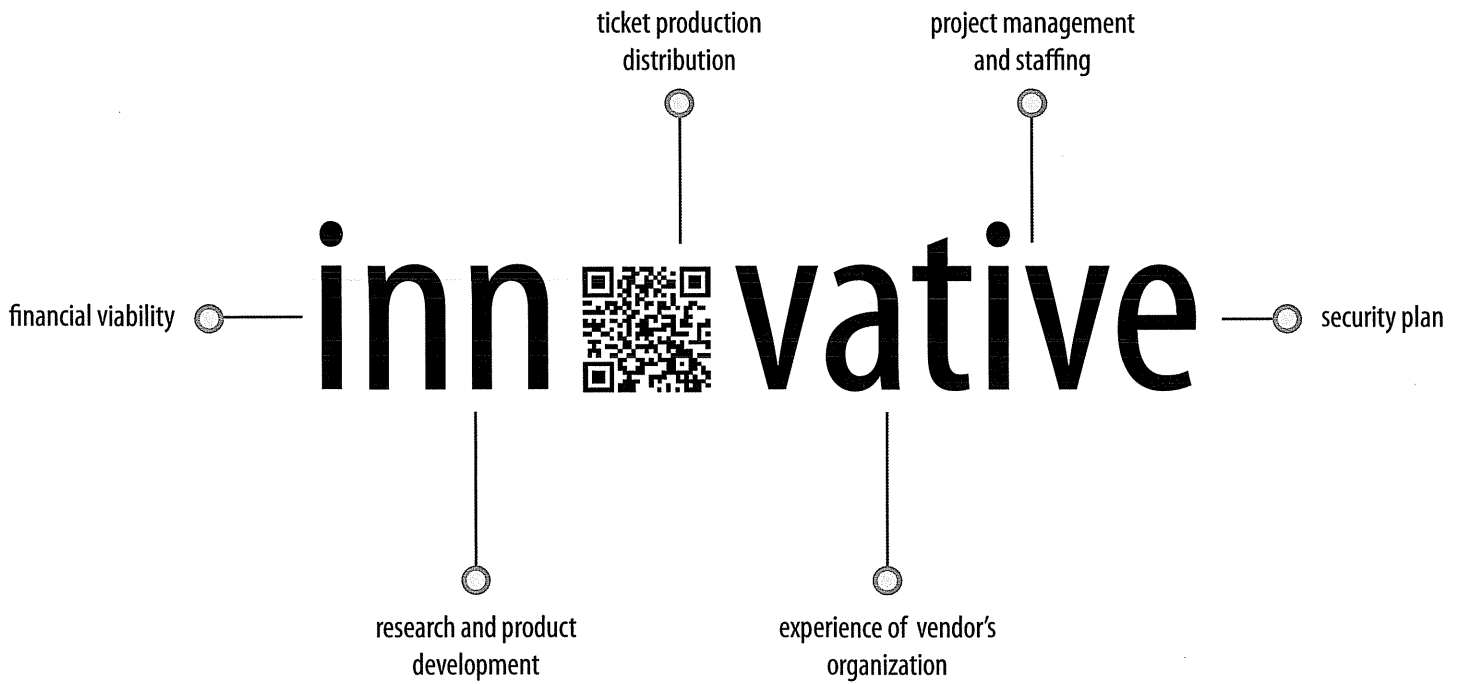


GTECH Corporation's Response to the New York Lottery's Request for Proposals for Instant Ticket Design, Development and Production Services - ORIGINAL

Volume 2 – Pricing Proposal

C110001





GTECH Corporation's Response to the New York Lottery's Request for Proposals for Instant Ticket Design, Development and Production Services - COPY

Volume 2 – Pricing Proposal

C110001





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April 7, 2011

Gail P. Thorpe
Contracting Officer
New York State Division of Lottery
Finance Office
One Broadway Center
Schenectady, NY 12301-7500
Email: ContractingOfficer@lottery.ny.gov

Re: RFP No. C110001 for Instant Ticket Design, Development and Production Services

Dear Ms. Thorpe:

GTECH Printing Corporation (GPC) has enclosed Volume II, Pricing Proposal, as Attachment 2 of the RFP. We have carefully reviewed the basis and terms of compensation set forth.

