

03-27-13

AGREEMENT FOR THE PURCHASE OF
INSTANT TICKETS AND RELATED SERVICES

between

Iowa Lottery Authority

and

GTECH Corporation

Effective 1/1/2013

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AGREEMENT FOR THE PURCHASE OF INSTANT TICKETS AND RELATED SERVICES

This Agreement for the Purchase of Instant Lottery Tickets and Related Services ("Agreement" or "Contract") is entered into by and between the Iowa Lottery Authority ("Lottery") and GTECH Corporation, herein after referred to as ("GTECH" or "Contractor").

In consideration of the mutual covenants contained in this Agreement, the sufficiency of which is acknowledged, it is agreed as follows:

SECTION 1. IDENTITY OF THE PARTIES.

The Lottery is an instrumentality of the State of Iowa whose address is 2323 Grand Avenue, Des Moines, IA 50312. The Lottery is authorized by Iowa Code chapter 99G to conduct a lottery in the state of Iowa.

GTECH Corporation is incorporated under the laws of the state of Delaware, engaged in the business of printing lottery scratch tickets and other services. The address for Contractor is 10 Memorial Boulevard, Providence, RI 02903.

SECTION 2. PURPOSE.

The Contractor designs and manufactures instant lottery tickets for use by various domestic and international government-sanctioned lotteries. The Contractor has the requisite skill, expertise and personnel required to assist the Lottery in producing instant tickets and to provide related services for the production of instant games.

SECTION 3. DOCUMENTS INCORPORATED BY REFERENCE.

3.1 Incorporation of Proposal Documents. The Request for Proposal number IL-12-02 (RFP) including any clarifications thereto (collectively, the "RFP") and the Contractor's proposal in response to the RFP, together with any clarifications of the Contractor (collectively, the "Proposal") are each incorporated into this Agreement by this reference as if fully set forth in this Agreement.

3.2 Contractual Obligations of Contractor. The terms and conditions of the Proposal and of the RFP are made contractual obligations of the Contractor.

3.3 Contents of Agreement. The parties acknowledge that this Agreement consists of this document as well as the RFP and the Proposal and that the parties are obligated to perform as set forth in the RFP and the Proposal to the same extent that they are obligated to perform the specific duties set forth in this document.

3.4 Order of Preference. In the case of any inconsistency or conflict between the specific provisions of this document and the RFP or the Proposal, any inconsistency or conflict shall be resolved as follows:

- a) First, by giving preference to the specific provisions of any addendum or amendment to this document.
- b) Second, by giving preference to the specific provisions of this document.
- c) Third, by giving preference to the specific provisions of the Proposal.
- d) Fourth, by giving preference to the specific provisions of any clarifications to the RFP.
- e) Fifth, by giving preference to the specific provisions of the RFP.

3.5 Intent of References to Bid Documents. The references to the parties' obligations, which are contained in this document, are intended to change, supplement or clarify the obligations as stated in the RFP and the Proposal. The

failure of the parties to make reference to the terms of the RFP or Proposal in this document shall not be construed as creating a conflict and will not relieve the Contractor of the contractual obligations imposed by the terms of the RFP and the Proposal. Terms offered in the Proposal that exceed the requirements of the RFP shall not be construed as creating an inconsistency or conflict with the RFP or this document. The contractual obligations of the Lottery cannot be implied from the Proposal.

3.6 Incorporation Of Working Papers. Working Papers executed pursuant to the terms of this Agreement shall be incorporated into this Agreement by this reference as if written here at the time of execution. Any inconsistency between the Working Papers and the terms of this Agreement shall be resolved by first giving effect to the terms of the Working Papers. Any inconsistency between the Working Papers and the RFP or the Proposal shall be resolved by first giving effect to the Working Papers, then to the Proposal, and finally to the RFP.

Upon the execution of Working Papers for a game, the Contractor represents and warrants to the Lottery that, upon the agreement of the Contractor and the Lottery, it may be able to produce additional tickets of the game to the Lottery throughout the term of this Agreement at the written request of the Lottery. The requirement that Working Papers be executed for each game reordered shall not be construed as relieving the Contractor of the option to provide additional tickets of previously printed games upon the written order of the Lottery.

Where this Agreement provides that a particular characteristic of a ticket will be specified by the Lottery, the specification will be made in the Working Papers.

SECTION 4. DEFINITIONS.

The following words shall have the meanings set forth below. Words in the singular shall be held to include the plural and vice versa, and words of gender shall be held to include any other gender as the context requires. For the purposes of this Agreement, the following terms and all other terms defined in this Agreement shall have the meanings so defined unless the context clearly indicates otherwise.

- a) "Delivery" means the date of the Lottery's receipt of the tickets or completion of Services at the Lottery's designated location.
- b) "Working Papers" refers to a set of documents that contains all game requirements organized into information sections, specific to parts of the production process. This information represents the requests of the Lottery and must be followed by the Contractor while producing a game.
- c) "Party" means either of the legal entities identified in Section 1 of this Agreement.
- d) "Services" means various types of support services as provided to the Lottery by Contractor incidental to Contractor's production of instant tickets including but not limited to game name searches, technical support training or other services set forth in this Agreement as requested by the Lottery from time to time.
- e) "Customer Specifications" means a document created by the Contractor that details information to be followed while producing a game specific to the Lottery.

SECTION 5. TERM.

The term of this Agreement will be from January 1, 2013 through December 31, 2014 plus up to four (4) additional one-year option periods or any combination thereof (i.e., one year, two years, three years, or all four years), provided that any such option to renew is exercised in writing by the Lottery at least ninety (90) days prior to the end of the initial contract period, or any additional renewal thereof, or at a time mutually agreed upon by both parties.

SECTION 6. SCOPE OF SERVICES.

6.1 Description of Goods and Services. The goods to be produced and the services to be performed pursuant to and as a result of this Agreement by the Contractor are described on Schedule A attached hereto and made a part hereof by this reference.

6.2 Industry Standards. In the absence of a detailed specification for the performance of any portion of this Agreement, the parties agree that the applicable specification shall be the generally accepted industry standard for the manufacture of instant tickets and related services.

6.3 Personnel to Perform the Services. The Contractor shall identify for the Lottery all employees of the Contractor and any subcontractors involved in the production of tickets or related services or which provide goods or services necessary to the production of materials. The Lottery reserves the right to disapprove of any subcontractor used by the Contractor or any employee of the Contractor or any subcontractor directly involved in ticket production. If the Lottery disapproves of any such person or subcontractor, the Contractor shall ensure that they are not involved in the production of the Lottery's tickets. The Contractor shall require its employees and the employees of any subcontractors involved in the direct production of tickets to submit to background investigations by the Lottery and to complete all background disclosure forms as may be required by the Lottery. Lottery reserves the right to require Contractor to reassign the development of Working Papers to another employee of the Contractor if Working Papers are consistently delivered with errors or persistent timeliness problems.

6.4 Timely Performance. Time is of the essence with respect to the successful performance of the terms of this Agreement. The Contractor shall ensure that all personnel providing services to the Lottery are responsive to Lottery requirements in all respects including Lottery directives with respect to the goods and services delivered in accordance with this Agreement.

6.5 Contract for Goods. The parties agree that this is primarily a contract for goods and that services provided by the Contractor pursuant to the terms of this Agreement are incidental to the fulfillment of this Agreement.

6.6 Non-Exclusive Rights. The Lottery does not grant the Contractor the exclusive right to produce all or any Lottery instant tickets during the term of this Agreement. The Lottery shall not be obligated to purchase any tickets from the Contractor during the term of this Agreement.

SECTION 7. CONTRACTOR REPRESENTATIONS AND WARRANTIES.

7.1 All representations and warranties made by the Contractor in all provisions of this Agreement and the Proposal by the Contractor, whether or not this Agreement specifically denominates the Contractor's promise as a warranty or whether the warranty is created only by the Contractor's affirmation or promise, or is created by a description of the materials and services to be provided, or by provision of samples to the Lottery, shall not be construed as limiting or negating any warranty provided by law, including without limitation, warranties which arise through course of dealing or usage of trade. The warranties expressed in this Agreement are intended to modify the warranties implied by law only to the extent that they expand the warranties applicable to the goods and services provided by the Contractor.

7.2 The Contractor represents and warrants that the related materials, goods and services to be provided to the Lottery pursuant to this Agreement shall be suitable for their intended purposes. The Contractor acknowledges that the Lottery is relying on the Contractor's skill and judgment to furnish tickets and related materials and services fit in all respects for this purpose which will be designed to maximize the ticket sales of the Lottery.

7.3 The Contractor represents and warrants that the tickets and related materials, goods and services shall be merchantable.

7.4 The Contractor represents and warrants that title to the materials conveyed to the Lottery shall be good and that transfer of title is rightful and that the materials shall be delivered free of any security interest or other lien or encumbrance.

7.5 The Contractor represents and warrants that it has the right to enter into and to fully perform this Agreement upon the terms and conditions specified and that it has not granted and will not grant any right or interest to any person or entity which might derogate, encumber, or interfere with the rights granted to the Lottery.

7.6 The Contractor represents and warrants that any tickets and related services provided will be new and unused and free of defects in material, design and workmanship.

7.7 The Contractor represents and warrants that all services provided shall be performed in a prompt, competent and workmanlike manner by properly trained individuals in accordance with the highest standards of the Contractor's profession.

7.8 The Contractor represents and warrants that the goods and services produced as a result of this Agreement shall be free and clear of any lien or claim by any party at the time of delivery to the Lottery.

7.9 The Contractor expressly represents and warrants to the standards in the industry all aspect of the goods and services provided by it or used by the Contractor and the Lottery in performance of this Agreement.

7.10 The Contractor also represents and warrants that the design, manufacture and sale or use by the Lottery of materials provided by the Contractor pursuant to this Agreement will not infringe on any intellectual property rights of any other person or entity.

7.11 The Contractor represents and warrants that the production, design, and use by the Lottery of tickets and related materials, goods and services provided by the Contractor will not infringe on any patent, trademark, copyright, trademark, service mark, trade secret or other right held by any third party; provided, however, that the Contractor need provide no such warranty for information, data, designs, processes, inventions, techniques, devices, and other such intellectual property furnished to Contractor by the Lottery.

7.12 The Contractor represents and warrants that the tickets and related goods and services provided shall meet each and every requirement and specification of this Agreement exactly as specified in this Agreement, the Customer Specifications and Working Papers executed pursuant to this Agreement.

7.13 The Contractor represents and warrants that it has not made any misrepresentations to the Lottery related to this Agreement or the products and services to be provided pursuant to this Agreement. "Misrepresentations" include material omissions.

SECTION 8. COMPENSATION.

8.1 Pricing Matrix. The pricing matrix for the goods and services described in Schedule A is set forth in Schedule B. Travel and per diem expenses are treated as items of overhead and are not compensable as a separate item under this Agreement. The pricing matrix does not prohibit or limit the Lottery from negotiating a lower price.

8.2 Payment to Contractor. This Agreement is based upon a Price-Per-Thousand Basis, in that the Lottery agrees to pay to Contractor, as Contractor's sole compensation hereunder, for the actual number of conforming instant tickets delivered which do not exceed the delivery tolerance.

The Lottery will pay for tickets which conform to all of the specifications of this Agreement, Customer Specifications and the Working Papers, which are billable to the Lottery under this Agreement within sixty (60) days after the "acceptance" of the tickets by the Lottery. "Acceptance" by the Lottery occurs only after the Lottery has inspected the delivered tickets and receives the Game Audit Report (for original orders only, not reorders). The Lottery will inspect the tickets received to determine if they are acceptable within five (5) working days of receipt of the tickets if reasonably possible, but in all events inspection shall be made within ten (10) working days of receipt of the tickets. If the tickets are not rejected within the ten (10) working day inspection period they shall be deemed "accepted". The Lottery's receipt of the Game Audit Report described in Schedule A, section 3.5.14 of this Agreement must be received by the Lottery not later than Fourteen (14) calendar days after the game delivery date. For purposes of construing this Section, "working days" do not include Saturdays, Sundays, or legal holidays of the state of Iowa.

"Acceptance" by the Lottery pursuant to this Section is only for the purpose of making payment to the Contractor and does not prevent the Lottery from later rejecting tickets based upon a defect which is discovered at a later date.

The sum remitted by the Lottery will be based upon the price shown for the game ordered in the Working Papers.

Acceptance by the Lottery pursuant to this Section does not prevent the Lottery from returning tickets to the Contractor or later seeking any legal or equitable remedy against the Contractor if at any time the Lottery determines that tickets or materials do not conform to each and every requirement of this Agreement.

The Lottery shall pay all approved invoices in arrears and in conformance with Iowa Code Section 8A.514 and II IAC § 41.1(2). The Lottery may vary the terms of this provision by paying the bill for services in less than 60 days as provided in Iowa Code Section 8A.514. However, an election to pay in less than 60 days shall not act as an implied waiver of Iowa Code Section 8A.514.

8.3 Set-Off Against Sums Owed by Contractor. In the event that the Contractor owes the Lottery or the State of Iowa any sum under the terms of this Agreement, any other Agreement, pursuant to any judgment, or pursuant to any law, the Lottery may set off the sum owed to the Lottery or the State against any sum billed to the Lottery by the Contractor in the Lottery's sole discretion unless otherwise required by law.

8.4 State not to be Obligated. Pursuant to Iowa Code Section 99G.38, the funds of the state of Iowa, as opposed to the funds of the Iowa Lottery Authority, are not available to meet the obligations of the Lottery that may arise from this Agreement.

8.5 Payments to Lottery. In the event that the Contractor owes the Lottery any sum under the terms of this Agreement, the Contractor will remit such sum to the Lottery within thirty (30) calendar days of written notification by the Lottery that such sum is owed.

8.6 Suspension of Payment. The Lottery may suspend all or part of the payment to the Contractor if the Contractor fails to perform as required by this Agreement until such time as the Contractor renders satisfactory performance. The amount of the payment suspended shall be reasonably calculated by the Lottery to represent only that part of the Contractor's payment which is attributable to the work not satisfactorily performed. The determination as to whether the Contractor is in compliance with this Agreement shall be within the discretion of the Lottery.

8.7 Taxes. The Contractor and its subcontractors, may be subject to certain taxes, including but not limited to sales tax, motor vehicle fuel tax, personal or corporate income tax or other taxes or assessments, and to licensing fees or other miscellaneous fees or charges which may be imposed by federal, state, or local law or ordinance. The Contractor and its subcontractors shall be solely responsible for paying any taxes incurred in the performance of this Agreement. The Contractor shall promptly pay all such taxes, fees or charges when due. The Lottery is a tax-exempt entity and no payment will be made for any taxes levied on the Contractor for any purpose.

SECTION 9. DEFAULT AND TERMINATION.

9.1 Termination for Cause. Either party may terminate this Agreement upon written notice for the breach by the other party of a material term, if such breach is not cured, provided that a cure is feasible within 10 days following receipt of written notice of breach from the non-breaching party. Breach events include but are not limited to the following:

- a) Contractor fails to perform as required by this Agreement; or
- b) Contractor fails to make substantial and timely progress toward performance or fails to meet any of the material specifications and requirements of this Agreement, including without limitation the representations and warranties provided in this Agreement; or
- c) Lottery fails to perform as required by this Agreement including failure to make timely payment for goods and services rendered.

