

STATE OF NORTH CAROLINA

NC EDUCATION LOTTERY



IMPORTANT ADDENDUM

June 8, 2011

THIS BID ADDENDUM DOES NOT HAVE TO BE RETURNED:

BID NUMBER: LC-000033
ADDENDUM NUMBER: 3
PURCHASER: Michele Goff

COMMODITY: Player Reward Program and Related Services
USING AGENCY: North Carolina Education Lottery
OPENING DATE/TIME: June 20, 2011, 4:00 pm EST

QUESTIONS AND ANSWERS:

1. Section 1.2 and 1.5, Page 3

The RFP provides that all proposal data, materials, and documentation originated, prepared, and submitted to the NCEL pursuant to the RFP shall belong exclusively to the NCEL and become the NCEL's property.

Could the NCEL please confirm that it would own the copyright to any proposal data, material, and documentation originated and prepared for the NCEL, but not the underlying proprietary information owned or licensed by the Contractor used to create such materials?

The NCEL confirms that it will not own the underlying proprietary information that is owned or licensed by the Potential Contractor used to create the proposal materials.

2. Section 2.8, Page 5

Would the NCEL be willing to disclose the relative weight to be given to the variety of factors that it shall consider in determining the Successful Contractor, i.e., experience, integrity, track record, pricing, minority business participation, etc.?

No.

3. Section 2.9, Page 6

Will the lottery please confirm that the actual cost of the loyalty based prizes and shipping of these prizes will be absorbed by the Lottery as part of their Phase 2 plan?

Prize cost and fulfillment should be part of both Phase I and Phase II consideration for the Responding Contractor's Proposal. The NCEL is looking to the Responding Contractors to include funding levels in their Proposals based on their expertise in development of this type of program to make it both viable and successful.

4. Section 2.11 and 3.2, Page 7

Please clarify how the negotiation with more than one Contractor will be handled so as to give all Contractors the equal opportunity to meet the negotiated terms agreed to by any one Contractor. Will negotiations occur with the apparent Successful Contractor and only if such negotiations fail to conclude with an executed Contract would the Lottery then proceed to negotiate with other Vendors?

The NCEL has the option to negotiate with the next Responding Contractor with the highest score as evaluated by the NCEL Evaluation Committee; issue another RFP; or not award the Contract.

Section 2.11 provides that a Successful Contractor shall negotiate and execute a Contract containing such terms and conditions as shall be satisfactory to the NCEL whereas Section 3.2 provides that the NCEL reserves the right to negotiate the form of the Contract and offer such Contract to the Successful Contractor as the NCEL determines is in the best interest of the NCEL.

Would the NCEL please confirm that a Successful Contractor will have the opportunity to negotiate the Proposed Contract attached to the RFP as Exhibit B?

If the Responding Contractors desire to modify any legal terms and conditions as specified in the Sample Contract (Exhibit B), the Responding Contractors should specify those changes in writing as part of their Proposals.

5. Section 3.2, Page 8

The Contract between the NCEL and the Successful Contractor incorporates, as parts thereof: the RFP, Questions and Answers with respect to the RFP, and the Successful Contractor’s proposal.

In the event of a conflict in language between any of the above-mentioned documents, the documents shall control, in the following order of precedence: the Contract, the RFP, and any amendments thereto as well as Answers to Questions, and finally, the proposal of the Successful Contractor.

As drafted, the order of precedence could create an unintended conflict based on why the proposal was accepted. Accordingly, would the NCEL be willing to amend this section to provide as follows: “In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: the Contract, the proposal of the Successful Contractor, and finally this RFP and any amendments thereto as well as Answers to the Questions”?

A Contractor’s Proposal must meet the minimum requirements as specified in the RFP. However, if there are any terms in the Proposal that would conflict with the RFP for any reason, the RFP shall dictate.

6. Section 4.3, Page 9

If a Potential Contractor has previously submitted to a full background check as a result of prior NCEL procurement processes, and is currently subject to updating requirements, would the NCEL please confirm that the Potential Contractor does not need to submit with its proposal Attachments B, C, D, and E, as well as a check to cover the cost of criminal record checks?

