

MINUTES OF THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE.

The meeting was called to order by Chairperson Nancey Harrington at 10:30 a.m. on January 18, 2001 in Room 245-N of the Capitol.

All members were present.

Committee staff present: Russell Mills, Legislative Research Department
Dennis Hodgins, Legislative Research Department
Theresa Kiernan, Office of the Revisor
Nikki Kraus, Committee Secretary

Conferees appearing before the committee: Bob Vincent, Vice President of Corporate Communications, GTECH
Tim Nyman, Vice President of the Western Region, GTECH

Others attending: See Attached List

Chairman Harrington opened the meeting and recognized Senator Gilstrap who asked about getting additional information and clarification concerning the gag order issued by Judge Tom Conklin on discussion of lottery issues.

Chairman Harrington addressed that concern to Theresa Kiernan, Revisor of Statutes, who said that it was up to the person to determine whether or not they were under the order.

In response to further requests from Senators Barnett and Gilstrap, Chairman Harrington said that the entire committee would like to have that order clarified, and would be willing to accommodate anyone who wanted to speak on it.

Mr. Bob Vincent presented a packet of information entitled "GTECH Holdings Corporation" which included booklets entitled "GTECH Holdings Corporation Annual Report Fiscal Year 2000", "The Vital Signs of Legalized Gaming in America, GTECH's 8th Annual National Gaming Survey 2000", and "GTECH in the Community" all available from the GTECH Holdings Corporation, World Headquarters 55 Technology Way, West Greenwich, RI 02817 U.S.A. Mr. Vincent also periodical articles from: *The Providence Journal*, "Lottery Terminals Fill the Bill" by Raghuram Vadarevu, published December 13, 2000, *Columbus Ledger-Enquirer*, "Protecting Our Children" by Ted Vasilakopoulos, published November 19, 2000, *The Albany Herald*, "Kids Learn to Point and Click" by Ken Garner, published September 22, 2000, *Public Gaming International*, "GTECH's Genie Produces Customer Solutions" by Sharon Sharp, published September 2000, *Supermarket News*, "Lottery Machines Light Up Colorado Checkout Lanes" by Joel Elson, published February 22, 1999, and <http://phillips.com/ViaOnline>, "The Western European VSAT Market: The Door Opens" by James Careless.

Mr. Vincent also presented his testimony. ([Attachment 1](#)).

Mr. Vincent then went over additional information included in the packet. ([Attachment 2](#)).

Mr. Tim Nyman then presented his testimony. ([Attachment 3](#)).

Chairman Harrington then asked the committee for questions and recognized Senator Gooch.

Senator Gooch asked if Mr. Vincent would be around later to answer questions that might come up, and why exactly Kansas had chosen to use GTECH and not another company.

Mr. Vincent said that he, Mr. Nyman, or a representative from GTECH would be available for questions. He went on to say that the GTECH goes through a competitive process of being reviewed and evaluated during

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the selection process.

In response to a request from Senator Lyon, Mr. Nyman gave a brief history of GTECH's contractual history with the state of Kansas, which began in 1988, then Kansas went off procurement in 1996 and GTECH was awarded that contract which runs until 2002. The Lottery has the option of extending for one three-year period and one two-year period as a standard period of re-evaluation of technology, marketing, and administrative needs of each jurisdiction's lottery. He stated that renewals are awarded through negotiation. Mr. Nyman also stated that the Kansas Lottery had one more extension period of two-years to go, but that GTECH had been the only responder to the Kansas bid.

Senator Lyon then asked Mr. Vincent how that compared with other states, and Mr. Vincent stated that in Iowa and Illinois, GTECH was the only bidder, California GTECH was the only bidder in the last round, Oregon had four bidders, Nebraska had two bidders, and Texas will have three bidders.

Senator Lyon then asked if there had been any discussion as to how the extension will be observed, and Mr. Nyman said that there had been none.

Senator Lyon asked about the auditions in front the Human Rights Commissioners and where that process was, to which Mr. Vincent replied that GTECH was in a resolution process now and that it was difficult to talk about but that the claim was public.

Senator Lyon then asked if it was possible to talk in a general way about allegations that GTECH employees were told to find compromising information and that was a violation of their code of conduct, as Mr. Vincent had stated in his testimony. Mr. Vincent stated that he could provide a copy of GTECH's code of conduct, and that any attempt to find compromising information on a customer would be directly in violation of that code. Mr. Nyman then stated in response to further questions that an employee in such violation would be dismissed. Senator Lyon then stated that such action had not been taken in this instance, and Messrs. Nyman and Vincent stated that the situation was under close review.

Senator Vratil asked who GTECH competitors are at this time, and Mr. Vincent replied that there are four to five others worldwide including AWI, but there were only two to three others in the United States because of obstacles to coming in to the business.

Senator Gilstrap asked how long GTECH had been in business and how many senior executives were in the company. Mr. Vincent replied that it was about 25 years, although the name had been changed around 1979, and that there were 8 members of the Corporate Leadership Council. Senator Gilstrap went on to ask Mr. Nyman if GTECH was involved in marketing, but Mr. Nyman stated that marketing was done by the Kansas Lottery itself.

Mr. Vincent replied to a financial question by Senator O'Connor by explaining that GTECH does the initial investment for Lottery facility management procedure and that Kansas pays them back over a period of years from allocated funds from the state budgets and a percent of revenues. Senator O'Connor then asked if Kansas has a debt, and Mr. Nyman stated that Kansas paid GTECH a percentage of sales and that all new equipment and terminals would be redetermined.