9.2 Notice of Cure. If a cure is feasible and an opportunity to cure is provided, the notice shall specify the exact date by which the condition must be cured. Following expiration of the opportunity to cure and notice from the non-breaching party, the non-breaching party may seek any legal or equitable remedy authorized by this Agreement or by law.

9.3 Immediate Termination. The Lottery may terminate this Agreement, effective immediately without advance notice and without penalty or legal liability for any of the following reasons:

If the Contractor furnished any statement, representation, warranty or certification in connection with this Agreement, which is materially false, deceptive, incorrect or incomplete; or

- a) If the Contractor fails to perform, to the Lottery's satisfaction, any material requirement of this Agreement or is in violation of any material provision of this Agreement, including, without limitation, the express warranties made by the Contractor; or
- b) If the Lottery determines that satisfactory performance of this Agreement is substantially endangered or that a default is likely to occur; or
- c) If the Contractor becomes subject to any bankruptcy or insolvency proceeding under federal or state law to the extent allowed by applicable state or federal law including bankruptcy laws; or
- d) If the Contractor terminates or suspends its business; or
- e) If the Lottery reasonably believes that the Contractor has become insolvent or unable to pay its obligations as they accrue consistent with applicable federal or state law; or
- f) If an officer, director or employee in contact with the Lottery's account is or has been convicted of a felony, any gambling related offense whether a misdemeanor or felony, or of any state or federal Racketeer Influenced or Corrupt Organization Act (RICO) by a court of competent jurisdiction; or
- g) If a lawsuit is filed against Contractor claiming that the Contractor's processes or materials violate any valid patent, trademark, copyright, other intellectual property right or contract, and the Lottery reasonably believes that the lawsuit may impair the Contractor's performance of this Agreement; or
- h) If during the course of this Agreement, the Contractor sells instant tickets to others having reason to know that the other person intends to sell the tickets illegally in any jurisdiction; or
- i) If during the course of this Agreement any action by the Contractor interferes with the Lottery's relationship with its licensed retailers, or promotes products or distribution systems that compete with authorized Lottery products or distribution systems.

If cancellation occurs for any of the causes set forth above, the Lottery shall have no further obligation to the Contractor other than payment for services rendered and materials provided prior to cancellation. Payment will be made only upon submission of invoices and proper proof of the Contractor's claim. This provision in no way limits the remedies available to the Lottery in the event of a termination under this provision.

9.4 Termination for Lack of Authority or Funding. Notwithstanding anything in this Agreement to the contrary, and subject to the limitations, conditions, and procedures set forth below, the Lottery shall have the right to terminate this Agreement without penalty by giving sixty (60) days written notice if any of the following contingencies occur:

- If the Lottery's authorization to operate is withdrawn or there is a material alteration in the programs the Lottery administers; or
- If Lottery's duties are substantially modified.

9.5 Waiver. Any breach or default by either party shall not be waived or released other than by a writing signed by the other party. Failure by either party at any time to require performance by the other party or to claim a breach of any provision of the Agreement shall not be construed as affecting any subsequent breach or the right to require performance with respect thereto or to claim a breach with respect thereto. Only the following persons may execute a waiver of a term of this Agreement on behalf of the Lottery: the Lottery CEO, the Executive Vice President, Vice President of Finance or the Vice President of Security.

9.6 Remedies of Contractor. In the event of termination of this Agreement the Contractor shall be paid for services completed prior to termination upon submission of invoices and proper proof of claim, for services and materials provided to the Lottery prior to cancellation and for reasonable industrial costs of work-in-progress.

9.7 No Release of Obligation. The expiration or termination of this Agreement for any cause shall not release either party from:

- a) Any obligations and duties remaining under any order accepted by the Contractor prior to such expiration or termination;

- b) Any liability which at the time of expiration or termination has already accrued to the other party, or, which thereafter may accrue in respect to any event prior to expiration or termination; or
- c) Any liability from any obligation that survives expiration or termination.

SECTION 10. LIQUIDATED DAMAGES.

The Lottery and the Contractor agree that it would be extremely impractical and difficult to determine actual damages which the Lottery will sustain in the event of a breach by the Contractor. The Lottery and the Contractor further agree that the goods and services to be provided under the Contract are not readily available on the open market and any breach by the Contractor will delay and disrupt the Lottery's operations and will result in damages. Therefore, the parties agree that the liquidated damages as specified are reasonable and are not to be construed as a penalty.

In no case shall liquidated damages be measured in terms of potential lost revenue or potential lost net profit to the Lottery, unless and to the extent that a court of competent jurisdiction should determine that a liquidated damages provision is unenforceable as a matter of law.

Assessment of liquidated damages shall be in addition to, and not in lieu of, such other remedies as may be available to the Lottery. Except and to the extent expressly provided herein, the Lottery shall be entitled to recover liquidated damages under each and every section applicable to any given breach, occurrence or incident. The failure to impose liquidated damages in one instance does not waive the Lottery's future claims for liquidated damages.

10.1 Notification of Liquidated Damages. Upon determination that liquidated damages are to be or may be assessed, the Lottery shall notify the Contractor of the assessment in writing. There is no time limit in which the Lottery must make this notification. The availability of any period of cure will depend on the situation and will be in the sole discretion of the Lottery.

10.2 Delivery of Non-conforming Tickets.

Condition -

After any test or inspection conducted by the Lottery, no more than 5 percent (5%) of the tickets of any particular game may fail to meet the requirements contained in the Working Papers. The Lottery will have the sole right to reject the non-conforming tickets or the entire order containing the non-conforming tickets. If the quantity of non-conforming tickets is such that the rejection of the tickets does not interrupt the scheduled sale of the game, the Contractor shall refund any purchase price paid for the non-conforming tickets and any related expenses or pay a minimum isolated pack fee.

The Contractor will be responsible for all costs and expenses related to the replacement, return or destruction of non-conforming tickets. The risk of loss on non-conforming tickets remains with the Contractor at all times prior to and after rejection and does not pass to the Lottery upon initial acceptance by the Lottery. If the quantity of non-conforming tickets is such that the game is terminated, interrupted or delayed, and the Contractor's failure to deliver conforming tickets will interfere with the Lottery's ability to maximize sales, liquidated damages may be assessed at the option of the Lottery.

Reasonable Expenses Reimbursement -

The Lottery may require Contractor to pay a minimum of \$500 per incident as a non-conforming isolated pack fee. In the event of excessive multiple non-conforming isolated packs, the Lottery may require Contractor to pay the actual purchase price plus any related expenses.

Since the damages accruing to the Lottery for lost sales will be difficult or impossible to ascertain, the Lottery may require the Contractor to pay as liquidated damages five thousand dollars (\$5,000) per calendar day that the Lottery is unable to sell tickets of the game as originally scheduled and beginning with the fifteenth (15) calendar day the Lottery may require the Contractor to pay liquidated damages of seven thousand-five hundred dollars (\$7,500) per calendar day for each day that tickets are not sold as scheduled.

10.3 Over-redemption.

Condition -

If over-redemption occurs, the Lottery, at its discretion, may require the Contractor to pay for all prize liabilities incurred that are attributable to over-redemption in addition to any damages with respect to the delivery of nonconforming tickets. If over-redemption occurs, the Lottery, at its discretion, may require the Contractor to reimburse the Lottery for all prize liabilities incurred which are attributable to over-redemption and to indemnify the Lottery.

If a game is interrupted as a result of over-redemption, the Contractor shall take all reasonable steps, including the payment of overtime, to ensure that the Lottery obtains replacement tickets in the shortest possible time. The Lottery will not be charged for any additional expenses incurred to facilitate the expedited delivery of replacement tickets.

The Contractor's liability for over-redemption shall extend to all instances of over-redemption including instances discovered after the expiration, cancellation or termination of the contract. Over-redemption will be considered a material breach of the contract and the Lottery may cancel the contract or seek any other legal or equitable remedy available by the contract or authorized by law.

Reasonable Expenses Reimbursement -

To determine the prize liability attributable to over-redemption a prize consisting of a free ticket in any game shall be valued at 60 percent (60%) of the retail sale price of a ticket and a product prize shall be valued at cost to the Lottery.

If the Lottery interrupts a game due to over-redemption as defined above, the Lottery may require the Contractor to reimburse the Lottery for the aggregate of the Lottery's purchase price from the Contractor of any tickets not sold by the Lottery due to the interruption of the game and the expenses of the Lottery.

The Lottery may require the Contractor to reimburse the Lottery's expenses on a proportionate basis which reflects the relationship which the number of tickets unsold has to the number of tickets ordered in the game. In determining the percentage of tickets sold and unsold, the total, delivered quantity shall be used, unless all deliveries have not yet been made, in which case, the ordered quantity shall be used. In either case, the Lottery shall pay only for tickets actually sold to the public.

10.4 Damages for Late Delivery. In the event of a delay in the delivery of tickets, the Lottery may require the Contractor to pay liquidated damages of five thousand dollars (\$5,000) per calendar day that the Contractor does not fully meet the delivery schedule in Working Papers for the first fourteen (14) calendar days during which the schedule is not met. Beginning with the fifteenth (15) calendar day following the scheduled delivery date, the Contractor will pay liquidated damages of seven thousand-five hundred dollars (\$7,500) per calendar day for each day the schedule in the Working Papers is not met. Late deliveries will be considered a material breach of the contract and the Lottery may cancel the contract or seek any other legal or equitable remedy available by the contract or authorized by law.

10.5 Payment of Liquidated Damages. Liquidated damages will be due within thirty (30) calendar days from receipt of notice from the Lottery that the damages have been incurred by the Contractor unless otherwise agreed to by the Lottery. If the required payment is not received by the Lottery within this time frame, the Lottery may withhold sums due to the contractor under this or any other agreement and if sufficient funds are unavailable to the Lottery to satisfy the amount owed, the Lottery may call the required performance bond to satisfy the liquidated damages amount.

10.6 Remedies. The remedies provided throughout this Agreement including, without limitation, the remedies associated with the receipt of non-conforming tickets, late delivery and over-redemption, are not intended to be exclusive and do not prevent either party from seeking any other legal or equitable remedy provided by applicable law or this Agreement.

11. FORCE MAJEURE.

A *force majeure* occurrence is an event or effect that cannot be reasonably anticipated, prevented or controlled and without the fault or negligence of the non-performing party. As herein used, *force majeure* may include, but is not limited to fire, explosion, Act of God, strike or labor disturbance, rationing, war, terrorism, act of any governmental authority or agency, civil disturbance, governmental interference, or any other cause which is beyond the control of the party affected, and which, by the exercise of reasonable diligence, said party is unable to prevent or to predict or through advance

planning avoid. Except as otherwise provided herein, neither the Contractor nor the Lottery shall be liable to the other for any delay in, or failure of performance of, any covenant contained herein nor shall any such delay or failure of performance constitute default hereunder, to the extent that such delay or failure is caused by force majeure. The existence of such causes of delay or failure shall extend the schedule for performance to such extent as may be necessary to complete performance in the exercise of reasonable diligence after the causes of delay or failure have been removed.

Any such delay in or failure of performance shall not in and of itself give rise to any liability for damages; however, the Lottery may elect to terminate the Contract for cause should its continuing operations, in its sole judgment, be materially threatened or harmed by reason of extended delay or failure of performance. During any such period, the Contractor shall continue to be responsible for all costs and expenses related to alternative performance. The Contractor shall not be relieved of its responsibility for any obligation being performed by a subcontractor or supplier of services unless the subcontractor or supplier is prevented from timely performance by a *force majeure* as described here. The party asserting force majeure must provide the other party with reasonable information substantiating the basis for such assertion. *Force majeure* does not include financial difficulties of the Contractor or any parent, subsidiary, affiliated or associated company of the Contractor or claims or court orders which restrict the Contractor's ability to deliver the goods or services contemplated by this Agreement.

If a *force majeure* delays or prevents the Contractor's performance, the Contractor shall immediately commence to use its best efforts to directly provide alternate and to the extent possible, comparable performance. Comparability of performance and the possibility of comparable performance shall be reasonably determined solely by the Lottery. Any such delay in or failure of performance shall not in and of itself give rise to any liability for damages; however, the Lottery may elect to terminate the Contract for cause should its continuing operations, in its sole judgment, be materially threatened or harmed by reason of extended delay or failure of performance.

During any such period, the Contractor shall continue to be responsible for all costs and expenses related to alternative performance. During a period of non-performance due to *force majeure*, payments from the Lottery to the Contractor will be suspended.

Neither the Contractor nor the Lottery shall be liable to the other for any delay or failure of performance of this Agreement and no delay or failure of performance shall constitute a default or give rise to any liability for damages if and only to the extent that, such delay or failure is caused by a *force majeure*.

SECTION 12. INSURANCE.

12.1 Coverage Requirements. The Contractor shall maintain in effect, with insurance companies of recognized responsibility, at its own expense, insurance covering its work during the entire term of this Agreement and any extensions or renewals. The Contractor's insurance shall, among other things, insure against any loss or damage resulting from or related to the Contractor's performance of this Agreement. All such insurance policies shall remain in full force and effect for the entire life of this Agreement. Certificates of insurance must be furnished to the Lottery no later than thirty (30) days following Contract execution, with renewal certificates provided each year thereafter. The Lottery will be named as an additional insured or loss payee on all Certificates of Insurance as allowable.

12.2 Types of Coverage. Unless otherwise requested by the Lottery, Contractor shall, at its sole cost, cause to be issued and maintained during the entire term of the contract the insurance coverage set forth below:

TYPE OF INSURANCE	LIMIT	AMOUNT
General Liability (including contractual liability) and Property Damage written on an occurrence basis	General Aggregate	\$2 million
	Products Completed Operations Aggregate	\$1 million
	Personal Injury	\$1 million
	Each Occurrence	\$1 million

Errors and Omissions Liability	Each occurrence	\$1 million
Automobile Liability, including any auto, hired autos and non owned autos	Combined Single Limit	\$1 million
Excess Liability, Umbrella Form	Each Occurrence	\$2 million
	Aggregate	\$2 million
Workers Compensation and Employer Liability	As Required by law	

12.3 Coverage for Lottery Property or Personnel on Contractor Premises. The policies must provide coverage for damages to the Lottery's property or personnel, which occurs on the Contractor's premises or premises under the control of the Contractor or Contractor's subcontractors.

12.4 Coverage Without Regard to Claim. All insurance policies required by this Agreement, with the exception of the Errors and Omissions Policy, shall provide coverage for all claims arising from activities occurring during the term of the policy regardless of the date the claim is filed or expiration of the policy.

12.5 Notice Regarding Cancellation. Certificates of insurance, which provide that the Lottery will be notified at least thirty (30) days prior to cancellation or expiration of the insurance coverage required by this Agreement, shall be provided to the Lottery within 30 days of contract execution or at a time mutually agreeable to the parties. The receipt of such certificates does not constitute approval of the coverage contained on the certificates, and the Contractor remains responsible for determining that its insurance coverage meets each and every requirement of this Agreement. The insurer shall state in the certificate that no cancellation of the insurance will be made without at least thirty (30) days prior notice to the Lottery and that the notice shall be directed to the Lottery in writing.

