

MISSISSIPPI LOTTERY CORPORATION
RESPONSES TO QUESTIONS RELATIVE TO
RFP NO. 1 -- REQUEST FOR PROPOSALS FOR COMPREHENSIVE
BANKING SERVICES

RESPONSE SUBMISSION DEADLINE:
APRIL 8, 2019 (2:00 P.M. CST)

RESPONSES DUE TO:
DR. MICHAEL MCGREVEY, CHAIRMAN
C/O BALCH & BINGHAM LLP
188 E. CAPITOL STREET, SUITE 1400
JACKSON, MS 39201

NOTES:

- As used herein, the following terms have the following meanings:
 - “Corporation” refers to the Mississippi Lottery Corporation.”
 - “Act” refers to the Alyce G. Clarke Mississippi Lottery Law, Senate Bill 2001 (First Extraordinary Session 2018).
 - “RFP” refers to the Corporation’s RFP No. 1 – Request for Proposals for Comprehensive Banking Services.
- The responses set forth herein are meant to guide potential respondents to the RFP and to clarify the RFP, where possible. Such responses are not part of any resulting contract with the respondent(s) selected to perform banking services for the Corporation. The Corporation reserves the right to modify, supplement or amend any of said responses, either in writing or in practice.

1. For the purposes of borrowing, will the State of Mississippi be obligated to perform on indebtedness of the Corporation?

No

2. Does the Corporation have projections for usage of the line of credit?

The Corporation plans to use the line of credit for start-up costs, administrative expenses and initial working capital.

3. Does the Corporation have projections for deposit balances?

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

4. Does the Corporation have projections for account activity volumes?

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and copy from above

It appears the bulk of activity will be ACH drafts for collecting funds from retailers. What will be the frequency of these drafts?

The Corporation will collect funds from retailers on a daily basis, and, although it is anticipated that such will be ACH drafts, regulations addressing retailer payments will be promulgated.

Do you have projections on the timeline for bringing retailers online with the Corporation?

The timeline for bringing retailers online is within the current calendar year.

5. Regarding page 7, item 5, 3rd bullet point – Please provide clarification of the method the Corporation wishes to use to concentrate funds from retailers. It is assumed the Corporation will submit an ACH file to the bank for collecting these funds. Is this correct?

This is unknown at this time, but this is the anticipated process.

6. Is the Mississippi Lottery Corporation an agency/component unit/enterprise of the State or a stand-alone entity which in no way is incorporated into the annual CAFR for the State?

The Corporation is a corporation created by the Act. It is unknown at this time if the Corporation will be incorporated into the annual CAFR for the State.

SB 2001 Section 27 (1) refers to monies appropriated by the Legislature. However, Section 27 (2) states the corporation is intended to be self-sustaining and self-funded. Please expand / clarify.

The Corporation is not subject to annual appropriations, although the Act authorizes the Corporation to accept appropriations.

7. If so, is there an explicit backstop pledge and is that backstop pledge fully supported by the State as a GO or is it subject only to annual appropriations?

Not applicable. (See previous response.)

8. If no backstop pledge, what is the willingness of the State to support the Corporation's operating expenses and debt service requirements should the lottery enterprise encountered financial difficulties as the State has the authority to make statutory changes that could affect the functioning of lottery enterprises and their pre-funding requirements?

The Corporation is unable to answer this question on behalf of the State.

9. Annuity Payout Option - Most US state lotteries offer winners the choice of receiving a lottery prize payment as a lump sum at the time the winner claims the prize, or as an annuity paid annually over a fixed time frame. If the winner opts to receive the prize as an annuity, the winner does not typically have the right to alter the terms at a later date and receive the remainder of the payout from the state as a lump sum. However, a winner can convert the annual prize payments into a lump sum at a later date by transferring the right to the remaining annuities to a third-party investor in exchange for a single cash payment. This generally requires, by state law, a court order assigning the prize annuity, or the LPR, to the investor. Holders of LPRs typically have no security interest in the lottery enterprise or the prize fund. We noted a mandated flow of a minimum of 50% of lottery ticket sales to pay prizes in SB Section 26 (d). Are any of the following addressed in the bill or any state statutes?

- a. Required pre-funding of all prize liabilities, including annuitized prizes. If required, at what percentage?

No

- b. Maintenance of a prize fund that is statutorily separate from all other state finances?

Section 27(a) of the Act provides, "Monies in the State General Fund shall not be used or obligated to pay the prizes of the lottery, and no claim for the payment of an expense of the lottery or prizes of the lottery may be made against any monies other than the monies credited to the corporate operating account."

- c. A prohibition on the state from borrowing from funds set aside for lottery prize payments?

While the Corporation is not aware of a specific prohibition on the State from borrowing funds set aside for lottery prize payments (in the Act or elsewhere), all revenues generated by the sale of lottery tickets and other sources are required to be deposited into a dedicated corporate operating account. The only allowable uses for funds in that account are the paying of prizes, necessary expenses of the Corporation and payment of dividends to the State as provided in the Act.

