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AMEND THE RFP.

GEORGIA LOTTERY CORPORATION

SUMMARY OF BIDDERS CONFERENCE FOR BANKING SERVICES RFP

Date: Friday, September 4, 2015

Location: Georgia Lottery Corporation (GLC) Headquarters

Facilitator: Joe Kim, Sr. Vice President & General Counsel (JK)

GLC Representatives: Sharman Lawrence, Sr. Vice President of Finance (SL)
Lanze Thompson, Vice President of Finance
Rosemarie Morse, Vice President of Legal Affairs

Attending Bidder
Representatives: Eric Melson, Bank of America
April Gordon, Bank of America
Todd Sanders, BB&T
Clint King, BB&T
Vivian Brandan, Suntrust
Shalee Fulk, Suntrust
LaShonda Price, Suntrust
Lisa Buckalew, Wells Fargo
Brad Hench, US Bank
John Engleson, US Bank

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- I. Meeting was called to order.
 - II. Introduction of Joe Kim.
 - III. Introduction of representatives from the Georgia Lottery Corporation.
 - IV. Introduction of representatives from the various banking institutions.
 - V. Joe opened the floor for additional questions from the Bidders:

Question: When we look at the details of the RFP, specifically on page 7, where it states "Immediate credit and use of all funds deposited is required, effective as of the files' entry date". We wanted to get some clarification on that.

- SL: The GLC sweeps accounts on a weekly basis. Basically debiting retailer and COAM location accounts, so we would expect to have immediate credit for that. There's an effective date. We typically transmit the GLC file on Monday stating the effective date, debiting the location account on Tuesday, so we are saying immediate credit. We understand there is still a one day wait on ACH files.
- Question: Could we get some clarification on volume? Not the number of transactions, but the dollar amounts of these transactions.
- SL: It can vary...it depends on the volume of sales from the prior week. For GLC, our sales week is from Sunday through Saturday. If we have a large jackpot it could be a larger number. At a minimum, it could be \$20-\$25 million and could be a lot more substantial if there is a high jackpot. Our sales could double that amount.
- Question: On page 13 of the RFP, it talks about optional services. Are you talking about bankcards. Will you allow a separate group for that or does it to be included with the general banking bid?
- SL: I would view anything that says "optional" as a separate it will not be necessarily rated until the overall evaluation criteria.
- Question: Are you currently taking credit cards?
- SL: Yes, only for our COAM license renewals.
- Question: So, you are going to be expanding in that area moving forward?
- SL: We are thinking about utilizing them on the retailer side for their contracting.
- Question: Do you have any vision as to how that process is going to work or would you like us to supply our own vision?
- SL: We would prefer that you supply your own vision. We are looking for the best bang for the buck and what's most economical for the GLC.
- Question: Any idea of the kinds of volumes or transaction numbers you are expecting?
- SL: On the GLC side, I'm not sure how many retailers we currently have in the contracting process. We have approximately 8800 retailers and at some point they will all go through a recontracting process, probably spread over three years. COAM licensing is an annual

renewal process. We have about 4500 COAM locations and about 220 masters. They have the option to do an ACH or debit card.

JK: For clarification, the GLC does not take credit cards for the purchase of lottery tickets and that is not on the horizon. Our lottery retailers can accept debit cards for lottery purchases, providing it's a pin-based debit card, but they are not allowed to take credit cards.

Question: How many total accounts do you currently have? I think I counted 24 accounts.

SL: I don't have an exact number, but it should be detailed throughout the RFP based on the type of account. That sounds about right with 24 accounts; between the master accounts, accounts payable, prize accounts, wires, incoming wires, etc.

Question: Is your escrow account a true escrow account and kept separate?

SL: It is held at our financial institution in the name of the person who submitted the funds. There is a distinction between those that are related to the GLC and the ones related to COAM.

JK: So, when you talk about escrow accounts, are talking about retailers and their financial security?

SL: Yes. Financial security deposits (FSD).