Chairman Harrington quoted from an article which regarded GTECH employees' instructions to find dirt on Kansas Lottery employees and asked for more clarification. Mr. Vincent denied those allegations and stated that the incident cited had been from a strategic management planning session.

Chairman Harrington then quoted an article from Fortune 1996 in which David Smith, National Sales Director, GTECH who was sentenced in 1996 on federal charges, was discussed as being excellent at his job of working behind the scenes to gather political intelligence, and to schmooze officials in order to get the lottery business of states such as Kansas, Kentucky, Wisconsin, Indiana, Idaho within three years.

Mr. Vincent implied that the article was out of date, and then went on to describe Mr. Smith's actions as having defrauded GTECH. Mr. Vincent went on to say that GTECH has been reviewed a great deal by every jurisdiction in which it has operated. Mr. Nyman also stated that Mr. Smith never had worked in Kansas.

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Chairman Harrington then asked the GTECH representatives about a newspaper quote which stated that GTECH wanted a no-bid extension from the Kansas Lottery, but that Automated Wagering International (AWI) also wanted to bid on the contract.

Mr. Vincent stated that the no-bid extension was a perfectly normal thing for GTECH to want because it had settled in to Kansas.

Senator Gooch asked Mr. Nyman if he considers Kansas a small part of GTECH's business, and if that was why there was only one bidder. Mr. Nyman stated that he had made reference to Kansas in a population way, and that the reason for only one bidder was a reflection of competition at the time.

Senator Gooch stated that perhaps the presentation of the bid discouraged competition.

Chairman Harrington stated that further information might be better provided by the acting director next week. She also stated that the committee would try to get someone from AWI to provide testimony.

Senator Gooch stated that he had some concerns with the lack of African-Americans involved in the lottery operation, and that he was interested in taking a tour of lottery and GTECH facilities, which Mr. Vincent said were co-located.

Chairman Harrington suggested that a trip could be arranged with the lottery director.

Chairman Harrington stated that the committee will have something from the judge regarding the gag order for Senator Gilstrap's request next week, and then briefly reviewed the schedule for next week.

The meeting was adjourned at 11:33 a.m.

The next scheduled meeting will be at 10:30 a.m. January 22, 2001.

**SENATE FEDERAL AND STATE AFFAIRS COMMITTEE
GUEST LIST**

DATE: January 18, 2001

NAME	REPRESENTING
Randy Towgiar	Post Audit
Keith Kober	KS Lottery
Tracy Dief	SGA/RPGC
Tom Hoffs	KS Lottery
Dave Mackey	KS Lottery
Jean Batts	Grand Palatonic ^{Committee}
Andy Shaw	Kearney Law Office
George Wingerd	Ruffin Company
Rebecca Spack	Sen. Barnett
Charles Aberley	GTECH
Ed Van Petten	KAN. LOTTERY
Joseph	KGC
Bella King	KSPE/Coaches, Braden, Parkport Assoc.
Tim Oyma	GTECH
Samir L. Khasak	Senate Minority Office
Lita Lyon	

Statement by Robert Vincent
Vice President, Corporate Communications
GTECH Corporation

January 17, 2001

Thank you for the opportunity to provide this committee with an overview of GTECH Corporation and our involvement in Kansas.

By way of introduction, GTECH Corporation is the world's leading provider of lottery technology and services. Located in West Greenwich, R.I., the company has approximately 4500 employees. Our customers are, by and large, governments or their licensed representatives. The company is publicly traded on the New York Stock Exchange under the symbol GTK. Last year, the company's revenues exceeded \$1 billion. Our official website is located at gtech.com.

In total, GTECH has 83 customers located on six continents – 26 in the United States and 57 internationally. GTECH has attained a dominant position in the global lottery service business by maximizing its core competencies and strengths, namely secure transaction processing, network integration and management and communications-systems infrastructure development.

During the past twelve months we signed new contracts or extensions of existing contracts with in Western Australia, Barbados, the Ivory Coast, Ohio, Virginia, Spain, Missouri, New Jersey, the Ukraine, Nebraska, Columbia, China (Beijing Welfare Lottery) Portugal and most recently in Jamaica. We have also entered into contracts to provide additional non-lottery transaction processing services in Brazil, Chile and Poland. Finally, Camelot, the consortium with which GTECH has a contract to provide hardware, software and various services, was awarded the new license to operate the National Lottery in the United Kingdom. With over 30,000 retailers, it is the world's largest lottery.

In regards to the United Kingdom, I'd like to provide you with an update on recent events relative to GTECH's business there. The awarding by National Lottery Commission's (NLC) of the new lottery license has been an unprecedented series of events and decisions that, I am certain, would leave the causal observer confused about what transpired.

As I mentioned, the National Lottery Commission in the United Kingdom recently announced a decision to award the next lottery license to Camelot. The decision and the process that led to it have drawn substantial attention. I hope the following brief summary will assist you in putting the events that preceded that decision in proper perspective.

Last August, the NLC rejected the bids by Camelot and The People's Lottery. At the same time, the NLC ended the bidding process. Even though the NLC had rejected the two bids as being insufficient and closed the bidding competition, it chose to continue to negotiate with

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The People's Lottery in an attempt to improve their bid. We were disappointed by the manner in which this process was conducted and its outcome.

That decision created a great deal of controversy. One of the issues was related to the manner in which GTECH's former Chairman and Chief Executive Officer handled a software problem in the U.K. in 1998. As a result of that incident, the GTECH Board requested and received his resignation. The Board also proposed a number of other measures designed to satisfy any on-going NLC concerns. These measures include the creation of a Compliance and Corporate Governance Committee within the GTECH Board of Directors.