10. What is the projected coverage of annual prize payments from revenues for the next 4 years?

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

11. What is the projected "excess" lottery revenue that would go directly to the State for the next 4 years?

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

12. Please provide a copy of the anticipated operating cash needs of the Corporation for the next 4 years.

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

13. Please clarify if all related deposits are classified as “Public Funds” deposits backed by the State’s collateral pool.

Pursuant to Section 26 of the Act, the deposits must be collateralized as prescribed by Miss. CODE ANN. § 27-105-5 but are not backed by the State’s collateral guaranty pool.

14. Realizing this is a startup, can you provide some level of projected depository balances and account activity (i.e.: number of deposits, checks paid, wire activity, & ACH activity)?

To date, the Corporation’s economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, “An Economic Analysis of a Lottery in Mississippi,” which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, “A Discussion on a State Lottery,” which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

15. Is there a chance the proposal deadline of April 4th will be extended?

The deadline for submission of proposals is now 2:00 P.M. CST on April 8, 2019.

16. Please confirm the exact number of deposit accounts needed, a brief description of each, and how many will be Controlled Disbursement Accounts.

This is unknown at this time.

17. What is the total expected annual or monthly average cash balance for years one through five?

To date, the Corporation’s economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, “An Economic Analysis of a Lottery in Mississippi,” which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, “A Discussion on a State Lottery,” which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

18. Do you anticipate retailers to remit lottery proceeds by check or will they be collected through ACH cash concentration?

This is unknown at this time but could include both methods.

19. If the answer to the previous question (#18) is “via ACH,” what payments do you anticipate being collected through the use of a lockbox service?

It is unknown at this time precisely which payments will be collected through the use of a lockbox service.

20. Will a sample of the format required for electronically submitted bank statements be made available for review?

The Corporation will work with the selected respondent(s) to develop a format for electronically submitted bank statements.

21. What will the anticipated monthly volumes for banking services noted in Attachment A of the RFP be?

This is unknown at this time.

22. Please provide more detail on “cutbacks” mentioned under Lockbox in Attachment A of the RFP.

With respect to lockbox services, please provide information on any fees charged by the respondent financial institution related thereto.

23. Regarding the credit facility, please explain what level of recourse is available. If the Corporation is a subsidiary of the State led by appointees of the Governor, is there a guaranty of the State or is it implied?

There is no guaranty of the State.

24. Will the Corporation receive and report its own financial statements or will it be consolidated with the State, with consolidating schedules?

The Corporation is a corporation created by the Act. It is unknown at this time if the Corporation will be incorporated into the annual CAFR for the State.

25. What level of financial information is available, namely a pro forma on 1) economic impact behind a State lottery, 2) need for a \$15MM working capital line of credit, 3) ability to service the debt, 4) expected balance and timeline forecasts of fundings and pay downs of the credit facility?

To date, the Corporation’s economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, “An Economic Analysis of a Lottery in Mississippi,” which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of

Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

26. Is there an existing state lottery program Mississippi is emulating?

While Mississippi officials and the Corporation have reviewed various aspects of other states' lottery programs, there is no specific lottery program the Corporation is emulating.

27. Will the selected bank have the legal right of offset against lottery revenues?

No

28. Does the Corporation qualify for tax-exempt financing, if so, how?

No

29. How many bank accounts are needed?

This is undetermined at this time.

- a. For example, under the Requested Services section, point #2 references and Overnight Investment Account, point #3 references Primary Zero Balance Account and bullet point #5 Additional Minimum Services – p. references a General Operating Account. All appear to refer to the same account, but is that correct?

These services must be provided for the general operating account.

- b. Is it possible to provide a schematic/drawing of the accounts needed and how they flow together?

The Corporation does not have a schematic/drawing responsive to this request.

30. Will a state agency/department handle day-to-day operation of the bank accounts, check writing, ACH Files, etc.? Or, will the administration of the accounts be done by an outside/private third party?

It is anticipated that the Corporation will handle the day-to-day operation of the bank accounts, subject to audit and reporting requirements. There are no current plans to engage a third party for day-to-day operations.

- a. If run by a direct state agency, is this for a certain period of time before it is outsourced to a private entity to operate?

Please see above response.

31. What are the anticipated average Collected Balances for the entire lottery relationship?

This is unknown at this time.

32. What are the total anticipated high-points and low-points for total balances in the Lottery Corporation accounts? Please provide anticipated high-points and low-points for Year's 1 - 3 of the Lottery.

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

33. The RFP specifically states in section 1, page 2 and in section 2, page 6 that the primary account shall be collateralized. Are all of the balances that require collateral going to be swept into the stated "primary" account? If not, which other accounts will require collateral?