As required, we have provided two (2) originals and two (2) copies of the Pricing Proposal as well as one (1) CD.

Should you have any questions, you may contact me directly at (401) 392-7332.

Sincerely,

A handwritten signature in black ink, appearing to read "A Eland", written in a cursive style.

Alan Eland
SVP and COO North America

New York Lottery Instant Game Pricing

Ticket Size: 2" High x 4" Wide

<u>Quantity</u>		Base Price for books of <u>250</u> tickets	% + (-) of base price for books of <u>125</u> tickets	% + (-) of base price for books of <u>100</u> tickets
		<u>(Price per 1,000)</u>		
Under	5,000,000	11.53	5.3%	10.7%
5,000,001	10,000,000	8.58	10.1%	20.3%
10,000,001	15,000,000	7.77	10.7%	21.3%
15,000,001	20,000,000	7.25	11.2%	22.3%
20,000,001	30,000,000	6.98	11.3%	22.6%
30,000,001	40,000,000	6.71	11.6%	23.2%
40,000,001	50,000,000	6.65	11.6%	23.2%
50,000,001	& Over	6.57	11.6%	23.2%

New York Lottery Instant Game Pricing

Ticket Size: 2 1/2" High x 4" Wide

<u>Quantity</u>		Base Price for books of <u>250</u> tickets (Price per 1,000)	% + (-) of base price for books of <u>125</u> tickets	% + (-) of base price for books of <u>100</u> tickets
Under	5,000,000	12.43	7.3%	14.7%
5,000,001	10,000,000	9.78	8.8%	17.6%
10,000,001	15,000,000	8.74	9.5%	19.0%
15,000,001	20,000,000	8.59	9.5%	19.4%
20,000,001	30,000,000	8.03	10.2%	20.3%
30,000,001	40,000,000	7.87	10.2%	20.3%
40,000,001	50,000,000	7.68	11.1%	22.1%
50,000,001	& Over	7.58	11.1%	22.1%

New York Lottery Instant Game Pricing

Ticket Size: 3" High x 4" Wide

<u>Quantity</u>		Base Price for books of <u>250</u> tickets (Price per 1,000)	% + (-) of base price for books of <u>125</u> tickets	% + (-) of base price for books of <u>100</u> tickets
Under	5,000,000	<u>13.58</u>	<u>6.8%</u>	<u>13.6%</u>
5,000,001	10,000,000	<u>10.96</u>	<u>7.7%</u>	<u>15.4%</u>
10,000,001	15,000,000	<u>9.93</u>	<u>8.2%</u>	<u>16.4%</u>
15,000,001	20,000,000	<u>9.79</u>	<u>8.2%</u>	<u>16.4%</u>
20,000,001	30,000,000	<u>9.22</u>	<u>8.5%</u>	<u>17.1%</u>
30,000,001	40,000,000	<u>9.07</u>	<u>8.5%</u>	<u>17.1%</u>
40,000,001	50,000,000	<u>9.03</u>	<u>8.6%</u>	<u>17.2%</u>
50,000,001	& Over	<u>8.92</u>	<u>8.6%</u>	<u>17.2%</u>

New York Lottery Instant Game Pricing

Ticket Size: 4" High x 4" Wide

<u>Quantity</u>		Base Price for books of <u>250</u> tickets	% + (-) of base price for books of <u>125</u> tickets	% + (-) of base price for books of <u>100</u> tickets
		<u>(Price per 1,000)</u>		
Under	5,000,000	16.61	2.9%	5.8%
5,000,001	10,000,000	13.99	3.1%	6.3%
10,000,001	15,000,000	13.47	3.2%	6.4%
15,000,001	20,000,000	12.94	3.2%	6.4%
20,000,001	30,000,000	12.51	3.3%	6.6%
30,000,001	40,000,000	12.36	3.3%	6.6%
40,000,001	50,000,000	12.27	3.4%	6.7%
50,000,001	& Over	12.14	3.4%	6.7%