W. Bruce Turner, a GTECH Board member and formerly one of the leading analysts on Wall Street, was named Chairman of the Board and acting CEO. A search is currently underway for a new CEO. The positions of Chairman and CEO have been separated. In addition, the Vice President for Compliance, Paul Daly, will report directly to the compliance committee of the Board. Recently, GTECH also added a new board member, Philip Lochner. Mr. Lochner is a former senior executive with Time Warner, a former Commissioner of the Securities and Exchange Commission and a corporate governance expert.

In a July 28, 2000 letter from the NLC to GTECH, the NLC stated that if these proposed measures were implemented, they addressed the substance of any on-going concerns. At the time, the NLC requested a meeting with the GTECH Board in November 2000 to provide an update on the progress achieved in implementing the proposed measures.

A legal action was initiated in which Camelot sought a judicial review of the NLC decision. GTECH did not assert any claims in the judicial review but participated as an interested party in order to insure that our rights were being protected and that we were treated fairly. In a ruling highly critical of the NLC's decision, the High Court found that the NLC was "conspicuously unfair to Camelot." The court ordered that Camelot be given a thirty day period in which to negotiate. Essentially, the competition for the license was reinstated.

Shortly thereafter the Chairwoman of the National Lottery Commission resigned and Lord Burns, a seasoned and respected former government official, was appointed to the chairmanship of the National Lottery.

Under Lord Burn's leadership, the NLC outlined procedures to conclude the bidding process. Each bidder was reviewed to determine if the deficiencies noted in the NLC's earlier decision to reject both bids had been corrected. It was determined that both bidders had done so and a final review was undertaken. It is important to note that in the case of Camelot, issues related to GTECH were determined by the NLC to have been addressed in a manner that allowed Camelot to continue to be an active bidder.

During the later part of December, the NLC announced its decision to award the new license to Camelot. GTECH will be a supplier to Camelot. Under the terms of our relationship, GTECH is completing a technology transfer of our existing lottery equipment, facilities and technology staff to Camelot. Camelot will purchase approximately 25,000 new lottery terminals from GTECH. In addition, GTECH will receive an annual software licensing-fee

from Camelot for the exclusive use of GTECH's gaming system software in the United Kingdom for the term of the new license.

I'd now like to turn my attention to issues that have arisen here in Kansas. There have been media reports of various allegations that I'd like to address.

A complaint has been filed with the Kansas Human Rights Commission making certain allegations of sexual harassment. These allegations are being made by a disgruntled former employee and are without merit. GTECH prides itself on providing a productive and harassment-free work environment. We invest a great deal of time and effort in training programs to ensure that these policies are adhered to. While we are not a liberty to discuss the details of this matter, we are confident that the complaint will be dismissed.

Allegations have also been made as part of the complaint and anonymously in news articles, again by former employees, which allege that GTECH employees were told to get compromising information on their lottery counterparts. That would be a violation of the GTECH Code of Conduct and would not be tolerated. We are confident that this allegation is a fabrication and did not happen.

Finally, there have been news reports that GTECH and the Kansas Lottery decided to host some holiday receptions for employees. Each organization has been through a change of leadership. The receptions were viewed as a good and proper vehicle to allow the respective staffs to interact on an informal basis. Guidance was sought and followed from the Ethic Commission regarding these events.

It is my sincere hope that you find this information useful and informative. The lottery industry is a dynamic one. Developments occur at rapid pace. However, I want to emphasize that we at GTECH are committed to providing our lottery customers with the most secure and advanced lottery systems and services available today. We take great pride in our relationship with the Kansas Lottery and look forward to working with Director Van Petten on restoring the organization to one of leadership in the industry.



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GTECH Kansas

GTECH has served the Lottery for nearly 13 years, and our current 5-year contract terminates on June 30, 2002.

As vendor of choice for our client, the Kansas Lottery, we provide the following in support of their business:

- PPROSYS Central System
- Data Center to house System and Communications Equipment
- AS400 with which the Lottery Communicates with the PROSYS System
- Software to Operate System and Produce Games
- Reports Relating to Operation of System and Games
- Q/A Lab for Testing New Games and/or Game Enhancements
- Equipment in retailer locations and Lottery offices
 - Terminals: Total 2020 On-line 1816
 - Keno Monitors: 1412
 - Check-a-Ticket – allows customer to validate their tickets 1546
 - Reports relating to terminal operation:
 - NCR provides ad hoc reports, others come from screens in the NRC dispatch and comms programs.
- Field Support to Service and Maintain this Equipment:
 - Customer Service Reps. 11
 - Vans 12
 - Trucks 1
 - Forklift 1
 - Main Warehouse (Topeka) 1
 - Remote Warehouses (throughout State) 6
 - Consumable Supplies: Ribbons, cancel wheels, playslips, ticket stock, keyboards
 - Supply Deliveries

GTECH Kansas began its operation on January 28, 1988, having started terminal installations the latter part of 1987. GTECH's Data Center located in the Lottery building is supported by state of the art equipment, through the PROSYS central system.

As a company, GTECH is the world's leading supplier of computerized on-line lottery equipment. It is in the business of processing on-line transactions, which it does more of than American Express, Visa, MasterCard and other such companies combined. It provides on-line networking, research and development, and international sharing of technology.

In an effort to offer customers the most effective on-line services, GTECH continues to raise technological standards, within the public gaming industry. The player base in Kansas is offered such on-line games as Powerball, a multi-state game offering jackpots starting at 10M,

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which increase twice a week on Wednesday and Saturday. Kansas Cash is a homegrown game also offering increasing jackpots, which roll each Monday, Wednesday and Saturday. Pick-3 is more unique ... play today, win tonight; affording opportunities to win cash seven times a week. Keno offers more excitement for the player, offering 298 draws a day, and monitored from Keno Monitors primarily in social establishments.

