

Response to Request #2

<u>Issue</u>	<u>Current Contract w/ IGT</u>	<u>Contract Extension</u>
Term	2003 to 2023 (20 years)	2023 to 2043 (20 years) (with many provisions beginning prior to 2023).
Upfront Payment in exchange for 20 year exclusive contract	\$12.5M w/ refund provisions if contract were to end early.	\$25M payable in two installments (\$12.5M in FY21 and \$12.5M in FY22) w/ no refund provision.
Investment Obligation	\$100M	\$150M. See Schedule 1.
Economic Development Initiatives	Not currently in master contract.	For each set of new employees or physical transfer of existing employees (transfer or new division, department, center where IGT forecasts need for 30 or more employees) to be located in the US that IGT is not contractually obligated to locate in another state, IGT will grant the State a right of first offer to make a proposal to IGT that IGT locate the employees in Rhode Island. All employees added pursuant to this provision will be above and beyond the 1,100.
FTE Count	1,000	1,100. See Schedule 2 (same definition as Development Agreement).
Facility Obligation	GTECH to construct headquarters in Providence.	IGT to maintain 10 Memorial Boulevard location as North American Lottery Operations headquarters.

<p>Traditional Lottery Products</p>	<table border="1"> <thead> <tr> <th>Total Lottery Sales</th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td>0-\$275M</td> <td>5%</td> </tr> <tr> <td>\$275M-\$400M</td> <td>1%</td> </tr> <tr> <td>Over \$400M</td> <td>5%</td> </tr> </tbody> </table>	Total Lottery Sales	Percent	0-\$275M	5%	\$275M-\$400M	1%	Over \$400M	5%	<table border="1"> <thead> <tr> <th>Total Lottery Sales</th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td>0-\$275M</td> <td>5%</td> </tr> <tr> <td>\$275M-\$400M</td> <td>4%</td> </tr> <tr> <td>Over \$400M</td> <td>5%</td> </tr> </tbody> </table> <p>IGT to assume all responsibilities for Lottery sales (saves State ~\$1.25M). 12 employees (sales representatives) would be guaranteed employment and same compensation by IGT for first year.</p> <p>IGT will install a new online lottery solution on or before July 1, 2020, with complete online lottery solution replacement on or before July 1, 2031.</p> <p>IGT agreed to provide Lottery's requested list of new services as part of the new system – See Schedule 3.</p> <p>IGT will replace the existing Internal Control System (ICS) for the online lottery system with a new ICS on or before July 1, 2020.</p>	Total Lottery Sales	Percent	0-\$275M	5%	\$275M-\$400M	4%	Over \$400M	5%
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<p>iLottery Solutions</p>	<p>None.</p>	<p>Full range of game types and age, identify and location verification function (Verifi/IDology). iLottery to be installed on or before October 1, 2021, with replacement in place on or before April 1, 2033.</p>																