New York Lottery Instant Game Pricing Schedule

Ticket Size: 5" High x 4" Wide

<u>Quantity</u>		<u>Base Price for books of 250 tickets</u> (Price per 1,000)	<u>% + (-) of base price for books of 50 tickets</u>	<u>% + (-) of base price for books of 125 tickets</u>	<u>% + (-) of base price for books of 100 tickets</u>
Under	5,000,000	18.93	11.1%	2.6%	5.1%
5,000,001	10,000,000	16.59	11.2%	2.7%	5.4%
10,000,001	15,000,000	15.52	11.4%	2.8%	5.6%
15,000,001	20,000,000	15.20	11.4%	2.8%	5.6%
20,000,001	30,000,000	14.74	11.4%	2.8%	5.6%
30,000,001	40,000,000	14.62	11.4%	2.9%	5.7%
40,000,001	50,000,000	14.46	11.4%	2.9%	5.7%
50,000,001	& Over	14.36	11.4%	2.9%	5.7%

New York Lottery Instant Game Pricing Schedule

Ticket Size: 6" High x 4" Wide

<u>Quantity</u>		Base Price for books of <u>250</u> tickets	% + (-) of base price for books of <u>50</u> tickets	% + (-) of base price for books of <u>125</u> tickets	% + (-) of base price for books of <u>100</u> tickets
		(Price per 1,000)			
Under	5,000,000	21.66	12.6%	1.7%	3.2%
5,000,001	10,000,000	19.31	13.0%	1.8%	3.2%
10,000,001	15,000,000	18.19	13.5%	1.8%	3.4%
15,000,001	20,000,000	17.88	13.5%	1.8%	3.4%
20,000,001	30,000,000	17.48	13.5%	1.8%	3.4%
30,000,001	40,000,000	17.35	13.7%	1.8%	3.4%
40,000,001	50,000,000	17.22	13.7%	1.8%	3.4%
50,000,001	& Over	17.10	13.7%	1.8%	3.4%

New York Lottery Instant Game Pricing Schedule

Ticket Size: 8" High x 4" Wide

<u>Quantity</u>		Base Price for books of <u>250</u> tickets	% + (-) of base price for books of <u>50</u> tickets	% + (-) of base price for books of <u>125</u> tickets	% + (-) of base price for books of <u>100</u> tickets
		<u>(Price per 1,000)</u>			
Under	5,000,000	27.64	7.7%	1.3%	2.0%
5,000,001	10,000,000	25.51	7.9%	1.3%	2.0%
10,000,001	15,000,000	24.64	8.1%	1.3%	2.0%
15,000,001	20,000,000	24.33	8.1%	1.3%	2.0%
20,000,001	30,000,000	23.93	8.2%	1.4%	2.0%
30,000,001	40,000,000	23.60	8.2%	1.4%	2.0%
40,000,001	50,000,000	23.56	8.2%	1.4%	2.0%
50,000,001	& Over	23.50	8.3%	1.4%	2.0%

New York Lottery Instant Game Pricing

Special Features

(Pricing is per 1,000 unless otherwise specified)