12.6 No Limitation of Liability. Acceptance of the insurance certificates by the Lottery shall not act to relieve the Contractor of any obligation under this Agreement. All insurance policies and certificates shall be issued only by companies authorized to transact business in the State of Iowa.

12.7 Warranty. The Contractor warrants that it has examined its insurance coverage and determined that Lottery may be named as an additional insured or loss payee without creating an adverse effect on the Contractor's coverage.

12.8 Scope of Errors and Omissions Insurance. In addition to the amounts set out above, the Contractor shall procure errors and omissions insurance that indemnifies the Lottery and the State of Iowa for any losses incurred or any other error or omission caused by the Contractor, its officers, employees, agents, subcontractors or assigns regardless of negligence. This policy shall remain in effect for one year past the expiration of this Agreement and any extensions thereof.

12.9 Scope of Property Insurance. The Contractor shall maintain property insurance during the term of this Agreement which shall insure the Contractor's property at its replacement value and shall provide funds to the Contractor to compensate the Contractor for loss of revenues resulting from the destruction of the Contractor's property by fire or other hazards.

12.10 Waiver of Subrogation Rights. The Contractor shall obtain a waiver of any subrogation rights that any of its insurance carriers might have against the Iowa Lottery or the State of Iowa. The waiver of subrogation rights shall be indicated on the certificates of insurance coverage supplied to the Lottery.

SECTION 13. BONDS.

13.1 Bonds and Insurance Qualifications. All required bonds and insurance must be issued by companies which are rated A- (Excellent) or higher by A.M. Best Company. All such companies must be approved by the Lottery and have a record of successful continuous operation, and be licensed, admitted, and authorized to do business in the State of Iowa, except for the Contractor's errors and omissions insurance policy. Required bonds and coverage must be put into effect

as of the effective date of the Agreement and must remain in effect throughout the term of the Agreement, as determined by the Lottery. The Contractor must submit certificates of insurance and copies of each required bond, and any renewals thereof, to the Lottery. The insurance policies must provide thirty (30) days advance written notice of cancellation, termination or failure to renew any policy.

13.2 Performance Bond. The Contractor shall provide to the Lottery, a performance bond, irrevocable Letter of Credit, or other form of security acceptable to the Lottery in the amount of two hundred fifty thousand dollars (\$250,000) during the term of the Agreement. The bond shall be provided to the Lottery within ten (10) business days of execution of the Agreement. The performance bond shall bind the Contractor to fully and faithfully perform its obligations under the Agreement, and provide payment to the Lottery if the Contractor defaults in the performance of the Agreement or has caused or incurred any uncompensated liquidated damages.

The performance bond may be used to satisfy liquidated damages payments due the Lottery that have not been received within thirty (30) calendar days after written notice of liquidated damage occurrence has been given to the Contractor by the Lottery.

Other forms of security may be acceptable but are subject to the Lottery's discretion and approval. Failure to post an additional bond or security within seven (7) business days after notice that proposed security is inadequate, shall be grounds for immediate termination of the Agreement.

The Contractor shall pay the cost of the bond. In the event that the Contractor or any subcontractor or any officer, director, employee or agent of the Contractor or any subcontractor or any parent or subsidiary corporation of the Contractor or subcontractor fails to fully and faithfully perform a material requirement of this Contract, including without limitation the Contractor's obligation to indemnify the Lottery and pay damages to the Lottery, the Lottery may claim against the bond in the amount of any damages as reasonably determined by the Lottery. The bond may be renewable annually. Neither non-renewal by the Surety, nor failure or inability of the Contractor to file a replacement bond in the event the Surety exercises its right to not renew this bond, shall itself constitute a loss to the Obligatee recoverable under this bond or any extension thereof. The bond shall be in a form customarily used in the lottery industry and shall be written by a Surety authorized to do business in Iowa and that is reasonably acceptable to the Lottery. The bond shall be in effect at all times during the term of the Agreement and any extensions or renewals thereof and for ninety (90) days following the conclusion of the Agreement. The Contractor warrants that it will maintain the required performance bond coverage as described herein without any lapse in coverage.

13.3 Letter of Credit as Performance Security.

(a) The Lottery will allow an irrevocable Letter of Credit as performance security to be provided. The Contractor shall maintain an irrevocable Letter of Credit, in the amount of USD \$250,000.00 with payment in favor of the Lottery as provided herein. Any irrevocable Letter of Credit submitted must be in the form and include language substantially similar to the language provided as Appendix H of the RFP. The irrevocable Letter of Credit includes any amendments, additions, or replacement letters (collectively referred to as "Letter of Credit") and shall be issued by a financial institution that is well capitalized pursuant to Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA) guidelines, that is FDIC or NCUA insured, that is registered to do business in the State of Iowa, and that has a physical presence in Iowa ("Issuing Bank"). If at any time the Issuing Bank fails to satisfy these requirements for any reason, Contractor shall obtain a substituted irrevocable Letter of Credit from another institution. Contractor shall pay the cost of maintaining the irrevocable Letter of Credit.

(b) Delivery and Duration. The Contractor shall deliver the irrevocable Letter of Credit, original in form, to the Lottery before performing any services pursuant to the Contract, and in all cases no later than fifteen (15) calendar days following final execution of this Agreement. The irrevocable Letter of Credit shall be in place for the term of this Agreement and any extensions or renewals thereof. A lapse of the irrevocable Letter of Credit will be a material breach of the Agreement.

(c) Nonrenewal of Letter of Credit. In the event the Lottery receives a Notice of Non-Renewal from the Issuing Bank, the Contractor must provide a substituted irrevocable Letter of Credit for the next contract year no later than sixty (60) calendar days prior to the expiration of the Letter of Credit then in effect. Any substituted irrevocable Letter of Credit submitted must be in the form and include language substantially similar to the language provided as Appendix H to the RFP.

(d) Rights to Draw on the Letter of Credit. The Lottery shall have the right to draw upon the Letter of Credit in one or more drawings for either a portion or the full amount upon occurrence of any of the following events: (i) the Agreement has been terminated by the Lottery for cause; (ii) the Contractor is in default under the terms of the Agreement and any notice

period provided in a notice of default has expired; or (iii) the Contractor is in default under the terms of the Agreement and the issuance of a notice of the default is barred or stayed by law; or (iv) the Contractor fails to make payments due to the Lottery that have not been received within thirty (30) calendar days after written notice of liquidated damage occurrence has been provided to the Contractor by the Lottery. The Lottery may draw upon the Letter of Credit as often as any of the foregoing events occur up to the full amount of the Letter of Credit.

(e) **Amendment.** Contractor shall promptly cause the Letter of Credit to be amended if the Lottery reasonably requests an amendment, such as to change the address for notices. If the Letter of Credit is lost, stolen, or damaged, Contractor shall cooperate with Lottery to replace such Letter of Credit.

13.4 Fidelity Coverage. The Contractor shall evidence fidelity coverage through a certificate of insurance for Employee Dishonesty coverage in the amount of two hundred fifty thousand dollars (\$250,000) to the Lottery within ten (10) days of execution of the Agreement. Subject to the Lottery making a valid claim, the coverage shall cover any loss or damage to the Lottery due to any fraudulent or dishonest act on the part of the Contractor's officers and employees. Such an event, in the sole discretion of the Lottery, could be grounds for termination of the Agreement, whether or not the losses or damages arising as a result of the act or event are paid under the fidelity bond or insurance. If a subcontractor is not covered by the Contractor's policy the Contractor must ensure the subcontractors have their own coverage.

The Contractor shall pay the cost of the coverage. The coverage shall provide funds to the Lottery in the event that the Contractor or Lottery suffers any liability, loss, damage, or expense as a result of any fraudulent or dishonest act or omission of the Contractor or any parent or subsidiary corporation of the Contractor, which occurs during the term of the bond regardless of the date the act or omission is discovered, or a claim is made. The coverage shall be in an Employee Dishonesty form customarily used in the lottery industry, and shall be written by an insurance company authorized to do business in Iowa and that is acceptable by the Lottery. This coverage shall be in effect at all times during the term of the Agreement and any extensions or renewals thereof and for one (1) year following the conclusion of the Agreement. The Contractor warrants that it will maintain the required fidelity coverage as described herein without any lapse in coverage.

13.5 Provision of Bonds. Failure on the part of the Contractor to furnish such bonds, or other proof of bond coverage acceptable to the Lottery within ten (10) days of contract execution, or to maintain the bonds in full force and effect during the term of the Agreement and any extension or renewal thereof, shall be a material breach of the Agreement and shall be considered cause for the Lottery to declare the Contractor in default under this Agreement. The Lottery's receipt of such bonds or other proof of coverage does not constitute approval of the bonds' coverage nor do the bonds relieve the Contractor from the faithful and honest performance of the Agreement or relieve the Contractor of any losses greater than the bond amount.

SECTION 14. INTELLECTUAL PROPERTY.

14.1 Title to, Use of, and Compensation for, Intellectual Property

To the extent Contractor utilizes or relies upon third-party Intellectual Property Rights in fulfilling its obligations under the Contract, the Contractor will represent that it has the valid right to use such intellectual property right. In addition, in the event of failure to perform or breach of contract the Contractor must ensure continued right of use of licensed intellectual property by the Lottery.

The Contractor shall indemnify and hold harmless the State of Iowa, the Lottery, the Lottery's officers and directors, employees, staff, other Lottery Vendors, retailers, and all agents, employees, officers and directors thereof, from and against any and all claims, damages, fees and expenses (including any attorneys' fees and including reasonable value of time for the Attorney General's Office) arising from or related to any claims that any or all of the products or services provided by the Contractor under the contract violate the Intellectual Property Rights of a third party.

While the Lottery and the Contractor agree that Intellectual Property associated with any product or service provided by (or developed solely by) the Contractor during the term of this Contract and used by the Lottery will remain the property of the Contractor, the Contractor will grant a license or authority to the Lottery to make use of any Intellectual Property owned by the Contractor with respect to Lottery conduct of games and business until the latter of the following: contract expiration or the end of a game utilizing the license. There shall be no additional charge for this right of the Lottery.

The Contractor obligation under this Section shall not extend to any liability caused by (a) the negligence of or the unauthorized use by the Lottery, the state of Iowa, or its agents, officials or employees, or any act or omission of a third party, not a subcontractor of the Contractor.

The Lottery's trademarks, trade names and service marks used on materials produced will remain the sole property of the Lottery and shall be reproduced exactly as specified by the Lottery. The Lottery's marks shall not be used on any materials other than those authorized by the Lottery.

14.2 Lottery Trademarks, Service Marks, and Trade Names. Lottery trademarks, including game names, trade names and service marks used on materials produced pursuant to this Agreement shall remain the sole property of the Lottery. The Contractor shall not use these marks or names on products sold to any person or entity other than the Lottery. The Lottery's marks and specifications concerning the marks shall be provided to the Contractor by the Lottery. Lottery marks and names shall be reproduced exactly as specified by the Lottery and only in the quantity specified.

14.3 Warranty Regarding Intellectual Property Rights. The Contractor will warrant that, in the performance of this Agreement, Contractor's work product and the information, data, designs, processes, inventions, techniques, devices, and other such intellectual property furnished, used, or relied upon by Contractor will not infringe any copyright, patent, trademark, trade dress or other intellectual property right of Contractor or others; provided, however, that the Contractor need provide no such warranty for information, data, designs, processes, inventions, techniques, devices, and other such intellectual property furnished to Contractor by the Lottery.

14.4 Trademark Searches. The Contractor, at Contractor's expense, shall be required to obtain a state and a federal trademark search or trade name search from competent legal counsel for the name selected for each game before approval of final Working Papers for each game and related promotion. A written opinion from competent trademark counsel must be submitted to the Lottery indicating that it is appropriate for the Lottery to use the name selected.

An electronic version of the written opinion from competent trademark counsel must be submitted to the Lottery prior to the Lottery's signature of executed Working Papers for every game. Within thirty (30) calendar days of Contractor's receipt of signed executed paper, the Contractor must send the original version of the trademark letter via a delivery service which requires a signature as proof of delivery to the Lottery.

14.5 Infringement of Trademarks, Patents, Copyrights and Other Proprietary Rights.

- a) The Contractor represents and warrants that all the concepts and materials produced, or provided to the Lottery pursuant to the terms of this Agreement, including the copy and artwork submitted to the Lottery in the Working Papers, shall be wholly original with the Contractor or that the Contractor has secured all applicable interests, rights, licenses, permits, or other intellectual property rights in such concepts and materials.
- b) The Contractor represents and warrants that the concepts and materials and the Lottery's use of the materials and the exercise by the Lottery of the rights granted by this Agreement shall not infringe upon any other work, other than material provided by the Lottery to the Contractor to be used as a basis for such materials, or violate the rights of publicity or privacy of, or constitute a libel or slander against, any person, firm or corporation and that the materials will not infringe upon the copyright, trademark, trade name, literary, dramatic, statutory, common law or any other rights of any person, firm or corporation or other entity; provided however that the representations and warranties of this subsection do not apply to concepts or materials furnished to the Contractor, or requested by the Lottery.
- c) The Contractor represents and warrants that, in the performance of this Agreement, the Contractor's work product and the information, data, designs, processes, inventions, techniques, devices, and other such intellectual property furnished, used, or relied upon by the Contractor will not infringe any copyright, patent, trademark, trade dress or other intellectual property right of the Contractor or others.
- d) The Contractor also represents and warrants that the design and method of manufacture of materials provided pursuant to this Agreement shall not infringe on any patent, provided however that the representations and

warranties of this subsection do not apply to designs and methods of manufacture of materials furnished to the Contractor, or requested to be used by the Lottery

14.6 Product Information Supplied by Lottery. The Lottery shall be responsible for the accuracy and completeness of the information it supplies to the Contractor concerning the games it is seeking from Contractor.

14.7 Approval of Materials by Contractor. The Lottery's approval of materials submitted by the Contractor shall not be construed as relieving the Contractor of any of its responsibilities under this Agreement.

14.8 Possession of Copies. Upon request, the Contractor shall deliver to the Lottery and the Lottery may retain all copies of all materials produced as a result of or in accordance with this Agreement, subject to any obligations of confidentiality or notices associated with materials clearly so identified.

SECTION 15. INDEMNIFICATION.

