the Lottery limit the “service hours” from 5:30 a.m. to 10:00 p.m. daily?

Answer: No

- d) Furthermore, would the Lottery consider limiting “non-operational” terminals to “not being able to sell on-line tickets or validate instant tickets?” If the play slip reader and/or scanner are not functional, the terminal is still able to sell on-line tickets and validate instant tickets.

Answer: See Appendix L, #7.

61. **Section 3.2 - Terminals for Retailers (Page 50)**

The RFP states “The initial terminal counts are set forth below and the Successful Vendor must be able to deliver, install, and support additional terminals as ordered by the Lottery under the terms defined in the Contract.” Can the Lottery please direct us to the specific term(s) of the Contract under which additional terminals would be ordered?

Answer: See section 3.1.4. We require 18,000 terminals at conversion with expansion to 20,000, included in the base price. Please provide pricing for additional terminals as Specified Option L quoted as a weekly fee per unit based on groups of 500 terminals amortized over 36 months or the remainder of the contract, whichever is less.

62. Section 3.2.1.2.D - Ticket and Report Printer Stock (Page 51)

What are the specific definitions of “highly readable” and “long-lived?”

Answer: Ticket print must be of size and darkness to be easily read by the player and should remain readable at least 1 year from the date of purchase. Further, the ticket must continue to allow a first read rate of ninety-five percent (95%).

63. Section 3.2.1.2.D.5 - Ticket and Report Printer Stock (page 52)

The requirement states, “If thermal paper ticket stock is used, the paper must withstand at least 170 degrees Fahrenheit ambient temperature for greater than four (4) hours and must be top-coated. The Successful Vendor shall from time to time inform the Lottery of newly-available thermal paper stocks that exceed the properties of the paper then in use and that may represent a benefit for the Lottery. A change to improved stock may be negotiated.” Can a newly advanced designed technology for non top-coated thermal paper be utilized that is currently in use & approved in European markets?

Answer: The vendor must be able to provide, at a minimum, the requirements stated in the RFP. The vendor may offer non top-coated thermal paper as an Offered Option.

64. Section 3.2.1.2.L, Instant Ticket Reader, Item 5 Page 55

Would the Lottery please confirm that “similar identification document” means a New York DMV-issued ID?

Answer: This document could be any form provided by the Department of Motor Vehicles that is acceptable to the New York Lottery and has the appropriate barcode.

65. Section 3.2.1.3.C, Self-Service Validator Page 59

Would the Lottery please confirm that the purpose of the requested peripheral is to allow players to check if their ticket is a winning ticket or not and not to allow players to validate tickets on the central system as might be inferred from the title to the section?

Answer: Yes, that is the purpose.

Will the Lottery please change the name of this section to “Self Service Ticket Checker?”

Answer: No, but we will use the names Self-Service Validator and Self-Service Ticket Checker interchangeably.

66. Section 3.2.1.3.C – Self-Service Validator (Page 59)

The RFP requires one self-service validator for every retailer. Since the Lottery currently has 850 terminals that represent multiple terminals at a single retailer location (RFP section 3.2.3), does this mean that 17,150 self-service validators must be provided within the base price (18,000 on-line terminals minus the 850 terminals that are multiple terminals at a retailer)?

Answer: Some multi terminal locations have more than one self-service validator, so 18,000 should be made available at conversion for use at the Lottery’s discretion.

67. Section 3.2.1.3.C: Page 59,

Would the Lottery please specify how many Retailers must be included in the baseline in order for the vendor to properly allocate the required number of Self Service Validators required in this section?

Answer: See question 66.

68. Section 3.2.1.3.E – In-Store MegaMillions, Lotto or other Game Signage (Page 60)

What are the specifications (i.e. number of jackpots displayed, dimensions and weight) of the current 4,000 jackpot signs currently owned by the Lottery?

Answer: The lottery currently has 3,200 signs produced with 3,025 of them Mega Million displays and 175 Lotto displays. The signs are 22”H x 16”W x .90”D and are approximately 5 lbs. A photograph is included with the supplemental material provided with these answers.

69. Section 3.2.1.3.E: Page 60,

How old are the signs from Carmanah which the vendor is required to support?

Answer: Our current signs are 6 months old.

What technology are the current signs from Carmanah using for jackpot updates if any, or are these manually updated?

Answer: They are wirelessly updated when the terminal receives a new jackpot amount for the game displayed.

Are there any costs associated with fees for keeping the current signs updated?

Answer: No.

The RFP says the vendor must support these old signs, does that mean fix and repair or replace them? And if so, who pays for the parts or new signs required to keep the old signs running?

Answer: If it is determined that the sign is damaged, vendor would replace the unit with a unit from a back-up supply. The sign would be shipped to the Lottery for evaluation and the Lottery may return it to Carmanah Sign Co. for repair or replacement.

It also says The base proposal must include 1,200 units with a Specified Option of additional units in groups of 100, amortized over thirty-six (36) months or the remainder of the contract whichever is less. Does this mean that after 36 months the Lottery owns the new signs as the word amortize implies ownership by the Lottery? What is the Lottery’s intention?

Answer: They would be owned by the lottery.

Does this mean that for the 1,200 new signs, that payments will only be made over 36 months or less if the contract period is less, and that if the contract has less than 36 months the amount of the payments by the Lottery can be increased in order for the vendor to recapture the cost in the shorter period?

Answer: Yes

This requirement makes no provision for any ongoing cost of the service and parts for these new signs. Who will pay for replacement parts? Who is responsible for the ongoing service and maintenance cost of the new signs?

Answer: The Successful Vendor will pay for maintenance and/or replacement units.

Should a Vendor build this into their cost or should they provide a schedule for covering these costs once the signs have been installed for more than 36 months?

Answer: Vendor should build this into its costs.

70. Section 3.2.1.3.F, Quick Draw Monitors Page 60

The Lottery’s request for a 20-inch flat panel display may be difficult to deliver in the quantities required. Most vendors have stopped manufacturing this screen size and have been delivering 19-inch

and 22-inch displays. Will the Lottery accept the 22-inch display as an option if a 20-inch model is not feasible?

Answer: Yes

71. Section 3.2.1.3.F - Quick Draw Monitors (Page 60)

The RFP states "At conversion, the System will support 4,000 color monitor/receiver, flat panel video displays with mounting bracket... of equal or greater capability."

a) At contract start-up, are the 4,000 quick-draw monitors to be "supported" owned by the Lottery?

Answer: No.

b) Do these 4,000 monitors need to be replaced at contract start-up or over the life of the contract?

Answer: At start up.

c) If over the life of the contract, what is the age of the current monitors?

Answer: N/A

d) How many monitors must be provided by the Bidder within the base price?

Answer: 4,000.

e) If multiple monitors are within a single retailer, will they all be showing the same graphics?

Answer: Currently they show the same graphics, but Vendors should propose what they feel will provide the maximum benefit.

72. Section 3.2.1.3.F: Page 60,

The RFP states that "The Lottery currently operates a Keno-like game (Quick Draw). Drawings occur every four (4) minutes which requires the use of monitors to display the winning numbers. At conversion the System will support 4,000". Does this mean that the Vendor will be required to support 4,000 monitors that will be supplied by the Lottery or is the Vendor required to supply them as part of their base price? This section also requires that the Vendor supply additional monitors and mounting brackets as required. Are these to be supplied as Specified Options or is there a certain number that Vendors are required to supply as part of their base price?

Answer: Vendor must supply the 4,000 monitors and brackets as part of the base price. The additional monitors and mounting brackets are for locations that the Lottery may wish to expand to in the future and are a Specified Option.

73. Section 3.2.1.3.G, Quick Draw Annunciator Boards Page 61

In this requirement, the Lottery states that the sizes of the boards are to be determined by the Lottery and that it is desirable that the boards be made available with various colored lights. Additionally, the Lottery has noted that in the event that the annunciator boards are not readily available, vendors are free to propose alternate solutions. Is the Lottery stating that the product offering may be conceptual in nature?

Answer: Products can not be conceptual, but Vendors may offer alternatives.

74. Section 3.2.1.3.G: Page 61,

It is assumed that the 1,600 new boards required will be owned by the vendor, is this correct? What about additional boards paid for over 36 months, if purchased in the first part of the contract, does this mean the vendor pays for the service on them for the life of the contract?

Answer: Yes to both questions.

75. Section 3.2.3: Page 61,

How many additional retailer locations (over the 750) does the Lottery have now? Does the Lottery anticipate that they will have more than one terminal? Does the requirement for 18,000 terminals intend to cover the locations that they have now and in the future that will have more than one terminal?

Answer: The first question is not clear. The current multiple terminal locations are included in the 18,000 count at conversion. Any additional growth in the multi terminal locations will be included in the expansion process to 20,000 terminals.

76. Section 3.2.4(2)

Are the 3000 kiosks to be considered as part of the 18000 terminal baseline number?

