



CONTRACT

FOR

***LOTTERY OPERATIONS AND SERVICES
BETWEEN THE
TEXAS LOTTERY COMMISSION
AND
GTECH CORPORATION***

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PART 1 RECITALS

This Contract for Lottery Operations and Services (Contract) is entered into by and between the Texas Lottery Commission, hereinafter referred to as "the Commission, TLC or the Texas Lottery," and GTECH Corporation, 10 Memorial Boulevard, Providence, RI 02903, hereinafter referred to as "Contractor", "the Successful Proposer" or "GTECH."

WHEREAS, the TLC previously issued a Request for Proposals (RFP) for Lottery Operations and Services (RFP No. 362-10-0001); and

WHEREAS, GTECH submitted a proposal in response to the RFP; and

WHEREAS, following review of proposals submitted in response to the RFP, the TLC selected GTECH to provide lottery operations and services for the TLC.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the parties agree as follows:

PART 2 PRODUCTS AND SERVICES; PARTS INCORPORATED

During the term of this Contract, GTECH, as an independent contractor and not as an employee or agent of the TLC, shall provide the following products and services:

Those products and services requested in and pertaining to the TLC Request for Proposals for Lottery Operations and Services, issued January 4, 2010 (attached hereto as Exhibit A), as may have been clarified and modified in responses to questions submitted by proposers (attached hereto as Exhibit B), and GTECH's Cost and Technical proposals submitted June 29, 2010 (collectively, "GTECH's Proposal") (attached hereto as Exhibit C). Exhibit B includes all clarifications, amendments and references to question and answer documents.

Exhibits A, B, and C are incorporated into this Contract by reference the same as if recited at length and are made a part of this Contract for all purposes. The RFP and GTECH's Proposal are controlling except as modified by this Contract, which shall control in all events. In the event of any conflict or contradiction between or among these documents, the documents shall control in the following order of precedence: Parts 1-5 of this document; the RFP as may have been clarified and modified in responses to questions submitted by proposers (Exhibits A and B), and GTECH's Proposal (Exhibit C). GTECH's performance shall be in accordance with the terms and conditions established in Exhibits A, B and C, and as specified in Parts 1 through 5 of this document.

PART 3 TERMS AND CONDITIONS

3.1 INTRODUCTION

Part 3 of this Contract supersedes and replaces Part 3 of the RFP in its entirety.

3.2 GOVERNING LAW

This Contract shall be governed by, construed and interpreted in accordance with the applicable laws of the State of Texas. Any and all actions or suits brought by GTECH or any related party regarding this Contract shall be brought in the state district court located in Austin, Travis County, Texas. By executing this Contract, GTECH is deemed to waive the right to bring any action in any other court. This section is purely a venue provision and shall not be deemed a waiver of sovereign immunity.

3.3 CONTRACT ELEMENTS

- 3.3.1 This Section intentionally left blank.
- 3.3.2 GTECH's Historically Underutilized Business Subcontracting Plan (HSP) included in its Proposal is expressly incorporated into this Contract.
- 3.3.3 If any term or provision of this Contract is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the Contract shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

3.4 AMENDMENTS

This Contract may be amended only by a written agreement signed by both parties.

The parties may by mutual agreement amend the scope, personnel, prices, and other provisions set forth in this Contract. Any amendment must be in writing, recite that it is an amendment pursuant to Section 3.4 of the Contract, and be signed by individuals having the authority to bind the parties.

In no event shall GTECH be paid for work not authorized by the Contract or any written modifications thereto.

3.5 WAIVER

The failure of the Texas Lottery to object to or to take affirmative action with respect to any conduct of GTECH which is in violation or breach of the terms of this Contract shall not be construed as a waiver of the violation or breach, or of any future violation or breach.

3.6 CLARIFICATION OF LOTTERY'S INTENT

It is the responsibility of GTECH to address and resolve all questions with the Texas Lottery's designated staff members, and achieve a clear understanding of all Texas Lottery requirements during each stage of the Contract term. The Texas Lottery will use reasonable efforts to provide timely responses to questions of policy or procedure as they may affect GTECH's performance. Key Texas Lottery staff will be available to GTECH on a reasonable basis, but may not be available on State or national holidays, as defined in Section 662.003 of the Texas Government Code, or weekends. The Texas Lottery's normal office hours are from 8:00 a.m. to 5:00 p.m., Central Time, Monday through Friday of each week, except State holidays.

3.7 LOTTERY'S FINANCIAL OBLIGATIONS

The financial obligations of the Texas Lottery under this Contract are payable solely out of the receipts of the Texas Lottery and are subject to statutory restrictions and appropriations. Performance by the Texas Lottery under this Contract is subject to acts of the Texas Legislature. The Texas Lottery shall have no responsibility or liability for any damages, losses, financial obligations, breach of contract, or other claims in the event that performance by the Texas Lottery is compromised or terminated by acts or omissions of the Texas Legislature (*e.g.* if the Texas Lottery is discontinued or not funded by the Texas Legislature).

3.8 RELATIONSHIP OF THE PARTIES

GTECH and the Texas Lottery agree and understand that GTECH shall render the goods, services and requirements under this Contract as an independent contractor, and nothing contained in the Contract will be construed to create or imply a joint venture, partnership, employer/employee relationship, principal-agent relationship or any other relationship between the parties. Employees of GTECH will not be considered employees of the Texas Lottery within the meaning of any federal, state, or local law, ordinance, or regulation including, but not limited to, laws, ordinances, or regulations concerning unemployment insurance, social security benefits, workers compensation, or withholding requirements. GTECH shall be responsible for complying with any such laws, ordinances, or regulations, and shall indemnify and hold harmless the Texas Lottery from any costs or damages, including attorney's fees, sustained by the Texas Lottery resulting from GTECH's breach of its obligations under this section. The Texas Lottery will withhold indemnified losses from payments to GTECH, or, if no payments are made, the Texas Lottery will make demand of payment of indemnified losses. GTECH must make payment within thirty (30) Days of the Texas Lottery's demand.

3.9 PAYMENT

- 3.9.1 All payments will be made in accordance with Texas Government Code Ann. § 2251 et seq. ("Payments for Goods and Services"). GTECH shall submit invoices weekly for the previous week's services, noting the Contract number and detailing services rendered and date of services. Pursuant to Texas Government Code Section 2251.025, interest is not due on a payment until it becomes "overdue." A payment is not "overdue" until the 31st day after the latter of: (1) the date the Texas Lottery receives the goods or services covered by the contract; (2) the date the performance of the service under the contract is completed; or (3) the date the Texas Lottery receives an invoice for the goods or services. Tex. Gov. Code Section 2251.021. Services are "completed" when determined by the Texas Lottery as explained above.
- 3.9.2 Invoices may be submitted by mail to the Texas Lottery Commission, P.O. Box 16630, Austin, Texas 78761-6630, Attn: Accounts Payable or by email to AccountsPayable@lottery.state.tx.us. Payments will be made only upon the completion of services or after the delivery of goods authorized in an approved invoice.
- 3.9.3 GTECH agrees that if the Texas Comptroller of Public Accounts is prohibited from issuing a warrant to GTECH under section 403.055 of the Texas Government Code, any payments owed to GTECH under this Contract will be applied towards the debt or

delinquent taxes that GTECH owes the State of Texas until the debt or delinquent taxes are paid in full.

- 3.9.4 GTECH acknowledges that the State of Texas requires consistent, high quality performance during the entire term of this Contract and during any transition to another vendor. GTECH agrees that, to ensure such consistent high quality performance and an orderly transition to another vendor, the Texas Lottery may withhold five percent (5%) of all weekly payments due the last year of this Contract (the "Hold Back"). In the event that GTECH fully and completely performs all of its duties under this Contract, the Texas Lottery shall pay the Hold Back to GTECH. The Hold Back amount will be paid as soon as reasonably possible following successful completion of duties under this Contract, but no sooner than thirty (30) Days from successful completion of duties during any transition to another vendor. In the event that GTECH fails to fully and completely perform all of its duties under this Contract, or its duties during a transition to another vendor, and such failure is proximately caused in whole or part by any act or omission of GTECH, the Texas Lottery shall be entitled to retain the Hold Back or such portion thereof as the Executive Director deems equitable.

3.10 ASSIGNMENTS

No right or obligation of GTECH under this Contract may be assigned by GTECH without the prior written approval of the Texas Lottery, and in the event of any such approval, the terms and conditions hereof shall apply to and bind the party or parties to whom the right or obligation is assigned as fully and completely as GTECH is hereunder bound and obligated. No assignment shall operate to release GTECH from its liability for the timely and effective performance of its obligations hereunder. Assignments made in violation of this provision shall be null and void.

3.11 SUBCONTRACTING

- 3.11.1 GTECH is prohibited from subletting, conveying, assigning or otherwise disposing of all or any portion of this Contract, its rights, title, or interest therein, or its power to execute such agreement without the previous written approval of the Texas Lottery. If any part of this Contract is to be subcontracted, GTECH must obtain prior written approval from the Texas Lottery, and the Subcontractor must comply with all applicable requirements of the Texas Lottery. The Texas Lottery reserves the sole right to require GTECH to terminate any Subcontractor with or without cause.
- 3.11.2 In the event the Texas Lottery approves of the use of any Subcontractor in performance of this Contract, GTECH is not relieved of its responsibility and obligation to meet all the requirements hereunder.
- 3.11.3 The Texas Lottery will incur no additional obligations and the obligations of GTECH will not be reduced as a result of any subcontracts.
- 3.11.4 GTECH agrees to indemnify and hold the Texas Lottery harmless from any of the claims or actions of its Subcontractors. The Texas Lottery will withhold indemnified losses from payments to GTECH, or, if no payments are made, the Texas Lottery will make demand of payment of indemnified losses. GTECH must make payment within thirty (30) Days of the Texas Lottery's demand.

3.11.5 GTECH's obligation to pay Subcontractors is governed by Texas Government Code Ann. § 2251.022 ("Time for Payment by Vendor"), as it may be amended.

3.12 LOTTERY APPROVAL OF STAFFING

3.12.1 GTECH shall not employ or contract with or permit the employment of unfit or unqualified persons or persons not skilled in the tasks assigned to them. GTECH shall at all times employ sufficient labor to carry out functions and services in the manner and time prescribed by this Contract. Unfit is defined as any person convicted of a felony, criminal fraud, gambling or gambling-related offense or a person convicted of a misdemeanor involving moral turpitude whose sentence, parole, mandatory supervision or probation ended less than 10 years ago. GTECH shall be responsible to the Texas Lottery for the acts and omissions of GTECH's employees, agents (including, but not limited to, lobbyists) and subcontractors and GTECH shall enforce strict discipline among GTECH's employees, agents (including, but not limited to, lobbyists) and Subcontractors performing the services under the Contract.

3.12.2 GTECH shall provide the Texas Lottery written notification and justification within three (3) Working Days of any personnel changes involving key management positions, as defined in Section 4.3.2 of the RFP. GTECH must provide the Texas Lottery the resume of the person who is hired or placed and must receive written approval from the Texas Lottery prior to the person working on the account. The Texas Lottery must approve key management personnel leaving the Texas Lottery account for another position within GTECH's company.

3.12.3 GTECH shall provide the Texas Lottery advanced written notification of any significant organizational changes to the staffing for the Texas Lottery Account. Significant is defined as any reductions-in-force, elimination of positions, etc. The Texas Lottery must approve such changes before they are implemented.

3.12.4 Notwithstanding anything herein to the contrary, any person employed by GTECH shall, at the written request of the Texas Lottery, and within the Texas Lottery's sole discretion, be removed forthwith by GTECH from work relating to the Contract.