Section 26 of the Act provides that the corporate operating account shall be collateralized as prescribed by Miss. CODE ANN. §27-105-5, and all monies received by the Corporation from "the sales of lottery tickets and other sources" must be deposited into this corporate operating account.

34. What are the anticipated Average Collected Balances that will require collateral?

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

35. Can all accounts be collateralized through the Mississippi Collateral and Guaranty Pool Process?

Pursuant to the Act, all deposits must be collateralized as prescribed by Miss. CODE ANN. § 27-105-5.

36. Please provide the anticipated monthly volumes for each Banking Service listed on Attachment A.

This is unknown at this time.

- a. Such as... number of Sub-ZBA's involved, number of ACH entries originated, how many checks deposited each month, number of deposits made, number of checks clearing, etc.

This is unknown at this time.

- b. Please provide the monthly activity for ALL accounts, including the Primary Account and any Sub Accounts.

This is unknown at this time.

37. Does the Lottery Corporation anticipate depositing any cash (i.e. currency) directly into any of its accounts? If so, please provide anticipated monthly volumes of cash / currency which will get deposited into each account.

The Corporation will receive deposits from lottery retailers on a daily basis. The anticipated monthly deposits are unknown at this time. To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

38. Attachment A – Banking Service Charges – requests for pricing for Lockbox. How does the Lottery Corporation intend to use Lockbox Services?

See below.

- a. Please explain who will mail in checks to the bank operated Lockbox.

This, and whether or not lockbox services will be utilized, are unknown at this time. However, the Corporation requests information on each respondent's standard fees for such services.

- b. Will the customers/businesses mailing in payments to the Lockbox send an invoice/ remittance with each payment?

Please see above response.

- c. Is the Lottery Corporation looking to receive an automated posting file for Lockbox from the bank? If so, what type of information will be on the coupon / remittance sent in with the payment for the bank to scan?

Please see above response.

- d. What is the anticipated monthly volume of checks/payments getting sent to the Lockbox?

Please see above response.

- e. What is meant by “Cutbacks” for Lockbox on Attachment A?

It is unknown whether these services will be used; the Corporation requests information regarding the respondents’ fees.

39. Please provide the link or web addresses where answers to the RFP questions will be posted.

<https://www.mse.gov/mslottery> or www.mslotteryhome.com

40. Does the Lottery Corporation plan to leave funds in the Operating Account to now earn interest (a non-interest-bearing target balance) so that an Earnings Credit can be applied to those funds (re: p. 6 point #2)?

This is unknown at this time.

41. Will a NACHA File be used to create the ACH File to receive the funds from 5000+ retailers?

This is unknown at this time.

- a. Page 6, Item 3 references these ACH transactions, but states that “the financial institution must provide ACH initiation software to facilitate this operation.” Does this statement only encompass the bank’s ability to accept the Lottery Corporation’s self- created NACHA file, or is something more being requested?

The Corporation anticipates working with the selected respondent(s) to ensure that it has any necessary technology or software to transmit files necessary for its banking transactions.

- b. Page 7, Item 5 - 2nd Bullet references the “fully automated concentration of lottery proceeds from retailer accounts”. Please explain this further. Is this referring to the process described in the earlier Item 3 in the above question?

Yes

- c. Does the Lottery Corp. have the ability to transmit the NACHA file via a Secure FTP connection?

The Corporation anticipates working with the selected respondent(s) to ensure that it has any necessary technology or software to transmit files necessary for its banking transactions.

- d. What is the anticipated dollar size for the weekly concentration of incoming lottery proceeds via ACH?

The Corporation will receive deposits from lottery retailers on a daily basis. The anticipated weekly deposits are unknown at this time. To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.siq.msstate.edu/publications/Brief_Lottery_May2017.pdf.

- e. Will the Lottery Corporation have a need to send out funds via ACH either back to the 5000+ retailers or other vendors / payees? If this is needed what is the anticipated dollar size for outgoing funds sent on any one business-day via ACH?

The Corporation does not anticipate sending funds to lottery retailers; however, this may be required at some time.

42. Explain what is meant by "Full" Account Reconciliation.

- a. Does the Lottery Corp. just need a list of all posted debits and credits to the account which can be imported into accounting software?
- b. Or, is the plan for the Lottery Corp. to send files on all accounts with all transactions for the bank to reconcile in a true Full Account Recon environment?

The latter is anticipated for prize and account payable accounts

43. What is meant by "Record positions must be in a format to be specified by the Corporation" on Bullet Point # 6 on page 7 of RFP?

The referenced bullet point should read, "Records must be in a format to be specified by the Corporation.

44. Is the retention question for future transactions on p. 12 question V related to both Wire and ACH transactions?

Yes

45. What types of electronic reports are needed that are referenced on p. 12 question Z?

This is a question regarding, generally, any requests that are generated and transmitted electronically by the financial institution. If the respondent is unable to customize certain types of electronic reports, statements, etc., please indicate same.