The Contractor agrees to defend, indemnify and hold the State of Iowa and the Lottery, its employees, agents, board members, appointed officials and elected officials, harmless from any and all liabilities, damages, loss, claims, suits or actions, settlements, judgments, costs and expenses, including reasonable value of time for the Attorney General's Office, and the costs and expenses and attorney fees of other counsel required to defend the Lottery, related to or arising from:

- a) Any claim, demand, action, citation or legal proceeding arising out of or resulting from (i) the product provided or (ii) performance of the work, duties, responsibilities, actions or omissions of the Contractor or any of its subcontractors under this Agreement;
- b) Any negligent acts or omissions of Contractor, its officers, employees, agents, board members, contractors, subcontractors, or trademark counsel employed by Contractor in the performance of this Agreement; or
- c) Any failure by the Contractor to comply with all local, state and federal laws and regulations; or,
- d) Any failure by the Contractor to make all reports, payments and withholdings required by Federal and State law with respect to social security, employee income and other taxes, fees or costs required by the Contractor to conduct business in the State of Iowa; or,
- e) Any event in which a third-party asserts that the Lottery's use of a product, design, and use of ticket product provided by Contractor to the Lottery is a violation of such party's rights; provided, however, that Contractor need provide no such indemnification for claims which relate solely to information, data, designs, processes, inventions, techniques, devices and other such intellectual property furnished to Contractor by the Lottery.
- f) Any claim, demand, action, citation or legal proceeding arising out of or resulting from a breach by the Contractor of any representation or warranty made by the Contractor in the Agreement;
- g) Any claim, demand, action, citation or legal proceeding arising out of or related to occurrences that the Contractor is required to insure against as provided for in this Agreement;
- h) Any claim, demand, action, citation or legal proceeding arising out of or resulting from the death or bodily injury of any person, or the damage, loss or destruction of any real or tangible personal property, in connection with the performance of services by the Contractor, by any of its subcontractors, by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable; provided, however, that this indemnification obligation shall not apply to the extent, if any, that such death, bodily injury or property damage is caused solely by the negligence or reckless or intentional wrongful conduct of the Lottery;
- i) Any claim, demand, action, citation or legal proceeding which results from an act or omission of the Contractor or any of its subcontractors in its or their capacity as an employer of a person.

The Contractor's duty to indemnify shall survive the expiration or termination of this Agreement and shall apply to all acts taken in the performance of this Agreement regardless of the date any potential claim is made or discovered by the Lottery.

SECTION 16. CONFIDENTIAL INFORMATION.

16.1 All Confidential Information provided shall be clearly marked as Confidential Information by the party providing the information at the time of disclosure to the other party. The Contractor shall limit such identification to information it reasonably believes is entitled to confidential treatment pursuant to the public records provisions of Iowa law. Each party shall hold the Confidential Information of the other in strictest confidence and, except as previously authorized in writing by the other party, (i) shall use the Confidential Information only in furtherance of this Agreement, (ii) shall not copy

Confidential Information and (iii) shall not disclose the Confidential Information to any person or entity except those employees of the party to whom the information has been disclosed who have a need to know the Confidential Information for purposes contemplated by this Agreement. The parties' obligations under this provision do not apply to information which: is publicly available or in the public domain when provided; is or becomes publicly available or public domain information through no fault of the recipient of the information subsequent to the time it was provided; is rightfully communicated to the recipient of the information by another party; is independently developed by the recipient; or is disclosed pursuant to law or the order of a court or government authority. The parties' obligations under this provision shall survive the conclusion of this Agreement and shall be perpetual.

16.2 No private or confidential data collected, maintained, or used in the course of performance of the Agreement shall be disseminated except as authorized by statute, either during the period of the Agreement or thereafter. Any data supplied to Contractor by the Lottery shall be considered the property of the Lottery.

16.3 Contractor shall use its best efforts to ensure that the details of the games planned by the Lottery are not disclosed to persons or organizations other than the personnel, agents, and subcontractors of Contractor whose assistance is necessary for the production of tickets and related materials. In the event that Contractor receives a request for information or records concerning the Lottery or its advertising plans, Contractor shall immediately forward the request to the Lottery.

16.4 In the event Contractor receives a request from a third party (other than a subcontractor working on Contractor's Lottery account) for information supplied to Contractor by the Lottery, Contractor shall immediately notify the Lottery of the request by telephone and email. Contractor shall not release the information subject to the request without the Lottery's permission or pursuant to a court order or as may be required by law.

16.5 Notwithstanding anything to the contrary herein, in the event a public records request is made to the Lottery pursuant to Iowa Code chapter 22 regarding Confidential Information, the Lottery shall notify Contractor as soon as possible of the request by telephone and email. The Lottery may respond to the request for information not sooner than 7 days thereafter with a release of the requested information unless Contractor has obtained an injunction preventing release of the requested information.

SECTION 17. SPECIAL TERMS AND CONDITIONS.

17.1 Independent Contractor. The status of the Contractor shall be that of an independent contractor. The Contractor, its employees, agents and subcontractor performing under this Agreement are not employees or agents of the Lottery.

The Lottery shall not provide the Contractor with office space, support staff, equipment, tools, or supervision beyond the terms of this Agreement.

Neither the Contractor nor its employees, agents and subcontractors are eligible for any State employee benefits, including but not limited to, retirement benefits, insurance coverage or the like.

Neither the Contractor nor its employees shall be considered employees of the Lottery or the State of Iowa for federal or state tax purposes. The Lottery shall not withhold taxes on behalf of the Contractor (unless required by law). The Contractor shall be responsible for payment of all taxes in connection with any income earned from this Agreement.

Nothing in this Contract shall be construed as creating or constituting the relationship of a partnership, joint venture, (or other association of any kind or agent/principal relationship) between the parties hereto. No party, unless otherwise specifically provided for herein, has the authority to enter into any Contract or create an obligation or liability on behalf of, in the name of, or binding upon another party to this Agreement.

17.2 Prime Contractor Responsibilities. The Contractor shall assume all responsibility for the performance of all required services, whether or not subcontractors are involved. The Lottery shall consider the Contractor to be the sole point of contact with regard to all matters related to this Agreement and is not required to initiate or maintain contact with any subcontractor.

17.3 News Releases. News releases pertaining to the Agreement or the services provided thereunder shall not be made without prior written Lottery approval, and then only in accordance with the explicit written instructions from the Lottery.

17.4 Advertising. The Contractor agrees not to use the Lottery name, logos, images without prior written approval by the Lottery.

17.5 Endorsements. The Contractor will not use any oral or written communication made by any Lottery employee in a manner which could be characterized as an endorsement of or advertisement for the Contractor or the Contractor's product without the Lottery's prior written consent.

17.6 Ticket Purchase Restrictions. As stated in Iowa Code Chapter 99G.31(2)(h), "No ticket or share issued by the authority shall be purchased by and no prize shall be paid to any officer, employee, agent, or subcontractor of any vendor or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any such person if such officer, employee, agent, or subcontractor has access to confidential information which may compromise the integrity of the Lottery." The Contractor shall ensure that this requirement is made known to each affected individual.

To ensure compliance with this requirement, the Contractor and its subcontractors shall provide a list of such individuals within thirty (30) days of the award of the contract. The list shall include name, address, date of birth, and the individual's social security number or other unique personal identification number (Canadian Social Insurance Number), and shall be updated to maintain current information. This requirement applies throughout the duration of the Contract.

17.7 Additional Security Requirements. Refer to Schedule A, section 3.4 for additional security requirements as part of this Contract.

17.8 Background Investigations.

The Lottery may initiate investigations into the backgrounds of any officers, principals, investors, owners, subcontractors, employees, or any other associates of the Contractor it deems appropriate. Upon execution of the contract, the persons listed in Schedule D shall have completed the required background investigation documents. If any irregularities are discovered in any background investigation, the Lottery may require the Contractor to provide quarterly reports regarding how the Contractor is addressing the irregularities. Throughout the term of this Agreement the Contractor will notify the Lottery of any changes in the identity of persons or entities listed on Schedule D. Background investigations required by the Lottery may include fingerprint identification by the Iowa Division of Criminal Investigation, the Federal Bureau of Investigation or the appropriate non-U.S. equivalent. The Contractor must consent to cooperate with such investigations, and to instruct its employees to cooperate. The Lottery reserves the right to require the removal of any and all employees of the Contractor from any responsibility in the performance of services as provided for under this Contract, based upon the results of background checks, or if the Lottery finds that any such employee is not performing in the best interest of the Lottery. The Lottery may terminate any resulting Contract based upon adverse results of these background checks if the Lottery determines that its integrity, security, or goodwill may be in jeopardy.

The Contractor shall bear all costs and expenses associated with background investigations. The ability to conduct such investigations is a continuing right of the Lottery throughout the term of the Contract.

Upon execution of the contract, the Contractor shall submit and allow, at a minimum, the following security elements:

- a) A list of the names, addresses, dates of birth, and the individuals' Social Security numbers or other unique personal identification number (Canadian Social Insurance Number) of all employees and subcontractors assigned to and associated with the Contract.
- b) Notification in writing to the Lottery within ten (10) business days if a person, group of persons, partnership, corporation, associate group of investors, limited liability company or other legal entity acquires directly or indirectly the beneficial ownership in the amount of five percent (5%) or more of the ownership interest in, or any class of equity securities of, the Contractor or the parent company of the Contractor. Background investigation and licensing may be required for these new owners and if the investigations are unsatisfactory, the Lottery may, at its option, terminate the Contract, after providing thirty (30) days written notice to the Contractor.
- c) Unfettered and unannounced access, inspection and evaluation privileges for all phases of performance and for all facilities and premises used by the Contractor in fulfillment of the Contract and any extension thereof.

17.9 Security Violation Reporting. The Contractor shall immediately report via telephone and in writing to the Lottery's Vice President of Security, any security procedural violation, system compromise, violation of law (e.g., theft), or disappearance of any paper stock, data media, cylinders, tickets, waste, film, printing plates, software or material used or to be used in the performance of this Contract.

17.10 Security Information (Disclosure) Updates. The Contractor shall report any change in, addition to, or deletion from, the security information disclosed to the Lottery. The report shall be in the form of a letter addressed to the Lottery and shall be delivered to the Lottery's Vice President of Security within thirty (30) days of the effective date of the change, addition, or deletion. In particular the Contractor must report the involvement of any of the Contractor's employees, owners, or agents in any known criminal arrest (exclusive of minor traffic violations) or investigation.

17.11 Contractor Ethics and Integrity. The Contractor is obligated to meet high standards for ethics and integrity under this Contract. The Contractor and employees:

- a) Shall accept no pay, remuneration, or gratuity of any value for performance on or information derived from this project from any party other than the Lottery as described in this Contract, or from any party under contract to the Lottery or seeking to contract with the Lottery with respect to this project.
- b) Shall comply with Iowa Code chapter 68B, which contains laws which restrict gifts which may be given or received by state employees and requires certain individuals to disclose information concerning their activities with state government. The Contractor is responsible for determining the applicability of the chapter to their activities and for complying with those requirements. In addition, Iowa Code 722.1 provides that it is a felony offense to bribe a public official.
- c) Shall not disclose any business sensitive or confidential information gained by virtue of the Contract to any party without the explicit written consent of the Lottery.
- d) Shall take no action in the performance of the Contract to create an unfair, unethical, or illegal competitive advantage for itself or others.
- e) Shall not have any financial or personal interests relating to this project (other than the Contract itself) without the explicit written consent of the Lottery.

For violation of the above provisions, the Lottery may terminate this Contract, receive restitution from, debar, or take any other appropriate actions against the Contractor.

17.12 Compliance with Association Standards. All services, products, systems, and procedures to be employed by the Contractor must comply with the game security and operational standards current at the time of Contract performance as issued by any multi-jurisdictional association of which the Lottery is a member or in the event the Lottery becomes a member. The Lottery is currently a member of NASPL, WLA and MUSL.

17.13 Audit and Accounting Requirements. As a continuing requirement of this Contract, the Contractor must meet these specific auditing and accounting obligations:

- a) The Contractor shall have a complete corporate financial audit conducted annually, at its own expense. The audit must follow generally accepted auditing standards (GAAS), or the appropriate non-U.S. equivalent. A copy of the Contractors certified financial statements shall be provided to the Lottery within 180 days after the close of the Contractors fiscal year.
- b) The Contractor shall provide the Lottery with Securities and Exchange Commission (SEC) 10-K and 10-Q reports (or the appropriate non-U.S. equivalent) as they are issued, together with any other reports required pursuant to Section 13 of the Securities and Exchange Act of 1934, as amended, through the duration of the contract.
- c) The Contractor is required to maintain its books, records and all other information pertaining to the Contract in accordance with generally accepted accounting principles (GAAP) (or the appropriate non-U.S. equivalent) and such other procedures specified by the Lottery. These records shall be available to the Lottery, its internal auditors or external auditors (and other designees) at all times during the contract period and for five (5) years from the contract expiration date or final payment on the contract, whichever is later.

SECTION 18. CONTRACT ADMINISTRATION

18.1 Assignment and Delegation. The Contractor shall not assign, transfer, convey, or otherwise dispose of this Contract, its duties under this Contract, or any rights, title, or interest in this Contract to any other person, corporation, or

other entity without the prior written approval of the Lottery and the Lottery Board as required. For purposes of this section a transfer or conveyance includes the sale or gift of a five (5) per cent equity interest in the Contractor.

If the Contractor experiences a "material (substantial) change in its ownership or financial condition" during the term of the Contract, the Lottery must be notified in writing at the time the change occurs or is identified. "Material change in ownership" is defined as any merger, acquisition, assignment or change in parties who comprise ownership greater than five (5) percent of the Contractor or the parent company of the Contractor. "Material change in financial condition" is defined as any event which, following Generally Accepted Accounting Principles (GAAP), would require a disclosure in the annual report of a publicly traded United States corporation. The Lottery must be notified in writing of such event. Refer to Section 17.8 for further information regarding background investigations.

18.2 Records Retention and Access. The Contractor shall maintain books, records, and documents which sufficiently and properly document and calculate all charges billed to the Lottery throughout the term of this Contract for a period of at least three (3) years following the date of final payment, cancellation, expiration or completion of any required audit, whichever is later.

The Contractor shall retain and maintain all ticket validation, financial, and accounting records, and evidence pertaining to this Agreement and to each game offered under the Agreement in accordance with generally accepted accounting principles and sound business practice and any other procedures reasonably established by the Lottery.

The Contractor shall permit the Auditor of the State of Iowa or any authorized representative of the State or any authorized representative of the United States government, to access and examine, audit, excerpt and transcribe any directly pertinent validation records, financial records, accounting records, books, documents, papers, electronic or optically stored and created records or other records of the Contractor relating to or created as a result of the performance of this Agreement. These records shall be made available to the Lottery, its designees, the Auditor, or an authorized representative of the State or any authorized representative of the United States government at reasonable times and at no cost to the Lottery during the term of this Agreement and for a period of (3) years following the termination, cancellation or expiration of this Agreement.

18.3 Choice of Law and Forum. The laws of the State of Iowa shall govern and determine all matters arising out of or in connection with this Agreement without regard to the choice of law provisions of Iowa law.

In the event any proceeding of a quasi-judicial or judicial nature is commenced in connection with this Agreement, the proceeding shall be brought in Des Moines, Iowa, in Polk County District Court for the State of Iowa, if jurisdiction is proper. If however jurisdiction is not proper in the Iowa District Court, Polk County, but is proper only in a United States District Court, the matter shall be commenced in the United States District Court for the Southern District of Iowa, Central Division.

This provision shall not be construed as waiving any immunity to suit or liability, in state or federal court, which may be available to the Lottery or the State of Iowa.