Answer: No

77. Section 3.2.4.2, Combined Self-Service On-line and Instant Terminals Page 62

Although the combined self-service online and instant terminals is a Specified Option, would the Lottery please confirm if the wireless connection to the Lottery's network device should be an Invited Option rather than a Specified Option?

Answer: Wireless connectivity is a Specified Option.

78. Section 3.2.4.2, Combined Self-Service On-line and Instant Terminals Page 62

Would the Lottery please confirm that all combined self-service on-line and instant terminals under this section must be delivered on Jan 2nd as per the schedule in Section 1.4?

Answer: Yes. Please note that the terminal equipment delivery date is amended to January 7th.

79. Section 3.2.4.4 – Multi-Lane Terminals (Page 63)

The Lottery has included a mandatory Multi-Lane Terminal requirement in Section 3.2, Terminals for Retailers. The requirement states a point of purchase solution must be provided for select chain retail locations that reduces space and provides a convenient method for selling all lottery products while being utilitarian enough to act as or interface with the retailer's sales cash registers. There is an added component to this requirement that states it is desirable for the Multi-Lane solution to use a browser-based interface embedded on the retailer's PC-based cash register. Per RFP 5.4.3, while solutions are not required for desirable requirements, the appearance of strong solutions may favorably impact the scoring.

There are a number of industry solutions available for delivering an in-lane sales capability for lottery products. Most are designed to be non-intrusive to the retail cash register, i.e., interfacing with the cash register in a loosely-coupled fashion versus operating or running on the cash register in a tightly integrated, embedded way. The risks associated with an embedded solution are many, including long and complex software development efforts between the bidder, lottery and chain store, and, the possibility of a system failure within the Lottery application erroneously taking the entire cash register system down in the chain store.

- a) Will the Lottery remove the desirable requirement from this section of the RFP as it encourages a specific type of solution in exchange for possible favorable scoring. Bidders should be allowed to propose the best market-available solution for retail chain stores versus being encouraged to propose a specific design solution?

Answer: No. The Lottery will not remove the desirable status of the browser based interface since our goal is to ensure the solution provided for our retailer chain is as useful and integrated as possible. While the desirable phraseology will remain, the Lottery is very interested to review any solution that is proposed or described by a vendor. The integration, particularly in chain

retail situations, is an effort to offer management reporting capabilities, better queuing of the retailer's customers and ease of use by the retailer's sales staff. These are some of the aspects of an integrated lottery sales solution that the Lottery desires. While, the Lottery expresses its desire for one type of solution, there may be others that meet the Lottery's and our chain retailers' needs. Vendors are encouraged to propose their best solution.

- b) Will the Lottery also delete the last sentence from this requirement, "In the event the proposer cannot provide a solution that is based or resident on a retailer's sales register system...", as this language contradicts the Lottery's initial requirement that the multi-lane terminal solution be "utilitarian enough to act as or interface with the retailer's sales cash registers?"

Answer: The Lottery is willing to entertain a solution that is not touch screen activated on the retailer's cash register. The main goals are integration with back office systems, ease of use, and better queuing of players through availability at every point of sale (cash register).

80. Section 3.2.4.4: Page 63

- a) Is the solution for Multi-Lane Terminals considered to be part of the base system or an Invited Option or a Specified Option?

Answer: The multi-lane solution is a requirement of the base system.

- b) At what quantities will the Multi-Lane Terminals be purchased assuming the Multi-Lane Terminals are not part of the cash register but indeed a separate dedicated Lottery terminal?

Answer: The quantities will be driven by the Vendor's recommended solution. Obviously, if the solution requires a dedicated terminal for every lane that will be selling lottery that would double the number of terminals when compared to a solution that allows sharing of a terminal by two or more lanes. Our intent is to have lottery sales available at every lane in a multi-lane environment.

- c) Does the requirement for five different cash register terminals mean five different chain retailers or five different models of the same cash register?

Answer: The requirement is for five different point-of-sale platforms for example: Pinnacle, Retailix, IBM, Celerant and MS Dynamics.

- d) Since there are many different cash register terminals in the various retailers, what is the Lottery's intention here?

Answer: Our intent is more driven by the point-of-sale system than the actual cash register type. Our goal is to promote integration with retailer systems either directly at the cash register or through an alternate means.

- e) What about the cost to develop and implement something for more than five cash register platforms?

Answer: This would fall into sections 2.30 and 2.30.4.2, and a statement of work would be agreed upon.

- f) Is it a different platform if two different retailers have an NCR cash register but they are different models and the same software is not compatible with both different models?

Answer: The platform designation is ideally based upon a software package, see (c) above. Slight variations in the software package integration effort would not be considered another platform.

81. Section 3.3 – Communications Network (Page 63)

- a) If the Lottery does not exercise the specified option from the vendor for the communications network, will the OFT network be operational for the start of terminal conversion, which is indicated as September 1st, 2009?

Answer: See C below

- b) If the Lottery does not exercise the specified option from the vendor for the communications network, when will the OFT be able to have the network operational?

Answer: See C below

- c) If the Lottery does not exercise the specified option from the vendor for the communications network, when will the OFT be able to publish to the successful vendor the network technologies used and the network design?

Answer: The Lottery will request that OFT review the network communications requirements described in each proposal submitted in response to this RFP. Based on that review, the Lottery will invite OFT to design and price a State provided communications network proposal to support the Full Service Lottery System. If OFT offers such a proposal, the Lottery intends to take it into consideration before deciding whether to accept a transport network offered as a Specified Option as part of a Vendor's proposal. Since the proposals have not yet been received or reviewed, the Lottery can not respond to OFT network inquiries. All vendors submitting a proposal are to follow the schedule as outlined in Section 1.4. The schedule dates included in this RFP are established for informational and planning purposes. The Lottery reserves the right to change any of the dates.

82. Section 3.3, Communications Network Page 63

The introduction to Section 3.3 describes a process where OFT will review vendor proposals submitted in response to the RFP, and, based on that review, OFT will be invited to design and price a communications network proposal to support the Full Service Lottery System. This introduction concludes by stating that the Lottery will take into consideration OFT's proposal before deciding whether to accept a transport network offered as a Specified Option as part of a Vendor's proposal.

Section 1.4 describes a very aggressive schedule of events but does not include the process described above. Considering that OFT must review the proposals, design an alternative network solution, develop a proposal for the Lottery and considering also that the Lottery must then evaluate the OFT offer before selecting a new network design all implies that the schedule in Section 1.4 should be modified to reasonably accommodate all of the activities described above. Furthermore, the modified schedule should also take into account that the prior network conversion to the current OFT-supplied network took 20 months to fully transition while utilizing much of the existing network infrastructure. In addition, due to the RFP requirement for an Internet Protocol (IP) based design and the fact the current network actively supports the existing lottery production traffic via an X.42 polling protocol, it is reasonable to assume that a parallel transport network deployment approach will be required.

We respectfully request that the Lottery please modify Section 1.4 to accommodate the process outlined in Section 3.3. Furthermore, would the Lottery please clarify that if the new schedule, as modified, does not accommodate a full network conversion by Sunday, February 28, 2010, the successful vendor may be required to connect its new IP-enabled, Full Service Lottery System to the existing OFT-supplied limited bandwidth X.42 network with the understanding that many of the bandwidth intensive functions and features requested in this RFP will not be possible?

Answer: Re-use of the existing network is not anticipated. It is reasonable to assume that a parallel transport network deployment approach will be required during migration. The schedule dates included in this RFP are established for informational and planning purposes. The Lottery reserves the right to change any of the dates. It is expected that the proposed new network will be "hybrid" in nature.

83. Section 3.3 – Communications Network (Page 64)

Will the Lottery please provide the following information for the existing network:

- a) What is the current per terminal per retailer nominal bandwidth?

Answer: The Successful Vendor network will not connect to the existing OFT network. The intent is for the Lottery to obtain a network that is sufficiently flexible to meet the Lottery's evolving requirements.

- b) What is the aggregate bandwidth for terminal communications into each of the data centers?

Answer: Not relevant to this RFP.

- c) What is the bandwidth between the primary and backup data centers?

Answer: The Successful Vendor network will not connect to the existing Lottery network.

84. Section 3.3 – Communications Network (Page 64)

- a) What are the communication types, locations (address, zip code, phone number) and counts for the 300 IP Pilot locations?

Answer: Not all locations have been identified. Communication will be over IP DSL, IP Frame Relay, IP Wireless and IP VSAT.

- b) What is the planned schedule for pilot deployment?

Answer: The schedule is still in development however, it is expected that approximately one-third (1/3) will be installed by the end of 2008. Approximately 15 are active with over 100 to be installed within the next few weeks.

