

GEORGIA LOTTERY CORPORATION

Responses to all timely written questions and requests for clarification submitted by vendors under the Request for Proposal (RFP) for Banking Services issued on September 9, 2009.

1. Section T – Specifications for Required Services (Master Operating Account):

- a. The ACH produced and delivered file, will this be in a NACHA formatted file?

ANSWER: Yes. The file is in NACHA format.

- b. What is the average dollar amount of your weekly ACH file?

ANSWER: Between \$20 – 25 million.

- c. In regard to the electronic media for failed ACH transactions, what format do you require?

ANSWER: Internet transmission website supported by bank.

2. For ACH return items, will the returns be charged against a separate Return items acct, rather than the Master? The Returns Items acct will then be funded by a ZBA transfer.

ANSWER: Yes

3. GLC Office Accounts:

- a. How are the 7 district and 3 Kiosk accounts funded?

ANSWER: Daily deposits of sales from lottery tickets. GLC personnel make deposits in their respective cities.

- b. Can the accounts be opened in a central location with the local offices maintaining use of the accts?

ANSWER: No. GLC district office personnel need to physically go to the bank daily & make deposits.

4. Incoming Wire Account - confirmation notification:

- a. We can provide a fax for wire notification; however, our Online Banking platform can also provide this confirmation. Would that be acceptable to GLC?

ANSWER: Online notification is acceptable.

5. Payroll Account:

- a. Who is your payroll vendor?

ANSWER: ADP

- b. Is the payroll drawn on a GLC account or your vendor?

ANSWER: GLC account. The vendor does reverse wire transactions for direct deposit, taxes, and garnishments.

- c. What is the average dollar amount of your ACH payroll file?

ANSWER: \$595,000 (bi-monthly).

6. Escrow Account:

- a. What is the average number of retailers that will be on the Escrow account each month?

ANSWER: Average 450 sub accounts per month

- b. How long is a retailer on the escrow system?

ANSWER: There is no set period of time for a retailer to be in the system.

7. Cash Vault:

- a. Who is GLC's armored courier?

ANSWER: Dunbar Armored

b. How much cash do you deposit into this account per month?

ANSWER: There are multiple accounts that we utilize Dunbar Armored for. The monthly average is:

**Master Account: \$50,000
Inforum Lobby: \$25,000
Airport North: \$300,000
Airport South: \$300,000**

c. Do you require change orders?

ANSWER: No

8. Account Reconciliation

a. This requirement reads like you are requesting a Paid item recon file, while 2d requires a Full Recon. Are both recon types being requested? Please clarify the accts and types of recon that will be needed for each.

ANSWER: No. We need full recon on all accounts.

9. Future Endeavors

a. Credit card acceptance - Can you estimate the number of transactions and total dollar amount per month that you would receive in sales via credit card?

ANSWER: Since this is a future endeavor, the GLC has not considered or estimated the number of transactions or total dollar amount per month.

b. Debit card usage - can you estimate the number of cards that the GLC may use?

ANSWER: Have not considered this since this is a future endeavor.

10. General Questions:

a. Can you provide 1 month of account analysis statements?

ANSWER: The GLC provided adequate information/detail of services requested in Exhibit A of the RFP.

b. How many ACH Notifications of Change do you receive per month?

ANSWER: We need clarification. Please define “ACH Notifications of Change”.

c. Are the same accounts that use reconciliation services the only ones that also use CD-ROM Check imaging?

ANSWER: Yes. CD-Rom check imaging is for A/P & Prize accounts only.

11. In the bank’s effort to conserve our natural resources via our “Green” initiative, all of our Financial Statements are online at our company Web site. Can we provide GLC the link to our 2008 Annual Report?

ANSWER: At least one hard copy is required, via US Mail.

12. Escrow: What is the total number of Accounts that will be moving over? What is the total amount of money that these accounts represent?