18.4 Compliance with the Law and Regulations. The Contractor shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations and orders when performing within the scope of this Agreement, including without limitation, all laws applicable to the prevention of discrimination in employment, the administrative rules of the Iowa Department of Management or the Iowa Civil Rights Commission which pertain to equal employment opportunity and affirmative action, laws relating to prevailing wages, occupational safety and health standards, prevention of discrimination in employment, payment of taxes, gift laws, lobbying laws, laws dealing with the manufacture and transportation of gambling related materials and laws relating to the use of targeted small businesses as subcontractors or suppliers.

The Contractor declares that it has complied with all federal, state and local laws regarding business permits and licenses that may be required to carry out the work to be performed under this Agreement.

The Lottery may consider the failure of the Contractor to comply with any law or regulation as a material breach of this Agreement. In addition, the Contractor may be declared ineligible for future State contracts or be subjected to other sanctions for failure to comply with this section.

18.5 Covenant Against Contingent Fees. The Contractor warrants that it has not employed or retained any company or person, other than a bona fide employee working solely for the Contractor, to solicit or secure this Agreement, and that it has not paid or agreed to pay any person or entity, other than a bona fide employee working solely for the Contractor, any fee, commission, percentage, brokerage fee, gift, or other consideration on a basis that is contingent upon the award of this contract.

18.6 Cooperation of the Parties. The Contractor and the Lottery agree to cooperate fully, to work in good faith and mutually to assist each other in the performance of the Agreement. In this connection, the parties will meet to resolve problems associated with the Agreement. Neither party will unreasonably withhold its approval of any act or request of the other to which its approval is necessary or desirable.

18.7 Amendments. This Agreement may be amended in writing from time to time by mutual consent of the parties. All amendments to this Agreement must be fully executed by both parties. The only parties authorized to execute amendments on behalf of the Lottery are the Lottery CEO, Executive Vice President, Vice President of Finance, or the Vice President of Security.

18.8 Third Party Beneficiaries. There are no third party beneficiaries to this Agreement. This Agreement is intended only to benefit the Lottery and the Contractor.

18.9 Integration. This Agreement, including all the documents incorporated by reference, represents the entire Agreement between the parties and neither party is relying on any representation that may have been made which is not included in this Agreement.

18.10 Headings or Captions. The paragraph headings or captions are for identification purposes only and do not limit or construe the contents of the paragraphs.

18.11 Not a Joint Venture. Nothing in this Agreement shall be construed as creating or constituting the relationship of a partnership, joint venture, (or other association of any kind or agent/principal relationship) between the parties hereto. Each party shall be deemed an independent contractor contracting for services and acting toward the mutual benefits expected to be derived here from. No party, unless otherwise specifically provided for herein, has the authority to enter into any agreement or create an obligation or liability on behalf of, in the name of, or binding upon another party to this Agreement.

18.12 Supersedes Former Agreements. This Agreement supersedes all prior Agreements between the Lottery and the Contractor for the goods and services provided in connection with this Agreement.

18.13 Notices.

Any and all notices, designations, consents, offers, acceptances or any other communication provided for herein shall be given in writing by registered or certified mail, return receipt requested, by receipted hand delivery, by Federal Express, courier or other similar and reliable carrier which shall be addressed to each party as set forth as follows provided, however, that notice by email may be made where explicitly provided for in this Agreement:

If to the **Iowa Lottery**: Iowa Lottery Authority
Attn.: Larry Loss
2323 Grand Ave.
Des Moines, IA 50312
Email: Lloss@ialottery.com

If to the **Contractor**: GTECH Corporation
Attn.: Alan Eland
10 Memorial Boulevard
Providence RI 02903
Email:

Each such notice shall be deemed to have been provided:

- At the time it is actually received; or,
- Within one day in the case of overnight hand delivery, courier or services such as Federal Express with guaranteed next day of delivery; or,
- Within five days after deposited the U.S. Mail in the case of registered U.S. Mail.

Copies of such notice to each party shall be provided separately. From time to time, the parties may change the name and address of a party designated to receive notice. Such change of the designated person shall be in writing to the other party and as provided herein.

18.14 Exclusive and Non-Exclusive Rights. The Contract will not be exclusive. The Lottery will reserve the right to contract with other Contractors for related services during the Contract term. The Contract does not guarantee that the Lottery will print any games with Contractor.

18.15 Right of Inspection. The Contractor shall allow the Lottery, or anyone specified by the Lottery, to inspect its facilities at all reasonable times in order to monitor and evaluate performance or to ensure quality under this Agreement subject to Contractor's safety, security and nondisclosure policies and procedures as disclosed to the Lottery. The Contractor shall secure a similar right of access for the Lottery from each of its subcontractors or agents providing goods or services under this Agreement.

18.16 Survival of Obligations. Certain obligations imposed on the parties by this Agreement continue beyond the expiration, cancellation, or termination of this Agreement as necessary to carry out the intent of the parties.

Such obligations include, without limitation, each party's obligations to protect the other's Confidential Information, the Contractor's obligation to indemnify the Lottery, the Contractor's obligations with respect to over-redemption and non-conforming tickets, the licensing and ownership of intellectual property rights and the Contractor's obligations with respect to the retention of records and the maintenance of bonds and insurance.

18.17 Industry Standards. In the absence of a detailed specification for the performance of any portion of this Agreement, the parties agree that the applicable specification shall be the generally accepted industry standard for the printing of instant tickets and related services.

18.18 Cumulative Rights. The various rights, powers, options, elections and remedies of either party, provided in this Agreement, shall be construed as cumulative and no one of them is exclusive of the others or exclusive of any rights, remedies or priorities allowed either party by law. Nothing in this Agreement shall be construed as affecting, impairing or limiting the equitable or legal remedies to which either party may be entitled as a result of any breach of this Agreement.

18.19 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, the invalid portion shall be severed from this Agreement. Such a determination shall not affect the validity or enforceability of any other part or provision of this Agreement.

18.20 Authorization. Each party to this Agreement represents and warrants to the other that:

- a) It has the right, power and authority to enter into and perform its obligations under this Agreement.
- b) It has taken all requisite action (corporate, statutory, or otherwise) to approve execution, delivery and performance of this Agreement and this Agreement constitutes a legal, valid and binding obligation upon itself in accordance with its terms.
- c) This Agreement is contingent upon ratification of the Lottery Board pursuant to Iowa Code Chapter 99G. The Lottery does not warrant that the Agreement will be ratified by the Lottery Board.

18.21 Successors in Interest. All the terms, provisions, and conditions of the Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, and legal representatives.

18.22 Counterparts. The parties agree that this Agreement has been or may be executed in several counterparts, each of which shall be deemed an original and all such counterparts shall together constitute one and the same instrument.

18.23 Additional Provisions. The parties agree that if an Addendum, Exhibit or Schedule is attached hereto by the parties and referred to herein, and then the same shall be deemed incorporated herein by reference.

18.24 Further Assurances and Corrective Instruments. The parties agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Agreement.

18.25 Obligations of Joint Entities. If the Contractor is a joint entity, consisting of more than one individual, partnership, corporation or other business organization, all such entities shall be jointly and severally liable for carrying out the activities and obligations of this agreement and for any default of such activities and obligations.

18.26 Material Breaches. The references in this Agreement to specific material breaches of this Agreement shall not be construed as implying that other breaches of this Agreement are not material.

18.27 U.S. Dollars. All references in this Agreement to "dollars" are references to U.S. dollars.

18.28 Consent to Service of Process. The Contractor appoints Corporation Service Company as its agent to receive service of process and consents to service of process by certified or registered mail addressed to Corporation Service Company, 505 5th Avenue, Des Moines, Iowa 50309. If for any reason the Contractor's agent for service is unable to act as such or the address of the agent changes, the Contractor shall immediately appoint a new agent and provide the Lottery with written notice of the change in agent or address. Any change in the appointment of the agent or address will be effective only upon actual receipt by the Iowa Lottery. Nothing in this provision will affect the right of the Iowa Lottery to serve process in any other manner permitted by law.

18.28 Authorization to do Business in Iowa. The Contractor shall obtain a certificate of authority to do business in Iowa and shall take all necessary steps to ensure that it is authorized to do business in Iowa as GTECH Printing Corporation.

18.29 Non-Disclosure of the Lottery's Plans. The Contractor shall use its best efforts to ensure that the details of the games planned by the Lottery are not disclosed to persons or organizations other than the personnel, agents and subcontractors of the Contractor whose assistance is necessary for the production of tickets and related materials. In the event that the Contractor receives a request for information or records concerning the Lottery or its instant ticket needs, the Contractor shall immediately forward the request to the Lottery.

18.30 Title to Lottery Property. Title to all property furnished by the Lottery to the Contractor to facilitate the performance of this Agreement shall remain the sole property of the Lottery.

18.31 Sales Restrictions. During the term of this Agreement the contractor shall not manufacture or sell lottery tickets to any other person or entity selling lottery tickets or lottery ticket "look alikes" within the state of Iowa.

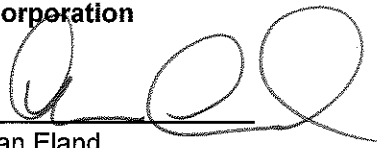
SECTION 19. EXECUTION.

IN WITNESS WHEREOF, in consideration of the mutual covenants set forth above and for other good and valuable consideration, the receipt, adequacy and legal sufficiency of which are hereby acknowledged, the parties have entered into the above Agreement and have caused their duly authorized representatives to execute this Agreement.

Iowa Lottery Authority

By: 
Name: Larry Loss
Title: Executive Vice President

GTECH Corporation

By: 
Name: Alan Eland
Title: Senior Vice President and
Chief Operating Officer.
North America
Federal ID # 05-0389840

SCHEDULE A SCOPE OF SERVICES

SECTION 1. GENERAL DESCRIPTION OF WORK. The Contractor shall provide the Lottery with instant tickets and related materials and services as described in its proposal and in this Schedule A.

SECTION 2. DEFINITIONS. The capitalized terms in the schedules shall have the same meaning as the Agreement executed between the Lottery and the Contractor.

SECTION 3. TICKETS AND SERVICES SPECIFICATIONS

3.1 TICKET SPECIFICATIONS

3.1.1 Ticket Construction. Tickets produced shall be printed on 10-point virgin/recyclable or recycled/recyclable white card stock; which will not curl, separate, or be easily split. This does not pertain to card stock for dual-layered tickets or other optional stock required for special features (i.e. foil) which will be specified in the working papers. The Contractor shall use environmentally-friendly products. The Contractor shall apply production methods and quality control to assure tickets may be dispensed from automated instant ticket machines. The Contractor shall provide individual tickets within a pack that are separated by perforations. Each perforation must be clean cut in a manner which allows easy removal of the tickets from each other during the sale process while at the same time not permitting accidental separation during normal handling or vending. All tickets produced must properly dispense in Iowa "Take-A-Ticket" and Schafer Systems on-counter and in-counter dispensers as well as instant ticket vending machines.

3.1.2 Ticket Size. Industry standard game ticket size(s) are 2.4"x4", 4"x4", 4"x6", 4"x8", and 4" x 10". The Lottery reserves the right to request tickets in other sizes at prices mutually agreeable to the Lottery and the Contractor.

3.1.3 Ticket Symbols. Ticket symbols must be printed in black or colored ink on the front of the ticket. Symbols must be uniformly positioned and aligned on the tickets unless otherwise specified by the Lottery in the Working Papers. To avoid pick out, the symbols must float. The Contractor must advise the Lottery of potential pick out problems associated with the positioning or alignment specified in the Working Papers. All symbols must be printed with a computer-controlled imaging printer with fonts approved by the Lottery and be sufficiently legible so as to be readily discernible to a person with normal vision under normal lighting conditions. The Contractor has a library containing thousands of fonts available for use in the printing of tickets. The Lottery shall have full right to use this library of fonts at no additional fee. Contractor shall design and provide custom fonts if requested by the Lottery at no additional cost. The Contractor shall be capable of printing symbols with dual color or multi-color imaging if specified in the Working Papers by the Lottery. See Schedule B for optional feature pricing.

3.1.4 Legends. Legends may be required in order to facilitate game play and shall be specified in the Working Papers.

3.1.5 Captions. Captions may be required for each play symbol to provide redundancy for security reasons and to prevent consumer disputes. A caption underneath the symbol spells out or abbreviates the symbol in type smaller than the symbol itself in a different but recognizable form. The captions that will be used in the game will be specified in the Working Papers.

3.1.6 Ticket Numbering. Lottery tickets produced by Contractor must have a game, pack and ticket number must be printed on the back of the ticket, 0.1" above the barcode, in the form of GGG-PPPPPP-TTT where:

GGG	is the 3 digit game number
PPPPPP	is the 6 digit pack number
TTT	is the 3 digit ticket number

Pack numbers will start at 100001. Pack numbers will be consecutive except for omissions that occur in production. Contractor's procedures must ensure that the same pack number is on all tickets within a given pack and that no pack numbers are duplicated in the game as a whole.

Each ticket within a pack must have an individual, consecutive number starting with 000. No omissions are allowed within the pack. Contractor's procedures must ensure that individual, consecutive ticket numbers are on each ticket in the pack and that there are no breaks in ticket numbering in the pack.

The front of the ticket must contain the 6 digit pack number and 3 digit ticket number.

3.1.7 Barcode. A unique barcode representation of the game, pack, ticket and validation data must appear on the back of each ticket. The barcode must contain twenty-two (22) digits in the form of GGG-PPPPPP-TTT-VVVVVVVVVV where:

GGG	is the 3 digit game number
PPPPPP	is the 6 digit pack number
TTT	is the 3 digit ticket number

VVVVVVVVVV is the 8 digit validation number/prize code and a 2 digit check number.

The bar code will be determined using an algorithm to be provided when the contract is awarded. The barcode the Iowa Lottery currently uses is a standard interleaved two of five symbology utilizing standard start and stop characters. Each barcode character encodes two decimal digits and measures 0.4" high and 0.183" in length. The barcode with stop and start characters measures approximately 2.11" in length. The barcode has a quiet zone at each end measuring a minimum of .18" in length. The barcode has lines across its top and bottom. The barcode starts with a narrow bar, narrow space, narrow bar, narrow space (start character) and ends with a wide bar, narrow space, narrow bar (stop character). The distance from the middle of the barcode to the edge of the ticket is .35".

The Contractor shall be capable of printing a standard interleaved two of five symbology barcode. The Contractor shall also be capable of printing a Data Matrix barcode under the scratch-off material if specified in the Working Papers by the Lottery. See Schedule B for optional feature pricing.

3.1.8 Validation Code. Tickets produced must contain a unique 10-digit validation code printed in the play area on the front of the ticket. The validation code must be covered by opaque scratch-off material and in the form of VVVVVVVVVV where:

VVVVVVVVVV – is the encrypted 8-digit validation number/prize code and a 2-digit check code. The ticket numbering will be formulated according to an algorithm to be provided upon contract execution. Three (3) consecutive digits of this ten (10) digit number will be boxed in an apparently random manner, giving six (6) possible positions for the box (the last two (2) digits cannot be boxed) as per the algorithm.

3.1.9 Ticket Validation. Tickets must be compatible with the Scientific Games Wave® terminal and the Lottery's method of validation, complete specifications to be provided after contract execution. The Lottery current system utilizes the Failsafe® technology for validation of tickets. The Lottery has a license to use Failsafe® technology on its tickets.

