

**IOWA LOTTERY  
REQUEST FOR PROPOSAL  
IL-10-01 On-Line Gaming System and Related Products and Services  
10/8/09**

<b>NOTICE TO VENDORS Questions/Answers for Round 1 of the above stated RFP</b>
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Q1 Page 1, 147, 162  
1.16.1 Technical Proposal; 5.4.4 Scoring of Options; 4.2 Form of the Price Proposal - In the first paragraph of Section 1.16.1, the Lottery states that “no cost figures shall be contained in the Technical Proposal.” In Section 4.2, the Lottery states that among the options, “any item for which there is no additional fee should be known as No Charge (N/C) in the Technical Proposal.” In Section 5.4.4, the Lottery states that “only the Invited or Offered Options included at no additional charge in the quoted baseline price will be scored.”

We respectfully ask whether the Iowa Lottery would accept, in the Technical Proposal, such language as:

- “This option is offered at no additional charge (N/C)”;
- or
- “This option is offered at an additional charge.”

We feel that such language may help evaluators, who will be scoring the Technical Proposal before pricing is evaluated, know which options to score and which ones not to score.

**A) The following language is acceptable:**

- “This option is offered at no additional charge (N/C)”;
- or
- “This option is offered at an additional charge.”

Q2 Page 8, 9  
1.16.1 VOLUME I – Technical (Non-Price Proposal) Section 1.16.1, on page 8, states that: “the Vendor must respond to every item that requires a response in this RFP in the order presented in the RFP. The Vendor’s response must provide the required information requested, an acknowledgement of acceptance where applicable, or an indication of not applicable (N/A).”

However, Section 1.16.1, on page 9, details a specific outline for the proposal that Vendors must follow. Could the Lottery please clarify the following:

- 1) Is the Lottery asking vendors to respond *only* to those RFP sections and appendices that are listed in the outline provided on page 9 in Section 1.16.1? And does the Lottery *not* want vendors to respond to *every* requirement of the RFP – from the first page to the last – in the order presented in the RFP?
- 2) Must each requirement and appendix that is listed in the outline on page 9 of the RFP have one of the following responses in our proposal?
  - a. An answer to the required information.
  - b. A statement of acceptance.
  - c. N/A.

**A) (1) No, the lottery is not limiting responses to only the outline provided in 1.16.1. The lottery wants vendors to respond to every requirement of the RFP. This section has been amended. Refer to Amendment 1.**

**(2) Each requirement and appendix must have a response. The above responses are acceptable, but an acceptable response also might include information that does not fit into one of the three (3) responses (a, b, or c) mentioned above.**

Q3 Page 8, 9

1.16.1 VOLUME I – Technical (Non-Price) Proposal - According to the third paragraph in this section, each vendor must deliver the original and seven (7) copies of the Technical Proposal. The completed Class “L” Business Entity disclosure form is part of the Technical Proposal. We note that the Class “L” Business Entity form requires numerous attachments, some of which will be very large due to copies of multiple year state and federal tax returns with schedules, and financial statements. The tax returns alone may require more than one box. To provide 7 copies of the form would mean that the proposal would be massive. Would the Lottery respectfully consider modifying this requirement so that only one (1) original of the Class “L” form is required, as long as a copy of the form is included on a CD?

**A – This section has been amended. Refer to Amendment 1.**

Q4 Page 9

Section 1.16.1.8 – Volume I – Technical (Non-Price) Proposal - This RFP Section states that: “An original and two (2) copies of the required financial information ... should be filed with the Proposal original only....”

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

**A – This section has been amended. Refer to Amendment 1.**

Q5 Page 10

Section 1.16.3 – Volume III – Terminal Submission - This RFP Section states that “one stand-alone operational retailer terminal for each proposed model” be submitted for assessment by the Lottery. Recent RFPs from other jurisdictions that have required a terminal delivery have allowed technicians to set up the retailer terminals as part of the delivery.

1. Will the Lottery please allow bidder personnel to set-up the retailer terminal(s) as part of the delivery?

2. Will the Lottery please confirm the retailer terminal(s) will be returned to the vendor after the contract is awarded?

**A) (1) The Lottery will allow, as part of the delivery, vendor personnel to set up the stand-alone operational terminal for each proposed model.**

**(2) All terminal(s) submitted, as part of the RFP process will be returned.**

Q6 Page 10

Section 1.16.3 – Volume III – Terminal Submission - Will the Lottery please confirm that although this submission is being identified as Volume III that the Lottery does not

expect to receive any accompanying hard copy submission other than the retailer manual and/or user guide?