Additional display color		\$0.05 per thousand square inches
Additional overprint color		\$0.05 per thousand square inches
Additional color on ticket back		\$0.08 per thousand square inches
Specialty inks: such as metallic, flourescent, and holographic effects:		
Glitter Ink		\$0.20 per thousand square inches
Flourescent Ink		\$0.20 per thousand square inches
Metallic Ink		\$0.20 per thousand square inches
Thermal Ink		\$0.20 per thousand square inches
Pearlescent Ink		\$0.20 per thousand square inches
Simulated Foil Ink		\$0.12 per thousand square inches
Transluscent gel, Clearmark or comparable marking system	Player's MARK™	\$0.10 per thousand square inches
Latex on the back of tickets to facilitate additional game play		No Bid
Holographic paper		\$2.25 per thousand square inches
FOIL paper		\$0.30 per thousand square inches
Scoring		Vertical: \$1,000.00 plus \$0.05 per thousand square inches Horizontal: \$5,000.00 plus \$0.10 per thousand square inches
Stub features		With imaging on the stub: \$0.06 per thousand square inches Without imaging on the stub: \$0.03 per thousand square inches
Multiple color imaging of play symbols		\$5,000.00 setup charge plus \$0.35 per thousand square inches per additional color
Pulsing colors within a game (fixed price)		\$2,500.00 per color change
Alternating scenes within a game (fixed price)		\$1,500.00 per additional scene
Die-cutting (fixed price)		\$5,000.00 setup charge plus \$0.30 per thousand square inches
Printing on back of ticket (fixed price set-up fee): 25,000 live tickets with "FOR PROMOTIONAL USE ONLY, NOT FOR SALE" printed on back		\$2,000.00 setup charge

New York Lottery Instant Game Pricing

Alternate Ticket Sizes:

(Pricing Extrapolation)

Ticket pricing for alternate ticket sizes to the grid sizes provided in the RFP is to be based on the area in square inches relative to the base price of a 2.0" by 4.0" (8.0 square inch) ticket. The quantity to use against a 2.0" by 4.0" price is the total square inch of the new-sized ticket divided by 8 times the actual quantity of the new tickets.

Example for new ticket order of 5,000,000 4.5" by 4.0" tickets:

5,000,000 4.5" by 4.0" tickets

2.0" by 4.0" quantity to use is: $[(4.5 \times 4) / 8] * 5,000,000 = 11,250,000$

The price for 11,250,000 2.0" by 4.0" tickets is \$7.77

Therefore the price for 5,000,000 4.5" by 4.0" tickets is: $\$7.77 * [(4.5 \times 4.0)/8] = \mathbf{\$17.48}$

Ticket Reorders:

(Expressed as a fixed discount of base)

Price per thousand applicable to the quantity reordered less a discount of \$5,000.00

Ticket Security Process / Feature:

(Price per 1,000)

Secure Shield™

Included in base price of tickets

Secure Coat™

\$0.05 per thousand square inches

Custom Micro Font Bendays

\$0.10 per thousand square inches

New York Lottery Instant Game Pricing

Attachment 2-I

Barcoded Coupons Pricing Schedule

Coupon Size: 2 1/2" High x 6 1/8" Wide

Books of 100 with edges glued and cardboard backing

Quantity	(Price Per 1,000)	(Flat Rate)
100,000 350,000	<u>129.58</u>	
350,001 650,000	<u>55.85</u>	
650,001 850,000	<u>43.42</u>	
850,001 1,100,000	<u>37.44</u>	
1,000,001 1,350,000	<u>34.62</u>	
1,350,001 1,600,000	<u>32.70</u>	
1,600,001 2,600,000	<u>30.94</u>	
2,600,001 3,600,000	<u>28.24</u>	
3,600,001 4,600,000	<u>27.01</u>	
4,600,001 & over	<u>26.41</u>	

Electronic Files

Electronic Coupon Files (flat rate)	<u>2,700.00</u>
Electronic Instant Games (flat rate)	<u>4,750.00</u>

Activation Cards (price per 1,000) Included in base price

New York Lottery Instant Game Pricing

Attachment 2-J

Invited Option(s)

Holographic Ink (price per 1,000)

Price to be determined based on final
specifications

New York Lottery Instant Game Pricing

Attachment 2-K

Instant Game Management/Marketing Fee

0.0500%



OFFERED OPTIONS

GTECH Printing Corporation (GPC) presents the following list of additional services and options which are available for consideration by the New York Lottery. Pricing for any specific option would be determined subsequent to a detailed specification process and following mutual agreement and negotiation between GPC and the New York Lottery.

