



August 28, 2009

Arkansas Lottery Commission  
Attention: Bishop Woosley  
Director of Procurement  
500 President Clinton Avenue #215  
Little Rock, AR 72201

Re: RFP Number 09-00008 Retailers Surety Bond Program  
Clarification of RFP and Questions

Dear Mr. Woosley,

BancorpSouth Insurance Services is pleased to have the opportunity to bid on the Retailer's Surety Program for the Arkansas Lottery Commission.

Section 1, General Information

1. Section 1.0 Schedule of Events
  - a) Conflicts the date given for written vendor questions due of August 28, 2009 with Section 1.5 written questions accepted till the close of business on August 21, 2009. Is our assumption that the August 28, 2009 date for written vendor questions correct?
2. Section 1.8 Performance Security
  - a) States that the Successful Vendor will furnish a Performance Bond (Financial Forfeiture Bond) in the amount of \$500,000 to indemnify the ALC against all direct and consequential damages suffered by failure of the Vendor to perform according to the provisions of the Contract and may be drawn on at the sole discretion of the ALC. Does the RFP constitute the contract, and if so where specifically within the RFP are the specified terms or conditions of the Contract that would trigger a \$500,000 *Demand Financial Forfeiture* on part of the Vendor? Otherwise may we request a copy of that Contract giving the terms and conditions of the Contract allowing for such a large financial forfeiture amount that the only provision for forfeiture is the ALC's sole discretion if the ALC deems the Vendor defaults in the performance of the Contract?
    - What Mutual Consideration is given to Vendor to cure perceived default?
    - What time allowance would ALC give to correct any perceived default?

- a) Would the insurer/bonding company be considered a subcontractor in that the use of their secure internet facilities will be provided to expedite underwriting for the Retailer Bond program?

## Section 2, Overview

1. Section 2.1 ALC Objectives;
  - a) *Automate the tracking of bonded Retailers*; Has ALC developed that format, i.e. Excel spreadsheet, for tracking bonded retailers and would that information be shared with Vendor as a common database? If no format has been developed by ALC, would ALC be available to work with Vendor's analysts to develop the format?
  - b) *Reduce paperwork and filings*; Would ALC be agreeable to using secure website provided by the Vendor and the bonding company for this purpose?
  - c) *Reduce ALC cost by eliminating the need to contact retailers to renew bond*; To achieve this Vendor would need to share retailer database with ALC to expedite the renewal process, is this ALC expectation as well?
  - d) *Automate the annual reassessment of necessary bond coverage for each retailer*. This would require ALC data sharing with Vendor using the ALC formulation for determining retailer bonding requirements in order to automate the renewal process through the Vendors on line facilities. Is this agreeable with ALC?
2. Section 2.2 ALC Responsibilities;
  - a) What has ALC developed as procedure for transmitting retailer's information to Vendor for new retailer additions to the program and upgrading the retailers bond limits per ALC responsibility to perform an annual review and analysis of retailer bonding amounts?
  - b) ALC's current Retailer Application Package does not include the retailer's personal or corporate indemnity agreement to the surety company, which will be required by any bonding company. What is ALC plan of action to secure the retailers personal or corporate indemnity agreement and what is the ALC plan to have this accomplished prior to program rollout?

## Section 3, Retailer Operation

1. Section 3.4 ALC/ Retailer Relationship;
  - a) Will ALC funds be co-mingled with those of the retailers or kept in a separate lottery account?
  - b) How often will ALC funds be swept from this account?
2. Section 3.5 ALC Internal Controls;
  - a) ALC currently does not have any type of "*simplified surety information page*" in the Retailer Application Package *including a personal or corporate indemnity agreement* required to satisfy the minimum requirements of any bonding company. What has ALC done to add this information to the standard retailer's packet?

Section 4. Proposal Requirements

1. Section 4.0 Scope of Services;

- a) Section states the *blanket bond program* is the “**Preferred method of bonding**”. **What specifically makes this the preferred method?** What is ALC plan of cooperation with Vendor for information design, data sharing and adherence to generally accepted underwriting standards of the bonding and surety industry?

Thank you again for the opportunity, and I look forward to hearing from you.

Sincerely,

Jerry Davis  
Senior Vice President  
BancorpSouth Insurance Services