**A - The only submission expected is a terminal and a retailer manual and/or user guide, no other documents are required for this section.**

Q7 Page 13

1.26 Public Records and Requests for Confidentiality - Would the Lottery please confirm whether the completed Class "L" Business Entity form would fall within the records designated as confidential under the Lottery's Administrative Code Section 531-1.5(1)(d), regarding "the security portions or segments of lottery requests for proposals, proposals by vendors to conduct lottery operations"?

If it does not, then is that completed form available for public access under the Iowa public records law unless the vendor can demonstrate that the information contained therein falls within the exceptions of the public records law and the Lottery's Administrative Code?

**A - Under Iowa Code section 99G.34 and Iowa Code Chapter 22, the Iowa Lottery considers these records to be confidential.**

Q8 Page 13

1.26 Public Records and Requests for Confidentiality - In paragraph four of Section 1.26, the Lottery states: "In addition to marking the material as confidential material where it appears, the Vendor must submit two (2) copies of the relevant pages of the Proposal from which the confidential information has been excised. The confidential material must be excised in such a way as to allow the public to determine the general nature of the material removed and to retain as much of the document as possible. These pages must be submitted with the cover letter and will be made available for public inspection."

In order to make it easier for the public to read a submitted proposal (with confidential information excised), would the Lottery please consider and confirm that two (2) Redacted Technical Volumes included with the submission, rather than excised pages (with confidential markings) included at the front of each VOLUME 1, would be compliant with Section 1.26 of the RFP?

**A – This section has been amended. Refer to Amendment 1.**

Q9 Page 15

1.32 Proposal Bid Bond - Will the Lottery consider a Letter of Credit as an acceptable alternative form of security for the Bid Bond?

**A – No, a Proposal Bid Bond or cashier's check is required.**

Q10 Page 15

1.33 Litigation Bond - We note that in this section, the Lottery states that a claim upon the Litigation Bond may be made by the Lottery under the following conditions:

1. The Vendor sues the Lottery or any of its directors, officers, employees, agents, other contractors, or retailers with regard to any matter relating to the award of a Contract pursuant to this RFP.

2. The Lottery or other Defendant(s) is the prevailing party in such suit.

It is a widely accepted practice in the lottery industry, and other industries undergoing public procurements, to include in such Litigation Bond a third condition that would need to be satisfied before the Bond may be drawn upon. We respectfully request that the Lottery add the following condition to align with such industry standard:

“3. A court determines that the action or any portion thereof was frivolous, or was brought in bad faith, or was not brought upon reasonable grounds.”

**A - We respectfully disagree with the language proposed. The section will remain unchanged.**

Q11 Page 15

1.33 Litigation Bond - Will the Lottery consider a Letter of Credit as an acceptable alternative form of security for the Litigation Bond?

**A – No, a Litigation Bond is required.**

Q12 Page 16, 17

1.35 Disclosure Documents and Investigations - With respect, will the Lottery please confirm that the Class “L-1” Background Application forms for the Vendor’s key personnel do not need to be submitted with the Vendor’s proposal, but upon direction by the DCI following the Lottery’s completion of the RFP evaluation process?

The first paragraph at the top of page 17 states that “All Vendors or a parent or subsidiary corporation of the Vendor must submit, as part of its Proposal, a completed DCI Class “L” Business Entity (Class “L”).” Would the Lottery please confirm that this sentence should be read in conjunction with the second paragraph of Section 1.35 on page 16, so that a parent or subsidiary must only submit the Class “L” form if it will be providing goods or services to the Lottery?

**A - The Class “L” background must be included with the proposal. The Class L-1 will be required at a later date if the Vendor is selected for background investigation.**

**Class “L” forms must always be provided for:**

- a. Parent**
- b. Vendor**
- c. Subsidiaries of the Vendor that provide goods or services to the lottery.**

**Paragraphs 2 and 7 of this section have been amended. Refer to Amendment 1.**

**Also note the information contained in 1.35, paragraph 9.**

Q13 Page 25

Section 2.7, paragraph 3 - Audit and Accounting Requirements - What is the exact definition of “significant deficiency?”

**A) A significant deficiency is determined by the Auditor conducting the review and will be stated as such in the audit report.**

**A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process**

**or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement that is more than inconsequential will not be prevented or detected by internal controls.**

Q14 Page 27

2.9.1 Insurance Coverages - Regarding the second requirement under section 2.9.1, General Liability Insurance, insurance policies today are written on a Combined Single Limit Basis (CSL) in lieu of Split limits and the policy is referred to as "Commercial General Liability" and not "Comprehensive General Liability." Will the Lottery accept evidence of \$10,000,000 CSL for Bodily Injury and Property Damage per occurrence and \$10,000,000 Aggregate written on a Commercial General Liability form, in lieu of the split limits indicated in the RFP of \$5,000,000 per person and \$10,000,000 per occurrence for bodily injury and \$5,000,000 per occurrence for Property Damage?