46. Does the Lottery Corporation anticipate having regular significant Daylight Overdrafts referenced on p. 13 question ii?

This is unknown at this time.

47. Is Controlled Disbursement needed on all accounts?

This is unknown at this time.

48. What is the anticipated Annual and Monthly Revenue in sales for lottery tickets?

The Corporation will receive deposits from lottery retailers on a daily basis. The anticipated monthly deposits are unknown at this time. To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

49. Will any of the funds go to a reserve account at another institution for excess funds to reside before a winning lottery ticket is awarded? If so, what are the anticipated balances to be held at another institution?

No

50. Are there other multi-state lottery plans which MS will participate in that will require funding to come from any of these accounts?

The Corporation will promulgate regulations regarding multi-state lottery participation. It is expected that to participate, funding will come from lottery revenues.

51. What are the current processes and requirements for redemption of lottery tickets (re: p. 14, 10(a) of the RFP)?

See Section 22 of the Act. Additionally, the Corporation will promulgate regulations regarding the redemption of lottery tickets.

52. Is the Lottery Commission a completely, separate, independent entity where the Bank has no recourse of any kind before ticket sales begin? Section 27 item 2 of the Mississippi Lottery Bill states "The corporation is intended to be self-sustaining and self-funded." And no claim for the payment of an expense of the lottery or prizes of the lottery may be made against any monies other than monies credited to the corporate operating account"

Yes

53. Will the Line of Credit (LOC) be used initially for startup and operating funds for the entity until the sale of tickets begin?

Yes

54. What is the budget for the start-up process and when is the projected date that ticket sales will begin?

The budget has not been adopted by the Corporation. Ticket sales are expected to begin before the end of the current calendar year.

55. What are the yearly projections for the income, expense and balance sheet for the Lottery for the first three to five years?

The Corporation will receive deposits from lottery retailers on a daily basis. The anticipated monthly deposits are unknown at this time. To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.siq.msstate.edu/publications/Brief_Lottery_May2017.pdf.

56. How will the letter of credit be used after ticket sales begin and the Lottery has become self-sustaining?

The Corporation does not anticipate continuing to use the letter of credit once the lottery becomes self-sustaining, although it reserves the right to do so throughout the term of the letter of credit for working capital needs or for capital expenditures.

57. The RFP is limited to banks "domiciled" in the Mississippi. "Domiciled" was not defined in Senate Bill 2001. What does it mean in this context, only banks with home offices in Mississippi or any bank with a branch / operations in Mississippi?

The Act requires that the corporate operating accounts shall be established in a custodian financial institution domiciled in the State of Mississippi. If you intend to

submit a response regarding corporate operating accounts, please demonstrate in your response that you are domiciled in Mississippi. There is no requirement that a financial institution providing lending services to the Corporation be domiciled in Mississippi.

58. Section 21 of the bill refers to quarterly and annual financial statements. Would annual audits and quarterly compilations be acceptable?

The Corporation is required to publish quarterly and annual financial statements which will include the disposition of all funds expended by the Corporation for any purpose and any procurements.

59. Section 26, ii of the bill states that “The payment of costs incurred in the operation and administration of the lottery, including the expenses of the corporation and the cost resulting from any contract or contracts entered into for promotional, advertising or operational services or for the purchase or lease of lottery equipment and materials, which in no case shall exceed fifteen percent (15%) of the gross revenues accruing from the sale of lottery tickets. The restriction shall not apply until after the first twelve months of revenue generation.

- a. Does “Administration” in statement #29 above, which is referenced in the bill, include all salaries, benefits, payroll, people cost, etc.?

Yes

60. What is the plan for the payment of interest during the start-up months before ticket sales begin and requested payment of interest thereafter?

The Corporation will not receive any revenue prior to the sale of lottery tickets. It is anticipated that all interest will be capitalized until revenues are sufficient to make payments.

61. What is the desired structure for the advancement of principal and the desired repayment of principal both prior to ticket sales and after ticket sales begin?

The Corporation will requisition funds as necessary.

62. Please explain how the Retailer Performance Bond account will work. Is this strictly an account for deposits to be made into once a retailer has secured a performance bond or fees associate?

Yes

63. Please confirm that retail lottery sale monies will be pulled into the Lottery account via ACH Debit from the 5,000 retailers’ accounts.

This is the anticipated method, although such is not definitively decided at this time.

- a. Will this be a daily process? If not daily, how often will this be done?

Yes.

- b. Will the prize monies paid out by retailers be netted out of ticket sales owed to the Lottery? Or will the Lottery also need to originate ACH credits to disburse funds to the retailers for prize monies, adjustments, etc.?

The Corporation will promulgate regulations regarding the payment of prizes.