To provide all this to the citizens of Kansas, GTECH provides Software support, Quality Assurance, Marketing, Administration, and Field Service. In support of Field Service, NRC monitors all retailers, processing calls – the majority of which can be cleared on-line, and those, which cannot, are dispatched to a CSR within the state. NCR processes an average of 500 calls a week, with approximately 70% cleared by the center and the remaining 30% dispatched.

To support the Lottery's Retailer base, GTECH provides training, starting with hands-on training in groups or individually as needed and training manuals with at-a-glance support, which also assists with the hotline calls to NCR.



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**W. Bruce Turner
Chairman of the Board
GTECH Holdings Corporation**

As Chairman of the Board of GTECH Holdings Corporation, the world's leading supplier of online lottery services and systems, W. Bruce Turner is responsible for establishing broad policy and overseeing the strategic direction of the Company and its operational functions.

Joining as Chairman in July 2000, Turner works directly with GTECH's management team to execute the Company's vision and strategic plan in the continuous effort to deliver value to its customers, shareholders, and employees. Turner has served as a member of GTECH's Board since October 1999.

For the past ten years, Turner specialized in the coverage of equity issues in the leisure industry. From 1994 - 1999, Turner served as managing director of equity research at Salomon Smith Barney. Prior to that, Turner spent five years at Raymond James as director of leisure equity research. The list of companies he covered includes Mirage Resorts, Harrah's Entertainment, Marriott International, International Game Technology, and GTECH.

Turner, a graduate of the United States Military Academy at West Point, received his Masters of Arts in Management and Supervision from Central Michigan University. Turner also earned a Masters of Business Administration from the University of Tampa in Tampa, Florida.

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Jaymin B. Patel
Chief Financial Officer and Senior Vice President
GTECH Holdings Corporation

As Chief Financial Officer of GTECH Holdings Corporation, Jaymin Patel is responsible for overseeing the financial strategy of the Company.

Patel joined GTECH in July of 1994 as finance director of GTECH's European and UK Operations, after six years with Price Waterhouse in London, where he qualified as a Chartered Accountant. In 1997, Patel was named to the post of director, Financial Planning & Analysis, a position he held until being promoted to vice president in April of 1998.

As vice president, Patel led GTECH's overall financial planning and business measurement process, with responsibility for the strategic and annual operating plans. He also played a key role in evaluating business opportunities for the Company and providing financial management services throughout the organization.

Patel holds a BA (honors) degree from the City of Birmingham (UK) University, and qualified as a Chartered Accountant with Price Waterhouse.

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Paul Daly
Vice President of Compliance
GTECH Holdings Corporation

As Vice President of Compliance of GTECH Holdings Corporation, Paul Daly is responsible for managing GTECH's worldwide compliance relationships, which includes overseeing all compliance policies and programs and insuring that the Company's legal and contractual security requirements are met.

Since his appointment in 1997, Daly has worked with The Council of Ethical Organizations, one of the world's foremost experts in compliance programs, to develop a corporate integrity program which includes education and enforcement programs and a new written Code of Conduct for all GTECH employees.

Prior to joining GTECH, Daly enjoyed a distinguished thirty-year career with the Federal Bureau of Investigation during which he served as Deputy Assistant Director of the Criminal Investigation Division, and as Assistant Administrator, Intelligence Division, for the Drug Enforcement Administration.

Daly holds a bachelors degree from Stonehill College and is a 1965 graduate of Boston University Law School.

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Donald L. Stanford
Senior Vice President & Chief Technology Officer
GTECH Holdings Corporation

As Chief Technology Officer of GTECH Holdings Corporation, Don Stanford oversees the development of all network communication and information systems. As a veteran in the online lottery industry, Stanford's wealth of knowledge of high speed, secure communication and advanced information technology has helped ensure GTECH's technological edge and superior network capabilities.

Since joining GTECH in 1979 as manager of software development, Stanford has held various technical leadership positions in the last 20 years, including vice president of advanced development, and director of systems development and engineering. Stanford has guided the growth of the technical organization from a software staff of four people in 1979 to the Company's largest group in 1999. Most recently, Stanford leads the Company's multi-disciplined Deliverable teams, which are responsible for defining customer requirements, developing characteristic specifications and to fulfill customer expectations.

Stanford earned a Bachelor of Arts degree in international relations and a Masters Degree in computer science/applied math from Brown University. Stanford was named the 1999 Black Engineer of the Year Award for Professional Achievement.

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David J. Calabro
Senior Vice President, Global Facilities Management
GTECH Holdings Corporation

As Senior Vice President, Global Facilities Management, of GTECH Holdings Corporation, David Calabro, Ph.D. leads the Company's efforts to provide facilities management customers with maximum satisfaction, revenue growth and value creation.

Before joining GTECH, Calabro served as vice president and general manager, United States and Canada Public Sector Market Group at Unisys Corporation, where he successfully positioned the Information Services division to help clients manage information to improve administration and execution of mission-critical public services. Calabro also served as vice president and managing principal of Unisys' Worldwide Public Sector Line of Business and, as such, directed a staff of 1000+ and managed operational performance of its public sector consulting and technology practice.

Prior to Unisys, Calabro led business operations for Digital Equipment Corporation's Government Systems Group in Washington DC. He also served in the U.S. Army as a Special Advisor to the Army Chief of Staff and an Army Strategist; and was an Assistant Professor of Diplomacy and Economic Policy at the United States Military Academy, West Point, NY.