This can be evidenced by a Commercial General Liability policy followed by an Umbrella (Excess) policy.

**A) Yes, this will be accepted. This section has been amended. Refer to Amendment 1.**

Q15 Page 28

2.10 Performance Bond - Will the Lottery consider a Letter of Credit an acceptable form of security for the Performance Bond?

**A) Yes, an irrevocable Letter of Credit will be an acceptable alternative form of security for the Performance Bond. Any irrevocable Letter of Credit must be in the form and include language substantially similar to the language provided as RFP Exhibit 1. This section has been amended. Refer to Amendment 1.**

Q16 Page 28

2.10 Performance Bond - Surety Companies require that the Performance Bond be annually renewable and that an Industry Standard bond form is used. Will the Lottery please confirm that the Performance Bond can be renewed on an annual basis and that an Industry Standard bond form is acceptable?

**A) Yes, the Performance Bond can be renewed on an annual basis and an Industry Standard Bond is acceptable.**

Q17 Page 28

2.12 Vendor Error Liability - Section 2.12 states: "[t]he Successful Vendor will be liable for any financial obligations arising or resulting from errors and omissions by the Successful Vendor's employees, staff, subcontractors and the System. Examples 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."

However, according to Section 99G.31.2.b of the Iowa Code:

“A prize shall not be paid arising from claimed tickets that are stolen, counterfeit, altered, fraudulent, unissued, produced or issued in error, unreadable, not received, or not recorded by the authority within applicable deadlines; lacking in captions that conform and agree with the play symbols as appropriate to the particular lottery game involved; or not in compliance with such additional specific administrative rules, policies, and public or confidential validation and security tests of the authority appropriate to the particular lottery game involved.”

To the extent a Successful Vendor and the Lottery are faced with an error or fault as described in 2.12 above, will the Lottery confirm that, consistent with the Iowa Code, it will not impose a greater liability on the Successful Vendor for an act, omission, or error that the Lottery itself is protected from under the Iowa Code?

**A) The Lottery CEO has the authority to make payment if he/she determines it is in the best interests of the Lottery. If the CEO authorizes a payment based on an error or omission by the Vendor, the vendor will be held financially responsible.**

Q18 Page 33

2.20 Management and Escrow of Software and Documentation - We respectfully ask the Lottery to please consider amending the first sentence of section 2.20 to provide that delivering 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, will the Lottery please confirm that Iron Mountain is an approved escrow agent?

**A) The vendor has the choice of sending the information directly to an approved escrow agent. Iron Mountain is an approved escrow agent and the Lottery requires that any escrow agent utilized be located in the greater Des Moines vicinity.**

Q19 Page 33, 34

2.22 Title to, Use of, and Compensation for, Intellectual Property - Will the Lottery please consider amending the first sentence of the first paragraph of Section 2.22 to read as follows?

*To the extent a Successful Vendor utilizes or relies upon 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. (Item 1)*

Further, the RFP provides that the Lottery be granted a license to make use of Intellectual Property on an indefinite basis with respect to the Lottery conduct of games. As the Lottery would only require a license until the end of the term of the Contract, would the Lottery amend the license duration accordingly? *(Item 2)*

Lastly, would the Lottery amend Section 2.22 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 Iowa, or its 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 not provided by the Successful Vendor. *(Item 3)*

**A) Item 1) This section has been amended. Refer to Amendment 1.**

**A) Item 2) This section has been amended. Refer to Amendment 1.**

**A) Item 3) This section has been amended. Refer to Amendment 1.**

**Please note: The following provision was not accepted: “(b) the Successful Vendor’s actions or omissions if requested by or in compliance with the Lottery’s requirements.”**

Q20 Page 35, 36

2.26 Liquidated Damages Provisions - Iowa’s law regarding damages, specifically liquidated damages, provides that:

(1) there must be a good faith attempt to set the amounts of liquidated damages (See Section 356 of The Restatement (Second) of Contracts which provides that “[d]amages for breach by either party may be liquidated in the agreement but only at an amount that is reasonable in the light of the anticipated or actual loss caused by the breach and the difficulties of proof or loss. A term fixing unreasonably large liquidated damages is unenforceable on grounds of public policy as a penalty);

(2) parties may establish an alternative measure of liquidated damages for breach from that stated in the contract (See Gordon v. Pfab, 246 N.W.2d 283 (Iowa 1976));