85. Section 3.3: Page 64,

The RFP paragraph stating: "Further note that the Lottery has consented to the implementation of a proprietary point-of-sale application that combines existing retailer point of sale platforms and adds the ability to vend online Lottery products. It is expected that this application will be operational at a key convenience store chain of approximately 300 locations and will be supported by IP connectivity (of a yet to be determined configuration). When considering network transport design parameters for their proposal, vendors should consider their equipment and software solution for chain stores. It should be assumed that the Successful Vendor will be required to design interfaces with five different cash register platforms." Please provide complete specifications of the project, status of the project, the name of the key convenience store chain, and any other pertinent information which will be needed by a non-incumbent vendor in order to understand this requirement and the Lottery's intention.

Answer: Stewarts Shops are working with the Lottery to implement this point-of-sale project, and their software provider is Pinnacle. Complete specifications are under development. Transport is IP Frame Relay, but DSL should be operable in the first quarter of 2009.

Does this stated project require the placement of a dedicated printer in the check out lane next to the cash register?

Answer: An external printer is currently associated with the cash registers, but Vendors may propose other solutions.

How are the on-line products selected for purchase under the terms and operation, by the cashier on the keyboard of the stores cash register, by the players with a selection slip, by the players with a touch screen?

Answer: The on-line products are purchased by a customer request to the cashier who uses a touch screen interface or play slip reader attached to the store's cash register.

Please provide the details of the project so that we may properly plan for and meet the expectations the Lottery.

Answer: This project is still in the development stages.

86. Section 3.3, Communications Network; 4.5, Cost Quotation Sheet Page 63; 68; 70; 124

In Section 3.3, it is stated that the communications network will fully support multicast using PIM (Protocol Independent Multicast). It is also stated that a hybrid network including advanced technologies is expected. Given the unique challenges presented by New York City, a hybrid network approach will likely represent the best overall network solution for the Lottery. Reference to requiring multicast is also stated in Section 3.3.2, Note 4 and Section 4.5.2, Paragraph I.

Section 3.3.5 identifies Advanced Communications Technologies as an Invited Option. Some advanced network technologies such as CDMA 1xRTT, EVDO Rev.A, GPRS, EDGE and HSDPA do not support multicast. This vendor has no problem meeting all traffic performance requirements utilizing unicast for any of these network types.

The ability to deploy some of these advanced network technologies in New York City will have a material impact on the efficiency of the overall network design while not sacrificing performance. Would the Lottery please consider an exception to the multicast requirement for the Invited Option of Advanced Communication Technologies as long as the vendor can commit to all other performance requirements?

Answer: Vendors must propose a telecommunications network that will fully support an Internet Protocol (IP) based solution and will support Protocol Independent Multicast (PIM) or support an alternative means of parallel download capability.

87. Section 3.3.1 – Network Design and Implementation (Page 64)

It is stated that the communications network specified option is to provide “end-to-end online connectivity for retailer terminals to the gaming system.”

- a) Will the successful communications network provider be responsible for providing the communication equipment in addition to the connectivity in the primary and backup data centers?

Answer: Yes. As referenced in the RFP Section 3.3.1 item 1, if the Lottery does not exercise the Specified Option for the communications network the Successful Vendor will still have to include and support items 2 through 10 listed below as part of its base system.

- b) If the Specified Option is not exercised, will the Lottery hold OFT to the same Network Design requirements in regards to multiple technologies distributed across retailer population, must be proven technology, and experimental and one-of-a-kind configurations will be unacceptable?

Answer: The Lottery will request that OFT review the network communications requirements described in Vendor proposals submitted in response to this RFP. Based on that review, the Lottery will invite OFT to design and price a State provided communications network proposal to support the Full Service Lottery System. If OFT offers such a proposal, the Lottery intends to take it into consideration before deciding whether to accept a transport network offered as a Specified Option as part of a Vendor’s proposal.

- c) If not, can the lottery provide the network design and terminal communications breakdown requirements that will be used for the OFT?

Answer: See B above

88. Section 3.3.1

The requirements states that “Multiple technologies must be employed in the design and the Vendor’s proposal must make clear the distribution of different technologies across the retailer population. How does Lottery want the distribution across retailer population to be identified? Is a specific

inventory of retailers going to be provided? Is it sufficient to describe distribution based on generic criteria

Answer: Distribution across the retailer population can be identified by the seven LATAs in New York – 132, 133, 134, 136, 138, 140, 974.

89. Section 3.3.1.3 – Games Management Network (Page 65)

How many Internal Control Systems (ICS) are currently utilized? Are the ICSs located at the Lottery's facility? If not, please provide the locations for telecommunication costing purposes.

Answer: The Lottery utilizes one ICS system. It runs on an IBM mainframe maintained by the Office for Technology and housed at the State Office Campus, Albany, NY 12227. In the event of a disaster at the campus location the ICS would be run on a mainframe located at the Empire State Plaza, Albany NY 12207.

90. Section 3.3.1.9 – ITVMs (Page 65)

What communication capabilities are present in the Lottery's current ITVM's?

Answer: The 1,000 EDS-Q ITVMs currently have the ability to send sales data, sales reports, bin status and allow for the remote disabling / enabling of the machine. This data is also sent back to the host system to be used for lottery reports.

91. Section 3.3.1.9: Page 65,

Is connectivity currently provided between the 1,000 EDS-Q ITVMs owned by the Lottery and the retailer terminals or the gaming system? How does the Lottery propose a non-incumbent Successful Vendor secure the parts and technology from the current vendor to fulfill the connectivity requirement to the current 1,000 EDS-Q ITVMs owned by the Lottery?

Answer: Yes, there is connectivity. The parts are expected to be commercially available from the manufacturer. However, the Successful Vendor may replace the EDS-Q ITVM's with its own model.

Will the current vendor be responsible for sharing any of the associated costs?

Answer: No.

Is it the Lottery's intent to have the Successful Vendor perform service and maintenance on the 1,000 EDS-Q ITVMs?

Answer: Yes, the Successful Vendor must maintain the existing EDS-Q ITVM's, or can replace them and maintain its own model.

If so, how does the Lottery intend for a non-incumbent Successful Vendor to obtain the necessary parts for repair, and how will they be paid for service and maintenance of these machines?

Answer: Maintenance and relocation costs for the ITVM's are to be included in the Successful Vendor's Base Price. The parts are expected to be commercially available from the manufacturer.

92. Section 3.3.1.9: Page 65,

Is it the Lottery's intention to keep the 1,000 EDS-Qs at their current locations or move some/all to other retail sites? If only some portion will be relocated what number does the Lottery anticipate will initially be moved under the new contract?

Answer: The intent is to keep them at its current locations and only perform normal move requests.

93. Section 3.3.1.9: Page 65,

What is the total number of ITVMs currently installed at NY Lottery retail locations? The Lottery indicated that it currently owns 1,000 EDS-Q ITVMs, are all other ITVMs currently leased?

Answer: 4,108 in the field, plus 454 spares, all owned by the Lottery. The intent is to continue use of only 1,000 EDS-Q devices.

94. Section 3.3.1.9: Page 65,

What are the current bin sizes of the Lottery's ITVM population? What are the bin sizes specifically of the 1,000 EDS-Q ITVMs?

Answer: The lottery currently owns 62 6-bin machines (55 deployed), 166 8-bin machines (147 deployed), 2,647 12-bin machines (2,320 deployed), 513 16-bin machines (474 deployed) and 1,174 24-bin machines (1,112 deployed). All 1,000 EDS-Q devices are 24 bin machines.

95. Section 3.3.1.9: Page 65,

Will the Lottery supply a current list of installed ITVMs showing location, retailer, trade style, and monthly average sales (if known)?

Answer: This list is included in the supplemental material provided with these answers. Note that sales are for the location, not the ITVM itself, and are 10 week averages.

96. Section 3.3.1.9: Page 65,

What is the average number of ITVM relocations, removals, etc. on a monthly basis? Does the Lottery anticipate a similar number of monthly moves for the Combined Self-Service On-line and Instant Terminals requested as a Specified Option in Section 3.2.4 Specialty Terminals?

Answer: For the last three months, an average of 210 ITVM moves have been required. The Lottery does not expect that number to change.

97. Section 3.3.2(5)

Can Lottery identify any commercially available encryption techniques that would be approved?

Answer: Triple DES and AES are examples of the techniques that would be approved.

98. Section 3.4.1.2, Validations, Item B Page 72

This section states that "Winning tickets must be validated with a display and/or a receipt for the player." Does this language mean that the Lottery is willing to entertain paperless notification of players for winning tickets?

Answer: The Lottery desires the ability to set this on a retailer by retailer basis.

99. Section 3.4.4.1 - Lottery Sales Representative (LSR) Transactions (Page 79)

- a) Does the current trade-up procedure involve more than the return of packs and loose tickets by the LSR at the retailer terminal?

Answer: No

- b) Does a trade-up automatically initiate special telemarketing, auto-order or accounting processes for that retailer?

Answer: No

- c) Are ticket returns credited to the retailer's account when scanned by the LSR on the store's terminal or when scanned back into the warehouse?

Answer: Once the LSR inputs the data into their computer and synchronizes with the central server it takes approximately 7 to 14 days for the retailer to receive the credit. Once the tickets arrive at the warehouse and are checked, the credit will either stand as posted or be adjusted if the data was provided in error by the LSR.