64. Please provide estimated dollar size of ACH files for the following and the frequency of each (daily, weekly, etc.).

- a. Lottery ticket sales (ACH Debits)
b. Vendor Payments (ACH Credits)
c. Payroll (ACH Credits)
d. Lottery prize monies to retailers (if needed) (ACH Credits)

This is unknown at this time.

65. Please elaborate on the purpose of the license account and how funds will flow in and out of this account (i.e., check, ACH, wire, etc.)

The purpose is to receive the payment of license fees, and the Corporation anticipates the promulgation of regulations regarding the method of payment of license fees.

66. Please elaborate on the purpose of the Fee account and how funds will flow in and out of this account (i.e., check, ACH, wire, etc.)

The purpose of the fee account will be to collect fees from retailers other than license fees, such as any set-up fees or equipment or support fees. It is unknown at this time what methods of payment the Corporation will accept for any such fees.

67. Please elaborate on how monies deposited into the Retail Performance Bond account will be tracked/managed per retailer and how the funds will be disbursed (i.e., check, ACH wire, etc.)

The Corporation will adopt internal operating procedures to address the management of the retailer performance bond account.

- a. Will the funds on this account be allowed to earn interest?

This is unknown at this time.

68. 3-5 years' of income statement, cash flow, and ticket sale projections – What will the reporting structure of the Corporation be?

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

Will the Corporation have its own audit each year, or will it be included as some sort of fund (or other component part) of the State's CAFR?

The Corporation is required to publish quarterly and annual financial statements. Additionally, quarterly and annual reports shall be submitted to the Governor, Lieutenant Governor, Speaker of the House of Representatives, the State Auditor, PEER, the Commissioner of Revenue. Finally, the Corporation will adopt regulations regarding a system of continuous audits.

It is unknown at this time if the Corporation will be incorporated into the annual CAFR for the State.

69. What are the plans for participating in any multi-state lotteries?/What types of MS only tickets will be sold?

The Corporation anticipates that it likely will participate in multi-state lotteries. The Corporation will promulgate rules and regulations regarding the types of tickets and lottery games available.

70. Will there be internet ticket sales?

No

71. Is the Lottery expecting to make deposits at local branch locations or cash vault locations via an armored courier?

This is unknown at this time.

72. Please elaborate on what types of payments will be processed through a lockbox?

This is unknown at this time.

- a. Will the payments to be processed be accompanied by a coupon or invoice of some sort?

This is unknown at this time.

- b. Will the coupons have OCR technology to be processed in a high speed environment?

This is unknown at this time.

- c. What type of information will need to be captured from the invoices / payments to be processed?

This is unknown at this time.

- d. Will the Lottery require a transmission from the lockbox to be imported into the Lottery's accounting ERP system?

This is unknown at this time.

- e. Anticipated volume of payments to be processed via lockbox.

This is unknown at this time.

- f. Please explain what a "cutback" is related to lockbox?

It is unknown whether these services will be used; the Corporation requests information regarding the respondents' fees regarding lockbox and related services, if any.

73. Please elaborate on the "special handling" referenced on the pricing page.

Please provide any pricing/information on any "special handling" or similar fees. If such does not exist for your organization, state "N/A."

74. Please provide the exact number of depository accounts that will be utilized in this banking arrangement.

This is unknown at this time.

75. Will the Corporation entertain follow up questions after the responses are made available to all respondents?

No, due to time constraints, the Corporation needs to complete the RFP process, enter into contract negotiations with the selected respondent(s) and receive, through its anticipated line of credit, working capital.

76. Please provide information on anticipated collected balances in each of the depository accounts and anticipated volatility in each account. Please provide a graph that depicts

the anticipated inflow and outflow of balances throughout the year for collateral planning purposes.

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.siq.msstate.edu/publications/Brief_Lottery_May2017.pdf.

77. On page 7, #5 (Investment Services), the RFP lists "Investment Services" as a Minimum Service. Why are Investment Sweep Services required when the Lottery Deposits can be secured through 27-105-5?

Investment sweep services may be required if the Corporation perceives that such are necessary for accounts not collateralized pursuant to Miss. CODE ANN. §27-165-5 or otherwise.

78. Please provide a specific definition of "Federal Funds Rate" on Page 6, #2. Does this refer to the Federal Funds Effective rate on a particular day or period average? Does it refer to the Overnight Federal Funds Target Rate, a Target Rate range, the upper end of the Target range or the lower end of the Target Range?

The Corporation will determine the precise federal funds rate to be used with the selected respondent(s).

79. Please provide an estimated number of annual transaction counts that apply to each "Service Unit" description on page 16.

This is unknown at this time.

80. Please define the Service Unit that is described as "Lockbox / Cutbacks". Also, please provide a detailed description of the lockbox process and file output that is being requested. Please provide an example of the output file and related specifications (if applicable), and whether a wholesale or retail lockbox is being requested.