No, the NCEL cannot provide such confirmation until the NCEL is in receipt of the Potential Contractor’s Proposal. If the Potential Contractor has any doubts regarding its status, the NCEL recommends that the Potential Contractor provides the requested Record Check Fees.

7. Section 4.4, Page 10

Would the NCEL amend the first sentence of Section 4.4 to require disclosure of any material pending or overtly threatened civil or criminal litigation or indictment involving such Contractor?

Would the NCEL also amend the last sentence of Section 4.4 to provide that the Contractor must disclose any material litigation to the NCEL in writing within five (5) days after it is served a complaint?

As “material” is a subjective term, the NCEL will not amend the first sentence of Section 4.4.

8. Section 4.5, Page 10

If a Contractor is a subsidiary and not required to prepare separate audited financial statements, would the NCEL please confirm that the audited financial statements of its parent corporation provide adequate information to permit an evaluation of its financial responsibility, stability, and capabilities to undertake and complete satisfactorily any Contract awarded and executed pursuant to this RFP?

Yes, only if the audited financial statements of its parent corporation also detail the financial information regarding the subsidiary.

9. **Attachment F - Filing of a Dispute Resolution Request D, Page 29**
The RFP refers to filing of a “Dispute Bond.” Is this the same as a Litigation bond?

Yes.

Will the NCEL please provide a sample bond form for the Dispute bond?

There is no sample bond form available.

10. **Section 1.1, 2.9, Page 6**
In Section 2.9, Scope of Services (bullet #7), does the Lottery plan to continue to run the 2nd chance draw functionality or are they looking for the vendor to provide this functionality as part of the “Player Reward Program” RFP?

The NCEL is looking to the Successful Contractor to provide this functionality.

11. **Would the Lottery consider converting their current player management system to the new “Player Loyalty Program” player management system provided there is no loss to Lucke Zone’s current functionality?**

If by “player management system,” the Potential Contractor is referencing player registration/database, then the NCEL does not wish to convert its already established system.

12. **LEGAL:**

Are we required to complete all of the legal forms prior to being awarded the business?

Yes.

What's the process for changes or red-lines to the legal documents? Does this need to be completed prior to the RFP response or does this happen after the bid is awarded?

See response to Question #4.

If we make changes to the Exhibit B will it preclude us from being considered?

No.

Would it be possible to submit our Master Services Agreement for consideration since it's specific to the services that we provide?

Yes. However, if there is a conflict with any terms between the Master Services Agreement and the Contract, the Contract terms shall dictate.

13. **CUSTOMER SERVICE:**

What are your expectations around customer service being included in the proposal?

Prize fulfillment hotline services and email response as it relates to rewards program, points use/accumulation and technical troubleshooting of the Successful Contractor’s system.

What customer service do you have in place currently?

Player hotline and Lucke-zone technical support email.

Should our RFP response include Customer Service costs – e-mail and/or phone support?

Yes.

Do you have a baseline expectation for the call volume/ e-mail inquiries that you anticipate?

Not at this time.

Should we quote out our costs per call per e-mail?

Cost structure for support services should be determined/outlined by the Potential Contractor in their proposal. Most cost efficient structure should be considered.

What languages need to be supported for customer service?

English.

14. LANGUAGE/ELIGIBILITY:

What languages need to be supported in the program?

English.

What are the eligibility requirements? Age, geography?

Must be 18. Must have active account and valid email. No restriction on geography at this time.

15. BROWSER SUPPORT:

Specifically, what browsers need to be supported for the program?

All Modern Browsers, (IE7 or better)

16. CREATIVE/INTERFACE DEVELOPMENT:

Which e-mail clients (g-mail, Outlook, Hotmail, etc.) should be supported in terms of rendering of registration and other program related e-mails?

All current popular ISP providers should be supported.

17. INTEGRATION:

Who is responsible for drawings and winning numbers? Is this GTECH?

If the question is relating to online game drawings, physical drawings are conducted by the NCEL with GTECH as our online gaming system vendor.

How many integration points are there? Can you please tell us the other partners that are involved (i.e. datafeeds, number imports, e-mail, marketing database?)