Calabro holds advanced degrees from the University of Virginia, Charlottesville, VA and completed his undergraduate study at Indiana University of Pennsylvania, Indiana, PA.

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Jean-Pierre Desbiens
Senior Vice President, Worldwide Product Sales and Business Development
GTECH Holdings Corporation

As Senior Vice President of Worldwide Product Sales and Business Development of GTECH Holdings Corporation, Jean-Pierre Desbiens is responsible for directing product sales to new and existing lottery customers, as well as pursuing new lottery customer relationships on a worldwide basis.

Desbiens has organized a dedicated global pre-sales support group that has improved GTECH's performance in the worldwide marketplace and provides post sales support to product sale customers.

Desbiens provides GTECH a progressive 25-year record of success in business development. Prior to GTECH, Desbiens served 16 years in the lottery industry at BABN Technologies, Inc., one of the world's largest printers of lottery tickets, most recently as BABN's president and chief executive officer. Prior to joining BABN, Desbiens background includes extensive experience in sales and service roles.

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Donald R. Sweitzer
Senior Vice President, Public Affairs
GTECH Holdings Corporation

As Senior Vice President of Public Affairs of GTECH Holdings Corporation, Donald R. Sweitzer is responsible for continually enhancing GTECH's communication and services to its worldwide government clients.

Sweitzer brings to GTECH more than 20 years experience in government affairs and consulting services. Prior to joining GTECH in July of 1998, Sweitzer was president of the Dorset resource and Strategy Group, a public affairs consulting firm. A recognized authority on national politics and public affairs, throughout his career in government affairs Sweitzer has advised numerous national, statewide and congressional candidates and has worked at every level of government.

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Kathleen McKeough
Senior Vice President, Human Resources
GTECH Holdings Corporation

As Senior Vice President of Human Resources of GTECH Holdings Corporation, Kathy McKeough is charged with leading the Company's worldwide human resources function and organizations.

McKeough brings 26 years of experience to GTECH in the areas of human resources and finance. McKeough spent nine years with Allied Domecq, Plc., serving three of those years as Senior Vice President of Human Resources of Domecq Retailing U.S. McKeough also held positions of Chief Financial Officer and Treasurer of Allied Domecq Retailing U.S. Before joining Allied Domecq Plc., McKeough spent nine years with the Bank of Boston where she held a variety of roles of increasing responsibility, leaving as First Vice President of Rhode Island Hospital Trust.

McKeough holds an M.B.A. in Management from Simmons College in Boston, MA, and also received a B.A. in Fine Arts from Boston University in Boston, MA.

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GTECH Corporation Company Fact Sheet

GTECH Corporation is a leading supplier of services and systems to the global lottery industry. By providing customized business solutions for each of the 81 lotteries it serves, GTECH helps governments from all over the world maximize revenues for good causes. The Company's leadership position is a result of its dedication and commitment to providing superior value-added services such as operations, network management, marketing support and game design; as well as advanced, reliable transaction processing and data communications systems.

- Employees:** GTECH employs more than 4,500 people in its offices worldwide.
- Offices:** Headquartered in West Greenwich, Rhode Island, GTECH maintains international headquarters in Australia, Belgium, Brazil, Canada, Poland, South Africa and the United Kingdom.
- Revenue/Stock:** GTECH's 2000 fiscal revenue exceeded \$1 billion dollars. The Company's stock is traded on the New York Stock Exchange; symbol GTK.
- Website:** www.gtech.com



Business Overview:

GTECH has established itself as a leader in the online lottery industry. Since its founding in 1981, GTECH has transitioned from an entrepreneurial business into a sophisticated global company serving lotteries in 25 U.S. states plus the District of Columbia and 55 jurisdictions outside of the U.S.

GTECH's superior services and pioneering technology are largely responsible for the rapid global growth of automated lotteries. The Company's significant investment in research and development, as well as its dedicated manufacturing facility, enable GTECH to provide the highest quality lottery services and products, which, in turn, increase customer loyalty and client sales.

Business Highlights:

In the past 24 months, GTECH successfully competed for a number of contracts across the globe.

Domestically, the Company was awarded new contracts to provide online or instant ticket services and systems for lotteries in Nebraska, Virginia, Ohio, Illinois, New York, District of Columbia, Arizona and Idaho. In addition, customers in New Jersey, Missouri, and Washington State extended their agreements with GTECH.

Internationally, GTECH, or consortia in which GTECH is a partner, won procurements in China, Ukraine, Ivory Coast, Portugal, Colombia, France, Italy, Morocco, South Africa, Israel, Spain, Brazil, Western Australia, Argentina, Puerto Rico, Singapore, Malaysia, and Denmark. In addition, GTECH signed contract extensions with existing customers in Barbados, Ireland, and Trinidad & Tobago, and the UK.

GTECH expanded its core offerings in several jurisdictions with the installation of Player Express™, a self-service lottery terminal designed and developed for supermarket checkout lanes, with customers in Nebraska, California, Ohio, Colorado, Washington State, Quebec, New Zealand, and Israel.



Subsidiaries/ Business Units:

GTECH's subsidiary/business unit companies include UWin! Corporation, Dreamport, Inc., IGI/Europrint, and VideoSite, Inc.

UWin!:

UWin! provides legal and secure Internet gaming solutions for government-authorized wagering organizations worldwide. UWin! signed agreements with An Post National Lottery Company in Ireland and Dansk Tipstjeneste, the operator of the National Lottery in Denmark.

Dreamport:

Dreamport focuses its efforts towards assisting lotteries in expanding their offerings in the areas of video-machine gaming and central systems.

IGI/Europrint:

Europrint provides sophisticated promotional games, while IGI (Interactive Games International) creates the software and content necessary for interactive gaming.