(3) recovery for a breach of contract is limited to compensatory damages and liquidated damages constituting a penalty assessment will not be enforced (See Grunwald v. Quad City Quality Service Inc., No. 2-574 / 01-1353, filed January 29, 2003, citing where the Iowa Court of Appeal stated that “A party is not entitled to use the breach to better its position by recovering damages not actually suffered. *Id.* These propositions are equally true when the contract calls for liquidated damages. Liquidated damages are permitted in contracts as long as they do not constitute a penalty.” Aurora Bus. Park Ass’n v. Michael Albert, Inc., 548 N.W.2d 153, 156 (Iowa 1996); Restatement (Second) of Contracts § 356 (1981)); and

(4) no double recovery of damages is allowed (See Frontier Leasing Corporation v. Griffin Petroleum Inc. & Steven H. Griffin, U.S. District Court for Southern District of Iowa, 4-01-CV-90242 (2001)).

Based upon and consistent with the law cited above and notwithstanding the provisions of Section 2.26, we respectfully request that the Lottery amend Section 2.26 of the RFP to provide that: (i) 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) the Lottery will not assess more than its actual damages for any incident where the evidence establishes that the Lottery’s actual damages were less than the liquidated amount; and (iii) 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 Iowa law?

**A) We respectfully disagree with the language proposed. The section will remain unchanged.**

Q21 Page 46

Section 2.26.23 – Retailer Network Outages - We understand the general objective of this section to be to ensure availability of the retailer network from “the retailer’s

perspective” (RFP Section 3.3.4.7, pg 86). However, the language in this RFP Section defines a damage condition is one that occurs during gaming hours, approximately 23 hours of the day. Many if not most of the events that would cause degraded network performance at a given retailer cannot be resolved if the retailer is closed and access to the communications equipment is not possible. We propose therefore that the measure of the network availability, from the retailer’s perspective, be measured during times when the retailer is open for business and otherwise selling Lottery products, rather than any time the gaming system is operational. Will the Lottery replace the phrase “gaming hours” with the phrase “its normal business hours?”

**A) Section 2.26.23, subsection 1 has been amended. Refer to Amendment 1.**

Q22 Page 46

Section 2.26.24 – Failure to Comply with Required Standards or to Remedy Audit Recommendations – Condition - This RFP Section states that: “If the Successful Vendor fails to address recommendations made as a result of system, security and/or control audit (e.g., SAS 70), or to comply with required Lottery, Association (e.g., NASPL or WLA), or multi-jurisdictional (e.g., MUSL) standards, there will be a liquidated damage assessed.”

The term used by Auditors in the SAS-70 report to define areas of concern is “Exceptions”, rather than “recommendations.” Exceptions are categorized as Major or Minor.

Major Exceptions are areas considered to be significant potential risks to system security or integrity that are not mitigated by compensating controls. Minor exceptions are areas which on their own might represent potential risks, but the risks are mitigated by the presence of appropriate compensating controls. Major exceptions have the potential to cause the auditor to qualify a section of the SAS 70 audit, whereas minor exceptions will not lead to a qualified audit report.

To help ensure clarity of this section for Vendors, will the Lottery replace the word “recommendations” with the phrase “Major Exceptions?”

**A) We respectfully disagree with the language proposed. The section will remain unchanged.**

Q23 Page 50

2.26.36 Retailer Training - Approximately how many retailer training sessions take place post conversion in any given month (or on a quarterly basis)?

Approximately how many new retailers join the Iowa Lottery each month (or on a quarterly basis)?

**A) The current Vendor performs 5-10 in-store training sessions per month. Approximately 5-10 new retailers join the lottery network each month.**

Q24 Page 66

3.2.1 Retailer On-line Terminal Hardware. How many additional terminals does the Lottery desire for training and testing?

**A) Six (6) terminals are required for Lottery testing (see Section 3.6.4). The vendor needs to determine how many additional terminals will be needed for retailer conversion training based upon its training plan. Post-conversion, the Lottery will**

**require eight (8) terminals and other point-of-sale equipment that can be used for training purposes (see Section 3.6.3).**

Q25 Page 67

3.2.1.2, Retailer - On-Line Terminal Features and Functions, paragraph 3) ID Card Reader. According to this section of the RFP:

“As an Invited Option, the Vendor may describe their capability of providing a reader to perform age verification through reading an Iowa driver’s license which has both magnetic strip and 2-D bar code.”

We respectfully ask whether the Lottery can provide a contact at the DMV to discuss how the specific encoding of information is done on Iowa drivers’ licenses?

**A) Contact person at the Iowa Department of Transportation, Motor Vehicle Driver Services Division is Mark Lowe, 515-237-3121.**

Q26 Page 68

3.2.1.2 Retailer On-Line Terminal Features and Functions, paragraph 4. b) According to the RFP requirement in Section 3.2.1.2, “the minimum ticket length will be five (5) inches.”