3.1.10 Universal Product Code. Tickets produced for the Lottery must have a Universal Product Code (UPC) marking placed on the back of each ticket. The UPC symbol must conform to specifications in the technical manuals published by the Uniform Product Code Council, Inc., Dayton, Ohio. The Lottery reserves the right to change the UPC specifications when new specifications are broadly used and accepted. The UPC will be in the form of:

0 15936 GGGYY C

where: GGG represents the 3 digit game number
YY represents the year
C is the check digit

3.1.11 Packing Barcode Information. The Contractor shall package the tickets so the ticket art faces outward on both sides of the pack to assist retailers and sales staff in easily identifying the game for each pack. For this reason, Contractor may request to add its own packaging barcode to Lottery scratch tickets when necessary for ticket packaging at its facility. This barcode shall be referred to as the vendor packaging barcode and must be as small as possible to be readable but also interfere the least amount possible with the ticket art. The barcode must not cause terminal read errors due to placement too close to validation barcodes.

3.1.12 Ticket Hash File. The Contractor must provide a file that contains all non-winning tickets and upon the Lottery's request certain winning tickets used in special promotions. These tickets should be identified through the entry of the book, game, ticket, and validation numbers. Through the use of a hash process this entry will produce a unique hash number that can be used to access the ticket hash file. This would be required for all games. The Lottery shall provide the hash string information to the Contractor. No additional fees may be assessed by the Contractor for the creation of hash files or for providing files to an outside vendor, upon the request of the Lottery.

3.1.13 Multiple Scratch Areas. The Contractor must provide multiple scratch areas on the ticket if requested in the Working Papers by the Lottery. The cost of multiple scratch areas shall be included in the base ticket price.

3.1.14 Scratch-off Material. The Contractor must provide a scratch-off material that covers the play area and have minimal overlap into the display area. The scratch-off material must be smooth, easily removed by scratching and of a quality that will maintain the security of ticket symbols and validation number. Any changes in composition of scratch-off material or process must be reported to the Lottery prior to printing.

If specified in the Working Papers by the Lottery, and, provided that any necessary patent rights have been obtained, the translucent scratch-off material must reveal an imaged symbol prior to scratching the area and to display the same or identical symbol on a different background or border color after the area is scratched. The cost of providing this feature shall be included in the base ticket price for any "Bingo" and "Crossword" games.

3.1.15 Protective Coating. The ticket symbols under the scratch-off material must be covered with a transparent protective coating which will ensure that the symbols will be legible after the consumer removes the scratch-off material.

3.1.16 Flood Coat Finish. The display printing on the ticket front must have full coverage of a varnish type coating or UV coating to provide a shiny finish to the tickets.

3.1.17 Display Print Ticket Colors. Display printing on the front of the ticket shall be either four (4) color process or up to five (5) spot colors. Tickets shall be printed from edge to edge, except perforation area, with either an outside border or full bleed process. Ticket backs shall be printed in one color as specified. Tickets with a price greater than one dollar (\$1) must have the ticket price screened on the ticket back. Final ticket specifications for each of the items discussed in this section shall be designated by the Lottery in each set of Working Papers.

3.1.18 Over Print. The Contractor shall provide up to five colors per pulse for the over print. The overprint must be an artistic design, which at a minimum, covers the area covered by the scratch-off material. The overprint must be sufficiently defined, unblurred and sharp to highlight any tampering with the ticket. If specified in the Working Papers, a four-color process or another overprint process that produces, in the Lottery's sole determination, equivalent results shall be used for the overprint. See Schedule B for additional over print costs above five (5) colors per pulse.

3.1.19 Security Tint. Unless specified otherwise in the Working Papers by the Lottery, all tickets produced must have a security tint.

3.1.20 Layout. Tickets must be produced with either a vertically oriented layout (i.e., ticket reads left to right across the shorter dimension and down the longer dimension) or a horizontally oriented layout (i.e., ticket reads left to right along the longer dimension and down the shorter dimension) as specified by the Lottery in the Working Papers.

3.1.21 Ticket Stubs. The Contractor shall print tickets with stubs if specified in the Working Papers. Each perforation utilized must be clean cut in a manner that allows easy removal of the stubs by the consumer after purchase of the ticket while at the same time not permitting accidental separation during normal handling. Each ticket stub must have a validation code as specified in section 3.1.8. The validation code may or may not match the validation number of the main ticket as specified by the Lottery in the Working Papers. Each stub must have a barcode as specified in Section 3.1.7 which matches the pack ticket number on the main ticket. Each stub must have an individual ticket number as specified in Section 3.1.6 which matches the main ticket. See Schedule B for optional feature pricing.

3.1.22 Multiple Scenes. The Contractor shall print a single game with multiple scenes included in a single pack of tickets if specified in the Working Papers. See Schedule B for optional feature pricing.

3.1.23 Color Pulses. The Contractor shall print a single game with multiple color pulses if specified in the Working Papers. Each color pulse will contain consecutive packs. See Schedule B for optional feature pricing.

3.1.24 Additional Options. As described in the Contractor's RFP response, the Contractor is capable of providing additional options to the Lottery. See Schedule B for optional feature pricing and "Other Options" offered.

3.1.25 Non-Traditional Games. As described in the Contractor's RFP response, the Contractor is capable of providing non-traditional games such as dual-layered tickets with play action on both sides, pouches, and other specialty tickets to the Lottery. See Schedule B for "Non-Traditional Games" offered.

3.1.26 Licensed Properties. The Contractor can provide licensed properties to the Lottery. See Schedule B for available properties and optional feature pricing.

3.1.27 Physical Feature Uniformity. All tickets produced shall have no characteristic indicating whether a ticket is a winning or non-winning ticket, including without limitation the following characteristics: stock; perforations; cuts; exposed lot numbers; exposed ticket numbers; staples; fold; packaging; color; thickness or texture of scratch-off material; over prints; protective coating; and printing registration or mis-registration.

3.1.28 Randomization. The odds of winning any prize of any level on a given ticket must not vary from the odds of winning that prize as stated in the final approved prize structure by reason of deficiencies in randomization, including without limitation, by virtue of the ticket's location in its strip, pack, shipping box, contractor omits or pool. This requirement is not intended to prevent the use of a guaranteed, low-end prize structure or selective seeding within pools as specified by the Lottery in the Working Papers. The Lottery will specify in the Working Papers the maximum, consecutive string of losing tickets. The Lottery also reserves the right to inspect, at any time, the methodology and implementation of randomization either on its own or with the aid of an independent statistician.

3.1.29 Knowledge of Location of Winning Tickets. The Contractor must ensure the pack number data which is contained in any document or computer file which could associate pack number data with play data or the validation number will be kept in a highly secure environment and be destroyed in a manner and time agreed upon by the Lottery.

3.1.30 Low-tier Prizes. The Contractor must ensure that each pack of tickets contains a guaranteed dollar value of low-tier prizes. Up to five (5) different configurations of low-tier prizes must be incorporated, at random, into packs of tickets in a single game if requested by the Lottery. Each configuration must have the same total dollar value of low-tier winners, but each configuration must have varying numbers of winners of various denominations. The prize structures used are subject to approval by the Lottery in the Working Papers.

3.1.31 High-tier Prize Distribution. The Contractor must ensure high-tier prizes are randomly distributed within the pools of tickets. The pool size is subject to the approval of the Lottery in the Working Papers. High-tier prizes must be distributed evenly per pool of tickets to maintain the odds for the production run and selected high tier prizes delivered to the Lottery must be equal to the number shown on the approved prize structure in the Working Papers.

3.1.32 Production Media. If game tickets are produced at a location other than the location where the production media is produced, the Lottery reserves the right to accompany the production media to the printer, at Contractor's expense and to accept custody of the production media if deemed necessary. Any media must be transported in sealed containers. If a seal is broken, the data cannot be used. Any production data that is transported via satellite or landline, including encryption key transport, must be encrypted and transferred using a method approved by the Vice President of Lottery Security.

3.1.33 Quality Control. All tickets must be inspected during all stages of the printing process from color sign-off through shipping to ensure all tickets meet working paper specifications.

3.1.34 Game Governing Documents

Working Papers. For each game ordered, the Lottery will require a complete set of working papers describing the details of the ticket production. The approved final set of working papers become the governing document pertaining to the game and take precedence over any other conditions of the contract in the event of any conflict in the specifications or

requirements. The working papers will contain the detailed specifications of the game including ticket design, prize structure, game restrictions & patterns, validation requirements, packaging, shipping and storing, and fonts used and may reference standard Customer Specifications. Final executed copies of the approved working papers must be delivered to the Lottery prior to production. The following persons may approve and sign off on Working Papers on behalf of the Lottery: the Iowa Lottery CEO, the Executive Vice President, the Vice President of Finance and the Vice President of Security. Refer to Section 3.3.4 Development and Delivery of Working Papers.

Customer Specifications. The Contractor must prepare and provide a complete set of Customer Specifications that will govern all tickets produced for the Lottery, within sixty (60) days of contract execution. The Customer Specifications must be updated or reviewed routinely upon request by the Lottery. The Customer Specifications to be provided must include the following:

- Barcode specifications including Contractor packaging, FailSafe®, Interleaved 2 of 5 and UPC
- Packaging/Shipping specifications
- POS specs for ITVM cards and destination quantities
- Back of ticket wording and markings
- Hash file requirements
- GLEPs security test pack procedures after ticket is printed
- Final ticket art in jpg and EPS formats, UPC artwork file, and to include all play and prize symbols with exactly matching covered and uncovered artwork version for each available prize tier
- Audit report sent via secured e-mail to Brenda Loy
- Delivery tolerance +-5%
- Test and production start pools
- Book ticket number locations and format on front and back of ticket
- Ticket stock specs
- Perforations
- Game programming specs
- Reconstruction
- Deliverables
- Event Timeline including max allowable days between events for each step starting with Lottery initiating game number thru Contractor delivery of tickets to Lottery.
- PNG files sent to MDI

3.1.35 Production Notification. The Contractor must notify Lottery in writing of production dates and initial sign-off time at least 15 calendar days prior to production. For any changes made to the production schedule by the Contractor after the 15 calendar days' official notice, the Contractor shall provide full reimbursement to the Lottery for all additional costs associated with any travel, employee overtime and additional costs specifically related to the Contractor changes of the schedule. Refer to Section 3.4.5 which defines Lottery travel.

3.2 PACKAGING

3.2.1 Number of Tickets Per Pack. The Contractor shall package tickets in packs of ten (10), twelve (12), fifteen (15), thirty (30), sixty (60), seventy-five (75), one hundred (100), one hundred fifty (150) or three hundred (300) tickets as specified by the Lottery in the Working Papers. Consequently, all Lottery packs have a sales value of three hundred dollars (\$300). Lottery reserves the right to request packs in other quantities at prices mutually agreeable to the Lottery and the Contractor.

3.2.2 Fanfolding. The Contractor must fan fold tickets in packs as specified by the Lottery in the Working Papers or Lottery Customer Specifications.

3.2.3 Pack Distribution Card. The Contractor must produce and insert a pack distribution card in each pack of tickets. The Working Papers must specify the barcode to be printed on each pack distribution card with the cards to be readable through the shrink-wrap. The pack distribution card will have a barcode containing the game number and pack number and then nine (9) other digits (all zeros). These numbers must also be printed above the barcode in human readable form.

3.2.4 Shrink-wrap. Each pack of tickets must be shrink-wrapped in clear plastic. There must be a perforation in the shrink-wrap to facilitate easy opening. The shrink-wrap must not impede the ability to read the barcode on the pack distribution card.

3.2.5 Shipping Boxes. The Contractor must package tickets in the box size specified by the Lottery in the Working Papers. The packs of tickets are to be placed in the shipping boxes in the configuration specified by the Lottery in the Working Papers. The shipping box is to be 275 lb. test or ECT 44 lb.

3.2.6 Box Labels. The box labels are to face outward and be on the ends of the box and on the side of the skid specified by the Lottery in the Working Papers. Shipping boxes will be numbered from 00001 with the label showing the game name, shipping box number, "From-Through" pack numbers, amount of packs in box and special listing for omissions if any.

3.2.7 Box Markings. The following statement must be printed or stamped on each box: "This carton contains materials that are registered by number and which will be void if stolen." There must be no printing on the carton or on the sealing tape other than as specified by the Lottery.

3.2.8 Tape. The top and bottom of each box must be sealed with tape. No staples or glue can be used. The tape must not obscure labels or other markings on the carton.

3.2.9 Skids. The shipping boxes must be packed on skids the size specified by the Lottery in the Working Papers with labels outwardly visible. The skids must be constructed of hardwood lumber or a number two softwood, capable of withstanding multiple handling by forklift trucks without splintering or collapsing. The shipping boxes must be stacked on skids in the configuration specified by the Lottery in the Working Papers. The skid height is not to exceed 54 ½" from skid deck to top of the top box. Each layer of shipping boxes is to be separated by a cardboard sheet and the four corners are to be stabilized by cardboard brackets running to the height of the skid. The skids must be secured by stretch wrapped plastic and covered with a rain cap.

3.2.10 Skid Labels. A skid label must be affixed to the middle section on the end of the lowest numbered side of each skid load of boxes. There is to be one (1) label per skid placed on the front of the skid. The label must show the game name, the lowest and highest box numbers loaded on the skid and the skid number. Skids must be numbered one (1) through the highest skid number for the game.

3.3 DELIVERY

3.3.1 Delivery Vehicles and Loading. Tickets are to be delivered in exclusive-use, sealed trucks from plant to warehouse. The truck's seal number must appear on the bill of lading. Skids of finished tickets must be loaded with the lowest numbered skid in the "nose" of the trailer and the highest numbered skid at the rear of the trailer. A minimum of three (3) feet of clearance must be left between the last skid loaded and the cargo doors at the rear of the delivery vehicle to facilitate unloading.

3.3.2 Delivery of Tickets. Tickets must be delivered FOB to the Lottery Warehouse in Ankeny, Iowa (50021) or to any other designated warehouse location in Iowa. Continuous and uninterrupted delivery must be made in accordance with the delivery schedule specified in the Working Papers. The Contractor shall hold a portion of the ticket order up to 20 million tickets, as specified in the Working Papers for that game, at the Contractor's location until the Lottery requests that it be delivered or until the particular game ends.

The Contractor agrees to deliver game tickets within 30 days after approval of Working Papers for new game orders and within 20 days for reorders. The Contractor also agrees to deliver game tickets within 54 days of receipt of concept artwork and approved prize structure from Lottery. The foregoing delivery periods shall be extended on a day-for-day basis if the Contractor's ability to meet such deadlines is affected by any action or inaction on the part of the Lottery. Contractor must accelerate the delivery of tickets if requested by the Lottery. Ownership of the tickets shall remain with the Contractor until delivery is made. See Schedule B optional feature pricing.

3.3.3 Delivery Tolerances. The Contractor shall deliver the ordered quantity for each game plus or minus five percent (5%). As this is a price-per-thousand basis Agreement, the Contractor shall bill and the Lottery will pay only for the actual number of conforming tickets delivered. Deliveries in excess of the ordered quantity plus the delivery tolerances may be accepted by the Lottery on consignment only. The Lottery may require the Contractor to produce an exact number of tickets for selected games. The Lottery will specify these games in the Working Papers for that game.