VideoSite:

VideoSite develops multimedia-broadcasting software. VideoSite launched its NextVision product in Rhode Island. NextVision brings new lottery-draw animation, high-quality graphics and full motion video to monitor games.



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History of Lotteries

Global History

The existence of lotteries in the U.S. is still in its infancy compared with the vast history of global lotteries. Looking to its beginnings, there are illusions to lotteries and lottery-type games that are thousands of years old.

The first evidence of lottery games traces back to Asia where an Ancient Keno slip was discovered. First played in China, the funds generated from this game helped to fund the building of the Great Wall.

In the villages of Europe, wagering began as a form of entertainment. The public would gather in the center of town to wager on just about anything. Soon governments realized the popularity of this practice and began to tax gaming to generate funds for public works.

U.S. History

When America was settled, the colonists brought their heritage and their love of wagering with them. Lottery revenues were responsible for the building of much of America's infrastructure, particularly along the Northeast Coast. Many of the country's most prestigious universities, such as Harvard, Yale and Brown, were built with lottery revenues.

Lottery revenues were also helpful to the first U.S. settlers in times of crisis. Lottery revenues funded many of the armaments and purchases made during the Revolutionary War.

The support of such notable individuals as President George Washington ignited a rapid growth in U.S. lotteries. The Louisiana Lottery, one of the most successful lotteries of its time, ran tickets all over the country through the pony express and mail post. The quick expansion of this interstate lottery eventually opened itself to corruption and fraud leading to the temporary demise



of lotteries in the U.S. In the 1800s Congress issued a federal ban of interstate lotteries, ending lottery operation in the U.S. until the 1960s.

It was during the 1960s that legislators in New Hampshire decided that state's revenue problems could be solved by funds generated from a state lottery. It was also decided that with some of the printing technology at that time, a lottery would be secure and have integrity, unlike the lotteries of the past.

The success of the New Hampshire Lottery and the automated system was closely watched by the states of New York and New Jersey, and shortly followed thereafter, these states started up lotteries.

While the original objective of automation was to ensure security and integrity, an unforeseen advantage was the offering lottery via a distribution network. This distribution network enabled the sale of lottery tickets close to the time of the drawing. It was rapid response service that fueled a lot of success in the lotteries in the 1970s.

Automation was largely responsible for some of these early successes and it is at this point that GTECH enters the picture. GTECH's founders Guy Snowden and Victor Markowicz are the founding fathers of the on-line lottery industry. Working as consultants for the New Jersey Lottery, Snowden and Markowicz utilized their expertise in computers and the lottery industry to draft the first complete on-line computer system.

Automation fueled lottery growth, and has created an industry that contributes billions of dollars each year to public projects such as education, environmental, elderly programs, and health care.



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GTECH: The Lottery Technology Pioneers

During the past decade and a half, GTECH has established itself as the leader in online lottery systems and services exceeding \$1 billion dollars in annual sales. Its leadership extends across six continents with customers in 41 countries worldwide.

Here are some significant achievements GTECH has accomplished along the way:

- Designed and manufactured the first dedicated lottery terminal in 1982.
- Introduced Quick Pick, a gaming feature in which the computer randomly generates numbers for players who do not wish to select their own. Today, Quick Pick represents approximately 35% of the world's online lottery purchases.
- Introduced Keno to the online lottery market and currently provides its Club Keno® game for a number of lottery customers around the world. Club Keno has increased online sales by approximately 15% for those lotteries that offer the game.
- Introduced the first secure Internet wagering solution for government-authorized lotteries.
- Introduced the greatest number of online lottery games and has the largest game library in the industry with more than 200 games.
- Today, GTECH online systems securely handle approximately 160 million transactions daily. On a peak day (i.e.: high jackpots and drawing days), GTECH's systems securely handle 400 to 500 million transactions per day.
- Holds the industry record for central system and terminal reliability — up-time exceeds 99 percent for all of its lottery systems.



- GTECH's central system in California handled the largest North American jackpot ever recorded in one state — \$118.8 million.
- Was the first lottery supplier to achieve ISO-9001 certification, the most rigorous quality standard possible.
- Has more online lottery customers (81) than any other lottery supplier in the world.
- Is the leading supplier of instant ticket management systems in the world.
- Holds the industry record for the fastest online lottery system implementations:
 - The Hoosier (Indiana) Lottery was installed in 77 days.
 - The Washington D.C. Lottery in 66 days.
 - The logistical challenges presented by the start-up of the Texas Lottery required GTECH to select and build 14 facilities, lease 350 vehicles, install more than 14,000 instant-ticket validation terminals, and train 70,000 retailers in 83 days.
 - GTECH implemented the world's largest online lottery system (the UK National Lottery), with more than 10,000 terminals at start-up. This start-up took place only five months after the license to run the lottery was awarded.
- Was the first supplier to implement an online lottery in Latin America and currently holds contracts to operate the largest lotteries in Latin America -- Mexico and Brazil.
- Conducted the first and only simultaneous implementation of online lottery networks on three continents (Australia, Europe and North America).
- Is the only online lottery supplier with operations on six continents, including Africa, Asia, Australia, Europe, North America and South America.
- Produced the first real-time Electronic Bingo system for the British Columbia Lottery Corporation (BCLC). Since operations began in November 1988, the GTECH-supplied electronic bingo system has helped to make the BCLC hall one of the top producing bingo halls in North America.