We respectfully request the Lottery consider including a clause to say, “The Lottery has the right to approve ticket design, including size, preserving the Lottery’s flexibility to adjust size requirements.”

For example, the trend in environmental awareness suggests a shorter ticket length could reduce paper consumption and promote environmentally friendly practices.

**A) We respectfully disagree with the language proposed. The section will remain unchanged.**

Q27 Page 74

3.2.1.2 Retailer - On-Line Terminal Features and Functions, paragraph 27, On-line Credit Request (OCR). The Lottery is requesting an On-line Credit Request (OCR) feature on the Retailer Terminal. Will the Lottery confirm that this is a current feature that the Lottery has on its Retailer Terminal? If so, can the Lottery provide further details on how this feature works?

**A) An on-line credit request (OCR) is currently utilized on the lottery’s system. A general overview of the process is:**

- **Retailer scans ticket through terminal.**
- **System records the request for credit, issues a control number, and prints a receipt.**
- **Credit request reports are generated.**

**Enhancements to the current process that would allow for automatic credit through the system will be specified with the Successful Vendor.**

Q28 Page 77  
3.2.1.3 (Point # 5) Retailer On-line Terminal Attachments Store Signage (Invited Option)  
- Is the Lottery looking to completely recreate and/or redesign the store signage at the retailer outlets?

When was the last time the Lottery updated the retailer signage?

Does the Lottery have certain criteria (i.e. sales levels) to determine which retailers receive signage?

**A) Yes, the Lottery is anticipating a complete redesign of store signage. Powerball neon signs were distributed in May 2004, December 2006 and May 2007. Edgelit signage was distributed in September 2003 with additional signs added to retail locations in 2004, 2005, 2006 and 2008.**

**There are no sales criteria for when retailers receive signage.**

Q29 Page 78  
3.2.1.3 (Point # 7) DSR Pack Delivery Device - What do the Lottery's DSRs currently use for a pack delivery device to scan the barcodes of packs delivered, returned, etc.?

**A) Currently the DSRs scan the barcodes through the Sci-Scan reader, which is the same device used by retailers to validate instant tickets.**

Q30 Page 80  
3.3 Communications - Please provide the number of retailers currently using each of the various technologies:  
VSAT retailers  
Radio retailers  
Cellular retailers  
DSL retailers  
Retailers using other forms of communication connection

**A) As of Sept. 30, 2009, the Lottery connections are:**

- **VSAT retailers -- 1,236**
- **Radio retailers – 277**
- **Cellular retailers – 0**
- **DSL retailers – 0**
- **Digital phone retailers -- 430**
- **Dial-up retailers -- 517 (These currently are instant-only retailers, but under this RFP, all retailers will receive an on-line terminal.)**

Q31 Page 81  
3.3.1 (Point # 4) Lottery Back Office Connectivity - What is the number of interfaces? Do these interfaces need to be physical (physical ports)?

**A) The Iowa Lottery currently has two (2) physical ports & seven (7) interfaces: Internal Control System (ICS), Games Management System (GMS), Ad Hoc, Check Writing, Security Printer and Terminal Messages. There are many users on each interface.**

Q32 Page 99  
3.4.5 Support of Instant Ticket Transactions at Retailers, paragraph 9) Pack Activation Card. In Section 3.4.5 of the RFP, the Lottery requires that transactions at a pack level be supported by a pack activation card.

We respectfully ask the Lottery to confirm whether it currently uses pack activation cards for pack functions?

**A) We use a pack activation card for delivery of all instant games to retailers, but do not have a pack activation card for pull tabs.**

Q33 Page 103  
3.4.9.4 (Point # 8) Retailer Website - Does the Lottery currently have a retailer website?

How does the Lottery currently deliver chain statements and other financial reports to chain account headquarters?

**A) No, currently there is no retailer website.**

**Chain statements and reports are delivered by:**

- **Printed and hand delivered**
- **Printed and mailed**
- **E-mailed**
- **E-mailed with additional schedules**

Q34 Page 104, 105  
3.4.12 Player Registration System - How does the Lottery envision players accumulating points in a lottery loyalty program?

What rewards does the Lottery anticipate giving players who accumulate points through a lottery loyalty program?

**A) To be determined.**

Q35 Page 105  
Section 3.4.14 Monitor Games - When does the Lottery expect to begin sales of Rapid Draw Monitor games?

Would the Lottery inform us of any actions, discussions, and/or plans that have been examined in the past two years with regard to Rapid Draw Monitor Games?