Currently there is only one integration point, User Authentication Pass-through. MUSL is the web hosting partner and various vendors have been integrated into the site on an individual game basis for 2nd chance drawing host services, but there is no one continuous partner aside from MUSL.

18. HOSTING/MEDIA:

What are the hosting requirements for the program?

Dedicated / Dedicated Virtual Hosting, capable of handling 10-100 thousand concurrent users. Ability to Encrypt/decrypt Rijndael 128/256. Follow direction of User Interface Standards, specifically HTML/XHTML/HTML5 and CSS. Ability to restore a real-time back-up to server within 5-15 minutes of a failure event.

What are the current and planned media plans of Lucke-Zone Player's Club?

Currently, the Lucke-Zone is promoted through in-store POS, ESMM show inclusion, social media and promotional materials surrounding games requiring Lucke-Zone interaction or membership. Possible future promotion is being considered in media related to promotional games (i.e. TV, radio), along with highlighting membership benefits through sports sponsorships and special events.

19. MARKETING-SPECIFIC QUESTIONS:

What are the goals for the membership for Year 1, Year 2, Year 3?

Year 1 – 80,000
Year 2 – 150,000
Year 3 – 225,000

In the Scope of Services section (2.9), you mention providing consultation and recommendations that include thinking through 'strategic alliance with key Marketing initiatives'. Are you able to share out a calendar of key events for the launch period or sample events we should think through in the proposal?

The launch period is still to be determined based on Successful Contractor award and implementation timelines, so a specific key initiative will be relative to what is happening during that timeframe, which is still undetermined. However, the NCEL will have 9 promotional windows throughout FY12 that will focus primarily on instant game launches of various key games/prize points. In addition, possible key initiatives could include: creating Cash 5 game awareness & increasing sales, promoting a possible \$2 Powerball game change, and a possible cross promotion of Cash 5 with our current jackpot games.

20. OWNERSHIP:

Will you consider partnering with companies that provide software as a service – i.e. it is proprietary to the company and can only be licensed rather than owned?

Yes.

21. BUDGET:

Can we provide budget ranges for the proposal?

Yes.

What is the differential that we can work with?

N/A.

Can you please disclose the budget associated with each phase of the phase?

Not available for disclosure at this time.

22. FORMAT:

Is there a required format for the proposal?

Reference section 2.4 of the RFP. Vendor should address all items outlined/requested in the RFP document.

23. Will there be an overall scoring system?

Yes.

If so, can you provide detailed scoring criteria and weight(s) given to each area?

No.

24. Does NCEL have an anticipated annual budget set for the management of their loyalty program?

Yes, the NCEL has an anticipated budget, but it is not available for disclosure at this time.

25. Does NCEL have a specific intention or desire on how prizes will be awarded? Or, is that function to be solely determined as a result of the RFP process based on the solution provided by a prevailing bidder?

The NCEL anticipates that prize award structure would stay in keeping with the general outline of Phase I (through drawings) and Phase II (drawings & catalog) as noted in the RFP. Specific methods for points accumulation and prize award should be part of the Potential Contractor's suggested methodology and program.

26. Please describe, in as much detail as possible, the web and "Lucke-Zone" current hosting environment.

The Lucke-Zone is hosted by MUSL. The platform is Windows 2008 Server running IIS7 .NET 3.5. MUSL utilizes an f5 load-balancing/caching front-end. The NCEL full access to the Windows 2008 Server. MUSL provides a Clustered MS SQL 2005 Database (shared) to which we have direct Studio access to our Databases.

27. We recognize that section 1.1 states that MUSL currently holds the registration database, we would like to note that we are prepared to and capable of submitting a bid to maintain all required technology.

Has NCEL made a final determination on who will host the player reward servers?

Player reward services to be hosted by the client/bidder allowing for mixed technologies that best suit the application.

28. What are the anticipated hosting requirements for the player reward implementation (e.g. dedicated server, redundancy scheme, etc)?