3.13 BACKGROUND INVESTIGATIONS

3.13.1 The Texas Lottery Commission may initiate investigations into the backgrounds of (a) GTECH; (b) any of GTECH's officers, directors, investors, owners, partners and other principals, as more particularly described in Texas Government Code Ann. § 466.155, (collectively, GTECH Principals); (c) any of GTECH's employees; (d) any of GTECH's subcontractors, or subcontractors' officers, directors, investors, owners, partners, principals or employees (collectively, Subcontractor Personnel); or (e) any other associates of GTECH it deems appropriate. The Texas Lottery Commission may also request background information for a spouse, child, brother, sister or parent residing as a member of the same household in the principal place of residence of GTECH, any GTECH Principals, or GTECH employees described above. Such background investigations may include fingerprint identification by the Texas Department of Public Safety, the Federal Bureau of Investigation, and any other law enforcement agency. The Texas Lottery may terminate this Contract based solely upon the results of these background investigations.

- 3.13.2 GTECH agrees that, during the term of this Contract and any renewal thereof, it shall be obligated to provide such information about any GTECH Principals, GTECH employees, and Subcontractor Personnel as the Texas Lottery may prescribe. GTECH also agrees that the Texas Lottery may conduct background investigations of such persons.
- 3.13.3 Upon notification by the Texas Lottery to GTECH that the Texas Lottery objects to an employee based on a background investigation, GTECH shall prevent that employee from working on the Texas Lottery account and shall deny that employee access to the Texas Lottery systems. GTECH also agrees that the Texas Lottery may conduct background investigations of such persons at the expense of GTECH.

3.14 COMPLIANCE

GTECH agrees to comply with all applicable laws, rules and regulations, including without limitation those involving non-discrimination on the basis of race, color, religion, national origin, age, sex and disability.

3.15 TERM OF CONTRACT

- 3.15.1 This Contract shall commence upon execution and continue through August 31, 2020, subject to the termination provisions set forth herein and subject to the Texas Lottery being continued and funded by the Texas Legislature. GTECH will receive no compensation prior to successful conversion. GTECH's System must be fully operational with Retailers' selling Lottery Products no later than September 1, 2011.
- 3.15.2 The Texas Lottery reserves the right to extend this Contract, at its sole discretion, for up to three (3) additional two-year periods, at a mutually agreed upon rate, prior to the end of the initial Contract period, or any extension thereof, or at a time mutually agreed upon by both parties.
- 3.15.3 GTECH must maintain its System in a state of readiness for a period of ninety (90) Days after the termination of GTECH's role as the operator of the Lottery Gaming System, if a different vendor has been chosen to replace GTECH as Lottery Operator. At any time during this ninety (90) Day period, the Texas Lottery may require GTECH to resume its role as the operator of the Lottery Gaming System for up to an additional twenty-four (24) months. Exercising this right (i.e., the 90-Day period) shall not be construed as conferring any right or expectation for GTECH to continue operating under the Contract after the expiration of any such ninety (90) Day period. GTECH shall be entitled to compensation during the renewal period at the then-current contract rate, but only for transactions processed by GTECH's System.

3.16 TERMINATION AT WILL

The Texas Lottery, in its sole discretion, may terminate, in whole or in part, this Contract at will and without cause upon no less than thirty (30) Days' advance written notice. The Texas Lottery also may terminate this Contract immediately with written notice if the Executive Director, in his or her sole judgment, believes that the integrity or security of the Texas Lottery is in jeopardy and it is in the best interest of the Texas Lottery to do so. The Texas Lottery's right to terminate for convenience this Contract is cumulative of all rights and remedies which exist now or in the future.

3.17 TERMINATION FOR CAUSE

The Texas Lottery reserves the right to terminate, in whole or in part, this Contract upon no less than five (5) Days' notice upon the following conditions:

- (a) A receiver, conservator, liquidator or trustee of GTECH, or of any of its property, is appointed by order or decree of any court or agency or supervisory authority having jurisdiction; or an order for relief is entered against GTECH under the Federal Bankruptcy Code; or GTECH is adjudicated bankrupt or insolvent; or any portion of the property of GTECH is sequestered by court order and such order remains in effect for more than thirty (30) Days after such party obtains knowledge thereof; or a petition is filed against GTECH under any state, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation, or receivership law of any jurisdiction, whether now or hereafter in effect, and such petition is not dismissed within thirty (30) Days, or
- (b) GTECH files a case under the Federal Bankruptcy Code or is seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, receivership or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any case or petition against it under any such law, or
- (c) GTECH makes an assignment for the benefit of its creditors, or admits in writing its inability to pay its debts generally as they become due, or consents to the appointment of a receiver, trustee, or liquidator of GTECH or of all or any part of its property; or judgment for the payment of money in excess of \$50,000.00 (which is not covered by insurance) is rendered by any court or governmental body against GTECH, and GTECH does not discharge the same or provide for its discharge in accordance with its terms, or procure a stay of execution thereof within thirty (30) Days from the date of entry thereof, and within said 30-Day period or such longer period during which execution of such judgment shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal while providing such reserves therefore as may be required under generally accepted accounting principles; or a writ or warrant of attachment or any similar process shall be issued by any court against all or any material portion of the property of GTECH, and such writ or warrant of attachment or any similar process is not released or bonded within thirty (30) Days after its entry, or
- (d) A court of competent jurisdiction finds that GTECH has failed to adhere to any laws, ordinances, rules, regulations or orders of any public authority having jurisdiction, or
- (e) GTECH fails to remove any person from work relating to the Contract upon written notice from the Texas Lottery, or
- (f) GTECH breaches the Contract's standard of confidentiality with respect to this Contract or the goods or services provided thereunder, or
- (g) The Texas Lottery makes a written determination that GTECH has failed to substantially perform under the Contract and specifies the events resulting in the Texas Lottery's determination thereof, or

- (h) GTECH fails to comply with any of the terms, conditions or provisions of the Contract, in any manner whatsoever, or
- (i) GTECH engages in any conduct that results in a negative public impression including, but not limited to, creating even an appearance of impropriety with respect to the Texas Lottery, Texas Lottery games, GTECH, or the State of Texas.

3.18 TERMINATION FOR IMPOSSIBILITY OF PERFORMANCE

The Texas Lottery reserves the right to terminate, in whole or in part, this Contract upon no less than five (5) Days' notice upon any of the following conditions:

- (a) The failure of the Texas Legislature to appropriate funds to the Texas Lottery for this Contract.
- (b) Any act or omission by the Texas Legislature which renders performance by the Texas Lottery impossible.

3.19 TERMINATION WITHOUT PENALTY

Pursuant to Texas Government Code ANN. § 466.014(c), the Executive Director is permitted to terminate this Contract, without penalty, if an investigation reveals that GTECH would not be eligible for a sales agent license under Texas Government Code ANN. § 466.155.

3.20 NO LIABILITY UPON TERMINATION

If this Contract is terminated for any reason, the Texas Lottery and the State of Texas shall not be liable to GTECH for any damages, losses, financial obligations, breach of contract, or any other claims or amounts arising from or related to any such termination. However, GTECH may be entitled to the remedies provided in Gov't Code, Chapter 2260.

3.21 EFFECT OF TERMINATION

Upon any termination or expiration of this Contract, the following terms shall apply:

- (a) The permissions, licenses and authorizations granted by GTECH to the Texas Lottery pursuant to the terms of this Contract shall remain in full force and effect.
- (b) The Texas Lottery may, at its option, purchase the Lottery Gaming System equipment at its depreciated value as determined by the lower of the GAAP basis or Federal Tax basis.
- (c) In the event that the contracts and assets related to the Lottery Network have not been assigned by GTECH to the Texas Lottery, GTECH shall immediately assign all such contracts and assets to the Texas Lottery. Upon such assignment, GTECH shall provide a detailed inventory and network diagrams of the Lottery Network, which shall include all components necessary for the operation of the Lottery Network.
- (d) GTECH shall immediately surrender to the Texas Lottery all memoranda, notes, records, drawings, manuals, computer software, and other documents or materials

(and all copies of same) pertaining to the Works, reports, and other data or materials generated or developed by GTECH or furnished by the Texas Lottery to GTECH, including all materials embodying any Texas Lottery confidential information, regardless of whether the works or materials are complete or incomplete; provided however, that as to memoranda, notes, records, drawings, manuals, computer software and other documents or materials pertaining to the Works, GTECH shall be required to provide only copies thereof, and GTECH shall be entitled to retain copies thereof to facilitate its exploitation of the Works as permitted by this Contract. This section shall apply to all materials made or compiled by GTECH, as well as to all materials furnished to GTECH by the Texas Lottery or by anyone else that pertain to the Works.

- (e) If this Contract is terminated for cause by the Texas Lottery, the Texas Lottery shall be entitled to receive delivery of the source code for all of the software necessary for operation of the Lottery Gaming System from the source code escrow established pursuant to the requirements contained in this Contract.

3.22 WARRANTIES

- 3.22.1 GTECH warrants and agrees that it is lawfully organized and constituted under all applicable national, international, state and local laws, ordinances and other authorities of its domicile and is otherwise in full compliance with all legal requirements of its domicile.
- 3.22.2 GTECH warrants and agrees that it has the legal authority and capacity to enter into and perform this Contract, and that it has the financial ability to perform its obligations under this Contract.
- 3.22.3 GTECH warrants and agrees that it has been duly authorized to operate and do business in all places where it will be required to do business under this Contract; that it has obtained or will obtain all necessary licenses and permits required in connection with this Contract; and that it will fully comply with all laws, decrees, labor standards and regulations of its domicile and wherever performance occurs during the Contract.
- 3.22.4 GTECH warrants and agrees that it has no present interest and shall not acquire, or assign to any third party, any interest that would conflict in any manner with its duties and obligations under this Contract.
- 3.22.5 GTECH warrants and agrees that all goods and services it supplies in its performance under this Contract shall meet the performance standards required thereunder and shall be performed in a prompt, high quality, professional and competent manner using only qualified personnel.
- 3.22.6 GTECH warrants and agrees that its tickets, games, goods and services shall in all respects conform to, and function in accordance with, Texas Lottery-approved specifications and designs.
- 3.22.7 GTECH warrants and agrees that it shall not take any action inconsistent with any of the terms, conditions, agreements, or covenants set forth in this Contract without the express written consent of the Texas Lottery.