Would the Lottery elaborate more on what games, game themes or styles the Lottery is contemplating when referring to "Rapid Draw Monitor Games"?

**A) To be determined. There are no plans to introduce these games at this time, but the Lottery desires to have this capability for future revenue goals.**

Q36 Page 112  
3.5.1 Corporate Marketing Support, paragraph 3) Gaming Product Planning. According to the Response Note to the third paragraph in Section 3.5.1, Vendors must provide a brief analysis of the Lottery's products and promotions and to propose appropriate changes for the next year.

1. In order to enable bidders to offer more precise analyses and more relevant changes, we respectfully ask if the Lottery will please provide sales performance data by retailer and game, including the following, for all active retailers:

- Retailer number.
- Business name.
- Address.
- Indication if each is an instant-only retailer.
- Sales district/region.
- Business type or trade style.
- Total sales by game (and total sales for all instant games) for 104 weeks.
- Number of weeks during that period that each retailer was selling (to understand who was only selling part of the time)?

This information will help assess sales opportunities by product line, geography, and trade style.

2. Would the Lottery also please share the list and description of promotions that were run during the most recent 12 months?

**A) (1) The Lottery has developed an Excel spreadsheet (RFP Exhibit 2) that combines the information requested in this question and Q59. In the production of this spreadsheet, the Lottery is including the information that is readily available in the Lottery's reporting system. Following are details relating to RFP Exhibit 2:**

- **The request for sales for 104 weeks is being fulfilled with sales for FY 09 and FY 08 on separate tabs.**
- **The number of weeks that each retailer had sales is not answered, as this is not an item that is readily available in the Lottery's reporting system.**
- **The retailer number is not being released as the Lottery fails to see how this identification number is necessary to complete the assessment of sales opportunities.**
- **Lottery Regional Offices are identified by number:**
  - **Des Moines is 1**
  - **Cedar Rapids is 2**
  - **Mason City is 3**
  - **Storm Lake is 4**
  - **Council Bluffs is 5**
- **DSRs are also identified by number.**
- **The SIC codes used by the Lottery will be posted to the web page as RFP Exhibit 3.**

**The Lottery will send this file (RFP Exhibit 2) to all vendors who have filed an Intent to Bid Letter with the Lottery. Due to the size of the file, it is not being posted on the Lottery's web site. Anyone other than the vendors who have filed an Intent to Bid Letter with the Lottery can receive this file by emailing Tammy Cooper, RFP Coordinator at: [tcooper@ialottery.com](mailto:tcooper@ialottery.com)**

**A) (2) A listing of promotions is being provided as RFP Exhibit 4.**

Q37 Page 112

3.5.1 Corporate Marketing Support, paragraph 3) Gaming Product Planning. In the Iowa Lottery Authority's FY 2008 Performance Report, the Lottery states: "Research plays a significant role in the success of Lottery products and marketing efforts. A baseline study supplies the Lottery with valuable player information, as well as public perceptions about

the Lottery. Focus groups keep us attuned to players' feelings and opinions. Feedback from players and retailers is used to gauge product acceptance."

In order to enable bidders to offer relevant product releases and changes as required under this section, would the Lottery please share the most recent baseline study and focus group research findings?

**A) We respectfully decline this request. Under Iowa Code section 99G and Iowa Code Chapter 22, the Iowa Lottery considers these records confidential.**

Q38 Page 112

3.5.1 Corporate Marketing Support, paragraph 4) Gaming Concept Design and Development. In paragraph four, Gaming Concept Design and Development, the Lottery asks that a brief description of a Vendor's gaming research and development program be included. Many recent RFPs have asked bidders to propose a specific annual market research program specific to that Lottery's own game portfolio opportunities.

We respectfully inquire whether the Lottery intends to ask the winning Vendor to fund an Iowa-specific research program? If so, would the Lottery please provide an annual dollar amount and/or a list of the quantity and types of studies it requires (focus groups, attitude & usage study, etc)?

**A) No. We do not intend to ask the Successful Vendor for an Iowa-specific research program.**

Q39 Page 127

Section 3.7.4 Support of the Lottery's Partnership with Retailers - Would the Lottery please provide us with additional information with respect to:

- How many employees are in the DSR department? (Please break out by function.)
- How is the DSR staff allocated throughout the state (breakout by region)?
- How many meetings are currently held per month/year between the DSR staff and the current vendor?
- What tools and programs are currently utilized by the DSR staff?