- d) What LSR activities, other than instant ticket returns, must the bidder support on the retailer terminals?

Answer: None, but the Lottery is interested in hearing recommendations from all Vendors.

100. Section 3.4.4.5 - Auto-Cash (Page 80)

The term "Auto-Cash" has been used in the lottery industry for many years to label a long list of diverse policies and practices. So that we may better understand the term as used in New York, please clarify the Lottery's Auto-Cash feature; is it only an in-terminal low-tier validation process or does it also include keyless low-tier validation by not requiring PIN input?

Answer: The auto-cash feature allows for the keyless validation of some low-tier validations based on value of the ticket and the value of the prize. We currently allow all low-tier tickets with a winning value less than twice the value of the cost of the ticket or up to \$5, which ever is greater. All other low-tier, mid-tier, high-tier and non-winning tickets require PIN input at this time.

101. Section 3.4.4.5 - Auto-Cash (Page 80)

Does the New York Lottery require the use of an in-terminal low-tier instant ticket validation process?

Answer: No

102. Section 3.4.5.1.1 - Instant Ticket Accounting (Page 81)

So that we may better match our solution's features to New York Lottery requirements, please provide additional details about the Settle As You Go settlement process.

Answer: The settle as you go settlement option allows a retailer to only have 1 book of an individual game active at a time. When a retailer activates a new book in a game, the current activated book in that game is automatically settled.

103. Section 3.4.7, Instant Ticket Order Distribution: Order Packaging and Warehouse System; 3.4.5.2, Inventory Management Pages 84; 81

Section 3.4.7 requires the successful vendor to process full and partial returns. Section 3.4.5.2 requires the successful vendor to "provide a shredder." Will Lottery staff have the responsibility for processing returns and for shredding tickets as they do today with the vendor redistributing full packs of active games to new orders; or, will the successful vendor be responsible for processing all returns and the physical shredding of tickets?

Answer: The Successful Vendor will be responsible for handling all returns and the secure physical destruction of the tickets.

104. Section 3.4.7: Page 85

Could the Lottery please clarify the number of packages that are shipped and the average weight and size of the packages?

Answer: The average shipment to a retailer consists of eleven (11) books. The weight and size of the books varies by game.

105. Section 3.4.8.6 - Retailer Self Bonding and Crime Insurance Program (Page 88 – 89)

The requirement states: “The successful vendor will be responsible for administering and monitoring a self bonding and crime insurance program similar to the program currently in place for all licensed New York Lottery retailers.”

We have several questions regarding this program as follows:

- a) The term “Retailer Self Bonding and Crime Insurance Program” suggests that this is a collective, shared risk management program where the contributions by the participants (lottery retailers) are used to reimburse participants who experience a covered loss. Is this a correct description?

Answer: Yes

- b) What is the definition of “crime loss” and what is the extent of protection offered?

Answer: A crime loss is a loss due to employee dishonesty, robbery or safe burglary which is documented by a police report.

- c) How is the service fee formula determined? How often is it reviewed and subject to revision?

Answer: The service fee formula is determined by the lottery and given to the vendor who uses it to calculate the retailers’ fee based on sales. The review is performed quarterly.

- d) How is the covered loss reimbursement formula determined?

Answer: This is determined by the lottery.

- e) Are there any limits on claims paid to any one participant?

Answer: This is part of the loss reimbursement formula.

- f) What is the procedure if valid claims presented against the fund exceed fund proceeds?

Answer: As part of the quarterly review by the lottery, rates may be adjusted to assure funds are available.

- g) Is participation in the plan mandatory for every lottery retailer?

Answer: Yes, unless exempt by Lottery approval when covered by a Bond or Letter of Credit.

- h) Are contributions to, income earned by and claims paid by the fund exempt from taxes? Under what regulatory provision?

Answer: Yes, under provisions of the Internal Revenue Code and New York State Tax Law.

- i) What happens to residual funds, i.e., fees collected minus claims paid?

Answer: Funds are required to be in separate account and residual funds will remain there for the life of the contract or until used to offset service fees.

- j) Does the bidder assume any payment liability?

Answer: No

- k) Upon what circumstances could the Lottery decline payment of a claim?

Answer: This is part of the loss reimbursement formula and loss review process.

- l) What documentation does each participant enter into; a policy? Who is the counter-party, the Lottery or the bidder?

Answer: It is part of the lottery contract between the retailer and the lottery.

m) Will the bidder be indemnified against participant claims by the participants and the Lottery?

Answer: Yes

n) In whose name is the segregated bank established?

Answer: The Vendor's.

o) Who pays for the banking fees, including maintenance, disbursements, and collections?

Answer: The Vendor would be responsible for the banking fee. They would be able to use the service fees collected and interest earned to offset these costs.

106. Section 3.4.8.6: Page 88,

The RFP states that "The successful vendor will be responsible for administering and monitoring a self bonding and crime insurance program similar to the program currently in place for all licensed New York Lottery retailers." Is the successful vendor allowed to charge the Lottery for the cost of running this program and the fees required to do this, or are the retailers expected to pay for the cost of this program as part of the cost to them for obtaining the bonds, or is it the intention that the cost of this program should be borne by the successful vendor?

Answer: The cost of administering the program would be borne by the successful vendor as part of its local accounting staff. See question 105 for further information.

107. Section 3.5.1.3 - Corporate Marketing Support (Page 94)

The last part of this requirement states that "a study will be required every year starting with the first year. Additional studies will be negotiated." Is there a particular type of study that the lottery is seeking? For example, will the study be qualitative or quantitative in nature? Further, will it involve game development, retailer expansion, tracking, player segmentation, perceptual mapping or another element? As the cost of these types of surveys vary greatly, it would be appreciated if additional scope was provided.

Answer: As stated in the RFP the Lottery seeks various forms of market studies to assist in measuring and/or monitoring a variety of business dynamics to maximize the Lottery's revenue to education. These research initiatives will be both qualitative and quantitative in nature.

108. Section 3.5.1.3: Page 94,

Could the Lottery be more specific as to what type of research study they would expect to undertake in the first year of the contract?

Answer: See question 107

109. Section 3.5.1.4: Page 94,

Could the Lottery please clarify their comment "as a minimum the Contractor's support..." Is it possible that during the contract term the Lottery will require that the minimum amount of the "marketing underwriting" percentage will increase and if yes how much?

Answer: While it may be possible to adjust the amount of marketing underwriting it could only be done via a contract amendment and it is not expected to change.

Will the 1.7% be applied on Total On-line and Instant Sales?

Answer: Yes, the 1.7% is to be applied to total online and instant sales processed through the successful vendor's system. Currently, the process only applies to instant games at 3.2% of sales.

Does this percentage represent the total amount to be spent on marketing or does the Lottery have its own funding sources as well?

Answer: No, the Lottery has additional funds as part of its annual State budget appropriation. The 1.7% is passed through by the successful vendor to the Lottery. The successful vendor does not directly expend such funds nor directly control them.

What will happen if by the end of the year the amount from 1.7% has not been spent? Please clarify.
Answer: If any funds are remaining at the end of any particular period, the Lottery turns such funds over as administrative surplus funds and transfers such funds to its Education account to be used in supporting Education in the State.

Would the Lottery please specify who they are currently using for their Marketing services and please specify how much they are currently spending for this service?
Answer: For a view into the expenditures of the Lottery please refer to the audited financial statements to see the total marketing and advertising expenditures of the Lottery. The Lottery's current advertising partner is DDB New York.

110. Section 3.5.1.4 - Corporate Marketing Support - Marketing Underwriting (Page 94)

To confirm, should the calculation of 1.7% for the marketing underwriting be determined on total annual ONLINE sales or total annual ONLINE and INSTANT sales? Does this underwriting fund currently exist? If so, at what level is it set at in the current contract? Further, how will the Lottery be asking the successful bidder to report its use of these funds? Could the Lottery also describe or elaborate on what items are considered "marketing efforts" as described in this section?
Answer: Please refer to the answer to 109 above for additional information. The 1.7% is to be applied to both the online and instant sales that are processed through the successful vendor's system. Yes, currently underwriting is provided at 3.2% of instant sales. The Lottery will not be asking for any reporting since the funds are expended by the Lottery. The funds are effectively transferred to the Lottery each week as part of the settlement process. The Lottery's marketing efforts are very well rounded including the use of several types of media, point of sale, media production, promotional items, etc. Again, for the total amount expended each year please see the audited financial statements available on our website.

111. Section 3.5.1.4 – Marketing Underwriting (Page 94)

Regarding the Marketing Underwriting requirement of 1.7% of total sales (minimum), what does the Lottery mean by "the support funds will be cumulative?"
Answer: The funds are calculated each week on the successful vendor's sales and forwarded to the Lottery.

112. Section 3.5.2: Page 94,

In an effort to possibly provide consistency in data analysis and algorithm development, what is the current geo-demographic/ psychographic application system being used by the Lottery for marketing purposes?
Answer: The Lottery has used Claritas for several years.