OPTION	DESCRIPTION	PRICE
Instant Ticket Print Options		
Printing on 10pt virgin recyclable card stock, coated one side	Recyclable card stock that contains a double coating on the topside.	A reduction in the base price of the ticket of \$0.01 per thousand square inches
Photographic Scenes	GPC can print tickets with display graphics that incorporate the detail of a photograph in the graphics portion of the ticket and/or overprint area.	\$1,500.00 for each scene
Fluorescent Bendays	The benday is printed in fluorescent ink. This feature can also be applied to Mega Bendays or the Custom Micro Font Bendays.	\$0.05 per thousand square inches
Continuous Scene Games	This option allows for a scene to extend beyond a single instant ticket.	\$1,500.00 per scene.
Savings for Printing Multiple Games at the Same Time	GPC can simultaneously produce two or more games. Depending on ticket specifications, games of different ticket and pack sizes can be produced.	Deduct \$2,500.00 per additional game
Internal Custom Perforations	These are custom free-flowing perforations to accent game theme and play. They can create a jigsaw puzzle effect for premium collector games.	\$5,000 set-up charge plus \$0.30 per thousand square inches
Four-Color Ticket Back	Allows for full four color processing to the back of the ticket.	\$0.30 per thousand square inches plus a \$2,000.00 set-up charge
Tinted Varnish	GPC can produce tickets with tinted varnishes that add to the game's design and appeal.	\$0.05 per one thousand square inches
Additional Oversize Samples	Base ticket pricing assumes 25,000 oversize, voided samples would be delivered with each game.	\$250.00 per 1,000 oversize samples
Accelerated Delivery	For emergency expedited shipping that results in less time than originally approved in the executed working papers, and capacity permitting, there will be an up charge.	\$1,500.00 per day
Development of Complicated Fonts, Numbers, or Symbols	GPC can produce out-of-the-ordinary fonts, numbers, or symbols for games with unique play styles.	\$150.00 per hour



OFFERED OPTIONS

OPTION	DESCRIPTION	PRICE
Omission Free Production	Base pricing assumes that omissions, which occur during the production and inspection of instant tickets, would be allowed. For omission free production a price differential to the base ticket price will apply.	\$5.00 per one thousand tickets
3-D Tickets	Responding to the widening popularity and demand for the 3-D entertainment experience, GPC offers its new instant 3-D ticket technology.	3-D printing is included in base price
Additional Pack Inserts	Additional pack inserts (in addition to the activation/settlement card) that may be utilized to support any special retail game or promotion.	\$0.30 per pack
Additional Stub on Activation Card	Activation card would be folded over the end of the pack identifying the game number, pack number and sales value of the pack.	Price to be determined based on final specifications
Pouch Tickets	GPC can produce pouch tickets. Pouch material includes plastic, Mylar and can be clear or colored.	Price to be determined based on final specifications