- Was the first to develop and introduce lottery-specific radio and satellite communications systems. These technologies enable GTECH to operate online lottery networks in remote geographical areas or where conventional telephone networks are too costly. GTECH operates wireless lottery systems in Argentina, Brazil, Chile, Estonia, Mexico City, Poland, Colorado and New Mexico.
- Designed and implemented the most diverse communications network in the U.S. in Washington State. The network employs five different types of communications technologies.

GTECH is committed to providing its lottery customers with advanced technologies and value-added services. It maintains the industry's largest research and development budget, committing more than \$45 million to R&D - more than the rest of the industry combined.

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U.S. Lottery Industry

Sales

Since New Hampshire established the first state lottery in the United States in 1964, U.S. Lottery sales have grown to over a \$36 billion-per-year industry. With the exception of the 1990-1991 recession year, sales grew each year as additional states offered lotteries and innovative games sparked more public interest and participation. Today 37 states and the District of Columbia offer lotteries.

During the 1980s, U.S. lottery sales grew at a 24% average annual rate from \$2.4 billion in 1980 to \$19.4 billion in 1989. The 1990s also showed healthy growth - 10 % per year on average - even as fewer states joined the roster of lottery states.

Public Opinion

According to GTECH's 8th *Annual National Gaming Survey 2000*, Americans continue to approve of legalized gaming by 69%, with the greatest support being for state lotteries (73%). This marks the highest approval rating for legalized gaming in the survey's eight years.

Seven out of ten of all Americans (72%) have played the lottery at least once during the past year, making lotteries the most widely played form of gaming in the U.S. These are exceptionally high rates of national participation considering that thirteen states in the South and the West do not offer lotteries.

In addition, the lottery is part of weekly entertainment plans for 28% of the American public. No other form of legalized gaming can claim such a high level of play.



Most Americans recognize that lotteries offer both public and personal benefits. Fifty four percent of all Americans say lotteries deliver positive economic benefits to their states, including increased jobs and tourism and the support of educational programs, parks and recreation, health care and other public programs. More than half of all Americans (54 percent) believe that legalized gaming helps state governments keep taxes lower. Also, nearly two-thirds of all Americans (65%) consider lotteries to be an acceptable form of entertainment.

Lotteries also enjoy very strong support at the ballot box with 70% of Americans indicating they would vote in favor of continuing their lottery. In addition, support for lottery in non-lottery states remains strong with 66% of Americans from non-lottery states saying they would vote for establishing a state lottery if given the opportunity.

Future

As domestic lottery start-ups become less frequent -- 37 states and the District of Columbia already have lottery gaming -- the industry will respond with an expanded menu of products and services to support established lotteries. The most important areas to watch will be e-commerce and on-line gaming. As gaming continues to expand, GTECH will pursue a wide range of innovative solutions designed to offer a greater array of products and services to its customers and to millions of people who play the lottery everyday.

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Games

Online and Instant Ticket Games

Traditionally, lotteries came in two types: instant and online. Recently, technological innovations have blurred the lines between the two types of traditional lotteries, with online games offering quicker response and multiple prizes and instant games offering extended play. In fact, advances have been made that allow players “instant” video online games.

Both online and instant games are very popular in the U.S. However, their preferences can be geographical. For example, the percentage of online lottery players versus those preferring instant lotteries is highest in Washington DC where 92 percent of lottery ticket sales are online. Conversely, the percentage on online sales is lowest in Vermont where only 31 percent of sales are online and 66 percent of sales are instant tickets.

Instant Tickets

Instant ticket lotteries appeal to those players who want to know if their ticket is a winner immediately. Instant tickets contain a series of symbols that are covered by a secure “scratch-off” coating. Once the coating has been scratched off, the ticket reveals on-the-spot whether the player won or lost.

Online Lotteries

Online lotteries are the most common and popular lottery game in the U.S. They are played through sales terminals linked to central computers via communications networks. Combining speed and flexibility, online games account for almost 75 percent of worldwide lottery revenue.

Lotto - Lotto is the most popular online lottery game. Players select a set of numbers from a larger pool. Ratios and payoffs differ in each jurisdiction. Six from forty-nine has been the most popular, but other variations such as five from thirty, six from fifty-two, or three from forty-nine are also popular. Approximately \$7 billion in revenue come from U.S. Lotto sales.

PowerBall® - This is a 21-jurisdiction Lotto-style game that attracts more money and offers larger prizes than any other Lotto-style game.



Numbers - Players typically select a three or four-digit number (although two and five-number variations are also gaining ground). Winning numbers are typically drawn every day. Players can try to select the exact order or any combination of the drawn number.

Keno - In reaction to changing consumer tastes and increased competition, lottery operators are promoting an array of new lottery games. The trend is toward online games that provide instant results to the consumer. The latest innovations include five-minute keno. The popularity of this game has increased dramatically and GTECH's Club Keno® is now available in over 10 jurisdictions. The number of customers that offer keno is sure to increase within the next few years.

Keno is often found in restaurants and taverns and offers prizes for correctly selecting up to twelve of twenty numbers drawn from a pool of eighty. While Keno is an online game, it offers the immediate gratification of an instant ticket because the drawings take place as frequently as every five minutes.

Video Lottery - The colorful, animated video action screen instantly attracts players to the user-friendly terminals. Wagers can be made by coin or by bill, and an extensive menu of fast-moving games can be installed within a single machine. Video Lottery terminals realistically simulate such popular games as poker, line-up, blackjack, and many more.

BingoVision™ - GameScape's BingoVision is the first game to mix the play action of Bingo with the fun of a TV game show. Players simply buy a BingoVision ticket from their online lottery retailer. At home, players play along with the game, mark their tickets, and share in the suspense of the live televised draw. As each ball is drawn, the status of all the cards can be displayed on television, showing the number of players close to winning.