- 3.22.8 GTECH warrants that it is eligible for a sales agent license under Texas Government Code Ann. § 466.155 (Chapter 466 is also known as the State Lottery Act).
- 3.22.9 GTECH warrants that it will pay and agrees to pay any amount paid by the Texas Lottery and any costs incurred by the Texas Lottery as the result of and/or in connection with a misprinted On-Line Ticket. Altered tickets are not misprinted tickets. If an On-Line Ticket appears to be a winner in all respects (e.g., numbers shown on the ticket match the numbers selected in the drawing, no evidence of tampering/alteration, etc.), but the host computer record does not match the data printed on the physical ticket, GTECH warrants that it will pay and agrees to pay any amount paid by the Texas Lottery and any costs incurred by the Texas Lottery as a result of and/or in connection with the misprinted ticket.
- 3.22.10 GTECH warrants and agrees that it shall keep all equipment, related to the performance of this Contract, in good condition and repair and will not permit anything to be done that may materially impair the value thereof. GTECH shall use such equipment only in the ordinary course of its performance under this Contract and shall not permit such equipment to be used in violation of any applicable law, regulation or policy of insurance, nor for any other lawful purpose (e.g., issuing/renewing hunting and fishing licenses, paying utility bills, etc.) unless expressly authorized in writing by the Texas Lottery. GTECH agrees to develop an equipment maintenance and replacement schedule subject to approval by the Texas Lottery and agrees to comply with that schedule.
- 3.22.11 GTECH warrants and agrees that it shall not sell, assign, lease, transfer, pledge, hypothecate, or otherwise dispose of any component of any goods or system provided under this Contract or any interest therein, or permit any of it to become a fixture or accession to other goods or property.
- 3.22.12 GTECH warrants and agrees that the Lottery Gaming System shall be free from any code which would, or is designed to, disable the Lottery Gaming System (or any component of the Lottery Gaming System) automatically after the passage of time or under the control of a person other than the Texas Lottery and free from any code which would permit unauthorized access to the Lottery Gaming System (or any component of the Lottery Gaming System), such as a virus. GTECH's use of remote diagnostic software to disable any portion of the Lottery Gaming System (other than as necessary for support or maintenance) or to gain unauthorized access to the Lottery Gaming System will be deemed a breach of this warranty.
- 3.22.13 GTECH warrants and agrees that the Lottery Gaming System delivered to the Texas Lottery under this Contract shall be free from any clock, counter, virus or other limiting design or routine that will cause the Lottery Gaming System to be erased, made inoperable, or otherwise become incapable of being used by the Texas Lottery after being used a certain number of times, or after the lapse of a certain period of time, or after the occurrence or lapse of any other triggering event.
- 3.22.14 GTECH warrants and agrees that the Lottery Gaming System shall maintain the integrity of the data that is used or displayed by the Lottery Gaming System throughout the Contract term and any renewal periods.

- 3.22.15 GTECH warrants and agrees that the Lottery Gaming System shall operate in a secure manner and shall be designed and operated so as to prevent intrusions and unauthorized use. GTECH warrants that it shall immediately report to the Executive Director any intrusions or unauthorized uses of the Lottery Gaming System.
- 3.22.16 GTECH warrants and agrees that it has good and marketable title to and/or the right to license, all of the Lottery Gaming System, free and clear of all liens, security interests and other encumbrances.
- 3.22.17 GTECH warrants, informs, discloses and represents that it has no outstanding assignments, grants, licenses, encumbrances, obligations, or agreements which relate to the Lottery Gaming System, whether written, oral or implied, and are inconsistent with this Contract or the rights, duties, and obligations stated in this Contract.

All of the above warranties contained in this section 3.22 shall survive expiration or termination of the Contract.

3.23 LICENSES AND PERMITS

GTECH shall obtain, maintain and pay for all licenses, permits and certificates including all professional licenses required by any statute, ordinance, rule or regulation. GTECH shall immediately notify the Texas Lottery of any suspension, revocation or other detrimental action against its licenses, permits or certificates.

3.24 GTECH SITE VISITS

The Texas Lottery shall have the free and unrestricted right, acting by itself or through its authorized representatives, to enter the premises of GTECH and any subcontractors, and to enter any other sites involved in providing goods and/or services under this Contract, to examine their operations and to inspect and copy the records of GTECH and/or subcontractors pertaining to goods and services provided under this Contract. GTECH agrees that GTECH and its subcontractors shall implement all reasonable quality control and security procedures requested by the Texas Lottery or representatives as designated by the Texas Lottery. The Texas Lottery will use reasonable efforts not to disrupt the normal business operations of GTECH (or subcontractor, as applicable) during site visits announced or unannounced.

3.25 INTELLECTUAL PROPERTY RIGHTS

- 3.25.1 *Ownership.* As between GTECH and the Texas Lottery, the Works and Intellectual Property Rights in the Works are and shall be owned exclusively by the Texas Lottery, and not GTECH. GTECH specifically agrees that all Works shall be considered “works made for hire” and that the Works shall, upon creation, be owned exclusively by the Texas Lottery. To the extent that the Works, under applicable law, may not be considered works made for hire, GTECH hereby agrees that this Contract transfers, grants, conveys, assigns, and relinquishes exclusively to the Texas Lottery all right, title and interest in and to the Works, and all Intellectual Property Rights in the Works, without the necessity of any further consideration, and the Texas Lottery shall be entitled to obtain and hold in its own name all Intellectual Property Rights in and to the Works,

subject to any exceptions with respect to pre-existing or third party rights as set forth below.

- 3.25.2 *Ownership of Prior Rights by the Texas Lottery.* All property and tangible or intangible items, including the Intellectual Property Rights therein, that were created, developed or owned by the Texas Lottery prior to execution of this Contract (e.g., copyrights, trademarks, etc.) shall continue to be exclusively owned by the Texas Lottery, and GTECH shall have no ownership thereof, and no rights thereto, other than the limited, non-exclusive right to use such property or tangible and intangible items solely for the purposes set forth in this Contract, if any, and only for the duration of such Contract.
- 3.25.3 *Ownership of Prior Rights by GTECH.* All property and tangible or intangible items, including the Intellectual Property Rights therein, that were created, developed or owned by GTECH prior to execution of this Contract shall continue to be exclusively owned by GTECH, and the Texas Lottery shall have no ownership thereof, and no rights thereto, other than the limited, non-exclusive right to use such property or tangible or intangible items solely for the purposes set forth in this Contract, if any. All tangible and intangible items relating to the goods and/or services under the Contract, including the Intellectual Property Rights in those tangible or intangible items, that were created, developed or licensed by GTECH prior to execution of the Contract, or during the term of the Contract, to the extent such tangible or intangible items are not considered “Works” as defined above, shall be, and are, licensed to the Texas Lottery on a non-exclusive, perpetual, irrevocable, royalty-free, worldwide basis, to allow the Texas Lottery or its designees to provide, and continue to provide, the goods and services under the Contract, including after the expiration or termination of this Contract. In the event that TLC transfers such licensed tangible or intangible items to any designee, such designee(s) shall execute a non-disclosure agreement with the TLC pursuant to terms approved by the TLC in its sole discretion. GTECH will be an intended third party beneficiary of any such non-disclosure agreement.
- 3.25.4 *Further Actions.* GTECH, upon request and without further consideration, shall perform any acts that may be deemed necessary or desirable by the Texas Lottery to evidence more fully the transfer of ownership of all Works to the Texas Lottery to the fullest extent possible, including but not limited to the execution, acknowledgement and delivery of such further documents in a form determined by the Texas Lottery. In the event the Texas Lottery shall be unable for any reason to obtain GTECH’s signature on any document necessary for any purpose set forth in the foregoing sentence, GTECH hereby irrevocably designates and appoints the Texas Lottery and its duly authorized officers and agents as GTECH’s agent and GTECH’s attorney-in-fact to act for and in the GTECH’s behalf and stead to execute and file any such document and to do all other lawfully permitted acts to further any such purpose with the same force and effect as if executed and delivered by the GTECH.
- 3.25.5 *Waiver of Moral Rights.* GTECH hereby irrevocably and forever waives, and agrees never to assert, any Moral Rights in or to the Works which GTECH may now have or which may accrue to GTECH’s benefit under U.S. or foreign copyright laws and any and all other residual rights and benefits which arise under any other applicable law now in force or hereafter enacted. The term “Moral Rights” shall mean any and all rights of paternity or integrity of the Works and the right to object to any modification, translation

or use of the Works, and any similar rights existing under the judicial or statutory law of any country in the world or under any treaty, regardless of whether or not such right is denominated or referred to as a moral right.

- 3.25.6 *Confidentiality.* All Works and all materials forwarded to GTECH by the Texas Lottery for use in and preparation of the Works, shall be deemed the confidential information of the Texas Lottery, and GTECH shall not use, disclose, or permit any person to use or obtain the Works, or any portion thereof, in any manner without the prior written approval of the Texas Lottery.
- 3.25.7 *Injunctive Relief.* This Contract is intended to protect the Texas Lottery's proprietary rights pertaining to the Works, and the Intellectual Property Rights therein, and any misuse of such rights would cause substantial and irreparable harm to the Texas Lottery's business. Therefore, GTECH acknowledges and stipulates that a court of competent jurisdiction should immediately enjoin any material breach of the intellectual property, licensing, and confidentiality provisions of this Contract, upon a request by the Texas Lottery, without requiring proof of irreparable injury as same should be presumed.
- 3.25.8 *Return of Works.* Upon the request of the Texas Lottery, but in any event upon expiration or termination of this Contract, GTECH shall surrender to the Texas Lottery all documents and things pertaining to the Works, including but not limited to drafts, memoranda, notes, records, drawings, manuals, computer software, reports, data, and all other documents or materials (and copies of same) generated or developed by GTECH or furnished by the Texas Lottery to GTECH, including all materials embodying the Works, any Texas Lottery confidential information, or Intellectual Property Rights, regardless of whether complete or incomplete. This section is intended to apply to all Works made or compiled by GTECH, as well as to all documents and things furnished to GTECH by the Texas Lottery or by anyone else that pertains to the Works.
- 3.25.9 *GTECH's Name or Logo.* GTECH shall not affix its company name, label, logo, or any other similar identifying information to or on any products, equipment or any other goods provided under this Contract.

3.26 PRE-EXISTING AND THIRD PARTY RIGHTS

- 3.26.1 To the extent that any pre-existing rights and/or third party rights or limitations are embodied, reserved or reflected in the Works, GTECH shall either (a) grant to the Texas Lottery the irrevocable, perpetual, non-exclusive, worldwide, royalty-free right and license to (i) use, execute, reproduce, display, perform, distribute copies of, and prepare derivative works based upon such pre-existing rights and any derivative works thereof and (ii) authorize others to do any or all of the foregoing, or (b) where the obtaining of worldwide rights is not reasonably practical or feasible, provide written notice to the Texas Lottery of such pre-existing or third party rights or limitations, request the Texas Lottery's approval of such pre-existing or third party rights, obtain a limited right and license to use such pre-existing or third party rights on such terms as may be reasonably negotiated, and obtain the Texas Lottery's written approval of such pre-existing or third party rights and the limited use of same. GTECH shall provide the Texas Lottery with documentation indicating a third party's written approval for GTECH to use any pre-existing or third party rights that may be embodied, reserved or reflected in the Works.

GTECH shall indemnify, defend and hold the Texas Lottery harmless from and against any and all claims, demands, regulatory proceedings and/or causes of action, and all losses, damages, and costs (including attorneys' fees and settlement costs) arising from or relating to, directly or indirectly, any claim or assertion by any third party that the Works infringe any third party rights. The foregoing indemnity obligation shall not apply to instances in which the Texas Lottery either (y) exceeded the scope of the limited license that was previously obtained by GTECH and agreed to by the Texas Lottery, or (z) obtained information or materials, independent of GTECH's involvement or creation, and provided such information or materials to GTECH for inclusion in the Works, and such information or materials were included by GTECH, in an unaltered and unmodified fashion, in the Works.

- 3.26.2 GTECH agrees that it shall have and maintain, during performance of this Contract, written agreements with all employees, subcontractors, or agents engaged by GTECH in performance hereunder, granting GTECH rights sufficient to support all performance and grants of rights by GTECH. Copies of such agreements shall be provided to the Texas Lottery promptly upon request.

3.27 REMEDIATION

If the Works or the Intellectual Property Rights therein become the subject of a lawsuit or claim of infringement, or GTECH becomes aware that such items are likely to become the subject of a lawsuit or claim of infringement, GTECH shall exercise one (1) of the following two (2) options in order to provide the Texas Lottery with continued and uninterrupted use of the Works and Intellectual Property Rights therein: (a) obtain for the Texas Lottery the right to continue the use of the alleged infringing Works at no additional cost to the Texas Lottery, or (b) obtain alternative, substitute or new Works for the allegedly infringing Works, which are of equivalent or superior quality to the allegedly infringing Works, at no additional cost to the Texas Lottery, and subject to the acceptance of the Texas Lottery in its sole discretion.