<p>Scope of Maintenance for Online Lottery System</p>	<p>Basic maintenance if system broke.</p>	<p>IGT will (a) update third-party hardware and software which is no longer supported by its developer pursuant to an extended maintenance agreement with IGT to a version which is no more than two versions behind the most current version commercially available if there is an immediate benefit to the Division, (b) follow manufacturer/ developers' recommendations with respect to security issues with third-party hardware and software, (c) maintain IGT's proprietary software pursuant to IGT's software delivery model in effect from time to time and (d) review its product roadmap for IGT's proprietary central system software with the Division annually and, with respect to each replacement central system (i.e., twice), grant the Division the option to require IGT to install TWO modules not currently installed selected by the Division.</p> <p>Online lottery system subject to annual cybersecurity testing.</p>								
<p>Video Lottery Terminals (VLTs)</p>	<table border="1" data-bbox="546 824 928 1044"> <thead> <tr> <th>Total Average Daily Net GTECH-VLT Income</th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td>0-\$325 per day</td> <td>7%</td> </tr> <tr> <td>\$325-\$500 per day</td> <td>1%</td> </tr> <tr> <td>Over \$500 per day</td> <td>7%</td> </tr> </tbody> </table> <p>Division approval of VLTs and VLT games.</p>	Total Average Daily Net GTECH-VLT Income	Percent	0-\$325 per day	7%	\$325-\$500 per day	1%	Over \$500 per day	7%	<p>No change in rate.</p> <p>IGT will complete testing of third party VLTs within two (2) weeks.</p> <p>IGT will perform annual penetration testing.</p> <p>As new VLTs are brought into the facilities in Lincoln and Tiverton, these new VLTs will incorporate bonusing at the terminal feature.</p> <p>IGT shall perform a game kit conversion on a minimum of 2% of their total VLT units annually.</p> <p>All payments to IGT will be net of 20% promotion points.</p> <p>Division approval of VLTs and VLT games.</p>
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Share of VLTs	<p>50% of VLTs will be procured from GTECH. (At the time, an additional 35% was procured from IGT.)</p> <p>VLT Efficiency review/rating of 97% with annual testing window.</p>	<p>IGT will begin contract extension period with the current 85% share of VLTs on the floor. Future percentage subject to efficiency.</p> <p>VLT Efficiency review/rating of 97% with annual testing. Competition will dictate future percentage shares based on machine performance.</p> <p>Section 10.4 (page 15) of the Master Contract will be amended to replace “may” with “shall”.</p> <p>VLTs deemed as low performing (games performing at less than 150% of floor average for any calendar year) are subject to review by the Lottery for replacement or modification.</p> <p>Minimum of 25% of the current VLTs at Twin River Lincoln will be replaced on or before Dec 31, 2020.</p> <p>A minimum of 6% of VLTs shall be replaced annually beginning in 2021.</p> <p>All current premium machines on the floor at Lincoln and Tiverton will stay in place as it is currently constructed and paid for. On top of that, a minimum of 5% of a vendors VLTs (additional to any VLTs that are currently premium) must constitute premium or royalty games as defined by industry standards, with vendors bearing all incremental expense without additional compensation beyond 7% VLT fee.</p>								
Video Central System	<table border="1" data-bbox="541 1143 852 1295"> <thead> <tr> <th>Total NTI</th> <th>Percent</th> </tr> </thead> <tbody> <tr> <td>0-\$500M</td> <td>2.5%</td> </tr> <tr> <td>500M-\$1B</td> <td>1%</td> </tr> <tr> <td>Over \$1B</td> <td>2.5%</td> </tr> </tbody> </table>	Total NTI	Percent	0-\$500M	2.5%	500M-\$1B	1%	Over \$1B	2.5%	No change in rate.
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Instant Ticket Printing	Not currently in master contract.	Included under same rates (prices locked for life of extension) with an increase in free instant ticket licensed products – 1.5 per year, 36 between now and 2043.
Web Services/Website Hosting	Not currently in master contract.	No change in compensation. IGT to provide major enhancements. See Schedule 4.
Scope of Exclusivity	Lottery goods and services, commercial transaction processing good and services.	No change.
Sports Betting	Not currently in master contract.	Sports betting will be specifically excluded from the master contract extension. IGT agrees to waive exclusivity for remote sports betting after 18 months.

SCHEDULE 1: Definition of Investment Obligation Assets

Interests in real property, leasehold improvements of real property and assets acquired in connection with the performance of obligations under the Master Contract, as amended by the amendment, including, without limitation, goods acquired in connection with the business operations of IGT or any Affiliate in the State.

Schedule 2: FTE Definitions

"Affiliate" means a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with IGT.

"control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"FTE" shall mean a natural person employed as an employee or engaged as an independent contractor to work 2,080 hours in a year by IGT, an Affiliate or a Person providing outsourcing, consulting or temporary employment services to IGT or an Affiliate, which hours shall include vacation time, sick time, disability time, personal time or other time for which an employer in the State must pay the employee. Each employee and independent contractor scheduled to work full-time shall be deemed to work 2,080 hours per year and each employee and independent contractor scheduled to work part-time shall be deemed to work a proportionate share of 2,080 hours based on the hourly commitment set forth in the job description or equivalent of such employee or independent contractor. The hours attributed to employees and independent contractors who work less than a full year shall be prorated.