**A) There are a total of 41 DSRs performing the following functions:**

- **30 DSRs (Route DSRs) are assigned to sales routes.**
- **7 DSRs (Swing DSRs) are assigned to cover vacations and sick days, etc.**
- **4 DSRs (Recruiters) are assigned to recruitment of new retailers and retailer promotions.**

**DSR staff allocated throughout the state is:**

- **Des Moines Regional Office**
  - **7 Route DSRs**
  - **2 Swing DSRs**
  - **1 Recruiter**
- **Cedar Rapids Regional Office**
  - **9 Route DSRs**
  - **2 Swing DSRs**
  - **1 Recruiter**
- **Mason City Regional Office**
  - **5 Route DSRs**
  - **1 Swing DSR**
  - **1 Recruiter**

- **Storm Lake Regional Office**
  - **6 Route DSRs**
  - **1 Swing DSR**
  - **1 Recruiter**
- **Council Bluffs Regional Office**
  - **3 Route DSRs**
  - **1 Swing DSR**

Currently, no meetings are held between the DSR staff and the vendor.

Tools and programs currently accessed by the DSRs through the terminal system are:

- **Retailer Reports**
  - **Daily**
    - **Activity**
    - **Instant Cash Detail**
    - **Settled Packs**
  - **Weekly**
    - **Adjustment Detail**
    - **Weekly Settlement**
    - **Instant Cash Detail**
    - **Settled Packs**
  - **Week to Date**
    - **Activity**
    - **Settled Packs**
    - **Instant Cash Detail**
  - **Weekly Settlement Report**
- **Instant & Pull-tab Reports**
  - **Non-settled Pack Summary**
  - **Non-settled Pack Detail**
  - **Weekly Settled Packs**
  - **Activation Report**
  - **Recent Delivered Pack Report**
- **Representative Messages**
- **Coupon Adjustment**
- **Full & Partial Pack Return**

Q40 Page 144

3.9.11 Financial Viability, paragraph 1) Submission of Financial Statements. As stated in the first paragraph of section 3.9.11, Financial Viability, Financial Statements are required for vendors and substantial subcontractors. Due to the length of our Financial Statements, we respectfully request that the Lottery consider allowing vendors to submit financials statements on CD.

**A) This section has been amended. Refer to Amendment 1.**

Q41 Page 147

Section 4.4 Pricing and Scoring of Options - For the determination of the total contract value, will the Lottery add only the costs pertaining to the Pricing for the Baseline System and the Pricing of the Specified Options?

**A) We are unsure what is meant by “contract value”, a term not used in Section 4.4.**

- Q42 Page 148  
Section 4.4 – Pricing and Scoring of Options - If the Vendor chooses to propose different cost percentages for different annual time periods and/or sales levels, should this be done in place of the single percentages requested in the Baseline System pricing or separately from the Baseline System Pricing?
- A) It should be done in place of, rather than separately.**
- Q43 Page 149  
Price Quotation Sheet - The RFP states that extension period pricing will not be included in the pricing evaluation. Since the RFP requires the vendor to provide pricing for the extension period, would the Lottery include extension pricing in the evaluation; otherwise, it seems immaterial to the evaluation?
- A) The section will remain unchanged.**
- Q44 Price Quotation Sheet, General Question - Other than the gift card applications, is all pricing (baseline, Specified Options, Invited Options) which is requested as % of sales based upon total (on-line, scratch, and pull-tab) sales?
- A) Yes.**
- Q45 Page 152  
Price Quotation Sheet, paragraph 13 - For pricing the DSR Field Automation Device and Communication service, should Vendors assume this functionality is provided at start-up?
- A) Yes.**
- Q46 Page 152, 153  
Price Quotation Sheet, Specified Options paragraphs 15 & 16 – Gift Card Applications - What is the Lottery's estimate of gift card sales by year? Will the Vendor also receive the % of sales quoted in the Baseline System Pricing in addition to the % of gift card sales? Will the gift card application be in effect at start-up or implemented after start-up?
- A) 1. What is the Lottery's estimate of gift card sales by year? No current estimate.**
- 2. Will the Vendor also receive the % of sales quoted in the Baseline System Pricing in addition to the % of gift card sales? The Vendor will receive the gift card % when the gift card is purchased. Additionally the Vendor will receive the baseline % of sales when the gift card is redeemed.**
- 3. Will the gift card application be in effect at start-up or implemented after start-up? The gift card application will not be implemented at start-up**
- Q47 Page 157  
Price Quotation Sheet, Invited Options paragraphs 16 & 17 – Subscription System and Player Registration - Will these applications be in effect at start-up or implemented after start-up?
- A) The Subscription System and Player Registration will not be implemented at start-up.**

Q48 Page 158  
Section Part 5 Proposal Evaluation - Will the Lottery conduct a Best and Final Offer period prior to its award notification?