3.28 INTELLECTUAL PROPERTY SEARCH

GTECH, at its expense, shall conduct all appropriate intellectual property searches (*e.g.*, full copyright, trademark or service mark or patent searches) for all proposed Works, to ensure that the proposed Works are protectable by the Texas Lottery and do not infringe the Intellectual Property Rights of any third person or entity. GTECH holds the Texas Lottery harmless from the infringement of such Works, as set forth above. The Texas Lottery retains the right and option to obtain or secure registration of the Works in its own name, and on its own behalf, without the substantive involvement of GTECH. The Texas Lottery will withhold indemnified losses from payments to GTECH, or, if no payments are made, the Texas Lottery will make demand of payment of indemnified losses. GTECH must make payment within thirty (30) Days of the Texas Lottery's demand.

3.29 ACCOUNTING RECORDS

GTECH and its subcontractors are required to maintain their books, records, information and other materials pertaining to this Contract in accordance with generally accepted

accounting principles. These records shall be available to the Texas Lottery, its internal auditor or external auditors (and other designees) and the Texas State Auditor at all times during the Contract and for a period of five (5) full years after (i) the expiration date of this Contract, or (ii) final payment under this Contract, whichever is later.

3.30 RIGHT TO AUDIT

GTECH understands that acceptance of state funds under this Contract acts as acceptance of the authority of the State Auditor's Office, or its designee, to conduct an audit, other assurance services or investigation in connection with those funds. GTECH further agrees to cooperate fully with the State Auditor's Office in the conduct of the audit, other assurance services or investigation, including providing all records requested. GTECH shall ensure that this provision concerning the State Auditor's Office's authority to audit state funds and the requirement to cooperate fully with the State Auditor's Office is included in any subcontracts it awards. Additionally, the State Auditor's Office shall at any time have access to and the rights to examine, audit, excerpt, and transcribe any pertinent books, documents, working papers, and records of GTECH relating to this Contract.

3.31 AUDIT REQUIREMENTS

GTECH must meet specific auditing obligations:

- (a) GTECH's parent company, Lottomatica, shall be required to have a complete financial audit conducted annually. A copy of Lottomatica's consolidated audited financial statements shall be provided to the Texas Lottery annually. The Independent Auditor's Report must be a certified translation into English.
- (b) In addition, a complete internal control audit, in compliance with Statement on Auditing Standards No. 70 (SAS 70) requirements, of GTECH's Texas operations shall be conducted annually by an independent certified public accounting firm. GTECH shall pay for all audit services. This audit shall be conducted pursuant to SAS 70, as issued by the American Institute of Certified Public Accountants as it may be updated or amended from time to time. The Texas Lottery reserves the right to specify the type of report and the control objectives to be examined as well as the accounting firm to perform the audit. The Texas Lottery reserves the right to designate the annual period to be covered by the report relating to the internal control audit. GTECH agrees (i) to fully cooperate with any auditor retained to perform such audit; (ii) to generally release and waive any and all claims against the auditor other than those based upon intentional misconduct occurring during such audit; and (iii) to indemnify and hold harmless any auditor retained to perform such audit. GTECH agrees that any such auditor is a direct and intended third party beneficiary of this provision.
- (c) The Texas Lottery's internal auditor or external auditors (and other designees) and the Texas State Auditor shall be given the right to review the work papers of the audits conducted by any independent certified public accounting firm, if considered necessary or desirable by the Texas Lottery.

- (d) The Texas Lottery's internal auditor and Executive Director shall be given a copy of all reports including any management letters issued as a result of the specified audits within ten (10) Days of issuance. Ten (10) additional copies of all reports must be made available to the Texas Lottery upon request.

3.32 RIGHT TO ADDITIONALLY AUDIT GTECH'S TEXAS OPERATIONS

- 3.32.1 The Texas Lottery reserves the right to audit GTECH's records and operations as they relate to the Texas Lottery. GTECH's records are subject to audit by the Texas Lottery and the state auditor. For the purpose of this provision, the Texas Lottery or state auditor may examine all books, records, papers, or other objects, as well as data and systems that the Texas Lottery or state auditor determines are necessary for conducting a complete examination. The Texas Lottery or state auditor may also examine under oath any officer, director, or employee of GTECH. The Texas Lottery or state auditor may conduct an examination at the principal office or any other office of GTECH or may require GTECH to produce the records at the office of the Texas Lottery or state auditor. If GTECH refuses to permit an examination or to answer any question during the course of an audit, GTECH is subject to sanctions as provided in this Contract.
- 3.32.2 GTECH agrees (i) to fully cooperate with any auditor retained to perform such audit; (ii) to generally release and waive any and all claims against the auditor other than those based upon intentional misconduct occurring during such audit, and (iii) to indemnify and hold harmless any auditor retained to perform such audit. GTECH agrees that any such auditor is a direct and intended third party beneficiary of this provision.

3.33 INDEMNIFICATION

- 3.33.1 GTECH shall indemnify, defend and hold the Texas Lottery, its commission members, the State of Texas, and its agents, attorneys, employees, representatives and assigns (the "Indemnified Parties") harmless from and against any and all claims, demands, causes of action, liabilities, lawsuits, losses, damages, costs, expenses or attorneys' fees (collectively, "Claim"), and including any liability of any nature or kind arising out of a Claim for or on account of the Works, or other goods, services or deliverables provided as the result of this Contract, which may be incurred, suffered, or required in whole or in part by an actual or alleged act or omission of GTECH, or a subcontractor of GTECH, or any person directly or indirectly employed by GTECH or a subcontractor of GTECH, whether the Claim is based on negligence, strict liability, intellectual property infringement or any other culpable conduct, whether frivolous or not. The foregoing indemnity obligations of GTECH shall not apply to Claims arising out of or related to the exceptions (y) and (z) set forth in Section 3.26.1 above.
- 3.33.2 GTECH's liability shall extend to and include all reasonable costs, expenses and attorneys' fees incurred or sustained by the Indemnified Parties in: (a) making any investigation and in prosecuting or defending any Claim arising out of or in connection with the Works, or other goods, services or deliverables provided under this Contract (including but not limited to any claim that all or any portion of the Works infringes the patent, copyright, trade secret, trademark, confidential information, or other Intellectual Property Rights of any third party); (b) obtaining or seeking to obtain a release therefrom; or (c) enforcing any of the provisions contained in this Contract. The Texas Lottery will

withhold all indemnification costs and related expenses and fees (incurred or sustained by the Indemnified Parties) from payments to GTECH under this Contract, or if no contract payments are to be made, the Texas Lottery will make demand of payment from GTECH or seek recovery against GTECH's Performance Bond. The Indemnified Parties, upon giving notice to GTECH, shall have the right in good faith to pay, settle or compromise, or litigate any Claim under the belief that the Claim is well founded, whether it is or not, without the consent or approval of GTECH. The Texas Lottery has sole discretion as to the choice and selection of any attorney who may represent the Texas Lottery. To the extent that GTECH makes any payments to or on behalf of the Indemnified Parties under the Contract, and to the extent permissible by law, GTECH shall be fully subrogated to all rights and claims of the Indemnified Parties in connection therewith. In any event, the Indemnified Parties shall provide reasonable notice to GTECH of any Claim known to the Indemnified Parties to arise out of the Contract.

3.34 BONDS AND INSURANCE

All required bonds and insurance must be issued by companies or financial institutions which are financially rated Excellent or better as rated by A.M. Best Company and duly licensed, admitted, and authorized to do business in the State of Texas. The Texas Lottery shall be named as the obligee in each required bond. Each insurance policy, except those for workers' compensation, employer's liability and professional liability, must name the Texas Lottery (and its officers, agents and employees) as an additional insured on the original policy and all renewals or replacements. Insurance coverage must include a waiver of subrogation in favor of the Texas Lottery, its officers, and employees for bodily injury (including death), property damage or any other loss. The insurance shall be evidenced by delivery to the Texas Lottery of certificates of insurance executed by the insurer or its authorized agency stating coverage, limits, expiration dates, and compliance with all applicable required provisions. Upon request, the Texas Lottery shall be entitled to receive, without expense, certified copies of the policies and all endorsements. Except as otherwise expressly provided herein, required coverage must remain in full force and effect throughout the term of the Contract and any extensions thereof, and provide adequate coverage for incidents discovered after termination of the Contract. Insurance coverage shall not be canceled, non-renewed or materially changed except after thirty (30) Days' notice by certified mail to the Texas Lottery. GTECH must submit original certificates of insurance for each required insurance contract, and any renewals thereof, within fifteen (15) Days after contract execution. Renewal certificates shall be submitted prior to or within fifteen (15) Days after expiration of the existing policy. GTECH must submit required bonds when and as provided in sections of this Contract outlining bond requirements.

3.35 SELF INSURANCE

GTECH may not elect to provide entirely or in part for the insurance/bond protections described in this Contract through self-insurance. A deductible provision contained in an insurance policy that meets the requirements of this Contract is not considered as self-insurance unless the deductible amount exceeds ten percent (10%) of the face amount of the insurance policy.

3.36 PERFORMANCE BOND

- 3.36.1 GTECH shall provide an original performance bond (as shown in Attachment F of the RFP) in the amount of thirty-five million dollars (\$35,000,000) within fifteen (15) Days of execution of this Contract. Failure to have and keep a bond in place shall constitute a breach of this Contract. This bond may be renewed on an annual basis at the option of the Surety. If the Surety does not choose to renew this obligation, it will so notify the Obligee and Principal not later than 30 days prior to its expiration. Such notification, by itself, shall not constitute a breach or default by GTECH under the Contract between GTECH and the Texas Lottery.
- 3.36.2 The bond must be maintained in full force and effect for the initial term and any renewal term of this Contract. The bond shall be forfeited to the Texas Lottery if GTECH fails to perform as required by the Contract, pay sanctions or liquidated damages, or indemnify the Texas Lottery.

3.37 GENERAL LIABILITY INSURANCE

GTECH must maintain general liability insurance coverage with limits of not less than two million dollars (\$2,000,000) per occurrence, four million dollars (\$4,000,000) general aggregate, two million dollars (\$2,000,000) products/completed operations aggregate and two million dollars (\$2,000,000) personal and advertising injury. Policy shall be endorsed to include the Amendment of Aggregate Limits per policy.

3.38 PROPERTY INSURANCE

GTECH must maintain insurance on all buildings, furniture, fixtures, computer and communications equipment used in operating and supporting GTECH's operations under this Contract in an amount equal to or greater than the actual replacement cost thereof. Coverage must include an All Risk Property Floater to insure personal property including contents, equipment, and mobile items against fire, theft, collision, flood, etc. The Texas Lottery will not be responsible for insuring any equipment or facilities included in or associated with the GTECH's operations.

3.39 ERRORS AND OMISSIONS INSURANCE

GTECH must maintain professional liability errors and omissions insurance of not less than ten million dollars (\$10,000,000), to be in force and effect during the term of the Contract including any extension thereof and one year thereafter. Coverage must indemnify the Texas Lottery for direct loss due to errors, omissions, or problems of any type arising out of the performance of or failure to perform system services or out of the failure of hardware or software to perform the function or serve the purpose intended, for which GTECH is legally liable.

3.40 CRIME INSURANCE

GTECH must maintain crime insurance with a limit of not less than five million dollars (\$5,000,000) protecting the Texas Lottery against losses, including lost income, lost profits, extra expenses and other consequential losses suffered by the Texas Lottery, resulting from loss of property (including money, securities and Texas Lottery tickets) by

robbery, burglary, or theft, computer fraud or the loss of money, securities or Texas Lottery tickets because of destruction or disappearance. The policy also must include employee dishonesty coverage with a minimum of five million dollars (\$5,000,000) per person endorsed to cover third party property and no conviction clause.