3.3.4 Development and Delivery of Working Papers. The Contractor must prepare game Working Papers that include the details regarding each game's specifications. The Working Papers must be presented to the Lottery for review no more than ten (10) working days from the Lottery's approval of the prize structure and final game design, including artwork. Revisions to any Working Papers (including drafts) must be made within five (5) working days of the date changes were submitted to the Contractor by the Lottery, unless Contractor receives prior approval from the Lottery to exceed that limit. Final executed copies of the approved working papers must be delivered to the Lottery prior to production. The Lottery may grant an extension for exceptional circumstances.

3.4 SECURITY

3.4.1 Plant Security. The plant(s) in which tickets are to be produced or stored shall be equipped with a complete plant security system acceptable to the Lottery. The security system as described in its' proposal is acceptable to the Lottery. Should the Contractor anticipate making changes to the plant security system, the Contractor shall inform the Lottery of the changes at least seven (7) calendar days before the scheduled change. At that time, the Contractor shall provide a complete description of the security system at the location or locations including anticipated changes. The Contractor must provide updated plant security procedures to the Lottery VP of Security on an annual basis for Lottery review. If Lottery approves of the plant security procedures, written acceptance will be provided to the Contractor.

3.4.2 Unused Materials. Contractor must deliver a report to the Lottery at the end of the production of each game stating the number of pools used to produce the game converted to tickets, less the number of tickets shipped and the number of omits to estimate the game scrap. These materials must be destroyed by shredding, burning, or dissolving on the printer's premises. Scrap materials cannot leave the printer's premises until processed to render them unrecognizable as lottery materials. An auditable record system must be used to account for all ticket stock and materials destroyed.

3.4.3 Ticket Security Analysis. The Contractor agrees to make all reasonable efforts to minimize the possibility that tickets can be compromised. The Contractor shall be bound by the description of the security analysis contained in its proposal including but not limited to ink, paper, scratch-off material, primer, seal, release and protective coating. The Contractor shall be bound by the description of its security programs included in its proposal including but not limited to ticket printing security and the results of any tests which have been performed on the tickets currently produced by the Contractor. The Contractor has identified all of the security features of its ticket printing system to the Lottery in its proposal. It shall be bound to the representations made therein.

3.4.4 Security Breach Notification. The Contractor shall notify the Lottery's Vice of President of Security immediately via telephone and in writing of any breach of security experienced by the Contractor during the term of this Agreement including but not limited to the theft or disappearance of any paper stock, data media, cylinders, tickets, waste, film, printing plates, etc. All security risks discovered in the Contractor's tickets must be immediately communicated to the Lottery.

3.4.5 Printing Inspection Site Visits. The Lottery shall have the right, acting by itself or through its authorized representatives, to enter the premises of the Contractor at all times to examine the game and to inspect and copy the records of the Contractor pertaining to the operation of the Lottery account without prior notice.

Normal travel expenses relating to ticket inspections will be paid by the Lottery.

If the printing and finishing processes are altered or rescheduled due to Contractor issues the Contractor shall provide full reimbursement to the Lottery for all additional costs associated with any travel, employee overtime and additional costs specifically related to the Contractor schedule changes. Refer to Production Notification, Section 3.1.35. The Lottery may hire an independent consultant once every two years and require the Contractor to participate in a complete analysis of the ticket printing process and facility.

At the Contractors discretion, Contractor may provide travel expenses for up to four (4) Lottery employees per calendar year to attend a Contractor sponsored security educational event.

3.4.6 Ticket Inspection, Monitoring and Testing. The Contractor will be required to provide the Lottery the following during the print process:

- Three packs of tickets from each game as defined in the Customer Specifications. None of these packs will contain any mid or high tier winners.
- At least one pack from the front, middle and end of the print run of each pulse must be provided to the Lottery security person on site for quality control testing. The packs for the quality control testing will not contain any high-tier or mid-tier prizes unless the prize is part of the GLEPS and these packs will be omit packs.
- If Lottery security is not attending the printing of tickets then all of the aforementioned packs will be shipped by overnight courier to Iowa Lottery VP of Security at the Des Moines headquarters location so the tickets can be tested prior to the game being shipped. Iowa Lottery Security will perform testing immediately and notify the Contractor of any problems.

If the Lottery is not present during the printing of the tickets then all of the aforementioned packs must be shipped within 24 hours of the completion of the printing via overnight delivery to the Lottery Headquarters, Attn: VP of Security, to allow for testing to be completed prior to the game being shipped.

After the game is printed, packaged for shipping, and stored in a secured area, the Contractor must send the Lottery VP of Security two pack numbers that do not contain any mid-tier or high-tier prizes unless the prize is part of the GLEPS. These two packs need to be on the game load CDs as testing will be conducted on these packs in Iowa, and these tests require being able to validate tickets through the Lottery test system.

3.4.7 Ownership of Tickets and Related Materials. Tickets and materials produced for the Lottery, including tickets rejected by the Lottery as non-conforming or as part of an order containing non-conforming tickets, are the property of the Lottery and shall not be furnished by the Contractor to any other country, state, organization, company, agency, jobber, distributor, individual or other entity other than the Lottery. Rejected tickets or materials in the possession of the Contractor shall be stored by the Contractor in a secure area until the Lottery advises the Contractor in writing within thirty (30) days as to the disposition of such tickets or materials.

3.4.8 Emergency Ticket Reprint. In the case of a disaster or catastrophic event in which half or more than half of the tickets in a game are damaged or destroyed, the Contractor shall, at the Lottery's request, reprint certain games as a priority within fifteen (15) business days at the Lottery's expense.

3.5 REPORTS, CD'S AND OTHER DELIVERABLES

3.5.1 Game Rules. The Contractor shall be required to draft proposed regulations for defining the rules of each game. The game rules format shall be provided by the Lottery. Game rules will be provided by the Contractor at least thirty (30) business days prior to the start of game sales.

3.5.2 Final Ticket Art. Contractor must provide final ticket art at least thirty (30) business days prior to start of game sales. The Contractor must create a CD with art for one (1) covered ticket and for ten (10) uncovered winning tickets showing as many different prize levels as possible with the VIRN, pack and ticket number replaced by the word VOID. The CD shall be couriered to the Lottery the same day the tickets are delivered.

3.5.3 Color Proof. Contractor shall provide a color proof to the Lottery for approval at least one (1) week prior to ticket printing.

3.5.4 Prize Accountability and End of Production Prize Structure. In order to ensure full accountability, optimum prize delivery is required with an accurate end-of-production prize structure report. This report must be delivered to the Lottery by courier to the Lottery the same day the tickets are delivered.

Any record game file or document that associates all or part of the validation number and all or part of the pack ticket number must be destroyed after the application of the barcode on the tickets, except as required by the Lottery for reconstruction.

3.5.5 Game Inventory and Validation Requirements. The Contractor must provide a CD or secure FTP site with the game inventory and validation files created according to the specifications "Definition for Printer Files Input for Scientific Games Aegis System" to be provided when the contract is awarded. If a CD is provided, the CD shall be couriered to the Lottery the same day the tickets are delivered.

3.5.6 Shipping Report. The Contractor must provide a shipping report which will list game number, game name, gross number of tickets, number of omitted tickets, net number of tickets, the gross number of packs, number of omitted packs, net number of packs, the range of pack numbers produced (lowest and highest pack numbers), the range of pack numbers shipped and the range of box numbers. A hard copy of the shipping report will be delivered with the tickets and a second hard copy will be couriered as a CD or provided on a secure FTP site.

3.5.7 Omitted Packs Report. The Contractor must provide an omitted packs report which will list omitted packs in numerical order. Hard copy files to be provided with each line double-spaced and an electronic version as a single-spaced file. The omitted packs report will be delivered with the tickets.

3.5.8 Shipping Control Manifest. The Contractor must provide a shipping control manifest which will be a record of all packs manufactured, listed by box with the omitted packs indicated with an asterisk (*) by the pack number. The number of good packs per box will be indicated for each box number. A hard copy, with no staples, will be delivered with the tickets.

3.5.9 Void Sample Tickets. A minimum of ten thousand five hundred (10,500) actual size void sample tickets from the actual initial press run for each ticket order. All void sample tickets must bear the word "VOID" and must be non-winners. Void sample ticket pack numbers must start at VOID01 and run consecutively without duplicating pack numbers. Ticket numbers must start at 000 and run consecutively within each pack. The 10-digit validation number must be printed as VOIDVOIDVO with three consecutive letters boxed excluding the last two (2) digits which cannot be boxed. The void sample tickets must be delivered on the same truck as the tickets.

3.5.10 ITVM Display Cards. Contractor must provide five thousand (5,000) 4" x 4" ITVM display card per pulse, with each ticket order. The front of the cards will display the ticket art, ticket price, the words www.ialottery.com, and a promotional message as specified in the Working Papers. The back of the cards will display the game name, game number, ticket price, pack quantity, ticket length, and a fixed informational bar code. The words "Scan this barcode when prompted by setup menu." will be printed above the barcode and the fourteen (14) digits of the barcode will be printed below the barcode. The 14-digit barcode will be in the form of GGGTTTPPPPLLLC where:

GGG	3-digit game number
TTT	3-digit number of tickets per pack
PPPP	4-digit ticket price
LLL	3-digit ticket length
C	1-digit check digit

The cards will be shrink-wrapped in units of twenty-five (25) and boxed in quantities as specified in the Working Papers. The cards must be delivered to the Lottery warehouse by the date tickets are delivered to the Lottery warehouse. If printing vendor prints ITVM cards or posters prior to game being printed and additional artwork changes require the re-printing of the ITVM cards and/or posters, this is to be done at the printing vendors expense and drop shipped to location(s) specified by the Lottery. If the changes required after the printing are at the request of the Lottery, the Lottery will bear the expense of the reprint.

3.5.11 Game Audit Report. The Contractor must engage a major firm of independent certified public accountants to review the procedures and controls employed by the Contractor during production of tickets. The certified public accounting firm will be required to submit a letter to the Lottery which states the tests performed on the Contractor's production procedures. The Contractor shall provide the letter from the accounting firm within fourteen (14) calendar days of game delivery unless otherwise agreed to by the Lottery. The letter may be delivered via a secured electronic

transmission. Contractor must provide a letter indicating the results of each game audit performed by the Contractor's accounting firm.

These tests, performed by the outside firm of independent certified public accountants, must, at a minimum, include the following items:

- a) An audit of a sampling of the actual computer files that are used to run the computer imager which is issued to print the tickets must be conducted verifying game integrity;
- b) A statistically valid random sampling of finished packs of tickets in the Contractor's plant must be audited to determine conformity of the finished, actual tickets with the final approved prize structure as signed by the Lottery;
- c) An audit of a sampling of the computer files and the finished product must be conducted to determine conformity of all other game specifications including without limitation, conformity with the prize structure, the number of tickets per pack, number of packs per pool, the validation coding scheme, retailer validation codes, winning and losing ticket pattern distributions, and any special requirements the Lottery specifies in the Working Papers.

3.5.12 Sample Game. The Contractor must produce a sample game consisting of not less than five thousand (5,000) tickets if the Contractor has not produced a live game for the Lottery within the preceding eighteen (18) months of contract execution. The sample game must include all validation algorithms, over print, barcodes and media files associated with a live game. Creative ticket art will not be required. Production of a live game will not occur until the Lottery has successfully tested a sample game. All costs associated with the production and delivery of a sample game upon execution of the contract will be borne by the Contractor.

Because GPC has not produced a live game for the Iowa Lottery within the eighteen (18) months preceding the execution date of this Agreement, GPC will be required to produce a sample game at the initiation of the contract.

3.5.13 Audit Report for Sample Game. Contractor must provide a letter indicating the results of each game audit performed by the Contractor's accounting firm. Refer to Section 8.2.

3.5.14 Test Game. Upon a change in the Lottery's validation system, test games may be required. The Lottery will bear the cost of these games. See Schedule B optional feature pricing.

The Lottery may request the print of a test game not related to validation changes. Upon Lottery's determination to print a test game, there shall be no cost to the Lottery if the test game is subsequently purchased.

3.6 CORPORATE MARKETING SUPPORT

3.6.1 The Contractor must apply its best efforts to support the Lottery game design and marketing, assisting the Lottery to achieve its financial objectives. The Lottery will require new games and features over the term of the Contract. The Contractor must be able to accommodate the Lottery's marketing plans and efforts with corporate marketing support that includes, but is not limited to:

- a) **Marketing Strategy.** An annual strategy meeting, including development of retailer promotional contests, consumer promotional programs or special events, game designs, marketing/sales staff seminars and retailer seminars shall be held by the Contractor with the Lottery to discuss industry trends, new technology, new products and comparative sales analysis. The strategy meeting shall be held within the first quarter of the calendar year.

The Contractor may present a holiday marketing strategy to the Lottery. The holiday marketing strategy shall include but not be limited to play actions, game designs, prize structures and marketing support strategies. All travel costs and any presentation preparation costs will be the responsibility of the Contractor.

At the Contractor's discretion, the Contractor may provide all travel expenses for up to four (4) Lottery employees per calendar year to attend a Contractor marketing educational event or users' conference.

- b) Gaming Concept Design and Development. The availability of new gaming products and product ideas is critical to the Lottery. The Contractor is expected to have a continuous program of research into ticket concepts and products.
- c) Marketing Support. The Contractor shall provide marketing support to assist the lottery with prize structure and game design, game names, themes, play formats, industry trends, lottery data processing, lottery accounting, and lottery security. The Lottery reserves the right to approve the account representative(s).

The representative will be responsible for providing the following services:

- o Coordination of contract execution between the Lottery and the Contractor including Working Papers for specific games, ticket art design, prize structures, schedules, production, ticket printing and ticket delivery.
- o Provide support in game design and strategic planning of the instant product.
- o Recommend products, game offerings, prize structures, promotions, advertising campaigns, pricing and point-of-sale strategies.
- o Contractor representative must identify any special printing techniques or costs associated with the Contractors recommendation for tickets.
- o Be readily available by telephone or other means of business communication.

3.6.2 Costs for marketing services provided by the account representative and any required support staff shall be included in the printing prices provided in the pricing section.

3.6.3 Graphics. As a classic impulse item, instant tickets must possess high impact graphics which strongly communicate the ticket's salient selling points. The Contractor must effectively coordinate instant ticket art design, including typeface, from the first, rough art presented to the finished product. Final ticket art including .jpg, .eps, .png and internet demo files shall be provided by the Contractor no later than seven (7) calendar days after game prints.

