

**2003 Enabling Legislation,**  
**GTECH Master Contract, and**  
**subsequent waivers and**  
**amendments**

***Presentation to***  
***the R.I. Senate Committee on Finance***  
***September 19, 2019***

# 2003 Master Contract

- Between the Rhode Island Lottery Commission and GTECH Corporation
- Did not go out to bid
- Entered into pursuant to enabling legislation (Chapter 33 of the 2003 Public Laws)

# 2003 Enabling Legislation

- 20-year-term
- \$12.5 million upfront payment in exchange for exclusive provider rights

# 2003 Enabling Legislation

## **GTECH obligations:**

- Construct new 210,000 sq. ft. office building in Providence Capital Center District
- Maintain as world HQ for 20 years
- Expand manufacturing in West Greenwich

# 2003 Enabling Legislation

## **GTECH Obligations (cont'd)**

- \$100 million economic investment requirement by December 31, 2008
- 1,000 “full-time active employees at wage levels not less than those defined” in §42-64.5-2(7) (beginning in 2006)

# 2003 Enabling Legislation

## **Termination trigger option**

- If GTECH fails to fulfill investment requirement by December 31, 2008; or
- If GTECH doesn't meet employment requirement in any calendar year after 2005

# 2003 Enabling Legislation

## Compensation paid to GTECH

- Lottery given authority to set compensation, but capped.

### Lottery

(calculated annually)

Sales to \$275M

Sales from \$275 to \$400M

Sales above \$400M

### Percentage

5.00%

1.00%

5.00%

# 2003 Enabling Legislation

## VLT Central System (calculated annually)

NTI* to \$500M	2.5%
NTI \$500M to \$1 Billion	1.00%
NTI above \$1 Billion	2.5%

## VLT Machines (avg daily income calculated on weekly basis)

NTI to \$325M	7.00%
NTI \$325 to \$500M	1.00%
NTI above \$500M	7.00%

\*NTI = Net Terminal Income

# 2003 Master Contract

- Signed May 12, 2003
- Effective date of July 1, 2003
- 20-year-term (expires June 30, 2023)

# 2003 Master Contract

## **In accordance with legislation:**

- \$12.5 million upfront payment in exchange for exclusive provider rights
- \$100 million economic investment requirement by December 31, 2008
- 1,000 “full-time active employees at wage levels not less than those defined” in §42-64.5-2(7) (beginning in 2006)

# 2003 Master Contract

## **In accordance with legislation:**

- New 210,000 sq.ft. office building in Providence Capital Center District (specified by December 31, 2006)
- Maintain as world corporate HQ for during term of contract
- Expand manufacturing in West Greenwich
- Termination trigger option (\$100 million investment; jobs; HQ construction)

# 2003 Master Contract

GTECH to provide certain lottery products and services

- Including updating or replacement
- At set timelines or based upon performance or efficiency rating

# 2003 Master Contract

- Includes amendments to then-existing agreements (Online Lottery Agreement, Video Lottery Agreement, VLT Agreement)
- Agreement re: number/percentage of VLT's GTECH entitled to supply

# **Subsequent waivers and amendments**

- Seven (7) Amendments and Ten (10) Waivers and Letters of Agreement.
- Examples:
  - (2007, 2013, 2018) Deferring replacement of various hardware and software (9,18,30)
  - (2016) Waiver of remedies re: IGT's failure to comply with employment obligations in years 2014-2017 in exchange for waiver of fees (22)
  - (2018) "Free Play" (28)