3.41 AUTOMOBILE LIABILITY INSURANCE

GTECH must maintain automobile liability insurance covering drivers and vehicles employed by GTECH. GTECH must require each subcontractor to carry the same coverage and limits as those required of GTECH. The automobile liability insurance must have limits of not less than two million dollars (\$2,000,000) for bodily injury to each person, four million dollars (\$4,000,000) for bodily injury each accident, two million dollars (\$2,000,000) for property damage, and a combined single limit of not less than four million dollars (\$4,000,000).

3.42 WORKERS' COMPENSATION & EMPLOYERS LIABILITY INSURANCE

GTECH must maintain Workers' Compensation insurance coverage in accordance with statutory limits, and Employers Liability insurance coverage with minimum limits for bodily injury:

- (a) by accident, \$100,000 per each accident; and
- (b) by disease, \$100,000 per employee with a per policy aggregate of \$500,000.

Coverage must include a waiver of subrogation in favor of the Texas Lottery Commission, its officers and employees.

3.43 DISCLOSURE OF LITIGATION

GTECH must disclose any material civil or criminal litigation or indictment either threatened or pending involving GTECH. "Threatened litigation" as used herein shall include governmental investigations and civil investigative demands. "Litigation" as used herein shall include administrative enforcement actions brought by governmental agencies. GTECH must also disclose any material litigation threatened or pending involving subcontractors, consultants, and/or lobbyists. For purposes of this section, "material" refers to, but is not limited to, any action or pending action that a reasonable person knowledgeable in the gaming industry would consider relevant to any gaming operation or any development such a person would want to be aware of in order to stay fully apprised of the total mix of information relevant to the gaming industry and its operations, together with any litigation threatened or pending that may result in a substantial change in GTECH's financial condition, as described in RFP Section 4.7. This is a continuing disclosure requirement, any litigation commencing after Contract Award must be disclosed in a written statement to the Texas Lottery's General Counsel within fifteen (15) Days of its occurrence. GTECH shall be required to file with the Texas Lottery comprehensive monthly reports regarding all threatened or pending litigation involving GTECH's Texas operations and all threatened or pending litigation that may be considered material to the overall operations of GTECH, as well as all procurement protests or responses to procurement protests involving GTECH or its parents, subsidiaries or affiliates.

3.44 DISCLOSURE OF SANCTIONS AND LIQUIDATED DAMAGES

The Texas Lottery reserves the right to request, and GTECH must provide, a complete list of all sanctions and liquidated damages assessed against GTECH during any calendar year for the following: (i) a single sanctionable event under any contract that occurred five (5) times or more in a rolling calendar year; (ii) any sanction or liquidated damage assessment under any contract totaling fifty thousand dollars (\$50,000) or more; and (iii) a complete account of all goods or services provided in consideration of contract sanctions or liquidated damages that would have been assessed, including the jurisdiction, the reason for the penalty or liquidated damages and the goods or services provided in lieu of the assessment. This is a continuing disclosure requirement.

3.45 FORCE MAJEURE / DELAY OF PERFORMANCE

- 3.45.1 Except as otherwise provided in this Contract, neither GTECH nor the Texas Lottery shall be liable to the other for any delay in, or failure of performance of, any covenant contained herein caused by force majeure. The existence of such causes of delay or failure shall extend the period of performance in the exercise of reasonable diligence until after the causes of delay or failure have been removed. For purposes of this Contract, “force majeure” is defined as “an act of God or any other cause of like kind not reasonably within a party’s control and which, by the exercise of due diligence of such party, could not have been prevented or is unable to be overcome.” GTECH must inform the Texas Lottery in writing within three (3) Days of the existence of any such force majeure or otherwise waives this right as a defense.
- 3.45.2 GTECH shall immediately upon discovery notify the Executive Director in writing of any delays in performance regardless of responsibility, fault or negligence. If GTECH contends that the delay is the responsibility, fault or negligence of Texas Lottery staff, GTECH must provide written notice within three (3) calendar Days of the discovery, and to the extent possible, identify the event or individual responsible so that the Executive Director may take appropriate action to remedy the situation. Failure to provide such notice to the Executive Director as required in this Section 3.45 shall constitute a waiver of GTECH’s right to assert the Texas Lottery’s action/inaction as a defense.

3.46 SECURITY REQUIREMENTS

- 3.46.1 Prior to beginning operations under this Contract, GTECH shall establish a security program, subject to the prior written approval of the Texas Lottery.
- 3.46.2 The Texas Lottery reserves the right to require at any time such further and additional security measures as deemed necessary or appropriate to ensure the integrity of GTECH’s goods and services.

3.47 TAXES, FEES AND ASSESSMENTS

- 3.47.1 The Texas Lottery shall have no responsibility whatsoever for the payment of any federal, state or local taxes which become payable by GTECH or its subcontractors, or their agents, officers or employees. GTECH shall pay and discharge when due all such taxes, license fees, levies, and other obligations or charges of every nature.

3.47.2 GTECH shall be responsible for payment of all taxes attributable to this Contract and any and all such taxes shall be identified under GTECH's federal tax identification number. GTECH shall pay all federal, state and local taxes of any kind, including without limitation income, franchise, ad valorem personal property, sales, use, lease, payroll, consumption, distribution and storage taxes, for the goods, services and systems relating thereto provided by GTECH, whether or not such taxes are in effect as of the date this Contract is signed or scheduled to go into effect, or become effective during the initial term and any and all renewal terms, if any.

3.48 NEWS RELEASES

GTECH shall not issue any news releases or publish information to the public pertaining to the performance of this Contract without prior written approval of the Texas Lottery. For any required disclosure or any public release of information of any kind, including a non-required disclosure, that is under a deadline imposed by any statutory or regulatory authority, GTECH shall seek approval from the Texas Lottery no less than two (2) Working Days prior to the deadline for the release of the information. In any case in which a deadline for the release of information exists, approval of the release by the Texas Lottery shall neither be construed as an endorsement of the release, as assent to the content of the release, as an indication of the accuracy of the information in the release, nor as any admission of any kind regarding any subject covered in the release.

3.49 ADVERTISING

3.49.1 GTECH agrees not to use the Texas Lottery's name, logos, images, nor any data or results arising from this Contract as a part of any commercial advertising, or to promote GTECH in another jurisdiction's procurement process, without prior written approval by the Texas Lottery.

3.49.2 Any advertising, promotions and point of sale material produced by GTECH under the Contract or proposed for use by GTECH in Texas must be pre-approved by the Texas Lottery in writing.

3.50 HIRING OF TEXAS LOTTERY PERSONNEL

3.50.1 This section intentionally left blank.

3.50.2 During the term of this Contract, GTECH shall not engage the services of any State of Texas employee while such person remains employed by the State without the written consent of the Lottery.

3.51 HIRING OF LOBBYIST, CONSULTANT AND/OR ADVISOR; SUPPLEMENTAL INFORMATION

GTECH warrants that it has, pursuant to the RFP, provided the names, addresses and telephone numbers for all lobbyists, consultants, and/or advisors who will perform services related to GTECH's operations or interests in the State of Texas, pursuant to previously executed contracts, or during the three (3) years prior to Contract Award, who have performed services related to GTECH's operations or interests in the State of Texas

for GTECH or any subcontractors of GTECH. GTECH shall immediately notify the Texas Lottery in the event of change of lobbyist, consultant, or advisor information.

3.52 NOTICES

Notices to the Texas Lottery shall be made by personal delivery, commercial carrier, electronic mail and/or by certified (or registered) mail return receipt requested to the Texas Lottery at the address below unless GTECH is notified in writing by the Texas Lottery of any change:

Texas Lottery Commission
Attention: Contracts Administration
P.O. Box 16630
Austin, Texas 78761-6630
Fax (512) 344-5058
Contracts@lottery.state.tx.us

Notices shall be given to GTECH at the below listed address:

Joe Lapinski
Texas Account General Manager
GTECH Corporation
5301 Riata Park Court
Bldg. E, Suite 100
Austin, Texas 78727

3.53 NON-DISCLOSURE

GTECH shall maintain as confidential, and shall not disclose to third parties without the Texas Lottery's prior written consent, any Texas Lottery information including but not limited to the Texas Lottery's business activities, practices, systems, conditions, products, services, public information and education plans and related materials, and game and marketing plans.

3.54 USUFRUCT

If, for any reason other than breach of contract by the Texas Lottery, GTECH should lose its ability to service this Contract, the Texas Lottery shall acquire a usufruct in all contractual items owned by GTECH in conjunction with this Contract and which are necessary to provide such services. Said usufruct shall be limited to the right of the Texas Lottery to possess and make use of such contractual items solely for the use and benefit of the Texas Lottery in operating, maintaining, altering, replacing and improving the programs and systems being used by the Texas Lottery under this Contract. Such usufruct shall be limited in time to the duration of the Contract and any extension thereof, and in scope for programs, systems, and other items being used by the Texas Lottery under this Contract.

3.55 TICKET PURCHASE

In accordance with Texas Government Code ANN. § 466.254 (Purchase of Ticket by or Payment of Prize to Certain Persons), no member, officer or employee of GTECH shall purchase a Texas Lottery ticket or be paid a prize in any Texas Lottery game. No spouse, child, brother, sister, or parent of such member, officer or employee who resides in the household of such member, officer or employee (collectively, "Family Members"), shall purchase a Texas Lottery ticket or be paid a prize in any Texas Lottery game. GTECH shall ensure that these statutory prohibitions are made known to each member, officer and employee of GTECH, prior to that person becoming involved in selling or leasing the goods or performing the services that are the subject of the Contract. GTECH shall require its members, officers and employees to make the statutory prohibition known to Family Members. GTECH shall promptly notify the Texas Lottery of any violation of Texas Government Code ANN. § 466.254.

GTECH agrees to provide to the Texas Lottery the name, address, and any other identifying information requested by the Texas Lottery, of all members, officers and employees of GTECH, or of any subcontractor(s), providing goods or performing the services that are the subject of this Contract. GTECH agrees to update such information when there is a change in the direct involvement status of any of GTECH's members, officers and employees, or of any subcontractor(s).

3.56 END OF CONTRACT CONVERSION

- 3.56.1 The Texas Lottery shall be solely responsible for the identification of and time for conversions (transfers) of retailer terminals and GTECH shall cooperate fully and in good faith in said conversion (transfer). Cooperation may include, but is not limited to, sharing of liability files and cross-validation of winning tickets.
- 3.56.2 At the direction of the Texas Lottery, GTECH shall remove all equipment and materials relating solely to GTECH's System from each Retailer location within fourteen (14) calendar days after the successful conversion (transfer) of the location to the new system.
- 3.56.3 GTECH must cooperate fully with the Texas Lottery throughout the period in which the administration of responsibilities under the Contract is transitioned or turned over to the Texas Lottery or a third party. GTECH must continue to provide all goods and services required under the Contract without interruption or degradation in service levels during the turnover period. GTECH must support the successor, including the sharing of files, until the Texas Lottery determines that the successor can satisfactorily maintain contract services without interruption. GTECH shall provide to the Texas Lottery or its designee promptly and without delay, at no cost, copies of all current software specifications, data files, job control language, program designs, procedures and all other elements required to install and operate the games in machine readable form and/or to perform the other services required of the successor. Required technical, user and programmer documentation as the Texas Lottery may require must also be provided promptly and without delay by GTECH to the Texas Lottery or its designee. The Texas Lottery will determine when GTECH's transition services are not necessary and will provide written notice to GTECH.

3.56.4 Through the conversion period, GTECH shall provide sufficient experienced personnel, resources and facilities to assure that the system and services called for by the Contract are maintained at a high level of proficiency.