JK: Not all retailers have to post a financial security deposits. The retailers that do have to provide a FSD will have a letter of credit, bond, or an escrow account.

Question: On page 10 of the RFP, it mentions the safekeeping account. Is that held with your primary bank?

SL: Yes.

Question: Who's your primary bank right now?

SL: Bank of America.

Question: I think I have one more question regarding the sweeps and re-sweeps on page 11. Just wanted to figure out if our terminology is the same. Are EFT sweeps the same as ACH's?

SL: Yes, we call them sweeps.

Question: Actually, on the escrow accounts, we still want to get a better understanding. Say you have a new retailer and you don't really know them very well, so you ask them to open this escrow account. How long is that account open for? How do you notify the bank that this is designed to be an escrow account?

SL: The retailer submits the funds directly to us. We, in turn, deposit the funds with Bank of America. They open up a sub-account under our escrow account for that particular COAM location or retailer. It's held until they go through a credit review, which could be a year. It's based on their ability to meet their obligations without failing sweeps. It would be a minimum before it's clear. I'm not sure if RCA does it, retailer credit administration does anything with it.

Question: Is this a true escrow account or is it really just an account that is in the name of the retailer?

SL: Right.

Question: Then you're just administrating it and then ... How often do you actually close those escrow accounts?

SL: Depending upon their ability to meet their obligations. If they fail sweeps, then yes we will close that and take the balance owed out of that of which will cover the amount that's owed to us. If it doesn't, then we'll continue to pursue them through other collection means. If there's a balance left, they get a check for the balance.

Question: Typically what is the security deposit amount?

SL: It varies based on sales activity within that particular location that the business provides.

JK: I would say it would probably be as little as 5000. It could be as high as 30,000 or 40,000. Candidly, we're starting to ramp up the amounts that are... I suspect that as the amounts get higher and higher, they're probably less likely to build cash escrow and more likely to try to do a letter of credit. Lately, we've been getting more aggressive in terms of requiring security. Historically, it was limited to just two times the district average, but we're going well above that, depending on the circumstances.

Question: Also, who handles your payroll?

SL: ADP.

- Question: They do come and ask you to pull funds from the premier account and then do the paperwork or do you wire it?
- SL: They pre-pull up to a certain dollar amount out of our master account. Anything in excess of that, we authorize an additional debit.
- Question: Who is your armored courier?
- SL: Dunbar.
- Question: On page 5, letter J, it references criminal background investigations. Is that on...which employees would that be required for?
- SL: The primary account representative at the bank, anybody who's assigned to our account as the primary treasury agent or having a relationship.
- Question: On page 13, under other requirements, is there an existing program in place for that?
- SL: Yes. We currently have corporate Visa cards with Bank of America. I would say approximately 40 employees.
- Question: Sales reps?
- SL: No, they don't have a card.
- Question: You have purchasing cards in place?
- SL: We have, I want to say, two. There might be three purchasing cards. Our purchasing manager has one and I have one. I'm not sure if another executive has one.
- JK: When you say purchasing card as opposed to a credit card, what's the difference?
- Question: When I say purchasing card, I'm looking at ... There are two ways to look at it. One for general office procurement purposes. Then there's also in terms of making it a part of your accounts payable processes. It sounds like you're doing the former rather than the latter.
- SL: We have two for procurement, and then we have about 35 to 40 that are issued to individual employees for travel.