113. Section 3.5.3 Sales Analysis System (Page 94)

Does the Lottery currently employ a Sales Analysis System with its vendor? If so, can you provide a list of the data points that are collected and reported to?
Answer: Yes, we have a Sales Analysis System today. Data points include Retail location, sales data by week and by day, transaction data, retail penetration by county, by zip, prospective retail locations based on data provided by a third party (i.e. Dunn and Bradstreet) is collected.

114. Section 3.5.4, Games Menu Page 95

Would the Lottery please confirm that the requirements under Section 3.5.4-2, 3, 4, and 6 are considered Offered Options as contemplated under Section 3.5.9, Additional Gaming Capabilities, as such requirements are open-ended and/or address games or capabilities either not yet developed or which require third-party licenses?

Answer: Section 2 refers to Additional Games and Play Types & Section 3 refers to association based games and should both be in the base price, unless the game requires some new hardware technology as stated in 2.30.4. Section 4 refers to Third Party / External Games and these should be in the base price also. (Third party license fees are also addressed in 2.30.4) Section 6 refers to website play as addressed in question 117.

115. Section 3.5.4.4: Page 95,

While we realize that the successful vendor is obligated to implement a version or variation of a third-party or external game, does the Lottery expect the successful vendor to pay “to acquire rights” to such a game or might these costs be absorbed in the Marketing Underwriting fee as it is impossible to project what the acquisition cost might be?

Answer: The Lottery does not intend that the funds required to support marketing efforts be used for acquisition of a third-party or external game. However, also refer to RFP Section 2.30.4 and 2.34.

116. Section 3.5.4.6 – Interactive Website (Page 95)

The requirement states, “The Successful Vendor must provide and support a website with interactive wagering and game capabilities and player age and location verification features.”

- a) Does the Lottery currently have an interactive wagering website which includes the functionality specified in the RFP? If so, please provide the website address.

Answer: The Lottery does not offer a website with that functionality at this time.

- b) If not, is there a lottery website in the US or Canada that the lottery can recommend for review for the specific functionality as requested in this requirement?

Answer: No, Vendors should recommend functionality and the aspects of its proposed website.

117. Section 3.5.4.6: Page 95,

The RFP states that “The Successful Vendor must provide and support a website with interactive wagering and game capabilities and player age and location verification features”. The requirements for this are not clearly defined and it is therefore not possible to determine the cost for such an interactive website. Is it the intention of the Lottery that the successful vendor should bear all costs of maintaining the ongoing content for this website?

Answer: The vendor will be responsible for maintaining the site and content, however, the templates and structure of the site will be jointly determined by the Lottery, its advertising agency and the Successful Vendor.

When does the Lottery want this website to be fully operational?

Answer: July 2010 is a target date.

Who pays fees charged by credit and debit card companies for the cost of making transactions on this web site?

Answer: The fees for credit/debit cards will be the responsibility of vendor.

In light of the fact that internet betting is controversial and the legality of such is open to interpretation in the United States who bears the legal costs of defending any actions taken by anyone against the Lottery for having such a website.

Answer: The Lottery is authorized to offer internet play under the New York State Lottery for Education Law (Tax Law Article 34) and the federal Unlawful Internet Gaming Enforcement Act (31 USC §§ 5361-5367) and the implementing regulations adopted in November 2008 by the US Department of the Treasury (31 CFR Part 132) and the Federal Reserve Board (12 CFR Part 233). The Successful Vendor will be responsible for its own legal costs and for indemnifying the Lottery for losses attributable to the Vendor's conduct.

It seems very difficult to understand that this should be a base requirement of the RFP, and it seems that it would fit better as a specified or invited option. Will the Lottery please change it to such an option?

Answer: No

Please define more precisely what the minimum requirements are for this interactive website. Who pays for the constant update and continuous games and development needed to keep the website fresh, exciting and selling products which can be a matter of great interpretation?

Answer: The vendor is required to pay for the maintenance of the site.

Is the vendor allowed to charge the players a convenience charge for using the web site to purchase products in order to cover the cost of the operation and maintenance?

Answer: No, but the Lottery may pay internet sales commissions.

118. Section 3.5.5 - Online Promotional Feature (Page 95)

Can the Lottery provide a list of the online promotions conducted over the past two years, including a brief description of the promotion, what game was promoted, and the duration of the promotion?

Answer: Examples of the online promotions we have conducted over the last 2 years are as follows:

- Buy \$5 of Lotto Quick Picks get a \$1 of Mega Millions Quick Pick Free—8 to 10 days within one month
- Buy \$5 of Lotto Quick Picks get a \$1 of Lotto Quick Pick Free—8 to 10 days within one month
- Buy \$10 of Take 5 Quick Picks get \$2 of Lotto Quick Picks Free—8 to 10 days within one month
- Buy \$10 of Quick Draw on one ticket between X and X (a specified time typically from 2 to 3 hours) and receive 50% bonus payouts on all winnings.—4 to 5 days within one month
- Take 5 Instant Win—within a one to two month timeframe

119. Section 3.5.6.3 - Game Identifiers (Page 97)

The requirement states: "The System must accommodate up to a four (4) character game identifier." Does the Lottery mean that the game identifier must be four numeric characters?

Answer: Yes, the current game identifier is 3 digits but we envision a need to go to 4 digits in the future.

120. Section 3.5.6.4 - Pack Identifiers (Page 97)

The requirement states: "The System must accommodate up to a seven (7) character pack identifier." Does the Lottery mean that the pack identifier must be seven numeric characters?

Answer: Yes, the current book identifier is 6 digits, but we envision going to 7 digits to accommodate reorders of staple games.

121. Section 3.5.10 – Lotto Case Study (Page 98)

Will the New York Lottery please provide the following information regarding the Lotto game?

- a) Sales per draw for the past three years

Answer: This information was already provided for approximately 30 months and should be adequate.

- b) Jackpot levels per draw for the past three years

Answer: This information was already provided for approximately 30 months and should be adequate.

- c) A breakdown of sales by draw for the base Lotto game and lotto Extra game since the feature was implemented

Answer: This information was already provided for approximately 30 months and should be adequate.

Additionally, we have the following questions regarding the Lotto game:

- d) Are pari-mutuel payouts required for the Lotto game or are fixed-payout prize tiers acceptable?

Answer: Lotto is currently pari-mutuel, but the Lottery may consider some fixed prize levels.

- e) Is there a minimum or maximum payout that is either legislatively required or a matter of Lottery policy?

Answer: Lotto is currently capped at 40% by legislation for processing of revenue. The game is supported above that amount with Lapsed Prize funds.

- f) Please provide any game research conducted prior to the last game change (the addition of Lotto Extra).

Answer: No, the Lottery prefers new thinking on this subject.

122. Section 3.5.11- Lottery Chain Selling Initiative (Page 99)

- a) How many retailer locations are planning to be involved in the pilot program?

Answer: Within the next 6 months it is likely that at least 20 retail locations would be involved in this program.

- b) What major retailer is this planned pilot targeted towards?

Answer: CVS or another chain of drug stores.

- c) Could the Lottery please provide program guidelines and any other supplementary documentation?

Answer: At this stage of the development, what has been provided outlines the program well.

- d) What is the timetable to implement this pilot?

Answer: The initial pilot locations will be starting in the first quarter of the 2009 calendar year. Depending on comfort levels and the successfulness of the program the program would be expanded throughout the spring and summer of 2009 to all CVS or another chain of drug store locations.

- e) Please clarify what role the bidder will serve in this arrangement?

Answer: Provision and maintenance of the related self service devices, terminals, peripheral devices and possibly the related communications network. The successful vendor may in some form act as the retailer of record and provide the services explained of that party in this section.

f) Is the third party vendor contracting with the lottery or the successful bidder?

Answer: The concept is that the third party vendor (Lottery retailer) contracts with the retail store location (chain drug store or other chain). It is possible that in some instances the chain store may desire to be the retailer of record and in that business arrangement pay the third party vendor rather than vice versa as shown in the example.

123. Section 3.5.11: Page 99,

Will the Lottery identify the major chain planned for the Lottery Chain Selling Initiative pilot program? And, has a third-party vendor been identified by the Lottery; and if so, can the Lottery specify?

Answer: Please see the answer to question 122(b). The Lottery has licensed DASH as the potential third party vendor.

124. Section 3.6 – Successful Vendor Facilities (Page 98)

The requirement states: “If the Successful Vendor chooses to co-locate, it is anticipated that this space will first be available for use approximately 120 days after implementation of the new systems. Tours of this facility will not be conducted, but a floor plan will be available.” Would the Lottery please provide drawings of both the 2nd and 7th floor space that can be used by the successful bidder?

Answer: Yes, drawings are included in the supplemental material provided with these answers.