Hosting most likely would require dedicated/dedicated virtual for security and performance. Redundancy should be planned so that a second (or replacement) server could be online / active no longer than 5-15 minutes from a failure event

29. Please describe the API mentioned under "Current System Integration Specifications."

The passage of userdata / passthrough / authentication to require ability to handle Rijndael 128/256 bit encryption/decryption. Further cross-communication TBD as needed.

30. Approximately how many visits does the <http://www.nc-educationlottery.org/> web site get each month (both unique visitors and unique page views)?

Google Analytics Results:
Avg # of Visits per month: **2,577,009**
Avg # of Absolute Unique Visitors per month: **782,513**
Avg # of Page views per month: **8,412,123**

31. Approximately how many visits does the <https://www.lucke-zone.com> web site get month (both unique visitors and unique page views)?

Google Analytics Results:
Avg # of Visits per month: **124,858**
Avg # of Absolute Unique Visitors per month: **68,472**
Avg # of Page views per month: **704,279**

32. Who maintains the current websites and where are they located and/or maintained (e.g. are they maintained remotely)?

MUSL maintains the hosting hardware outside Des Moines IA, while we maintain control over a dedicated virtual Windows 2008 Server via RDP

33. What is the current database and hardware structure of each web site?

The platform is Windows 2008 Server running IIS7 .NET 3.5. MUSL utilizes an f5 load-balancing/caching front-end. The NCEL full access to the Windows 2008 Server. MUSL provides a Clustered MS SQL 2005 Database (shared) to which we have direct Studio access to our Databases.

34. If additional hardware and/or 3rd party software is required, would the perspective bidder purchase this and retain ownership, or would NCEL directly procure and maintain these items as specified through the RFP?

Hardware – Successful Contractor would purchase and own. Software – to be determined based on integration and functionality within the site/program.

35. Would NCEL be open to allowing Lottery approved 3rd parties study the user data generated by the system if such a use could reduce the overall cost of the Player Loyalty solution provided?

No.

36. Is NCEL willing to tax the prize structures of games to pay for the Player Loyalty system (e.g. remove portion of cash payout from most or all games)? If so, to what degree?

No.

37. With regard to the proposed agreement in “Exhibit B,” what are the areas of indemnification provided by NCEL and what areas are required of the Vendor?

As a North Carolina State Agency, the NCEL cannot indemnify or hold harmless anyone. The Successful Contractor shall be responsible for indemnifying the NCEL for all activities associated with its performance under the Contract.

38. With regard to the proposed agreement in “Exhibit B,” Section 12, NCEL notes that payment is strictly subject to, and limited by, availability of funds. Can NCEL please describe the process and timing by which these funds are encumbered?

This provision mainly applies when the NCEL’s funding has been revoked or limited by an external authority such as the Legislature and/or the Governor. Otherwise, the NCEL’s budget would anticipate such expenditures.

39. While it is expected that the prevailing bidder would provide extensive knowledge and input on the development of the Loyalty Program rules and policies, can it be safely assumed that NCEL will ultimately control and dictate the Loyalty Program rules?

Yes.

40. While it is expected that the prevailing bidder would provide extensive knowledge and input on the development of the Loyalty Program rules and policies, can it be safely assumed that NCEL will be responsible for ensuring the Loyalty Program and the Web Site use and operation comply with all applicable laws and regulations including, without limitation, the laws and regulations of the State of North Carolina advertising, publicity contests, gaming, consumer protection, protection of personal information, and protection of minors?

Yes. However, the Successful Contractor is expected to inform the NCEL regarding any legal parameters that it is aware of regarding the specified issues.

41. While it is expected that the prevailing bidder would provide extensive knowledge and input on the development of the Loyalty Program rules and policies, will NCEL be responsible for preparing and providing all terms of use, legal disclaimers, registrations, or other legal notices?

Yes.

42. Should out-of-pocket expenses be required during the term, how would NCEL handle such intendances?

Out-of-pocket expenses should be estimated and included as a line item in the cost proposal.

43. With regard to the proposed agreement in “Exhibit B,” is there a dispute resolution process that NCEL would consider including in the agreement?

The dispute resolution process is the “Vendor Dispute Resolution Policy” which is included in the RFP as Attachment F.