"Person" means a natural person, corporation, limited liability company, partnership (general or limited), joint venture, estate, trust or unincorporated association, any federal, state, county, or municipal government or any bureau, department or agency thereof, any fiduciary acting in such capacity, on behalf of any of the foregoing, or any other legal or business entity or organization.

SCHEDULE 3: Online Lottery System Functionality

200 new Instant Ticket Vending Machines (ITVMs)
100 Keno Kiosks
Keno Plus Promotion – ability to change multiplier
Ability to redistribute partial books of instant tickets
Scanning instants
Mobile App – cashless
No character limit – online ticket for messages
Predictive Ordering
Auto-Activation
Inventory Management
Flexibility in the Creation of Reports and Interfaces
Terminal Ordering Capability
Ability to Change Status of Recovered Stolen/Lost Tickets
Aurora (or equivalent) Performance Intel and Navigator
Aurora (or equivalent) IPS – Inventory Control
Aurora (or equivalent) Performance Intel
Self-Service Terminal Reports
Account Adjustments and Notifications to Retailers
Pick and Pack Services with Real Time Reporting
Field Marketing and Sales Reports
IGT's Zone Impact Plan (ZIP) for Sales Increases
Subscription Wagers – Automatic Payments and Renewal Notices
Gift Subscriptions (ability to provide gifts to players for them to purchase subscriptions)
Ability to Redeem Coupons via Barcode
Automatic Credit for Coupon Redemption
System-Generated Coupons
Retailer Incentive Programs / Performance-Rewards
Registration Codes on Tickets
Flexible Second Chance Solutions
Mobile Promotions
Mobile Ticket Self-Checking
Digital Playslips

Player Tracking

Virtual Player Card – Player Engagement

Sell/Sign/Win Retailer Promotions

Reporting Data Warehouse (online and instant ticket transactional sales, cancellations, inventory movement data, game draw results, retailer invoicing, offset withholdings, player data)

Player Hotline Services – VIP Club Assistance

Research and Strategic Development Services, like a Bi-Annual Portfolio Review – game performance analysis, an Annual Detailed Study of RI market, and research support from IGT Insights 360 Group

FutureGame: IGT's Game Innovation Process

Ad Hoc Game and Promotion Analysis

Hybrid/Fast Play Games

SCHEDULE 4: Website Services - Scope

Lottery Request	IGT Response
Quarterly updates to ensure fresh, high quality website.	With Retailer Wizard IGT offers regular product upgrades to include enhancements to existing features, new functionalities and UI/UX optimizations. The product has a built-in content management functionality to allow Lotteries to publish fresh information as frequently as they would like.
Better password complexity requirements than the current site.	Retailer Wizard password complexity can be configured by the Lottery to meet their security standards. All commonly used password requirements are built into the product.
Better user authentication processes to identify new users added to the site.	Retailer Wizard authenticates users by verifying owner information and ensuring it aligns with the Lottery data. Retailer Wizard admins can view all users and their activity via the Administrator Portal.
Email verification to users registered email account which will then activate the account upon initial creation.	Retailer Wizard follows this process.
Phone call, email, or text message verification of users prior to changes to critical security related changes to their account or if their account or if a logon was attempted from an unknown device.	These features are currently not available in the product.
Additional user account security questions available within users account.	Available in Retailer Wizard
Ability for the Lottery to enter additional custom security questions within the site.	Available in Retailer Wizard
More efficient registration process to register new users.	Retailer Wizard offers several different registration tools: self-registration for store- and chain-level users, ability for store owners to register secondary users, and ability for Lottery admins to register retailer users.
Provide the ability for the Lottery to post PDF forms and to permit the retailers to download posted forms.	Retailer Wizard offers documents repository where the Lottery can upload document in PDF and other formats.
Permit the retailers to initiate the registration process as new agents and allow existing retailers to update select Lottery approved account information via the retailer website.	This functionality is not available in the current version of Retailer Wizard. It is included in the product roadmap for future implementation.