Additionally, the requirement states: “Costs borne by the Successful Vendor would include rent. The total charges...any and all costs associated with vendor-suggested modifications to any of these systems will be borne by the vendor.” Would the Lottery please provide the sizing, age and condition of the existing generator, uninterruptible power supplies (UPSs), power distribution units (PDUs) and computer room air conditioners (CRACs).

Answer: There are currently 3 Caterpillar generators wired in parallel (redundant to each other): one 800kw and two 400kw units.

- **The UPS system for the 2nd floor has the following specifications - 480V 353Amp Input and 225kva 180kw Output**
- **There are currently 2 PDUs for the 2nd floor computer room and both are 480V 156Amp Input and 208/120V 347Amp Output**
- **There are currently 2 Liebert Air Handlers for the 2nd floor computer room and each has a 20 Ton cooling capacity.**
- **All of the above mentioned equipment is approximately 17 years old.**

To provide a temporary data center for use during the implementation and 120 days after provides an advantage to the incumbent vendor. Will the Lottery evaluate and score a bidder proposing a separate PDC equally as a bidder proposing a co-located PDC?

Answer: There are many aspects of the PDC to be taken into consideration as part of the evaluation of the PDC beyond just the location.

125. Section 3.6.1.2.B - Lottery Space and Layout (Page 100)

Can the Lottery please define the amount of office space versus cube space required by the Lottery for their co-located staff?

Answer: Please see the RFP section 3.6.1.2(B) 1,000 square feet. Since this is a business continuity site office furnishings were requested but individual cubicles are not necessary.

126. Section 3.6.2, Remote Backup Site; 3.7.2.1, Minimum Data Center Staffing Pages 102; 106

Section 3.6.2 and Section 3.7.2.1 seem to be inconsistent. In the best interest of the Lottery, should the requirement in Section 3.7.2.1, which requires the backup data center to have at least two operators at all times, prevail?

Answer: If the remote backup site is dedicated to New York Lottery operations, it must be staffed during all operational hours and there must always be at least two operators present. If the backup site is a shared facility the facility must be manned but not necessarily the New York data center. Again, if staff is in the New York room, two operators must be present.

127. Section 3.6.3 - Training Facilities at Conversion and Start Up (Page 103)

This requirement states “Facilities may be temporary, or permanent, such as a training room at the primary data center” yet there is no requirement for a retailer training room under 3.6.11 Primary Site Specifications (page 100). Can the Lottery provide details regarding the build out of the retailer training room - such as required equipment, size specifications, etc., due to space planning and costing implications?

Answer: The Successful Vendor is responsible to provide initial and ongoing training rooms and should suggest minimum equipment and space needs.

128. Section 3.6.4: Page 103,

Would the Lottery consider the successful vendor to have just the primary warehouse (and no back-up warehouse) and a very detailed Disaster Recovery Plan in the event of a disaster? Would the Lottery consider changing the requirement for the successful vendor to operate Instant Ticket operations out of another state in the event of a disaster?

Answer: No and no.

129. Section 3.6.5: Page 103,

Can the successful vendor’s Service Centers and Depots operate out of the primary site?

Answer: Vendors should propose service locations that meet its needs.

130. Section 3.7.1 - Vendor Personnel - Ongoing Lottery Operations Staff (page 105)

There is no requirement for a Training Manager, yet in section 3.7.5.4 Retailer Training Programs, Ongoing (page 108) the Lottery states “the successful vendor will provide (ongoing) retailer training.” Can the Lottery explain how ongoing retailer training is supported under the current contract, including the title of the person(s) responsible for this job and a full description of their responsibilities. This information is required as there are staffing, resource and costing implications? Will the Lottery clarify if the responsibilities of a “Training Manager” would be included with the responsibilities of one of the named required staff? Or will the Lottery add a “training manager” as a required staff member?

Answer: The training is accomplished through the Marketing Specialists listed under 3.7.1.2. It is not a requirement to have a “training manager” in addition to the Marketing Specialist positions.

131. Section 3.7.1(2)

Can Lottery provide expectations relative to experience or expertise requirements for the bulleted positions?

Answer: The Lottery expectations are for the Vendor to provide its respective expertise as to the expectations and necessary experience required for the positions outlined in 3.7.1.2.

132. Section 3.7.1.2 Ongoing Lottery Operations Staff (page 105)

Does the lottery currently have Marketing Specialists provided by the vendor or employed by the Lottery? If so, what are their duties, or is there a job description that the Lottery could provide for these positions?

Answer: Marketing Specialists are provided for by the current vendor. Duties of that title include training new retailers and facilitating various marketing initiatives as necessary.

Further, in this sub-section, it seems to indicate that if “staff is not yet identified, the Proposal shall identify and quantify them by title, and state what industry specific qualifications that they can be expected to have.” However, in the next sub-section (3) Resumes, it indicates that the Vendor shall provides one page resumes for these positions, including name, 5-year employment history, etc. We interpret this to mean AFTER contract award, but prior to formal notification of employment. Are we correct in that assumption?

Answer: Inclusion of candidates’ names and resumes in the proposal is preferred. As stated in the RFP, “For staff not yet identified, the proposal shall identify and quantify them by title, and state what industry specific qualifications they can be expected to have”.

133. Section 3.7.1-2: Page 105,

Given that the Conversion implementation is not slated to begin for 10-months, will the Lottery reconsider the requirement to list names for some required positions in the organizational chart realizing that some of the these individuals have yet to be identified or hired? Would the Lottery consider changing the requirement to list the qualifications instead of listing the individual’s names? This requirement marks a competitive disadvantage to non-incumbent vendors.

Answer: See part 2 of question 132

Could the Lottery please clarify if the positions mentioned are operational at all levels under the current Contract?

Answer: No, current staffing will not be provided.

134. Section 3.7.3 – Terminal Provisioning Services (Page 106)

What are the typical annual quantities of moves, adds, changes and removals?

Answer: From 1/1/08 to 10/31/08, completed order types and quantities are as follows:

New Circuit Installations	1377
Moves (both inside and outside)	187
Disconnects	1020

135. Section 3.7.3, Terminal Provisioning Services: Moves, Adds, Changes, Removals Page 106

In this requirement, are the provisioning dates from the notification received by the Lottery after telco completion?

Answer: The clock starts once the order is received by the Successful Vendor. If the Successful Vendor is not providing the communications network then an additional 3 days after the install of the circuit will be provided for a new retailer only. Shorter provisioning schedules are desirable.

136. Section 3.7.5.1 - Retailer Training Programs, Retailer Instruction (page 107)

The Lottery requires terminal based documentation and training (Section 3.7.6.C) as well as quick reference guides and retailer procedures (section 3.7.6.A) in both English and Spanish. We do not see a requirement stated for instructor led training in English and Spanish. Does the Lottery require retailer training in both languages or just in English?

Answer: Retailer training in English and Spanish is necessary, although Spanish is primarily focused in the New York City and Suburban Regions.

137. Section 3.7.8.1.E – Consumables – Prize Claim Forms (Page 109)

How many Prize Claim forms are used on an annual basis? Please provide samples.

Answer: We do not have an estimate of the number of claim forms used annually, but a sample is included as part of the supplemental material provided with these answers.

138. Section 3.7.8.1.F - Consumables – Retailer Adjustment Forms (Page 109)

How many Retailer Adjustment forms are used on an annual basis? Will the Lottery please provide current samples?

Answer: These are actually 6” x 9” envelopes used by the retailers to request credit and we use approximately 20,000 annually. A sample is included as part of the supplemental material provided with these answers.

139. Section 3.7.8.3 – Testing and Training Ticket Stock (Page 109)

How many Test and/or Training rolls does the Lottery require on an annual basis? Will the Lottery please provide a sample of what is currently used?

Answer: The Lottery requires approximately 100 rolls of stock annually, but may require more. The Vendor should also expect to use test stock for their testing and training. Vendors are free to provide a design for approval by the Lottery, but the stock must be printed with the word “Void” on the back.

140. Section 3.8.4, Installation and Acceptance Testing Page 113

Section 3.8.4 contains the language “Contract agreed production startup date.” Elsewhere in the RFP, there are several references to “scheduled conversion date.” It appears that Production Date precedes Conversion Date. Are both of these terms referring to the stated conversion date in the RFP? Please define the difference between the terms Conversion Date and Startup Date. Are these dates negotiable?

Answer: Conversion date and Contract agreed production startup date are interchangeable, currently February 28, 2010. This is the date on which the Successful Vendor will begin operation of the online system. The conversion is expected to begin 180 days before that to allow an adequate time to convert all locations. Testing is expected to begin 120 days before that. The dates are not negotiable. A phased migration is not anticipated.

141. Section 3.8.4.2 – Ticket Stock Testing (Page 114)

How and when can we obtain the new (or current artwork) to meet this requirement, and can it be provided in an electronic native vector (editable) format?

Answer: Vendors are expected to propose a design for new ticket stock.