3.57 EQUIPMENT

GTECH hereby represents and warrants that all equipment provided shall be new (with the exceptions noted below), shall be free from defects in materials and workmanship, shall be merchantable and fit for the purpose for which it is intended, and shall meet or exceed the performance standards and specifications required in this Contract. Any equipment, or component thereof, used by GTECH pursuant hereto that does not conform to the foregoing shall be repaired or replaced by GTECH without cost to the Texas Lottery in addition to other amounts the Texas Lottery may be entitled to in law or in equity. The Texas Lottery waives the right to require GTECH to provide new equipment in place of the following equipment provided by GTECH to the Texas Lottery as of the effective date of this Contract: (1) Data Center fire suppression; (2) Data Center power protection (UPS & generators); (3) Data Center HVAC; (4) Data Center Security System (badge access, etc.); (5) Warehouse security video monitoring; (6) Call Center automated dispatch system; and (7) the two (2) large promotional trailers. GTECH continues to warrant such equipment in all other respects set forth above.

3.58 PROGRAMS

3.58.1 GTECH represents and warrants that all systems analyses, systems design and programming prepared or done, or to be prepared or done, by GTECH, its Subcontractors, or its officers, employees or agents in providing all required goods and services under the Contract has been and shall be prepared or done in a professional manner. All systems analyses, systems design and programs shall be fully documented. All documentation must also include a security risk and analysis. GTECH further hereby represents and warrants that all programs provided under the Contract shall meet the performance standards required in the Contract and shall correctly and accurately perform their intended functions.

3.58.2 GTECH hereby warrants that all Lottery Gaming System software is maintainable and reusable. GTECH warrants and represents that all software used by GTECH in the performance of any and all Contract requirements in the Lottery Gaming System shall be written in languages that can be maintained and supported by the Texas Lottery and/or any third party contractor selected by the Texas Lottery. GTECH hereby warrants that all Lottery Gaming System software shall be documented. GTECH hereby warrants that all software developed for the Texas Lottery and all modifications to existing software developed pursuant to this Contract will be delivered in a format including both source code and object code, such that such software can be readily modified, compiled, and maintained by the Texas Lottery and/or a third party contractor selected by the Texas Lottery; provided however, that delivery of the source code format, to the extent such software does not constitute Works, will be only into escrow pursuant to Section 3.58.4, and subject to the terms and conditions of the Source Code Escrow Agreement contemplated by said Section 3.58.5.

- 3.58.3 Programming languages, tools, and methodologies used by GTECH in performance of Contract obligations must be approved as supportable by the Texas Lottery prior to their use by GTECH. GTECH shall support all Lottery Gaming System software for the term of the Contract and any extension thereof. If the programming support software is not available in the open normal data processing market, then GTECH shall be required to supply to persons designated by the Texas Lottery all compilers and all normal programming support software, which is available to GTECH's software staff, as well as appropriate and necessary training.
- 3.58.4 GTECH shall deliver copies of all Works to the Texas Lottery promptly after they are completed. If the Works include computer software, GTECH shall deliver copies of source code as well as object code of such software, and entity relationship diagrams, in addition to technical documentation sufficient for an average programmer to understand, modify, compile and execute the software. GTECH shall clearly label the media containing any Works to identify the Works contained in the media.
- 3.58.5 GTECH shall enter into a source code escrow agreement with the Texas Lottery and designate an escrow agent acceptable to the Texas Lottery for the source code and system and/or technical documentation for those portions of the software that do not constitute Works (the "Source Code Escrow Agreement"). GTECH shall be responsible for all charges associated with the escrow of the source code. GTECH shall continuously maintain and perform all of the respective obligations of the Source Code Escrow Agreement in accordance with the terms of the Source Code Escrow Agreement. At a minimum, the Source Code Escrow Agreement shall provide for release of the source code to the Texas Lottery in the event of termination for cause of this Contract under Section 3.17. The Source Code Escrow Agreement shall not permit GTECH to give contrary instructions to the escrow agent in the event that the Texas Lottery sends the agent a certified letter indicating that a release condition has occurred. The Texas Lottery shall have full rights of inspection during the term of the Source Code Escrow Agreement. By executing this Contract, GTECH grants the Texas Lottery a non-exclusive, worldwide, perpetual, irrevocable, and royalty-free right and license to use, have used, modify, have modified, compile, have compiled, execute, have executed, display, have displayed and operate and have operated the source code for the software necessary to operate the Lottery; it being understood, however, that the Texas Lottery shall only exercise its rights under this license with respect to the source code released from the source code escrow pursuant to the terms and conditions of the escrow agreement. In such event, the Texas Lottery may allow access to the source code by third party contractors, but only if the Texas Lottery enters into a non-disclosure agreement with such third party requiring the third party to maintain the source code in confidence, not to use the source code for any other purpose other than to support the Texas Lottery, and naming GTECH as a third party beneficiary of such non-disclosure agreement. The Texas Lottery and GTECH intend that the Texas Lottery shall have all rights afforded to licensees under section 365(n) of the U.S. Bankruptcy Code (and any successor thereto) in connection with any bankruptcy of GTECH.

3.59 LOTTERY PURCHASE OPTION

In the event that the Texas Lottery exercises its option to purchase the Lottery Gaming System equipment pursuant to section 3.21(b) of this Contract, the Texas Lottery shall have an irrevocable, perpetual, worldwide, royalty-free right and exclusive license to use third party software or software developed by GTECH and received by the Texas Lottery from GTECH under the Contract in order to operate in Texas any equipment provided under the Contract by GTECH.

3.60 SANCTIONS AND REMEDIES SCHEDULE

- 3.60.1 *General.* Section 2261.101 of the Texas Government Code requires that all state contracts contain a remedies schedule, a graduated sanctions schedule, or both. Pursuant to that statutory provision, sanctions and remedies will apply for the incidents specified in this section. The sanctions and remedies will be referred to as “sanctions.” The Sanctions and Remedies schedule is attached hereto as Attachment 1 and is incorporated into this Contract by reference the same as if recited at length and is made a part of this Contract for all purposes.
- 3.60.2 *Assessment of Sanctions.* Once the Texas Lottery has determined that sanctions are to be assessed, the Executive Director or Executive Director’s designee may notify GTECH of the assessment(s). Failure or delay in notifying does not impact the Texas Lottery’s assessment of sanctions and providing notice is not a condition precedent thereto. The Texas Lottery will withhold sanctions from payments to GTECH, or, if no payments are to be made, the Texas Lottery will make demand of payment of sanctions. GTECH must make payment within ten (10) Days of the Texas Lottery’s demand. In the event GTECH fails to pay within the ten (10) Day period, the Texas Lottery may make a claim for payment against the performance bond under Section 3.36, with or without notice to GTECH.
- 3.60.3 *Failure to Assess Sanctions.* The failure of the Texas Lottery to assess sanctions in any instance where the Texas Lottery is entitled to sanctions pursuant to the terms of this Contract shall not constitute waiver in any fashion of the Texas Lottery’s rights to assess sanctions.
- 3.60.4 *Severability of Individual Sanctions Clauses.* If any portion of this sanctions provision or schedule is determined to be unenforceable, the other portions of this provision and schedule shall remain in full force and effect.
- 3.60.5 *Sanctions Schedule.* For the purpose of the sanctions schedule (Attachment 1), the following definitions apply:
- Section – references the applicable provision(s) of the RFP and/or this Contract. The section references are not exclusive.
 - Description – detailed description of the sanction.
 - Amount – sanction assessment amount and frequency.
 - Trigger Examples – how the sanction may be applied. The trigger examples are not exclusive.
 - Measure – basis for the sanction assessment.
 - Performance Target – the Contract requirement.

- Formula – shows how the sanction will be calculated.
- Maximum Sanction – the maximum sanction amount, if any, per incident.
- Exceptions – identifies any exceptions to the sanction.
- Measure Interval – identifies the interval for assessment of a sanction.
- Reporting Period – identifies the reporting frequency for the sanction. For sanctions with a Reporting Period requirement, GTECH must submit written reports based on the required frequency, even if there were no noted incidents during the reporting period. The use of the term ‘none’ only means there is no reporting requirement for the applicable sanction.
- Measurement Basis – the basis for measuring the start and end of an incident.

3.61 LIQUIDATED DAMAGES

3.61.1 *Liquidated Damages Schedule.* For the purpose of the liquidated damages schedule (Attachment 2), the following definitions apply:

- Section – references the applicable provision(s) of the RFP and/or this Contract. The section references are not exclusive.
- Description – detailed description of the liquidated damage.
- Amount – liquidated damage assessment amount and frequency.
- Trigger Examples – how the liquidated damage assessment may be applied. The trigger examples are not exclusive.
- Measure – basis for the liquidated damage assessment.
- Performance Target – the Contract requirement.
- Formula – shows how liquidated damage assessment will be calculated.
- Maximum Assessed Damages – the maximum liquidated damage amount, if any, per incident.
- Exceptions – identifies any exceptions to the liquidated damage assessment.
- Measure Interval – identifies the interval for assessment of liquidated damages.
- Reporting Period – identifies the reporting frequency for the liquidated damage assessment. For liquidated damages with a Reporting Period requirement, GTECH must submit written reports based on the required frequency even if there were no noted incidents during the reporting period. The use of the term ‘none’ means there is no reporting requirement for the applicable liquidated damage assessment.
- Measurement Basis – the basis for measuring the start and end of an incident.

The liquidated damages schedule is attached hereto as Attachment 2 and is incorporated into this Contract by reference the same as if recited at length and is made a part of this Contract for all purposes.

3.61.2 *General.* It is agreed by the Texas Lottery and GTECH that:

- (a) If GTECH does not fulfill the obligations of the Contract, damage to the Texas Lottery will result;
- (b) establishing the precise measure of damages in the event of default by GTECH may be (i) costly, (ii) time consuming, or (iii) difficult or impossible to calculate;

(c) the liquidated damage assessments contained herein represent a good faith effort to quantify the damages that could reasonably be anticipated at the time of execution of the Contract;

(d) the damages set forth herein are just and reasonable;

(e) nothing contained in this section shall be construed as relieving GTECH from performing all Contract requirements whether or not said requirements are set forth herein; and

(f) the Texas Lottery may, therefore, in its sole discretion, deduct damages from the compensation otherwise due to GTECH.

All assessments of damages shall be within the sole discretion of the Texas Lottery.

3.61.3 *Liquidated Damages Assessment.* Once the Texas Lottery has determined that liquidated damages are to be assessed, the Executive Director or Executive Director's designee may notify GTECH of the assessment(s). Failure to notify does not impact the Texas Lottery's assessment of damage and is not a condition precedent thereto. The Texas Lottery will withhold liquidated damages from payments to GTECH, or, if no payments have been made, the Texas Lottery will make demand of payment of liquidated damages. GTECH must make payment within ten (10) Days of the Texas Lottery's demand. In the event GTECH fails to pay within the ten (10) Day period, the Texas Lottery may then make a claim for payment against the performance bond, with or without notice to GTECH.

3.61.4 *Severability of Individual Liquidated Damages Clauses.* If any portion of this liquidated damages provision or schedule is determined to be unenforceable, the other portions of this provision and schedule shall remain in full force and effect.

3.61.5 *Maximum Daily Total for Sanctions and Liquidated Damages.* The maximum daily total for any single or combination of the sanctions listed in Attachment 1 and liquidated damages listed in Attachment 2 will be \$750,000.

3.62 DISPUTE RESOLUTION

The dispute resolution process provided for in Texas Government Code Chapter 2260 and 16 Texas Administrative Code Ch. 403 must be used by GTECH to attempt to resolve any disputes brought by GTECH arising under this Contract.