It is unknown whether these services will be used; the Corporation requests information regarding the respondents' fees relative to these services, if any.

81. Please provide a definition of "jurisdictions" as referenced on page 9, (c).

As used in 9(c) of the RFP, "jurisdictions" means all U.S. states or foreign counties in which the respondent does business.

82. Please define “lottery goods and services” on Page 9, (d).

“Lottery goods and services” means any products or services, banking or otherwise, provided to a lottery or a vendor involved in the operation of a lottery.

83. On Page 7, # 4 (second sentence), the RFP states: “The prize and accounts payable sub-accounts must be controlled disbursement accounts.” Would fraud prevention services capable of rejecting unwanted transaction types be sufficient to meet this RFP’s requirement in lieu of a controlled disbursement arrangement?

It is unknown at this time, but please provide any proposed alternative arrangements you believe would address the Corporation’s needs.

84. On Page 7, #5 (third bullet point), the RFP identifies the need for a fully automated concentration for lottery proceeds from retailer accounts. Please provide details on the Lottery Corporation’s process for collecting funds through the retailers. Will you require each retailer to establish a separate bank account to only process lottery sales?

Yes, the Act requires retailers to have separate accounts for lottery funds.

Will that bank account be owned by the individual retailer and established under the retailer’s EIN number?

Yes

What will the process be for individual retailers to track and send sales information to the Lottery Corporation?

The Corporation will promulgate regulations prior to commencement of operations, and the Corporation anticipates that such regulations will address the tracking of information by retailers.

Will the Corporation’s accounting system generate the ACH debit transactions to concentrate funds from the 5,000 retailers?

This is unknown at this time.

85. On Page 12 in Item CC, the RFP mentions an Account Reconciliation Program. Please provide specific details regarding acceptable file formats/specifications for the Reconciliation Service required.

There are no specifications for the reconciliation services required. Please feel free to provide any useful information in your response.

86. On page 13, #6 (d) refers to “insurance and bonding” that is carried by the institution. Will you provide more detail regarding what specific type of insurance and bonding

information the RFP is referring to? Is the RFP referring to FDIC insurance? Or insurance and bonding related to bank facilities and/or equipment?

Please provide information regarding all insurance policies and bonding held by the financial institution, including, without limitation, FDIC, general commercial liability insurance and employee malfeasance/misfeasance. The respondent does not need to include policies related to specific real property or equipment.

87. Please provide specific details regarding the “in branch” redemption process described on page 14, #10 (a). How would these transactions be settled between the lottery corporation and the bank? What are the anticipated volumes of these transactions per month and by geography?

The Corporation will promulgate rules and regulations regarding the “in branch” redemption process and the settlement between the Corporation and the financial institution. It is unknown at this time what the anticipated volumes of these transactions will be.

88. Please provide any and all feasibility study information that was generated during the State’s due diligence period regarding the authorization of the lottery.

To date, the Corporation’s economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, “An Economic Analysis of a Lottery in Mississippi,” which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, “A Discussion on a State Lottery,” which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

Also, which existing state lotteries were examined as part of the State’s due diligence? Which state lotteries does Mississippi’s most closely resemble?

See the report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, “A Discussion on a State Lottery,” which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

While Mississippi officials and the Corporation have reviewed various aspects of other states’ lottery programs, there is no specific lottery program the Corporation is emulating.

89. Is there any alternative that would allow for the line of credit to be secured or partially secured?

Not at this time.

Can the State or a State Agency provide a guarantee or financial backing for the credit facility? If so, please describe.

The Corporation cannot answer this question on behalf of the State.

90. Please provide pro forma financial statements illustrating the projected startup timeline and projected financial results following the startup period.

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

Specifically, when will ticket sales commence and what type of tickets will be sold?

It is expected ticket sales will commence during 2019.

Also, please provide a detailed income statement pro forma that includes line item expenses.

The reports referenced in this question are the only economic analysis available at this time.

91. Please provide the rationale for the amount requested and term length requested for the credit facility.

The amount requested is based upon the Corporation's anticipated start-up costs and initial working capital needs. The term length is based upon economic projections, the experience of other lottery programs and other factors.

92. Have you hired a company or firm to manage the lottery for the Corporation?

The Act prohibits the Corporation from contracting with an entity or person for the total operation and administration of the lottery. The Corporation has not made any procurements regarding management of the lottery.

- a. If yes – please provide information that supports their ability and experience to effectively run a lottery.

Not applicable

- b. If not – What are the criteria you will utilize to assess a suitable partner? If available, please provide the RFP constructed for Lottery Management.

Not available at this time.

93. Provide the Corporation's next steps or timeline of implementation of the Lottery from now until lottery ticket sales begin?

After selecting a financial institution(s) and line of credit, the next major step is the hiring of a President. Once a President has been hired the Corporation will promulgate regulations, accept applications from lottery retailers and begin the process of selling lottery tickets.