- Question: What are the limits on those? Do you have overall limit for the lottery or does each-
- SL: The employees? It's based on what they need it for, their specific job and their role. Executives have higher limits. General employees that travel, say special events or audit personnel.
- Question: What would you say the dollar amount of your purchasing card program is today?
- SL: We generally try to utilize the regular AP process as opposed to using our procurement buyers. Generally we use that if there is an urgent need to turnaround something or something that we're already online, that we have to facilitate a card. I would say probably less than \$100,000.
- JK: When you say purchasing card, are you talking about the two or three or are you talking about for all the travel cards?
- Question: I'm talking about the two or three.
- Question: Circling back to the fees payment side, for the GLC and COAM, what are the annual license fee and the application fees?
- SL: For the GLC, I believe it's...we just get the payment over here. It's hard to think what RCA...it's in our policy. Statutorily, it's defined for the COAM retailers in the statute. It varies based on the type of license, whether it's an A or B license and the number of machines they have in their establishment. It's a tiered range for the class A.
- Question: How much do you charge for the licensing fees and the renewal fees?
- JK: The master license fees are \$5000. There's about just a little over 200 Class B master licenses.
- SL: I think it's \$125 per machine. Class A, again, it's tiered. I don't remember the minimum, but it's tiered based on the number of machines in each location. There B start lower than that. I want to say around \$500, but it can go up to, I believe, \$2500. Then they also pay per machine as well, 100, but it's in the statute for them to see the exact amount.
- On the GLC side, I believe it's...there's a flat application fee. I don't believe it's over \$200. We don't charge based on the number of machines, but if they have multiple locations, then they're

charged per location. We're taking regular checks for that right now. We have not started taking ACHs, debit cards, or credit cards on the GLC side.

Question: I have a question regarding pages 16 and 17. I have two questions. On page 16, under the master account for the general ACH services, there's a maintenance of three, but I'm not quite sure if it's...from what I understood, there were two master accounts. So, how many accounts under two or three accounts from that section? Page 16, looking under the master account. I see standard services for DBA. Looks like there's one master account, and then I guess maybe two subs. So, one master and one sub. Then when I go down to ACH, I see three for the maintenance. I wasn't quite certain if there's a total of three accounts that have ACH services and there was an additional account there or...

SL: I know we have a master COAM and a master GLC account. I'm not sure what the ACH maintenance three.

Question: On page 17, for the district office and the kiosk accounts, the account analysis states there is a volume of 20, but when I was looking at page 8, it shows that there are seven GLC accounts and two airport kiosk accounts. So that would be nine accounts. Were there 20 accounts or just 9 accounts?

SL: Each district has a regular depository account for the activity where they're selling tickets. They also, and I'm not sure if it's one account across the board or their own individual where they deposit application checks in as well. There are two for each airport location, as well as the kiosk here.

Question: The reason I asked is because I was trying to figure out the number of accounts and the balances that were given. I have to do multiplication to add it up. Maybe I should just submit the question to confirm. On page 20, where you provide your balances, looking at the airport kiosk accounts, it's 50,000. When I was looking at that first...I just want to confirm if I need to use 20. Do I need to use 72 or 9? Do I need to submit that as a question?

SL: Yes, so everybody gets the same response.

Question: Back to the escrow accounts, I may have mentioned you could have up to 8800 in the Georgia Lottery than some of the COAM, 5000 in the COAM end itself. How many escrow accounts would you say you have today? Not every retailer has an escrow account.

- SL: Can you submit that one as a question because I honestly don't know off the top of my head?
- JK: I'll be surprised if it's more than 1000. I think most of the retailers use bonds and letters of credit. Submit your questions and we'll get you a more specific answer.
- Question: Could it be possible to get a copy of the 10 analysis statements? Because those bankers are actually deleting a lot of information from looking at account analyses.
- SL: I don't know. I'll have to consult with legal on that.
- JK: What is an account analysis statement?
- Male: It just basically shares all the activity of the volumes that an organization uses with their bank.
- Question: On page 8, regarding E and F. It's referencing the use of the CPAs and covered use of ACH transactions. I just want to make sure I understand. Do ACHs are being swept out of the new operating, but are the returns coming to this account?
- SL: They're actually coming to a separate account, so that we can always know what truly is in our master and is not comingling with some of the failed sweeps come back to a separate account.
- Question: Back to the escrow accounts again. I want to make sure I quickly understand it. Let's a retailer satisfied your requirements to not have the escrow account. They didn't pay you for a year longer perfectly. You decide that an escrow account is not needed. You reimburse the retailer that amount and close the account?
- SL: Yes.
- Question: How is that reimbursement done?
- SL: The RCA department generates a check that's drawn on the escrow account through Bank of America and issues that. They provide notification to Bank of America we want to close the account.
- Question: I just want to clarify the term on the contract so that it's appear to three years and then another three years.
- SL: It's a three-year term and then three one-year extension option.
- Question: How long has this current contract been in place?