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SCHEDULE B
PRICE PROPOSAL - OPTIONAL FEATURES
Part 2 - GTECH Printing Corporation

PRINTING OPTIONS PRICING

TICKET OPTION	UNIT OF MEASURE	FIRM, FIXED UNIT PRICE	DESCRIPTION	POTENTIAL ADDITIONAL FLAT FEES
Additional card stock	Per 1000			
10 pt stock from recycled paper	Per 1,000	\$.09 per 1,000 square inches		
Foil paper stock	Per 1,000	\$.45 per 1,000 square inches		
Holographic paper stock	Per 1,000	\$2.75 per 1,000 square inches		
Symbols in dual color or multi-color imaging	Per 1,000	\$.20 per color per 1,000 square inches plus \$2,000 set-up charge per color	color imaging with multiple colors	
Savings for NOT using full varnish or UV coating	Minus per 1,000	\$0.00	n/a	
Additional display colors on back of ticket (above 1), per color	Per 1,000	\$.08 per 1,000 square inches per color	Additional color printed on back of ticket above 1	
Additional display colors on front of ticket (above 5 colors) , per color	Per 1000	\$.05 per 1,000 square inches per color	Additional display colors above 5	
Savings for using less than 5 colors in overprint	Minus per 1,000	\$0.00	n/a	
Savings for NOT using security tint	Minus per 1,000	\$0.00	n/a	
Stub game with perforations, with covering	Per 1,000	With imaging on the stub: \$.06 per 1,000 square inches	A straight perforation which creates an easy to remove stub	
Stub game with perforations, without covering	Per 1,000	Without imaging on the stub: \$.03 per 1,000 square inches	A straight perforation which creates an easy to remove stub	
Multiple or continuous scenes	Per 1,000	\$.05 per 1,000 square inches per scene plus \$1,500 set-up charge per scene	Multiple scenes for the same game, or a scene that extends beyond a single ticket	
Potential per scene additional costs not included in a per scene flat rate		none	n/a	
Color pulse (per pulse)	Per pulse	\$2,500 per pulse	Multiple color pulses in a single press run of a game	
Color pulse (per 1000) for each additional color pulse	Per 1,000	\$2,500 per pulse	Multiple color pulses in a single press run of a game	

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Potential per pulse additional costs not included in a per pulse flat rate	n/a	None	n/a	
Accelerated schedule	Per Day	\$1,500 per day	n/a	
Delayed delivery/storage of games	Per month	No charge for up to 3 months	Storage of the Lottery's games at a GPC facility	\$1,500 per month after three months
Savings for NOT conducting a game audit for each game	Per game	(\$2,000) reduction per game	n/a	
Printing of sample game if requested by Lottery	Per game	\$15,000 per sample game	Sample game requested by the Lottery	
Non-traditional games or features				
Criss Cross™	Flat fee	No charge if the game is printed by GPC. If the game is not printed by GPC the price for this feature shall be a flat fee of \$5,000.		
Head2Head Games	Flat fee	No charge if the game is printed by GPC. If the game is not printed by GPC the price for this feature shall be a flat fee of \$5,000.		
uScratch™	Flat fee	No charge if the game is printed by GPC. If the game is not printed by GPC the price for this feature shall be a flat fee of \$5,000.		
Lucky Sweeps™	Flat fee	No charge if the game is printed by GPC. If the game is not printed by GPC the price for this feature shall be a flat fee of \$10,000.		
Extended Play Bonus Games	Flat fee	No charge if the game is printed by GPC. If the game is not printed by GPC the price for this feature shall be a flat fee of \$5,000.		
Microbrand Games	n/a	no charge		
Linked Bonus™	Flat fee	No charge if the game is printed by GPC. If the game is not printed by GPC the price of this feature shall be a flat fee of \$5,000.		
Player's Key™	Flat fee	\$2,500 per game		
Non-Standard / Custom Game Programming or Developing Complicated Fonts or Symbols	Per Hour	\$150.00 per hour		
Additional void tickets	Per 1,000	Same price per 1,000 as the ticket quantity ordered	Above the base quantity	
Producing and inserting additional ITVM display cards into packs of tickets	Per pack	\$.30 per pack	additional pack inserts	
Producing additional ITVM display cards	Per 1,000	\$150.00 per 1,000		
Fluorescent ink, per color	Per 1,000	\$.16 per 1,000 square inches		
Metallic ink, per color	Per 1,000	\$.20 per 1,000 square inches		

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Fluorescent/Neon ink, per color	Per 1,000	\$.16 per 1,000 square inches		
Dual color ink, ticket back	Per 1,000	\$.08 per 1,000 square inches		
Multiple color ink imaging	Per 1,000	\$3.00 per 1,000 tickets plus \$2,000 set-up charge	Additional cost for color variable imaging with two (2) separate colors	
Multiple color ink imaging	Per 1,000	\$3.50 per 1,000 tickets plus \$2,000 set-up charge	Additional cost for color variable imaging with three (3) separate colors	
Multiple color ink imaging	Per 1,000	\$4.00 per 1,000 tickets plus \$2,000 set-up charge	Additional cost for color variable imaging with four (4) separate colors	
Aromatic Tickets	Per 1,000	\$.75 per 1,000 square inches		
Die cuts, simple	Per 1,000	\$.20 per 1,000 square inches plus \$5,000 set-up charge	Less than 5% waste	
Die cuts, medium	Per 1,000	\$.25 per 1,000 square inches plus \$5,000 set-up charge	Greater than 5% and less than 15% waste	
Die cuts, complicated	Per 1,000	\$.30 per 1,000 square inches plus \$5,000 set-up charge	Greater than 15% and less than 35% waste	
Pouch tickets	Per 1,000	not available		
Player's Mark	Per 1,000	Included in price for the Bingo and Crossword games shown in Part 1 pricing. For all other games, the price shall be \$.15 per 1,000 square inches		
Custom Micro Font Bendays	Per 1,000	\$.10 per 1,000 square inches		
Fluorescent Bendays	Per 1,000	\$.15 per 1,000 square inches		
Scoring	Per 1,000	Vertical: \$1,000 plus \$.05 per 1,000 square inches		
Scoring	Per 1,000	Horizontal: \$5,000 plus \$.10 per 1,000 square inches		
Imaging colors other than black	Per 1,000	\$2,000 set-up charge plus \$.20 per 1,000 square inches per color		
Glitter Ink	Per 1,000	\$.20 per 1,000 square inches		
Thermal Ink	Per 1,000	\$.20 per 1,000 square inches		
Pearlescent Ink	Per 1,000	\$.20 per 1,000 square inches		
3D Printing	Per 1,000	\$.15 per 1,000 square inches	Does not include cost of 3D glasses	
Additional POS Displays	Per 1,000	\$500 per 1,000		
Second Chance Promotional Website Creation and Hosting	n/a	\$35,000 per program based on a 12 month program with 350,000 total entries and two drawings per year. Pricing can be modified based on changes to the program		

IOWA PRICING GUIDE

Second Chance Promotional Drawing	n/a	\$12,500 per program year based on two drawings per program, with 70% of the entries received via the internet and 30% received by mail. Pricing can be modified based on changes to the program.		
Web-based concept testing	n/a	\$32,000 per study		
Focus Group testing	n/a	\$25,000 per study		

SCHEDULE C

LICENSED PROPERTIES

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%
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%

GTECH

Price-Per-Thousand Pricing. The prices requested in the following table are for tickets produced under a contract which requires all of the items specified in Sections 3 of this RFP except for cost variations applicable to optional features. All prices quoted in this section are prices per thousand (1,000) tickets.

Ticket Quantity*	Bingo ** 4" x 6"	Bingo ** 4" x 8"	Crossword* * 4" x 6"	Crossword ** 4" x 8"	Crossword ** 4" x 8"	2.4" x 4"	4" x 4"	4" x 6"	4" x 6"	4" x 6"	4" x 6"	4" x 8"	4" x 8"	4" x 8"	4" x 8"	4" x 8"	4" x 10"	4" x 10"	4" x 10"	4" x 10"
	150/pack	150/pack	100/pack	60/pack	30/pack	300/pack	150/pack	60/pack	75/pack	100/pack	150/pack	12/pack	15/pack	30/pack	60/pack	100/pack	10/pack	12/pack	15/pack	30/pack
400,000	\$ 70.77	\$ 77.47	\$ 71.81	\$ 78.24	\$ 82.30	\$ 59.78	\$ 64.75	\$ 69.53	\$ 68.85	\$ 68.18	\$ 67.84	\$ 119.06	\$ 109.83	\$ 77.30	\$ 74.85	\$ 72.00	\$ 136.52	\$ 128.73	\$ 120.60	\$ 83.03
600,000	\$ 54.10	\$ 60.80	\$ 54.97	\$ 61.41	\$ 64.97	\$ 42.28	\$ 47.25	\$ 52.53	\$ 51.94	\$ 51.34	\$ 51.01	\$ 95.39	\$ 87.28	\$ 59.98	\$ 57.68	\$ 55.33	\$ 111.58	\$ 104.37	\$ 96.91	\$ 65.37
800,000	\$ 45.77	\$ 52.47	\$ 46.56	\$ 52.99	\$ 56.30	\$ 33.53	\$ 38.50	\$ 44.03	\$ 43.47	\$ 42.93	\$ 42.59	\$ 83.56	\$ 76.00	\$ 51.30	\$ 48.89	\$ 47.00	\$ 99.12	\$ 92.18	\$ 85.06	\$ 56.53
1,000,000	\$ 40.77	\$ 47.47	\$ 41.51	\$ 47.94	\$ 51.10	\$ 28.28	\$ 33.25	\$ 38.93	\$ 38.40	\$ 37.88	\$ 37.54	\$ 76.46	\$ 69.24	\$ 46.10	\$ 43.95	\$ 42.00	\$ 97.60	\$ 89.71	\$ 81.82	\$ 51.23
1,200,000	\$ 37.43	\$ 44.13	\$ 38.15	\$ 44.57	\$ 47.63	\$ 24.78	\$ 29.75	\$ 35.53	\$ 35.02	\$ 34.51	\$ 34.17	\$ 76.15	\$ 68.17	\$ 42.64	\$ 40.51	\$ 38.67	\$ 91.17	\$ 83.55	\$ 80.95	\$ 47.70
1,400,000	\$ 35.05	\$ 41.75	\$ 35.74	\$ 42.17	\$ 45.16	\$ 22.28	\$ 27.25	\$ 33.10	\$ 32.60	\$ 32.11	\$ 31.76	\$ 71.83	\$ 64.14	\$ 40.16	\$ 38.06	\$ 36.29	\$ 86.58	\$ 82.99	\$ 79.76	\$ 45.18
1,600,000	\$ 33.27	\$ 39.97	\$ 33.94	\$ 40.37	\$ 43.26	\$ 20.40	\$ 25.38	\$ 31.28	\$ 30.78	\$ 30.30	\$ 29.97	\$ 68.60	\$ 61.13	\$ 38.30	\$ 36.23	\$ 34.50	\$ 83.13	\$ 75.86	\$ 74.60	\$ 43.28
1,800,000	\$ 31.88	\$ 38.58	\$ 32.53	\$ 38.97	\$ 41.79	\$ 18.94	\$ 23.92	\$ 29.87	\$ 29.37	\$ 28.90	\$ 28.56	\$ 66.08	\$ 58.79	\$ 36.86	\$ 34.79	\$ 33.11	\$ 80.44	\$ 73.30	\$ 66.16	\$ 41.81
2,000,000	\$ 30.77	\$ 37.47	\$ 31.41	\$ 37.84	\$ 40.61	\$ 17.78	\$ 22.75	\$ 28.73	\$ 28.25	\$ 27.78	\$ 27.44	\$ 64.07	\$ 56.91	\$ 35.70	\$ 33.65	\$ 32.00	\$ 78.30	\$ 71.24	\$ 64.21	\$ 40.63
2,500,000	\$ 28.77	\$ 35.47	\$ 29.39	\$ 35.82	\$ 38.49	\$ 15.68	\$ 20.65	\$ 26.69	\$ 26.22	\$ 25.76	\$ 25.42	\$ 60.44	\$ 53.53	\$ 33.62	\$ 31.59	\$ 30.00	\$ 75.92	\$ 69.03	\$ 62.16	\$ 38.51
3,000,000	\$ 27.43	\$ 34.13	\$ 28.05	\$ 34.47	\$ 37.07	\$ 14.96	\$ 20.16	\$ 25.33	\$ 24.87	\$ 24.41	\$ 24.07	\$ 58.03	\$ 51.28	\$ 32.24	\$ 30.21	\$ 28.67	\$ 73.10	\$ 66.32	\$ 59.56	\$ 37.10
4,000,000	\$ 25.77	\$ 32.47	\$ 26.36	\$ 32.79	\$ 35.30	\$ 13.12	\$ 18.34	\$ 23.63	\$ 23.17	\$ 22.73	\$ 22.39	\$ 55.88	\$ 49.34	\$ 30.50	\$ 28.50	\$ 27.00	\$ 69.58	\$ 62.94	\$ 56.32	\$ 35.33
5,000,000	\$ 24.77	\$ 31.47	\$ 25.35	\$ 31.78	\$ 34.25	\$ 10.93	\$ 15.67	\$ 22.61	\$ 22.16	\$ 21.72	\$ 21.38	\$ 53.89	\$ 47.47	\$ 29.46	\$ 27.47	\$ 26.00	\$ 68.20	\$ 61.66	\$ 55.11	\$ 34.27
6,000,000	\$ 24.10	\$ 30.80	\$ 24.67	\$ 31.11	\$ 33.50	\$ 10.27	\$ 15.00	\$ 21.93	\$ 21.49	\$ 21.04	\$ 20.71	\$ 53.39	\$ 47.05	\$ 28.78	\$ 26.78	\$ 25.33	\$ 67.74	\$ 61.25	\$ 54.77	\$ 33.57
7,000,000	\$ 23.62	\$ 30.32	\$ 24.20	\$ 30.62	\$ 33.02	\$ 9.79	\$ 14.52	\$ 21.44	\$ 21.00	\$ 20.56	\$ 20.22	\$ 52.83	\$ 46.55	\$ 28.28	\$ 26.29	\$ 24.86	\$ 66.50	\$ 60.04	\$ 53.60	\$ 33.06
8,000,000	\$ 23.27	\$ 29.97	\$ 23.84	\$ 30.27	\$ 32.48	\$ 9.43	\$ 14.17	\$ 21.08	\$ 20.63	\$ 20.20	\$ 19.87	\$ 51.96	\$ 45.72	\$ 27.90	\$ 25.93	\$ 24.50	\$ 66.02	\$ 59.60	\$ 53.18	\$ 32.68
9,000,000	\$ 22.99	\$ 29.69	\$ 23.55	\$ 29.99	\$ 32.35	\$ 9.16	\$ 13.89	\$ 20.80	\$ 20.36	\$ 19.92	\$ 19.58	\$ 51.29	\$ 45.09	\$ 27.62	\$ 25.64	\$ 24.22	\$ 65.24	\$ 58.83	\$ 52.45	\$ 32.39
10,000,000	\$ 22.77	\$ 29.47	\$ 23.33	\$ 29.76	\$ 32.10	\$ 8.93	\$ 13.67	\$ 20.57	\$ 20.13	\$ 19.70	\$ 19.36	\$ 51.11	\$ 44.94	\$ 27.38	\$ 25.41	\$ 24.00	\$ 64.98	\$ 58.60	\$ 52.23	\$ 32.15

* Prices for actual quantities ordered will be pro-rated from the matrix prices.

** This pricing shall apply to games using this type of marking system. The pricing must include all costs associated with production of these games.