94. When do you anticipate hiring a President of the Corporation?

The Corporation has posted an RFQ for a President. That RFQ can be found on the Corporation's website. A direct link is included here for convenience: <https://www.mse.gov/mslottery/sites/default/files/Presidential%20Search%20Announcement.pdf>.

- a. Describe minimum qualifications and experience required.

Those qualifications can be found in the RFQ.

95. Describe the business cycle for the sale of lottery tickets from beginning to end?

The Corporation will promulgate regulations regarding the sale of lottery tickets and the award and payment of lottery prizes.

- a. What are your projections on maximum amount of money that would be on deposit at the Bank at any one time?

Unable to determine at this time.

96. What is the criteria for joint selection of banking relationship versus a single provider?

The Corporation reserves the right to select one or multiple financial institutions dependent upon the criteria set forth in the RFP.

97. The term of the agreement is listed as indefinite and at the sole discretion of the Corporation. How often will the banking services/relationship be reviewed?

To be determined.

98. Line of Credit:

- a. Will the Corporation provide a Sources and Uses of funds for the Line of Credit draws?

The Corporation will comply with the selected financial institution's requirements for LOC draws.

- b. Will the Corporation provide cash and cash flow projections?

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.siq.msstate.edu/publications/Brief_Lottery_May2017.pdf.

- c. Will the Corporation prepare financial statement projections for review?

See previous response.

- d. Can the bank have an assignment or subordination of funds? (Mechanism to assure that funds needed to repay Line of Credit or not swept out to State of Mississippi.)

This is undetermined at this time.

- e. Does the Corporation need \$15,000,000 for the full 4 years? Shouldn't sales begin to eliminate the need for the line of credit?

While it is anticipated that sales should reduce the Corporation's reliance on the line of credit, it is unable to determine the outlook at this time.

- f. You referenced renewing the line of credit, once the lottery is fully operational, what will the line of credit be used for? Why is it needed? (Back to sources and uses)

While it is anticipated that sales should reduce the Corporation's reliance on the line of credit, it is unable to determine the outlook at this time.

99. How many sub-accounts do you anticipate?

This is unknown at this time.

100. What is the anticipated account activity for the primary account as well as the sub-accounts: number of deposits, number of checks, etc.?

This is unknown at this time.

101. Will the Corporation's checks require dual signature verification?

The Corporation will adopt policies and procedures regarding Corporation checks.

102. How are the 5,000 retailers going to be vetted?

The Act requires the Corporation to adopt regulations developing a list of objective criteria upon which the selection of lottery retailers shall be based. Specific criteria can be found in the Act (Section 28). The Corporation has not yet adopted such regulations.

a. We anticipate many of the retailers may sell cannibas oil which is a BSA/AML Regulatory issue for Banks. Do you have restrictions on other activities Retailers can participate in to be approved?

A list of requirements and restrictions can be found in Section 28 of the Act. Additionally, Section 31 of the Act provides reasons which a contract between the Corporation and a lottery retailer can be revoked.

103. How often are the 5,000 retailers required to transfer funds to the Corporation?

Daily

a. How does this process work? Please describe –

The Corporation will promulgate regulations regarding the procedure for lottery retailers to place proceeds in the appropriate accounts.

b. What type of software will Lottery Corporation use? What type cyber security does it use? How do the Retailers access? What security issues (risk) does Lottery Corporation have with 5,000 different entities interfacing with your software?

These issues will be addressed prior to approving lottery retailers. The Corporation will also work with the selected financial institution(s) to address these issues.

c. Are their minimum computer hardware standards/IT security requirements for Retailers? Does the Company you hire to run lottery provide software and hardware for retailers? How are standard requirements audited?

These issues will be addressed prior to approving lottery retailers.

104. How is the amount of the Retailer Performance Bond calculated or determined?

The Act requires the lottery retailers to post a bond in an amount not to exceed twice the average lottery ticket sales of the lottery retailer for the period within which the lottery retailer is required to remit lottery funds to the Corporation.

105. Paragraph 4 – Requested Services Section – Please clarify what you are requesting. Are you describing a bond the Retailer will get or are you saying the Bank will provide a bond to indemnify the actions of 5,000 retailers?

Lottery retailer bond (or Letter of Credit) as required by the Act.

106. Paragraph 1 – Introduction Section – Many Mississippi Banks utilize correspondent Bank services to hold securities in electronic format – If a Mississippi Bank uses an out of State Bank for this service does this disqualify them from the RFP?

No

107. Many of the items you are requesting should be considered non- public. Can you assure us (as we do with our Regulators) that you can keep certain responses in a non-public file?

Pursuant to the Act, the Corporation is subject to the Mississippi Public Records Act. Please see the RFP for more information regarding confidential information. The Corporation will comply with all state and federal privacy laws.