142. Section 3.9.2 (Bullet 4): Page 116

The RFP states that “The number of terminal years of North American experience of the proposed terminal and the commonly deployed prior model in the past 5 years. For example, 5 years of a 10,000 terminal deployment equals 50,000 terminal years. Certainly the New York Lottery understands perhaps better than others that the global aspect of the Lottery business is important from a technological perspective that helps to produce innovation. In that spirit, it is respectively requested that worldwide experience be added to this definition.

Answer: The Lottery’s position is that terminal and system experience within North America is of a higher relative value to the New York Lottery. The operations, installations and systems within North America are considered to be more like what may be encountered by the successful vendor in New York. The Lottery will not change the requested information.

143. Section 3.9.2 (Bullet 5): Page 116

The RFP states that “The maximum number of live transactions in any one week on the proposed system.” Is this a system capability question?

Answer: The Section should read “The maximum number of live transactions in any one week on the operating system.” This is an experience statement, not a capability.

144. Section 3.9.10, Financial Viability Page 118

In this section, the Lottery requests the vendor to provide an original and four copies of the required financial information. Our financial information contains almost 500 pages. In the interest of saving paper, would the Lottery please permit financials to be submitted solely on a CD?

Answer: The Lottery will accept one original of the financial information and four copies in a PDF format on separate CD's.

SECTION IV

145. Part 4

Will the Lottery be willing to commit to a minimum number of retailer terminal locations?

Answer: 18,000

146. Section 4.3 – Form of the Price Proposal (Page 120)

RFP sections 4.3 and 4.5 refer to “the 1.7% Marketing Support in RFP section 3.5.1.4”. RFP section 3.5.1.4 describes the Marketing support fee as a “*minimum*” of 1.7%. Is the 1.7% Marketing support fee a fixed fee of 1.7% as implied by RFP section 4.3 and 4.5 or is the 1.7% the minimum amount to be proposed?

Answer: The 1.7% is the amount that will be transferred to and utilized by the Lottery. Please see the answer to Question 109, it is not expected that the 1.7% will change and it could only be done through an amendment. The successful vendor would also be expected to perform and or support the other marketing efforts explained in this section outside of the 1.7%.

Additionally, should the Marketing Support fee be shown separately, or included within a single total Base System price quote?

Answer: Please see the worksheet for submitting the pricing and the explanation in section 4.5.

147. Section 4.3: Page 121

“For the purpose of evaluating the Lottery will estimate a cost for the term of the contract, based on current sales with a projected growth in sales, which allow for a fair comparison of proposals.” Could the Lottery provide us with the projected growth in sales that will be considered so that all vendor’s proposals are based on the same sales projection which will allow for a fair comparison of the proposals?

Answer: While each proposer’s price quote will likely be based on many things including its own estimation of sales and each proposer’s evaluation of risks, rewards, expenses and the economies of the State of New York, the Lottery will be using the estimated total traditional lottery sales for the base contract period. For reference, estimated sales from Fiscal Years 2008-09 to 2016-17 are provided below.

NEW YORK LOTTERY TRADITIONAL SALES PROJECTIONS
(in millions)

	Total Vendor Sales
2008-09 projected sales	\$6,756
2009-10 projected sales	\$7,153
2010-11 projected sales	\$7,105
2011-12 projected sales	\$7,344
2012-13 projected sales	\$7,696
2013-14 projected sales	\$7,878
2014-15 projected sales	\$8,008
2015-16 projected sales	\$8,297
2016-17 projected sales	\$8,277

Notes:

- Assumes subscription sales continue to be operated by NYL and not processed by Vendor.
- Fiscal years 2009-10 and 2015-16 contain 53 weekly remittance days (Wed.) instead of 52.
- From the above data, one month of FY 2009-10 and eleven months of FY 2016-17 will be used in the RFP evaluation.

148. Section 4.4 – Pricing and Scoring Options (Page 121)

This RFP section states “Options that are included within the baseline price may or may not favorably influence the Vendor's proposal score in the relevant technical section depending on the value perceived by the Lottery.” What specific factors will the Lottery utilize to determine whether an option included in the base price has “value?”

Answer: The Evaluation Committee will review proposed solutions and give higher ratings for those solutions that, in the Lottery’s discretion, will increase revenue, reduce operational costs, or provide increased benefit to players or retailers.

149. Section 4.5: Page 122

Could the Lottery please confirm that the total remuneration of the Vendor as given in the example of the Sales Based Incentive is equal to \$306 millions?

Answer: \$306 million is correct, but includes the marketing support fee of \$105 million.

150. Section 4.5.2:Page 122

Concerning the 36 month requirements, does this mean the Lottery will only make weekly payments for 36 months when any of the specified options are chosen by the Lottery?

Answer: Yes

In the case where the contract period is “Less than 36 months” will this rate be allowed to be adjusted upward to cover the cost that would have been recovered if the full 36 months would have been available? This needs clarification because of the statement “or the remainder of the contract which ever is less, therefore in event there is less than 36 months the weekly pricing should be adjusted upward to cover the monies the vendor should have received for the cost of the equipment.

Answer: The rate will be adjusted to assure payment of an amount equivalent to 36 months of weekly payments.

In addition for all of the specified option for quantities that are added in addition to the quantities required in the base price, there is an ongoing cost for maintenance and service. How does the Lottery

suggest for the vendor to cover and calculate this cost when it is not known when additional quantities will be ordered or placed in service

Answer: Estimation of maintenance costs are at the Vendors' discretion.

151. Section 4.5.2.J, Wireless Temporary Terminals Page 124

What is the amortization schedule the vendor should assume for the weekly-per unit fee for the wireless temporary terminals?

Answer: The fees will be paid over 36 months.

152. Section 4.5.3.J through N Page 126-27

What is the amortization schedule the vendor should assume for the Invited Options in Sections J through N?

Answer: Payments will be made weekly for only the period the option is in operation.

SECTION V

153. Section 5.4.1: Criteria and Weights: Page 130

Would the Lottery consider increasing the weight of the Pricing Proposal Evaluation and for example assigning 800 points in the Technical Evaluation Criterion and 1.200 in the Pricing Evaluation Criterion? If so, the Lottery achieves its aim to maximize the net Lottery proceeds for the State of New York.

Answer: No

154. Section 5.4.3 – Scoring of Desirables (Page 131 & 132)

This RFP section states that for “desirables”, “no specific weight factors or bonus points are pre-determined for this RFP.” Specifically, how will the Lottery determine for each of the fifteen listed “desirables” whether the appearance of strong solutions for these items favorably impacts the scoring?

Answer: The Evaluation Committee will review proposed solutions and provide greater weight for those solutions that will likely increase revenue or reduce operational costs.

Additionally, since no specific weight factors or bonus points are pre-determined, what is the specific meaning/definition of “may favorably impact the scoring”?

Answer: If the Lottery does not, in its discretion, believe that a proposed solution will increase revenue, reduce operational costs, or provide increased benefit to players or retailers additional points will not be awarded.

APPENDICES

155. Appendix L.3. Gaming Host Systems Down (Page 2)

Will the Lottery consider revising the Liquidated Damages section to calculate Liquidated Damages for Central System downtime based on an average of the prior 13-weeks of sales and a similar jackpot amount and then, calculating the Liquidated Damages based on the percent of return to state (30%), rather than as a flat rate of \$10,000 per minute of downtime minus the two (2) minute grace period?

Answer: No, the liquidated damage clauses in this section will remain as stated.

156. Appendix L.4. - Gaming Host Systems Degraded Performance (Page 3)

Will the Lottery consider revising the Liquidated Damages section to calculate Liquidated Damages for Degraded Performance based on an average of the prior 13-weeks of sales and a similar jackpot

amount and then, calculating the Liquidated Damages based on the percent of return to state (30%), rather than as a flat rate of \$3,000 per minute minus the sixty (60) minute grace period?

Answer: No, the liquidated damage clauses in this section will remain as stated.

157. Appendix L.7 - Terminal and Peripherals Repair (Page 5)

Will the Lottery consider removing the statement “or from a network monitoring process” from this section? In most cases, there would always be a network monitoring tool that would indicate the terminal is not selling tickets. However, without some type of dialog with the retailer, there is no way to determine if the retailer is self-inducing the issue or outage. As an example, if the retailer is having an electrical issue within the store, the network would determine the terminal has no power and is not selling tickets. Under this circumstance, it would be impossible/improbable to dispatch a field technician to each store within two hours to find out there is no problem with the terminal.

Answer: Network monitoring process refers to terminal network monitoring which may identify when an individual terminal is not operating. If such a feature is provided and identifies an inoperable terminal, the Vendor should have procedures to contact the retailer and dispatch staff if needed.

158. Appendix L.24 - Hotline and Telemarketing Communication Outages and Hold Times (Page 12)

We agree that caller hold times should be reasonable. According to the National Association of Call Centers, averages for an inbound call center under ordinary operational conditions are:

- 80% of inbound calls to be answered within 90 seconds or less
- 99% of all calls without a busy signal
- Abandoned call rate not to exceed 5%
- Average hold time not to exceed two minutes

Will the Lottery consider adopting the National Association of Call Center averages for inbound calls under normal operational conditions for their service levels?