ANSWER: We would move all active (approximately 430), plus all sub accounts closed year to date 2009/2010 (approximately 60). \$4.4 Million.

13. Last year what was the total number of new accounts that were opened and what was the total number of new accounts that were closed in one year? (RFP Section Number T, 1, G; Page 8)

ANSWER: One year ago we had 374 sub accounts, total of \$3.9 Million. We typically add 10 – 15 sub accounts per month. We typically close 4 – 6 sub accounts per month.

14. At the airport and HQ Kiosks does the GLC have cash ordering being delivered by courier as well as Cash collection by courier? (RFP Section Number T, 1, Q; Page 9)

ANSWER: No cash ordering. Cash collection is handled by a courier, Dunbar Armored.

15. In regards to ordering and collection, is the cash in loose coins and bills or is it provided in Fed ready straps and rolled coins? Does GLC order straps or loose bills and what is the volume? (RFP Section Number T, 1, Q; Page 9)

ANSWER: No, our cash is not in Fed ready straps. It is loose coins and bills. No, we do not order straps.

16. What is the makeup or breakdown, dollars and denominations of the Fed ready or strapped notes? (RFP Section Number T, 1, Q; Page 9)

ANSWER: N/A

17. What portion of the 85 units on exhibit A is inbound wire and over the counter and if over the counter what portion is checks vs. cash. (RFP Section Number T, 1, E; Page 8)

ANSWER: 20% of the units are incoming wires, 20% are checks, and 60% is cash received in the Incoming Wire Account.

18. GLC office accounts: Please explain the purpose of the GLC district offices. What service or function does this requirement serve? What is the purpose of these accounts? (RFP Section Number T, 1, D; Page 7)

ANSWER: The district offices serve the lottery players throughout the state of Georgia. Each office sells lottery products to players. The district offices make bank deposits on a daily basis of funds collected from these sales.

19. Who is your current provider for banking services and does that vendor provide all of the GLC required services or do you have multiple providers currently to fulfill your needs?

ANSWER: Bank of America is our current provider for all services.

20. Will you provide a current monthly Analysis statement?

ANSWER: The GLC provided adequate information/detail of services requested in Exhibit A of the RFP.

21. Is the GLC open to solutions and product enhancements that could satisfy your business functionality and that are not currently part of your business current services today.

ANSWER: Yes. The GLC is always open to solutions and product enhancements that could improve our successful operations.

22. Retail Application Checks: Volume listed is 300 on exhibit A. Is the volume for the district branches included in this volume or is there additional volume identified elsewhere for check deposited at those branches? (RFP Section Number T, 1, K; Page 8)

ANSWER: Yes, this number is inclusive of the district office deposits.

23. If we don't have physical locations in all 7 locations will that disqualify our bid? (RFP Section Number T, 1, D; Page 7)

ANSWER: No, you will not be disqualified.

24. Define "File entry date" Is this settlement date? (RFP Section Number T, 1, A; Page 7)

ANSWER: Yes. File entry date is the settlement date.

25. Security and Background check, what does this entail. Is it a review of our financial annual reports or something more detailed? (RFP Section Number B; Page 2)

ANSWER: Please refer to Exhibit B of the RFP for further explanation of the background check. In addition, principals in charge of the contractual relationship will be subject to a criminal background check.

26. What is the volume and number of safekeeping securities that you currently hold in safekeeping? (RFP Section Number T, 1, I; Page 9)

ANSWER: As of 6/30/09, our bank's safekeeping department held U.S. Treasury strips with a maturity value of approximately \$400,545,000 and a market value of approximately \$301,640,000. We average 1 to 2 purchases/sales per year, and strips mature quarterly through 8/15/2037.

27. Decision Making Process:
a. Who comprises the Evaluation Committee?

ANSWER: The Evaluation Committee is comprised of GLC personnel.

- b. Please describe the assigned weight or order of importance for each of the 5 evaluation criteria.