**A) No.**

Q49 Page 176, 177  
Appendix C, Section 4, Default and Termination, and Section 6, Termination for Lack of Authority or Funding. The RFP does not provide for a remedy for termination for convenience. Further, the termination provisions in Section 6 should require compensation to the Vendor. Given that the nature of payment under the Lottery Contract is the 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 to meet the requirements and timeline, either prior to conversion under or after conversion, are recoverable expenses, in the event of a termination for convenience or a termination under Section 6?

**A) We respectfully disagree with the language proposed. The section will remain unchanged.**

## GENERAL QUESTIONS –

Q50 Please provide copies of any research reports (tracking, focus groups, quantitative) for the last three years.

**A) We respectfully decline this request. Under Iowa Code section 99G and Iowa Code Chapter 22, the Iowa Lottery considers these records confidential.**

Q51 In FY09, both the Pick 3 and Pick 4 products witnessed strong sales results. To what does the Lottery attribute such strong sales?

**A) General understanding of the game.**

Q52 Please provide copies of the FY08 and FY09 Marketing Plans and associated budgets.

**A) We respectfully decline this request. Under Iowa Code section 99G and Iowa Code Chapter 22, the Iowa Lottery considers marketing plans and research confidential. Iowa Code 99G allows that up to 4% of sales may be used for marketing or our products.**

Q53 Would the Lottery provide us with the projected growth in sales that will be considered so that all vendors' proposals are based on the same sales projection which will allow for a fair comparison of the proposals?

**A) The Lottery has not projected past FY2011. In FY 2011, the Iowa Lottery has budgeted a 1% increase in proceeds and a 1.9% increase in sales.**

Q54 Please provide copies of any market research reports for the last two years.

**A) We respectfully decline this request. Under Iowa Code section 99G and Iowa Code Chapter 22, the Iowa Lottery considers these records confidential.**

Q55 If conducted, please provide the Annual Market Segmentation Studies for the past two years.

**A) We respectfully decline this request. Under Iowa Code section 99G and Iowa Code Chapter 22, the Iowa Lottery considers these records confidential.**

Q56 Please provide details relating to any retailer and player promotions that have been run over the past year.

**A) No retailer promotions have been run. Please see answers to Question # 36 (2) for player promotions.**

Q57 Please provide details relating to any retailer incentive programs that have been run over the past two years.

**A) The Lottery's Retailer Compensation Program is a combination of retailer commissions and retailer bonuses for achieving sales goals. Attached is the Lottery's current Retailer Compensation Program shown as RFP Exhibit 5.**

Q58 Please provide details relating to any new games or game changes that the Lottery plans to implement prior to or after the conversion date.

**A) We are investigating numerous lotto games or game changes based on a variation of current games, known multi-state lottery discussions and possible federal or state legislation.**

Q59 Please provide a current Retailer's list in an Excel electronic format that includes the Retailer Number, Name, Address (including ZIP Code), Phone Number, and Sales Data. If necessary, the Retailer Name can be blocked out to protect the Retailer in the event this information is considered confidential, or we will be glad to sign a non-disclosure agreement.

**A) The Lottery has developed an Excel spreadsheet (RFP Exhibit 2) that combines the information requested in this question and Q36. In the production of this spreadsheet, the Lottery is including the information that is readily available in the Lottery's reporting system. Following are details relating to RFP Exhibit 2:**

- The request for sales for 104 weeks is being fulfilled with sales for FY 09 and FY 08 on separate tabs.
- The number of weeks that each retailer had sales is not answered, as this is not an item that is readily available in the Lottery's reporting system.
- The retailer number is not being released as the Lottery fails to see how this identification number is necessary to complete the assessment of sales opportunities.
- Lottery Regional Offices are identified by number:
  - Des Moines is 1
  - Cedar Rapids is 2
  - Mason City is 3
  - Storm Lake is 4
  - Council Bluffs is 5
- DSRs are also identified by number.

- The SIC codes used by the Lottery will be posted to the web page as RFP Exhibit 3.

The Lottery will send this file (RFP Exhibit 2) to all vendors who have filed an Intent to Bid Letter with the Lottery. Due to the size of the file, it is not being posted on the Lottery's web site. Anyone other than the vendors who have filed an Intent to Bid Letter with the Lottery can receive this file by emailing Tammy Cooper, RFP Coordinator at: [tcooper@ialottery.com](mailto:tcooper@ialottery.com)

Q60 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?

**A) A detailed list of the past two year's events is not available.**

**The biggest Iowa Lottery event locations include:**

- The Iowa State Fair in Des Moines
- The Iowa Speedway in Newton

**A list of current events and schedules are posted on our website at [www.ialottery.com](http://www.ialottery.com). The success of these events warrants our desire to do more events in the coming years.**