OFFERED OPTIONS

OPTION	DESCRIPTION	PRICE
Instant Ticket Game Options		
Lucky Sweeps™	A proprietary new product which allows players to instantly win an entry into a second chance drawing. Previous solutions required the player to either mail in their ticket or enter in on a website but with Lucky Sweeps players can do it right there at the retailer. Second chance promotional drawings can be on a single game, grouping of games or across an entire price point. In addition they can be run on a daily, weekly, or monthly basis awarding cash or merchandise prizes.	Price to be determined based on final specifications
Extended Play Bonus Games	Unlike other bonus features this one utilizes the symbols, numbers, or letters from the base game in order to play the bonus game. This can be added to just about any game mechanic and significantly increases the play value of the ticket over other bonus features.	\$1.50 per one thousand on the instant ticket production
Head2Head Games	These games are designed to allow players to play an instant ticket in a Head2Head format. Adding an element of competition to the gameplay allows extended play games to be launched in a creative way targeting a new demographic.	\$0.10 per thousand square inches
Head2Head Smartphone Functionality	This is an enhancement of the play experience of our Head2Head Games where, for example, a smartphone can be used to “call” or display bingo numbers as the game is played for a bingo parlor effect.	Price to be determined based on final specifications
Microbrand Games	Small scale brands recognized by players in a specific micro-market or niche market. Each microbrand typically has a distinct personality, style, demographic or psychographic trait.	Included in base price
New Play-Style Games	GPC invests significantly in its product development process and is committed to providing ground-breaking play styles so the lottery can stay at the forefront of innovation.	Price to be determined based on final specifications



OFFERED OPTIONS

OPTION	DESCRIPTION	PRICE
Instant Ticket Gift Box	This is a new Instant ticket design which will allow the Instant ticket to be folded into a small gift box which may contain a gift card or small surprise.	Price to be determined based on final specifications
Linked Bonus™ Feature	GCP is pleased to offer an entirely new type of bonus feature, which we call our "Linked Bonus™" feature. The Linked Bonus feature provides players the opportunity to win additional prize money if their ticket wins in certain specified plays. We believe that this feature adds extra value to smaller wins on higher priced tickets.	\$1.50 per 1,000 on the instant ticket production
Player's KEY™	Provides your players with an easy way to confirm if their ticket is a winning ticket or not.	\$2,500.00 per game
Instant Ticket Dispensers	GPC has established a close working relationship with many major ticket-dispenser vendors to the lottery industry. We can partner with these vendors to provide the New York Lottery instant tickets dispensers best suited for your market place.	Price to be determined based on final specifications
Complicated Game Programming	The requirement of unusual or excess programming (will not apply to any play styles currently used by the Lottery).	\$150.00 per hour

OFFERED OPTIONS

OPTION	DESCRIPTION	PRICE
Marketing Services		
Bain & Company Professional Services	A consultancy review of the New York market at the start of contract to assist in developing actionable objectives across the retail channel and instant products. The review is expected to take approximately 8-12 weeks.	Included in base price, if primary
Market Research Studies and Analysis	This RFP includes the cost of two web-based or in-person focus groups annually, as referenced in the proposal. Additional studies beyond these base requirements can be provided.	Price to be determined based on final specifications
Integrated Marketing Campaigns	A comprehensive relationship marketing campaign combining direct marketing and e-marketing with traditional advertising, mobile marketing, and social marketing.	Price to be determined based on final specifications
Website Marketing Including VIP Clubs	Varying degrees of website support from the development of a fully functional Lottery website to a promotional Web page that focuses on a licensed game, a specialty game, or a proprietary game.	Price to be determined based on final specifications
Merchandise and Prize Fulfillment	Customized merchandise and prize fulfillment opportunities. Merchandise fulfillment can be used in several areas including game prizes, promotions, loyalty and continuity programs, retailer incentive plans, and sales representative incentives.	Price to be determined based on final specifications
Retailer Incentive Games	Games/promotions that will encourage the Lottery's retailers to keep their instant game dispensers full and push product out the door.	Price to be determined based on final specifications
Game Simulator	The simulator permits your lottery to demonstrate its new game offerings to players conveniently via your Website.	Included in base price