Customized Games

Based on local customs and preferences, GTECH's game design division, GameScape, designs and tailors games for local markets. For example, in Sweden lottery enthusiasts play "*Langen, Matchen and Toppen*," where players forecast the result of a maximum of thirty-five sports spread out over a multi-day "wagering week." In Mexico, lottery players prefer "*Pronosticos*," a game similar to its Swedish counterpart but where players must correctly predict the outcome of every sporting event that appears in the lottery ticket's game menu -- typically thirteen games.

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GTECH's Board of Directors – Strong, Involved, and Committed

The success of GTECH's business relies on the trust and respect of our stakeholders, particularly the governments we serve and the citizens they represent. To earn this trust and respect, it is essential that all GTECH representatives embrace and practice values and behaviors that reflect the highest levels of integrity.

W. Bruce Turner, GTECH's Chairman since July 2000, has ushered in a new culture built on strict ethical standards. He is working to strengthen and enhance the firm's management team and its board of directors. GTECH's global management today is made up of individuals with broad business experience and superlative professional achievements.



W. Bruce Turner
- Chairman of the Board

W. Bruce Turner has been a GTECH director since 1999 and was elected Chairman in July 2000. Mr. Turner specialized in the coverage of equity issues in the leisure industry for more than ten years. From 1994 - 1999, Mr. Turner served as managing director of equity research at Salomon Smith Barney and became an independent consultant after retiring from Salomon Smith Barney. He also spent five years at Raymond James as director of leisure equity research. Mr. Turner began his career in the United States Army as a Field Artillery Officer.



Burnett W. Donoho
- Chairman of Audit Committee

Burnett W. Donoho has been a director since 1992. Mr. Donoho has been a self-employed retail consultant from January 1998 to present, and also from December 1994 to February 1997. He is currently a director of OfficeMax, Inc. Mr. Donoho recently held the position of CEO at Club Sports International and was Vice Chairman and Chief Operating Officer of Montgomery Ward, Inc., a privately held department store, from February 1997 to December 1997. He previously served as Vice Chairman and Chief Operating Officer of Macy's East, a division of R.H. Macy & Co., Inc., and President of Marshall Field and Co., a department store chain, and was a member of Ernst & Young's Great Lakes Management Consulting Group. Mr. Donoho was a consultant to and superintendent of the Chicago Public Schools from November 1990 to May 1991.



Robert M. Dewey, Jr.
- Member of Audit Committee
- Chairman of Compensation Committee

Robert M. Dewey, Jr. retired in April 2000 as a Senior Advisor of Donaldson, Lufkin & Jenrette (DLJ), an investment banking firm. Prior to that, Mr. Dewey served as Chairman of the Board of Autranet, Inc., a wholly owned subsidiary of DLJ. Mr. Dewey also served as Managing Director, Institutional Equities Division, of Donaldson, Lufkin & Jenrette Securities Corporation from 1983 through 1995, and as a member of its Board of Directors.

GTECH's Board of Directors (continued)



The Rt. Hon. Lord Moore of Lower Marsh
- Member of Audit Committee
- Chairman of Nomination Committee

The Rt. Hon. Lord Moore of Lower Marsh has been the European Chairman and a director of The Monitor Company, a strategic consulting firm, since 1990. He currently holds a variety of board positions such as Deputy Chairman and a director of Rolls Royce Plc and a Director of Blue Circle Industries. Previously, Lord Moore held various ministerial posts in the U.K. government including Secretary of State for Social Security and Secretary of State for Health and Social Services. Lord Moore is currently President of Energy Saving Trust Ltd., a not-for-profit energy conservation organization.



Lt. Gen. (Ret.) Emmett Paige, Jr.
- Member of Compensation Committee
- Member of Nomination Committee

Lt. Gen. (Ret.) Emmett Paige, Jr. (USA) was President and Chief Operating Officer of OAO Corporation, a systems engineering and information systems and services company, from August 1988 through May 1993 and again since May 1997; he has been a director since July 1997. Previously, General Paige served 41 years with the United States Army, working up through the ranks to Assistant Secretary of Defense for command, control, communications, computers, and intelligence from May 1993, and then to position of Department of Defense chief information officer from August 1996 to May 1997.



Anthony Ruys
- Member of Compensation Committee

Anthony Ruys has been Vice Chairman of the Executive Board of Heineken N.V., a Netherlands-based international brewery group, since 1996, and a board member since 1993. Mr. Ruys also served in increasingly senior positions within the Unilever Group, a Netherlands and U.K.-based consumer goods conglomerate, from 1974 to 1993.

***The Board of Directors meets five times in the course of a year.
One additional meeting is held annually to focus on GTECH strategy.***

GTECH Corporation's, Kansas Data Center, provides equipment, supplies, and services for the five online games offered by our partner the Kansas Lottery. GTECH operators man the 24 hour operations center, located in Topeka, where each of over 300,00 daily transactions are recorded. The operations center employs specialists in several key areas; database administration, local and wide area networking, telephone company equipment, as well as day and night coordinators, who all work to ensure that lottery mission critical elements are ready and available around the clock.

GTECH Field Services with its 11 customer services representatives stationed around the state deliver the paper used for printing of Powerball, Keno, Kansas Cash, Pick 3 and Winners Take All, tickets. These representatives stand ready to respond to terminal repair requests across the state to any of the Lottery's 1820 online retailers.

GTECH Marketing provides consultation and analytical services on promotional offerings, game design changes and new game selection. Additionally GTECH Marketing is responsible for development of training manuals and individual training of retailer staff on terminal operation.

Senate Fed + State
1-18-01
Attachment 3-1