- SL: This is the third year of the extension option, so six years.
- Question: On page 13, for A, we talked about cards. Is this for...I just want to clarify. This is for you all [evon? 32:52] account or do you want to receive card payments online? Correct?
- SL: This is for us to receive payments online from retailer applications. Currently, we only do that for COAM accounts. We are looking to do that for GLC retailer applications.
- Question: The forms of pay that you like to receive would be debit card, credit card, PayPal, things like that?
- SL: We want to know what the options are available to us.
- JK: Let me ask a question going back to the account analysis statement. What kind of information is in that account analysis statement?
- SL: Basically all of the services that our financial institution provides, showing the volume and the prices.
- JK: Okay, but it's not transaction-by-transaction?
- SL: By transaction type.
- Question: It'll share the number of ACHs you generated or show the number of deposits you made. It won't show the actual transactions themselves. It just comes in the summary format. It shows the volume of all the different types of activities that you have.
- JK: We'll take a look at the...make sure that...to me, it seems like the bidders would need to know how much business we're doing to be able to put together and form the bids. I'll look at it. We'll get with the bank owner and know what the bank, our current provider considers trade secrets, but at the same time, as far as the volume of the work, I think it's...I don't know how someone puts together and form the bid without knowing the volume of the work.
- SL: That's extracted from the analysis.
- Question: To clarify, it's a little bit easier for us to even announce a statement. When it's broken down like this, it is a bit confusing. When I say, "How many accounts do you have?" "No, this is ACH." When we see it on an analysis statement, it gives us a bigger picture. If we could get one, that'd be great. I was really joking about the pricing guide. Know that. If we can get it with everything blacked out or

whited out, like account numbers, pricing, if we could just see the list of services with the volumes, that would be awesome because it's a little bit easier to read from there. Sometimes this has a few things missing.

SL: All of these services are not provided through Bank of America. Some are provided by other financial institutions, like our health insurance account. We have one at Bank of America, but we also deal with Chase. It's not just policy that's coming up. If they don't have a district office in the location, we may look for another financial institution for the district offices as well.

Question: When we look at things like that, for instance, your health insurance account-

SL: We do have one at our current financial institution and primary funding through a different financial institution. Even the one at our current financial institution have fund that draw down at the other bank.

Question: When I look at that, on page 17, I see account analysis 1. For me, I look at that and I would just think, "Okay. It's just one account" because when I look at page 9, it states the account will allow both ACH debits and credits, but it's a little hard for me to determine what type of activity because there's no volume stated there. I can submit questions asking, "Hey, how many every place; we'd like to know that, or is that included in another piece where you have ACH credits somewhere else?"

Female: It's broken out differently, based upon how they group their analysis. She would technically have to give multiple account analyses. It's based upon how they do it. Their master Georgia Lottery grouping only supports that; COAM is separate. They would have to provide multiple analysis statements.

JK: Well, that's about it. Don't worry about being repetitive. Get all of your questions in to us, even if you feel like we've talked about it or you didn't get a complete answer. Don't feel bad about re-asking your questions. The whole purpose of this was not really to answer your questions. It was to have a discussion, fair out various issues to help you ask more informed questions, really, than it was to actually come up with an answer to any particular question here.

I like to find that at least have the initial fact to face interaction with the potential bidders is more informative than just getting a sterile question on paper and then getting an answer. A lot of times, if it's

not the right question, then even if the answer is correct to the incorrect question, it's going to be an inner element or not helpful answer. That's why I wanted to... I find that these kind of meetings and these kind of discussions help make the questions more useful to us. Therefore, the answer is more useful to the bidders.

I appreciate everybody coming in on the Friday before a holiday. I know you had other things that you probably had planned to be doing today.

VI. With no further questions, the meeting was adjourned.