Answer: No.

Also for clarification, if a call is answered via live agent or automated system, that call is considered an answered call. Please confirm.

Answer: No. Calls are considered answered when the retailer speaks to a Hotline Representative.

159. Appendix L.25 - Vendor Provided Retailer Terminal Communications Network (Page 12)

The Lottery requires a diverse network, which necessitates inclusion of network circuits from telephone companies and other communications carriers. If an outage is caused by one of these companies, will the bidder be responsible for liquidated damages?

Answer: Yes. The successful Bidder will be responsible for resolution of all network outages except for outages resulting from Force Majeure.

160. Appendix L, # 26, Instant Ticket Vending Machines Page 13 of Appendix L

This section references Appendix I, #17; however, there does not seem to be an Appendix I, #17. Would the Lottery please clarify?

Answer: The RFP should refer to Appendix L, #7

General Questions: Note – We understand that providing the materials requested below can be costly and time consuming. We will be glad to reimburse the Lottery for any costs associated with producing this information and, if the Lottery prefers, we will be glad to review these things in your office on a day and time that is convenient to you.

161. Please provide copies of the FY07 and FY08 Marketing Plans and associated budgets.
Answer: The 2008/09 Marketing plan is included in the supplemental material provided with these answers. The Financial Statements on the Lottery website provide 3 key categories of spending.
162. Please provide copies of any research reports for the last two years.
Answer: The most recent A&U is included in the supplemental material provided with these answers.
163. If available, please provide the Annual Market Segmentation Studies for the past two years.
Answer: Not available.
164. Please explain how the Marketing Research function is currently managed.
Answer: The annual A&U is conducted by independent research firm. Instant game focus groups are conducted quarterly by an independent firm.
165. Please provide samples of current mass media advertising campaigns.
Answer: See the Lottery website – www.nylottery.org
166. Please provide details relating to Retailer and player promotions that have been run over the past year.
Answer: A promotional calendar is included in the supplemental material provided with these answers.
167. Please provide details relating to any Retailer incentive programs that have been run over the past two years.
Answer: A+ Retailer Incentive is included in the supplemental material provided with these answers.
168. Please provide copies of current point-of-sales marketing material. Please provide information on any regulations or restrictions on point-of-sale materials.
Answer: Holiday POS is included in the supplemental material provided with these answers.
169. Please provide sales details by price point for instant games for the last five years.
Answer: Sales details are included in the supplemental material provided with these answers.
170. Please provide details relating to any new games or game changes that the Lottery plans to implement prior to or after the conversion date.
Answer: There are none fully developed at this time.
171. Please provide details relating to any on-line game changes, additions or cancellations during the last five years.
Answer: Addition of Raffle Game, Lotto Extra, Lucky Sum and Instant Win.
172. Please provide a listing of the Key Account Retailers, including sales by Key Account in an electronic format such as Excel.
Answer: Please refer to list of retailers already provided.
173. Please provide copies of all Lottery Commission meeting minutes for the past two years.
Answer: The New York Lottery is a Division, not a Commission.
174. Please provide copies of any minutes from meetings with Retailer groups during the last two years.
Answer: Minutes are not created.

175. Please provide a copy of the 2007 Annual Report.
Answer: Please see the Lottery website, Lottery News Tab, Annual Reports
176. Would the Lottery please provide the most recent Lottery organization chart and the number of Sales Representatives that are currently servicing the Retailers?
Answer: There are approximately 114 sales rep positions currently servicing approximately 16,000 retail outlets. An organization chart is included in the supplemental material provided with these answers.
177. Would the Lottery please provide a listing of retailers split up into their designated regions and the number of Customer Service Representatives and designated areas?
Answer: Approximately 5,600 retailers and 38 reps in NYC; 3,300 retailer and 22 reps in Suburban; 2,800 retailers and 20 reps in Upstate East; and 4,300 retailers and 34 reps in Western.
178. Please provide a copy of GTECH's organization chart applicable to their local Lottery operations. Please include the number of field service technicians that GTECH has in the State and the location in which they are based. If possible, please provide each Field Technician's region of responsibility.
Answer: This information is not relevant to the contract to be awarded as a result of this RFP and will not be provided.
179. How are instant tickets delivered to the Retailers? Is this done by courier, by Lottery Sales Representatives, or by another method? Please specify.
Answer: Tickets are delivered by common carrier.
180. How do the Retailers get more instant tickets? Does the Lottery operate a TelSel function for ordering instant tickets?
Answer: Please refer to the RFP Section 3.4 for this information.
181. Please provide details relating to Retailer settlements (i.e. triggers etc.).
Answer: Please refer to the RFP Section 3.4 for this information.
182. Does the Lottery have automatic reorder functionality for Retailers to get instant tickets?
Answer: No
183. Does the Lottery operate with "trunk stock" for servicing the Retailers' instant ticket needs?
Answer: No
184. Please identify the Retailers that have more than one Retailer terminal (if any).
Answer: Refer to the list of retailers already provided.
185. Please provide a copy of the Retailer Manual and Quick Reference Card.
Answer: The materials refer to the current system and games and are not relevant. The Lottery Retailer Manual is included in the supplemental material provided with these answers,
186. Please advise us of any pending legislation that may affect the Lottery.
Answer: The Lottery supports proposed legislation that would eliminate restrictions on the Quick Draw game and the video lottery program, clarify the types of permissible video lottery games, permit the investment of lottery prize funds for higher yields, repeal mandatory license suspensions and revocations for lottery sales agents who have committed tobacco sales violations, and repeal the prohibition against participation in more than one multi-jurisdictional lottery group. The Lottery does not believe that any other pending legislative proposals that could affect the Lottery are likely to be approved by the Legislature and the Governor.

187. Please provide details relating to the Lottery's Web site. Does the Lottery host it or is it hosted by an outside party? What basic capabilities does it have?

Answer: The current Lottery website was architected in 2002 with limited capabilities. The website is hosted by AT&T. The original intention was to provide information only and not be an interactive website. It is not the Lottery's intention that any product of the contract produced by this RFP reside on this website.

188. Please provide a print quality Lottery logo and print quality game logos, preferably in EPS or vector-based format so that we may use them in our bid response.

Answer: The files are included in the supplemental material provided with these answers.

189. What is the overall blended prize payout percentage for FY05, FY06, FY07 and projected for FY08? Please provide the average payout percentage of instant games and for on-line games.

Answer: See below:

**Prize Payouts By Game
(in millions)**

	FY 07/08			FY 06/07		
	<u>Sales</u>	<u>Prizes</u>	<u>Prize %</u>	<u>Sales</u>	<u>Prizes</u>	<u>Prize %</u>
Online sales	3,079	1,554	50%	3,059	1,576	52%
Instant sales	3,594	2,399	67%	3,593	2,395	67%
Total sales	6,673	3,953	59%	6,652	3,971	60%

	FY 05/06			FY 04/05		
	<u>Sales</u>	<u>Prizes</u>	<u>Prize %</u>	<u>Sales</u>	<u>Prizes</u>	<u>Prize %</u>
Online sales	3,156	1,638	52%	3,033	1,539	51%
Instant sales	3,331	2,215	66%	3,006	1,984	66%
Total sales	6,487	3,853	59%	6,039	3,523	58%

190. What special events or non-traditional retailer events such as state fairs are supported by the Lottery? Please provide the past two years' event schedules?

Answer: The past year's event calendar is included in the supplemental material provided with these answers.

191. What is the average monthly in/out movement of retailer's equipment?

Answer: On average in 2008, there were 118 new circuits installed and 110 disconnected monthly.

192. How many on-line retailers does the Lottery expect to have at the commercial launch of the system?

Answer: Please refer to the RFP Section 1.2 for this information.

193. If the Bidder believes that they can provide additional options for the Lottery, how can such options be offered? Please provide clear instructions.

Answer: Please refer to the RFP Section 1.37 for this information.

New York Lottery
Full Service Lottery System RFP

Supplemental Information Provided on CD

<u>Question</u>	<u>Description</u>
68	Carmanah sign
95	ITVM sales
124	Floor Plans
137	Claim Form sample
138	Adjustment Form sample
161	Marketing Plan
162	A&U Study
166	Promotions Calendar
167	Retailer Incentive
168	Holiday Point of Sale
169	Instant Sales by Price Point
176	Lottery Organization Chart
185	Lottery Retailer Manual
188	Lottery Logos
190	Event Calendar

RFP Amendments

<u>Section</u>	<u>Change</u>
1.4	Terminal delivery changed to January 7 th , 2009
1.32	Reference changed from 2.23 to 2.18
1.33	Reference changed from 1.19 to 1.18
3.9.2	Changed to “The maximum number of live transactions in any one week on the operating system.”
Appendix L, #26	Reference changed to Appendix L, #7
Attachment 1	Added a surety letter to the checklist.