

Texas Lottery Commission Press Release - October 11, 2001

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## Texas Lottery Signs Nine-Year Contract With GTECH

(Austin, October 11) - - Enhanced services, faster ticket machines and the lowest rate Texas has ever paid are among the benefits of a new nine-year contract signed today by Texas Lottery Commission Executive Director Linda Cloud and David J. Calabro, Executive Vice-President of Global Operations for the GTECH Corporation.

"We're very pleased to sign this contract with the GTECH Corporation," said Cloud. "The benefits of this agreement will provide better services to our retailers and players, provide greater value to the State of Texas, and ensure the Texas Lottery Commission remains an innovative leader in the industry for many years to come."

The new contract, negotiated after a competitive bidding process, reduces GTECH's current contract rate from 3.05 percent of sales to 2.6999 percent of sales, effective September 1, 2002. This rate, which is lower than the original amount GTECH first proposed in August, resulted from ongoing negotiations between both parties.

"I am very pleased with the Commission's progress and proud of this final contract," said C. Thomas Clowe, Jr., Chairman of the Texas Lottery Commission. "The new rate justifies this longer term contract, and in my view, will be very beneficial to the State of Texas during the extended contract period."

The current five-year extension contract between the Texas Lottery and GTECH, which was awarded in May 1996, expires on August 31, 2002. That contract reduced the rate that GTECH charged the state through a declining rate scale, which will end at 3.05 percent of sales.

"It is my understanding," Cloud said, "that for the full range of services we are receiving, the rate we are agreeing to today is one of the lowest rates ever offered for a unique contract of this size that provides these goods and services."

Under terms of the new contract negotiated by Cloud, GTECH will also:

- replace all lottery ticket selling machines (terminals) statewide with new equipment, including:
  - 16,500 new terminals capable of selling and validating all lottery tickets with the flexibility to add up to 1,650 terminals at no additional cost, for a total of 18,150 terminals;
  - 2,500 specialty terminals making it more attractive to retailers at certain locations to sell all lottery products;
  - customer display screens to provide two-way verification of winning tickets and winning prize amounts at lottery retail outlets;
  - programmable LED message display units, allowing the Lottery Commission instantaneous abilities to better inform players of jackpot amounts or new games.
- conversion of the retailer network to digital, and expansion of the lottery's wireless communications network, to better provide quicker lottery sales transactions;
- enhance systems software providing additional capabilities to monitor and administer services provided to Texas lottery retailers and players;

- provide a "mega-warehouse" for centralized instant ticket warehousing and distribution of all lottery products at a single location;
- providing a new internal control computer system for the Texas Lottery's use for immediate access to daily sales transactions and independent reporting;
- replacement of mainframe computer systems for primary and backup data centers in year six of this contract.

The term of the new lottery operator contract effective today, runs until September 1, 2011, but provides for termination at will by the Texas Lottery on 30 days notice to GTECH.

### **TLC - GTECH CONTRACT RATE**

<u>fiscal year</u>	<u>% of annual sales</u>
1992-1997	3.944 %
1998	3.781 %
1999	3.657 %
2000	3.361 %
2001	3.151 %
2002	3.050 %
2003-2011	2.6999 %

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The Texas Lottery, the 4th largest selling lottery in North America, is "Focusing on the Future of Education, One Ticket At A Time." By providing the 'Games of Texas' for more than 10 years, the Texas Lottery Commission (TLC) has generated more than \$10 billion for the state and paid nearly \$17 billion to players in prizes. For more information about the TLC, please visit the official website at <http://www.txlottery.org>