ANSWER: Specifics of our evaluation criteria are described within the RFP, Section G, Evaluation of Bids.

- c. Once finalists are selected, will they have the opportunity to make an oral presentation?

ANSWER: Oral presentations will be scheduled only if the GLC deems necessary.

28. Prior to the submission deadline, will there be an opportunity for each bank to discuss the scope of the services requested in person?

ANSWER: No. Only if the GLC deems necessary.

29. Please clarify, with an example, the distinction between the delivery date of ACH files vs. the entry date and when you expect to have use of those dollars (pg. 7 under Master Operating Account)

ANSWER: The entry date of ACH files is the date the file is entered into the system. The delivery date is the date, usually the next business date, when the ACH file is effective (settlement date). This is the date that the funds are to be made available.

30. What banking services, other than deposit acceptance, are required for the 7 District Office accounts?

ANSWER: The district offices need to be set up to allow ACH transactions and/or account transfers, and receive individual bank statements for each district.

31. Are the accounts referred in section K, under Bank Accounts and Services, the same as those in section D? Please clarify.

ANSWER: Each district office has its own separate bank account. There is one account for Retailer Application Checks. Each district office makes deposits of their application checks into this one account.

32. Is there an underlying reason that facsimile confirmation of deposit activity is required vs. online or email confirmation? (section E. under Bank Accounts and Services)

ANSWER: No, we don't have to receive facsimile confirmation. Online email confirmation is acceptable.

33. In the current operating environment, are funds received into the incoming wire account transferred daily to the Master Operating Account via ZBA?

ANSWER: Yes.

34. Please explain further and provide an example of how the Escrow Account works and who executes the disbursement. Is interest remitted to the retailer when their bonding period is complete?

ANSWER: Retailer Escrow sub accounts are opened by the GLC on behalf of our retailer applicants as a result of our retailer credit evaluation and management policies and procedures. Each retailer sub account is numbered using the unique GLC Retailer ID number assigned that retailer entity by the GLC. All Retailer Escrow sub accounts are funded through receipt and deposit of certified funds from retailer applicants or existing GLC retailers. The bank providing the GLC Retailer Escrow Service mails:

- 1) Quarterly statement of account directly to each retailer sub account entity.**
- 2) IRS Form 1099 for interest income earned the previous year directly to each retailer sub account entity.**
- 3) Annual interest check for the interest earned directly to each retailer sub account entity.**

All financial transactions for each retailer sub account are accessible through Online Banking Services. This includes producing checks for the refund/release/reduction of Retailer sub account funds.

35. Please define "resweeps." (pg. 10 section r)

ANSWER: Resweeps is a term for when we initiate an ACH file to collect funds from our retailer base. The amount that is due the GLC (for lottery transactions) is "swept" from the retailer's account. When the ACH is returned for insufficient funds, we contact the retailer or his bank to secure funds due the GLC. The first time we send an ACH, we "sweep" the account, the second time we "resweep" the account.

36. Please clarify exactly which reconciliation services are required on the controlled disbursement accounts.

ANSWER: Full reconciliation services are required on the controlled disbursement accounts.

37. Are you currently using a purchasing card program? If so, please provide annual spend, and number of cards as well as any other relevant information.

ANSWER: Yes, we currently use a purchasing card program. Annually we spend \$35,000 and we have one card.

38. Please provide a copy of your most recent analysis statement. If the associated volumes are affected by seasonality, please describe.

ANSWER: The GLC provided adequate information/detail of services requested in Exhibit A of the RFP.

39. Per the Proposal Signature and Certification Form, Wachovia will be noting any exceptions in writing and will include these exceptions with the proposal. Is this sufficient or, as "R. Interpretations and Disputes" suggests, should we also present any and all exceptions or suggested changes to language to the GLC Coordinator prior to the September 18th deadline?

ANSWER: Evaluation Committee will be reviewing each proposal as submitted. Information that is not part of the proposal will not be part of the committee's consideration.