108. In reviewing Senate Bill 2001 – we could not find specific language authorizing the Lottery Corporation to borrow funds. We did see the following language – “Any contract and/or agreement necessary for the implementation, operation, and promotion of the lottery and this act” – Would an opinion from the Attorney General be given to assure the Corporation has borrowing authority?

The Corporation is satisfied that the language referenced is sufficient authority to enter into a line of credit arrangement with a lending institution.

109. Net proceeds is defined in the law as Gross Lottery Revenues minus amounts paid as prizes and expenses of operation on the lottery. Do you consider debt repayment as an operational expense?

Debt repayment is considered an expense of operation.

110. When are the first quarterly and annual reports being issued which would also include projections?

This is unknown at this time.

111. When does the Corporation’s fiscal year begin?

July 1

Has the annual budget required by law been presented? If not, when?

No, the annual budget will be adopted following the hiring of the President and prior to the beginning of the next fiscal year as required by the Act.

112. Section 26 refers to necessary expenses. What is the definition of necessary expenses? If the expense is deemed unnecessary, by what means would the bank be repaid on the line of credit proceeds used to pay said expense?

The Corporation will draw on the line of credit only for necessary expenses.

113. Section 26 states that within 20 days following the close of each calendar month, the corporation shall transfer to the Lottery Proceeds Fund in the State Treasury the amount of net proceeds. Would the proposed line of credit be zeroed out prior to disbursement?

The Corporation will make debt payments on a monthly basis. It is unknown at this time whether the line of credit will be zeroed prior to the transfer to the Lottery Proceeds fund.

114. Section 26 establishes a hard cap of 15% of total gross revenues for payment of operation and administration expenses. Is payment of Debt Service considered Operation and Administrative expense?

Yes

115. Will responses from financial institutions not domiciled in Mississippi be automatically disqualified?

The Act requires that the corporate operating accounts shall be established in a custodian financial institution domiciled in the State of Mississippi. If you intend to submit a response regarding corporate operating accounts, please demonstrate in your response that you are domiciled in Mississippi. There is no requirement that a financial institution providing lending services to the Corporation be domiciled in Mississippi.

116. Could you provide volumes for treasury management services that would accommodate volume-based pricing needs?

This is undetermined at this time.

117. Is the intent to award all services to one financial institution?

The RFP provides: The Board may entertain joint or complementary proposals for the banking services sought. The Board may make a joint selection of two or more respondents to provide banking services or may select two or more respondents to provide services that together comprise all or part of the services sought.

118. What is prompting the RFP at this time? Products, service, etc.

The Corporation is a start-up lottery operation. Initial working capital is necessary to move forward.

119. Who is the incumbent bank?

There is no incumbent bank.

120. Please provide documentation that the corporation is authorized to borrow funds.

The Act provides that the Corporation may enter into any contract or agreement necessary for the implementation, operation and promotion of the lottery.

121. Please provide financial forecasts including income and expenses as well as performance balance sheets covering the periods for which the proposed line of credit is being requested.

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122. Please provide the assumptions used to generate these forecasts and the sources used to make these assumptions.

To date, the Corporation's economic analysis consists of the report generated by the University Research Center, Mississippi Institutions of Higher Learning, "An Economic Analysis of a Lottery in Mississippi," which can be found at <http://www.mississippi.edu/urc/downloads/lotteryanalysis.pdf> and a report generated in the form of a Technical Brief April/May 2017 by the John C. Stennis Institute of Government and Community Development, "A Discussion on a State Lottery," which can be found at https://www.sig.msstate.edu/publications/Brief_Lottery_May2017.pdf.

123. Will the Corporation and retailers agree to indemnify the financial institution relative to any fraud or misuse of funds by the retailers?

No

124. What are the Corporation's requirements for the financial institution to terminate the contract?

The Corporation will require notice of at least one (1) year to terminate the contract; other requirements for termination are unknown at this time.

125. In specifying the account shall earn interest at a rate not less than the Federal Funds Rate – does that refer to the Federal Funds Effective Rate or the Federal Funds Target Rate, and if it is the Federal Funds Target Rate is it the upper bound or lower bound?

The Corporation will determine the precise federal funds rate to be used with the selected respondent(s).

126. Is the Totally Automated Primary Zero Balance Account in #3 on page 6 the Concentration Sub-Account referenced in #4 on page 7?

No.

127. Please explain in detail the ACH initiation software needed. Will the Corporation's internal software generate an ACH NACHA file that will be transmitted on the financial institution's online banking website?

This is unknown at this time, but please feel free to provide useful information or proposals in your response.

128. What is the specific format of ACH returned items and Check returned items?

This is unknown at this time.

129. What is the required record position format for monthly bank statements?

This is unknown at this time.

130. What is the anticipated transaction volumes and balances in each account?

This is unknown at this time.