3.63 CERTIFICATIONS

3.63.1 Pursuant to Texas Government Code Ann. § 466.103, the Executive Director may not award a contract for the purchase or lease of facilities, goods or services related to lottery operations to a person who would be denied a license as a sales agent under Texas Government Code Ann. § 466.155. GTECH must read and be familiar with Texas Government Code Ann. § 466.155, attached hereto as Attachment D of the RFP. GTECH certifies it has reviewed Texas Government Code Ann. § 466.155 and neither GTECH nor any of the following persons would be denied a license as a sales agent pursuant to said section: (a) GTECH's officers, directors, investors, owners, partners and other principals, as more particularly described in Texas Government Code Ann. § 466.155 (collectively, GTECH Principals); or (b) any spouse, child, brother, sister or parent residing as a member of the same household in the principal place of residence of any GTECH Principals.

- 3.63.2 Under § 231.006 of the Texas Family Code, GTECH certifies that the individual or business entity named in this Contract is not ineligible to receive the specified grant, loan or payment and acknowledges that this Contract may be terminated and payment may be withheld if this certification is inaccurate. Furthermore, GTECH certifies it has provided to the Texas Lottery the names and social security numbers of each person with at least 25% ownership of GTECH.
- 3.63.3 Under Section 2261.053 of the Texas Government Code, a state agency may not accept a bid or award a contract that includes proposed financial participation by a person who, during the five year period preceding the date of the bid or award, has been: (1) convicted of violating a federal law in connection with a contract awarded by the federal government for relief, recovery, or reconstruction efforts as a result of Hurricane Rita, as defined by Section 39.459, Utilities Code, Hurricane Katrina, or any other disaster occurring after September 24, 2005; or (2) assessed a penalty in a federal civil or administrative enforcement action in connection with a contract awarded by the federal government for relief, recovery, or reconstruction efforts as a result of Hurricane Rita, as defined by Section 39.459, Utilities Code, Hurricane Katrina, or any other disaster occurring after September 24, 2005. In accordance with Section 2261.053, GTECH certifies it is not ineligible to receive this Contract and acknowledges that this Contract may be terminated and payment withheld if this certification is inaccurate.
- 3.63.4 GTECH certifies that: (a) GTECH has not given, offered to give, nor intends to give at any time hereafter any economic opportunity, future employment, gift, loan, gratuity, special discount, trip, favor, or service to a public servant in connection with this Contract; and (b) neither GTECH nor the firm, corporation, partnership, or institution represented by GTECH, nor anyone acting for such firm, corporation, partnership, or institution has violated the antitrust laws of the State of Texas (Tex. Bus. & Comm. Code Sec. 15.01, et seq.), or the antitrust laws of the United States (15 U.S.C.A. Section 1, et seq.), nor communicated directly or indirectly with any competitor or any other person engaged in such line of business in relation to this Contract.
- 3.63.5 GTECH certifies that it is in compliance with Texas Government Code, Title 6, Subtitle B, Section 669.003, relating to contracting with the executive head of a state agency.
- 3.63.6 GTECH certifies that if a Texas address is shown as the address of GTECH, GTECH qualifies as a Texas Resident Bidder as defined in Texas Administrative Code, Title 34, Part 1, Chapter 20.
- 3.63.7 The Texas Lottery is federally mandated to adhere to the directions provided in the President's Executive Order (EO) 13224, Executive Order on Terrorist Financing – Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism, effective 9/24/2001 and any subsequent changes made to it via cross-referencing respondents/vendors with the Federal General Services Administration's Excluded Parties List System (EPLS, <http://www.epls.gov>), which is inclusive of the United States Treasury's Office of Foreign Assets Control (OFAC) Specially Designated National (SDN) list.
- 3.63.8 Pursuant to Section 2155.004 of the Texas Government Code, GTECH certifies (i) it did not receive compensation from the Texas Lottery for participating in the preparation of the specifications for the RFP and this Contract, and (ii) the individual or business entity

named in this Contract is not ineligible to receive the specified contract and acknowledges that this Contract may be terminated and payment withheld if this certification is inaccurate.

3.64 PREFERENCES

This section intentionally left blank.

3.65 DECEPTIVE TRADE PRACTICES; UNFAIR BUSINESS PRACTICES

GTECH represents and warrants that it has not been the subject of allegations of Deceptive Trade Practices violations under Tex. Bus. & Com. Code, Chapter 17, or allegations of any unfair business practice in any administrative hearing or court suit and that GTECH has not been found to be liable for such practices in such proceedings. GTECH certifies that it has no officers who have served as officers of other entities that have been the subject of allegations of Deceptive Trade Practices violations or allegations of any unfair business practices in an administrative hearing or court suit and that such officers have not been found to be liable for such practices in such proceedings.

3.66 IMMIGRATION

GTECH represents and warrants that it shall comply with the requirements of the Immigration Reform and Control Act of 1986, the Immigration Act of 1990 and the Illegal Immigrant Reform and Immigrant Responsibility Act of 1996 (including any successor and amendments to the Acts) regarding employment of any individual who will perform labor or services under this Contract.

3.67 THIS SECTION INTENTIONALLY LEFT BLANK.

3.68 FALSE STATEMENTS; BREACH OF REPRESENTATIONS

GTECH acknowledges and agrees if it is subsequently determined that GTECH has violated any of the representations, warranties, guarantees, certifications or affirmations included in this Contract, GTECH shall be in default and the Texas Lottery may terminate the Contract for cause and pursue all other remedies available to the Texas Lottery under applicable law.

3.69 LIMITATION ON AUTHORITY; NO OTHER OBLIGATIONS

GTECH shall have no authority to act for or on behalf of the Texas Lottery or the State of Texas except as expressly provided for in this Contract. GTECH may not incur any debts, obligations, expenses or liabilities of any kind on behalf of the State of Texas or the Texas Lottery.

3.70 CONTRACTOR ASSIGNMENT

GTECH hereby assigns to the Texas Lottery any and all claims for overcharges associated with this Contract arising under the antitrust laws of the United States, 15 U.S.C.A. Section 1, et seq., and the antitrust laws of the State of Texas, Tex. Bus. & Comm. Code Sec. 15.01, et seq.

3.71 CODE OF CONDUCT

The Texas Lottery is an extremely sensitive enterprise because its success depends on maintaining the public trust by protecting and ensuring the security of Lottery Products. The Texas Lottery incorporates the highest standards of security and integrity in the management and sale of entertaining lottery products, and lottery vendors are held to the same standards. Therefore, it is essential that operation of the Texas Lottery, and the operation of other enterprises which would be linked to it in the public mind, avoid not only impropriety, but also the appearance of impropriety. Because of this, GTECH shall:

- (a) Offer goods and services only of the highest quality and standards.
- (b) Use its best efforts to prevent the industry from becoming embroiled in unfavorable publicity.
- (c) Make presentations in a responsible manner and when it is felt necessary to point out the superiority of its goods or services over those of its competitors, do so in such a manner as to avoid unfavorable publicity for the industry.
- (d) Avoid activities, operations, and practices that could be interpreted as improper and cause embarrassment to the Texas Lottery and/or to the industry.
- (e) Report security problems or potential security problems with any services provided pursuant to this Contract immediately and only to the Texas Lottery.
- (f) Otherwise comply with the State Lottery Act (Texas Gov't Code Ann. Ch. 466) and Texas Lottery rules, procedures and policies.
- (g) Provide best practices related to security and integrity standards within the industry.

3.72 CONTACT WITH TEXAS LOTTERY COMMISSION

- 3.72.1 Except when circumstances require otherwise, employees and Commissioners of the Texas Lottery and employees, subcontractors and agents of GTECH should meet only at Texas Lottery headquarters.
- 3.72.2 Employees, subcontractors and agents of GTECH may not offer or give a gift to a Texas Lottery employee. For purposes of this section, "gift" has the meaning as defined in Tex. Gov't Code Ann. § 467.001(4) and as may be subsequently changed or amended by acts of the Texas Legislature.
- 3.72.3 Employees, subcontractors and agents of GTECH should not engage in nonprofessional socialization (socialization outside of a work context) with a Texas Lottery employee. There may be circumstances, however, in which nonprofessional socialization is acceptable, for example, because of family relationships, common acquaintances, or common outside activities. The restrictions on nonprofessional socialization are not meant to apply to unplanned, incidental social contact. In such circumstances, employees, subcontractors and agents of GTECH should not discuss Texas Lottery business.
- 3.72.4 Professional socialization at activities such as industry trade conferences and site visits is permitted.

3.73 INCIDENTS AND ANOMALIES

- 3.73.1 GTECH shall report immediately all significant incidents and anomalies to the Texas Lottery, followed by a written report to be submitted within one workday of the incident or anomaly. At a minimum, incident and anomaly reporting shall include a description of the incident, its cause, and corrective action taken. For purposes of this section, "significant" incidents include, by way of illustration only, any occurrence that affects the Texas Lottery, lottery retailers, or players, and deviation from established procedures and those items where sanctions or liquidated damages are applicable.
- 3.73.2 The Texas Lottery will assign an investigator to monitor GTECH throughout the contract term and during any renewal period. GTECH shall maintain close contact and regular communication with the investigator regarding all matters under the Contract.

3.74 ATTACHMENT OF THIRD PARTY SYSTEMS, TERMINALS OR PRODUCTS

- 3.74.1 The Texas Lottery reserves the right to require GTECH to allow any required access to, and provide support to, the Texas Lottery and to a Texas Lottery vendor or Retailer in attaching to the Lottery Gaming System or otherwise installing terminals, terminal peripherals, products, or systems other than those required by this Contract.
- 3.74.2 GTECH must supply the Texas Lottery specifications to permit products other than products produced by GTECH to attach to the Lottery Gaming System and carry out all functions and capabilities required by the Texas Lottery. GTECH must provide support and access to the Texas Lottery and to a Texas Lottery vendor or retailer for additional products including, but not limited to, providing facilities and support to allow other parties to attach, install and/or test products. The Texas Lottery will monitor progress to ensure full cooperation.
- 3.74.3 GTECH is solely responsible for ensuring its interests in its intellectual property are protected by appropriate confidentiality agreements. Should the Texas Lottery propose to add terminals, products or systems not provided for in this Contract but for which GTECH would be responsible, appropriate compensation to GTECH would be negotiated.

3.75 RECORDS RETENTION

GTECH shall review the Records Retention Schedule prepared by the Texas Lottery and approved by the Texas State Library and Archives Commission (the "Retention Schedule"), including periodic revisions thereto, and, in cooperation with the Texas Lottery, determine which records generated or held by GTECH are subject to the Retention Schedule. The Records Retention Schedule will be provided to GTECH after Contract Award. GTECH shall conform to the Retention Schedule and other applicable law regarding retention of records, including Texas Government Code Section 441.180 et seq. GTECH shall give the Texas Lottery at least thirty (30) Days advance notice of any planned destruction of records subject to the Retention Schedule. No record subject to the Retention Schedule or Texas Government Code Chapter 441 shall be destroyed without prior written approval from the Texas Lottery.

PART 4 ADDITIONAL REQUIREMENTS

This Part 4 contains additional requirements as agreed by the parties. These requirements are grouped by subject matter consistent with the RFP. Where noted, these requirements may supersede, replace, and/or add Detail Requirements to identified Sections of the RFP. Except as otherwise noted in this Part 4, all additional requirements included herein are included in GTECH's base system and services costs and shall be provided by GTECH at no additional expense to the Texas Lottery.