40. Please clarify whether all employees of the firm awarded the GLC contract will be subject to a background check or only those individuals assigned to support the GLC relationship. (Page 5-J)

ANSWER: Background checks will be performed on those individuals assigned to support the GLC relationship.

41. How many sub accounts are needed for the Escrow Account? Are the master and sub accounts linked for ZBA purposes? Regarding the issuance of checks to refund the retailers, will the GLC issue the checks or will the Bank be required to do so? (Page 8-T.1g)

ANSWER: Interest is remitted annually directly to the retailer sub account entity. When a retailer sub account is closed during the year, interest earned to date is rolled into the funds disbursed/refunded. We do not currently have a limited maximum number of sub accounts. The current GLC retailer base is approximately 8300. No, the accounts are not linked for ZBA purposes. The GLC will issue checks for closed sub accounts or to reduce the amount of funds required.

42. Please provide additional information on the weekly debits via online banking application. (i.e. Are the debit payments to other parties or are they internal transfers?) (Page 8 – T.1.j)

ANSWER: The weekly debits are internal transfers for funds due the GLC for lottery transactions that have occurred during the week.

43. Please clarify what information is provided in the following reports (Page 9 – T.1.r):
a. EFT Sweep Report

ANSWER: The GLC sends a weekly ACH to the bank where all retailers' bank accounts are debited and/or credited for their lottery transactions that occurred during the previous week. This information is imported via NACHA format.

- b. Resweeps

ANSWER: When funds from the above EFT sweep report is returned for insufficient funds, there will occur a "resweep" of the retailer's bank account so the GLC can secure funds owed.

- c. District Office Sweeps

ANSWER: Weekly, funds that are deposited in each district office account for lottery transactions is "swept" out, via ACH or account transfer, and placed in the Master account.

44. What is the anticipated volume of credit/debit card transactions? (Page 11 – 3a). How will cards be issued/delivered to the winning players? (ex. Mail, pick-up) (Page 11-3b).

ANSWER: Since this is a future endeavor, the GLC has not come up with any figures or strategies on how to implement this program.

45. For your cash vault deposits (page 12): Who is your armored courier vendor? Do you strap currency? If yes, please provide an estimated number of straps per month. If no, please provide an average dollar amount deposited each month. Do you roll coin? If yes, please provide an estimated number of rolls per month. If no, please provide an average dollar amount deposited each month.

**ANSWER: Dunbar Armored is our armored courier vendor. We do not strap currency. We do not roll coin. Average monthly dollar amounts:
Master Account: \$50,000**

Inforum Lobby: \$25,000
Airport North: \$300,000
Airport South: \$300,000

46. Does the deposited items volume represent deposited items or incoming wires?
(Page 13)

ANSWER: There are approximately 20% of incoming wires, 20% of checks deposited, and 60% of actual cash placed in this account monthly.

47. Please provide your current volumes for the safekeeping line items below, if applicable. Please also list any other volumes not listed below which are applicable to your current safekeeping service. (Page 14)
- a. Pledges and releases
 - b. Income Collection
 - c. Custody Fees
 - d. External Broker Transactions
 - e. Average Annual Dollar Amount of Investments Held in Safekeeping

ANSWER: As of 6/30/09, our bank's safekeeping department held U.S. Treasury strips with a maturity value of approximately \$400,545,000 and a market value of approximately \$301,640,000. We average 1 to 2 purchases/sales per year, and strips mature quarterly through 8/15/2037.

48. Does this requirement apply to this RFP (Exhibit B - #3)?

ANSWER: Yes.

49. What are the activities that are limited and restricted? To whom do the above mentioned activities apply?

ANSWER: Refer to 2nd paragraph, page 20, which restricts members involved in performing banking services for the GLC from making certain political contributions, submitting certain proposals to the GLC, and purchasing lottery tickets.