OFFERED OPTIONS

FEATURE	DESCRIPTION	PRICE
Interactive Game Program		
<p>As a partner to the New York Lottery, GPC's Interactive offering consists of a number of the capabilities as described below. These offerings are described in detail in section 4.4 of the GPC response to the RFP.</p>		
<p>Baseline Platform for supporting Play For Fun games and Second Chance Drawing Management.</p>	<p>The hardware and software platform, including portal and integration into GMS.</p> <p>Player management system including database with single registration/logon, player profile, account and history.</p> <p>Ten (10) Play For Fun games at system launch plus two additional games per quarter.</p> <p>Included would be a New York skinned version of the Arkadeville (NewYorkVille) game.</p> <p>Up to fifty (50) tournaments per week</p> <p>Twelve (12) annual second chance drawings including, entry and verification, Random Number Generator based drawings, winner notification, claims. In support of the drawings, a branded website interface and content creation. Reporting on the drawings is also included.</p> <p>Draw Entry Multiplier: A feature of the Second Chance Drawing component, configurable for a specific drawing.</p> <p>Management and maintenance in support of the items noted above is included as part of our base offering. As such, as noted in Section 4.4, two resources, located at One Broadway Center, will be provided to assist with management of this business channel and will interface with the Lottery on business and technical needs associated with ongoing support.</p>	<p>Included in base price, if primary.</p>

OFFERED OPTIONS

FEATURE	DESCRIPTION	PRICE
<p>Enhancements to the Baseline Platform</p>	<p>Additional games beyond those specified in the baseline platform above.</p> <p>Additional tournaments beyond the fifty (50) offered as part of the Baseline Platform.</p> <p>Additional second chance drawings beyond those offered in the Baseline Platform.</p>	<p>Price to be determined based on final specifications.</p>
<p>Additional Offered Options in support of the Interactive Game Program</p>	<p>Loyalty Program: Integrated into the Player Portal, the Loyalty component allows the lottery to create a loyalty program and set triggers and redemption criteria. There is an online prize management component allowing couponing or retailer prizes.</p> <p>Integration with Social Media: This feature provides players with the ability to include the lotteries various web components, such as tournament results, within their online social environment and allows the lottery word-of-mouth marketing opportunities to players "friends".</p> <p>Mobile Phone / Smartphone Applications: Smartphone application development, including support of base interactive functionality noted above.</p> <p>Interactive Channel Marketing & Analysis Services: Marketing Services in support of the Interactive Channel is utilized to encourage participation and interaction and compliments the efforts utilized within the retail channel to drive players to the web. Marketing services such as e-mails, texts, newsletters, banner ads, etc. are available.</p>	<p>Price to be determined based on final specifications.</p>



OFFERED OPTIONS

GPC Licensed Properties

GPC is pleased to offer the New York Lottery our entire licensed property portfolio at industry competitive pricing. Licensed properties can be acquired by a License Fee Model, a Merchandise Model or a combination of both.

License Fee – The license fee options are based on a percentage of actual sales. The rates are detailed in the table below.

Merchandise – The New York Lottery will allocate a percentage of the prize fund for the acquisition of unique experiential prizes or custom branded merchandise from GPC. The specific merchandise allocation amount is detailed in the table below.

Fee and Merchandise – GPC welcomes the opportunity to provide custom pricing based on a combination of a reduced fee plus a reduced merchandise requirement to accommodate the New York Lottery.

Multi-property discounts and additional value added incentives are available to the New York Lottery and will be determined based on final specifications.

The New York Lottery, in its sole discretion, will select one of the license property payment options described above for each licensed property game selected. Any and all discounts New York receives will apply to all current and all new licensed properties acquired by GPC.

The New York Lottery licensed property rates are contained in the table below.

New York Lottery Licensed Property Rate Card

Properties	License Fee as a Percentage of Sales	Merchandise Fee as a Percentage of the Prize Fund
World Series of Poker	2.00%	10.00%
Caesars Palace	2.00%	10.00%
Harrah's	2.00%	10.00%
Larry The Cable Guy	2.00%	10.00%
The Three Stooges	2.00%	10.00%
Bejeweled	2.00%	10.00%
Plants vs. Zombies	2.00%	10.00%
Zuma	2.00%	10.00%
Mystery P.I.	2.00%	10.00%
Aerosmith	1.50%	8.00%
Billboard	1.50%	8.00%