RFP PART 6 – ACCOUNT MANAGEMENT AND ADMINISTRATION

Section 6.2, Table 3, Detail Requirement 18 is added to read:

18. GTECH shall provide: (i) the equipment, communication services and related furnishings required to support video conferencing between the Texas Lottery Executive Director and GTECH's Account Manager and (ii) all services and maintenance necessary to support such video conferencing. Title to such video conferencing equipment, excluding related furnishings, shall, at all times, remain with GTECH and shall not transfer to the Texas Lottery unless otherwise agreed to by the parties.

Section 6.7, Table 20, Detail Requirement 12 is added to read:

12. GTECH shall provide the Texas Lottery an industry certified resource educated in the latest contingency planning standards and policies to assist the Texas Lottery with the development of its comprehensive Disaster Recovery / Business Continuity Plan.

RFP PART 7 – LOTTERY GAMING SYSTEM

Section 7.2.3, Table 31, Detail Requirement 11 is added to read:

11. If a delay caused by the Lottery Gaming System requires the drawings auditor to hold over to complete a drawing process, GTECH shall reimburse the Texas Lottery an amount equal to the hourly rate for the drawings auditor for each hour or part of an hour the auditor is held over.

Section 7.4, Table 36, Detail Requirement 14 is replaced in its entirety with the following:

14. On-Line Tickets that have been previously validated must be maintained on the System for not less than one hundred eighty (180) Days following prize validation. Previously validated On-Line Tickets must return a previously validated message, approved by the Texas Lottery, when presented for subsequent system validation or prize inquiry for a minimum one hundred eighty (180) Day period following prize validation.

Section 7.4, Table 36, Detail Requirement 22 is replaced in its entirety with the following:

22. GTECH's System must provide the ability to track (by agency and time period) and manage debt set-off from prize payments for certain identified debts under Tex. Gov't Code Ann. 466.407 owed to government agencies. GTECH's System must provide the ability to perform this function for all types of prizes and prize payments. The debt set-off information will be provided to GTECH in a format determined by the Texas Lottery. Due to confidentiality requirements of the agencies involved, files used to control set-off processing may be required to reside exclusively on GTECH's System and must be password protected.

In addition, GTECH's System shall support debt set-offs and overrides of taxes for non-cash payments, including annuities, free tickets and merchandise prizes.

Section 7.6.1, Table 41, Detail Requirement 21 is added to read:

21. GTECH shall, at its sole option, either internally develop applications or obtain necessary license rights to third party applications that allow the Texas Lottery, its vendors, Retailers, and players to obtain current drawing results, retailer information, and information to educate players about lottery games; provide sales and marketing information, communicate upcoming events and promotions and play games (does not include games not authorized by law) on standard mobile handheld devices currently available in the marketplace, including, but not limited to, iPhone and Droid mobile phones. GTECH and the Texas Lottery shall mutually agree upon applications and the specifications for such applications. GTECH shall be responsible for managing and deploying the recommended applications and providing updates up to twice a year. The Texas Lottery reserves the right to approve the applications recommended by GTECH. GTECH shall secure and obtain any and all necessary rights (including, but not limited to, licensing rights from the appropriate third parties):

- (i) to use the recommended applications, and
- (ii) to ensure that the foregoing rights are obtained on behalf of the Texas Lottery, its vendors, and all Retailers and players, in compliance with the terms and conditions in sections 3.25 and 3.26 of the Contract (e.g., for incorporation of Third Party Materials into the Works, to indemnify and hold the Texas Lottery and its vendors and Retailers harmless therefore) and provide remediation under Contract section 3.27 in the event GTECH cannot obtain the necessary license rights.

Section 7.6.2, Table 44, Detail Requirement 12 is added to read:

12. GTECH shall provide programming support to the Texas Lottery to assist with initial conversion of the Lottery Gaming System and related TLC interfaces.

Section 7.6.3, Table 46, Detail Requirement 7 is replaced in its entirety with the following:

7. GTECH must provide a Web-based system, based on Texas Lottery requirements, for a player registration program that involves registering players for various informational, promotional (e.g., unique player-printed coupons), and data-gathering

purposes. The Web-based system must be able to communicate with players using different messaging formats including, but not limited to, Really Simple Syndication (RSS), text messaging, etc. The interface for players to access this web site should be very intuitive and user friendly. Included in the base system and services costs and offered at no additional expense to the Texas Lottery, GTECH shall provide its G2 Game Library-play for free games (does not include games not authorized by law), and all associated development, deployment and management products and services, to the Texas Lottery for use on the Texas Lottery's Web site.

Section 7.6.3, Table 46, Detail Requirement 9 is added to the RFP:

Renaissance Loyalty Program. GTECH shall implement the Renaissance Player Loyalty Player Card Program (the "Program") on a conditional basis as further described herein . A summary of the goods and services to be provided as part of the Program is attached hereto as Exhibit 1. Exhibit 1 shall not be modified unless agreed to in a signed writing by the parties. GTECH and the Texas Lottery will jointly develop and agree upon final detailed specifications, the terms of which shall be incorporated into the Contract.

I. **Implementation.** GTECH shall be responsible for all costs associated with the implementation, operation and maintenance of the Program in accordance with the terms set forth below. Upon execution of this Contract, the parties shall mutually agree on an implementation schedule. Highest sales volume retailers shall receive implementation priority.

II. **Success Milestones.**

A. The Program shall be reviewed by GTECH and the Texas Lottery every 24-months following implementation. GTECH's continued operation and ongoing support of the Program is expressly conditioned on the achievement of each of the following milestones:

Months 1-24:

- i. At the end of such 24-month period, there are no less than 1.25 million Active cards in circulation in Texas. For the purposes of this Contract, an "Active" card is one that shows purchasing activity at least thirty (30) days prior to the close of the 24-month period; and
- ii. Over the 24-month period, an average of no less than 20% of the total value loaded on Active cards must have been used towards Open Loop purchases. Open Loop purchases are defined in Exhibit 1.

Months 25-48, and each subsequent 24- month period:

- i. At the end of each 24-month period, there are no less than 2.25 million Active cards in circulation in Texas; and

ii. Over the 24-month period, an average of no less than 20% of the total value loaded on Active cards must have been used towards Open Loop purchases.

B. GTECH shall be required to operate and support the Program for the next succeeding 24-month period if the aforementioned milestones have been achieved for the immediately preceding 24-month period. If each of the milestones has not been achieved upon review of any 24-month period, GTECH shall no longer be required to operate and support the Program. At such time, the Texas Lottery shall have the option to (i) discontinue the Program, or (ii) continue the Program by paying to GTECH a rate to be determined and mutually agreed to by GTECH and the Texas Lottery. If at any time the Renaissance Loyalty Program discontinues, the rate reverts to the Base System and Services Pricing of 2.2099%. The Texas Lottery shall have thirty (30) days following a review in which the milestones have not been achieved to inform GTECH of its decision. GTECH shall, during such thirty (30) day period, continue to operate the Program.

C. Upon a determination by the Texas Lottery to discontinue the Program, Active cards that have a balance remaining as of the last day of the Program shall remain valid for purchases until such time as the card expires according to its predetermined expiration date.

D. Notwithstanding the foregoing, nothing in this Detail Requirement 9 shall modify in any way GTECH's obligations to provide goods or services otherwise under this Contract.

Section 7.9, Table 55, Detail Requirement 12 is replaced in its entirety with the following:

12. GTECH's System shall provide the ability for the Texas Lottery to generate reports using the System and access to real-time data with no System performance degradation. GTECH shall provide the Texas Lottery with Xcelsius Dashboard Creation Packages, with at least one (1) creator and fifty (50) view licenses.

Section 7.10, Table 58, Detail Requirement 11 is added to read:

11. At the Texas Lottery's request, GTECH shall contract with a third-party vendor to provide the Texas Lottery a primary and backup Internal Control System, to include all associated hardware, software licenses, programming and maintenance support.

Section 7.11, Table 61, Detail Requirement 15 is replaced in its entirety with the following:

15. GTECH shall either internally develop applications or secure and obtain any and all necessary rights (including, but not limited to, licensing rights from the appropriate third parties):

- (i) to allow the bar code to be printed on the face of Texas Lottery On-Line Tickets and underneath the latex of Texas Lottery Instant Tickets;

- (ii) for use of the bar-code technology to allow players to confirm, on their own, if a ticket is a winner and the amount of the prize;
- (iii) to permit a single-scan query to the host to determine if a ticket is a winner and the amount of the prize, and log all inquiry and validation transaction activity on the Lottery Gaming System; and
- (iv) to ensure that the foregoing rights are obtained on behalf of the Texas Lottery, its vendors, and all Retailers, in compliance with the terms and conditions in sections 3.25 and 3.26 of this Contract (e.g., for incorporation of Third Party Materials into the Works, to indemnify and hold the Texas Lottery and its vendors and Retailers harmless therefore) and provide remediation under Contract section 3.27 in the event GTECH cannot obtain the necessary license rights.

The Texas Lottery reserves the right to review any language required to be printed on Instant and On-Line Tickets by license rights obtained by GTECH. The bar code technology must pass all tests performed by the Texas Lottery or its authorized designee for compliance with current Texas Lottery quality and security standards, including all changes to such standards during the term of the Contract.

Section 7.11, Table 61, Detail Requirement 22 is replaced in its entirety with the following:

22. The Lottery Gaming System, through Retailer Sales Terminals, must provide the capability to send network messages (including streaming video) or video file downloads to Terminal resident storage on all Retailer Sales Terminals to be displayed via Terminal-operated screens or monitors and Retailer Sales Terminal display. Information displayed on Terminals must be shown by groups of Retailers (based on county, zip code, business type, chain, sales level, or Texas Lottery designated group), or a single Retailer. GTECH shall be responsible for creating, updating and managing all terminal groups and the development and management of all content/messages. The Texas Lottery will approve all messages and must have the ability to send the message (or ask GTECH to send the message). GTECH's System must also be able to send messages from the Amber/Silver/Blue Alert network (or other emergency messages as required) concurrently with other Texas Lottery-approved messaging (multiple messaging access). GTECH's System must have the capability to retain messages so new messages received do not delete the previously sent message.

Section 7.11, Table 61, Detail Requirement 25 is replaced in its entirety with the following:

25. The Lottery Gaming System, through the Retailer Sales Terminal, must provide the ability to receive content from a centralized content management system which is provided, maintained, and administered by GTECH. Through the Retailer Sales Terminal or attached video displays, the content management system shall stream content and information including but not limited to: local news feeds, local sports scores, local weather, Retailer specials, Texas Lottery-provided content, etc. Local news feeds, local sports scores and local weather updates shall be updated as agreed to by the Texas Lottery, not to exceed four (4) updates per day.

Section 7.11, Table 61, Detail Requirement 26 is replaced in its entirety with the following:

26. The Retailer Sales Terminal must be capable of receiving, storing and transmitting wired and wireless messaging to other messaging communication devices deployed by GTECH in the retail environment. GTECH shall be responsible for ensuring sufficient capacity in the Retailer Sales Terminal to support all Texas Lottery-approved messaging initiatives.

Section 7.12, Table 64, Detail Requirement 3 is replaced in its entirety with the following:

3. GTECH must provide standard and mid-range Retailer Sales Terminals that incorporate the latest technology and meet Texas Lottery requirements. All Retailer Sales Terminals must print and validate On-Line Tickets, validate Instant Tickets, perform Instant Ticket pack management, and accounting and reporting functions, and meet all other requirements as identified in this RFP and the Contract. Included in the base system and services costs and offered at no additional expense to the Texas Lottery, GTECH shall offer each Retailer one (1) printer mount for a Retailer Sales Terminal as shown in Figure 7.12-12 of its Proposal. GTECH shall only be obligated to provide such printer mount to any Retailer willing to accept it.

Section 7.12, Table 64, Detail Requirement 4 is replaced in its entirety with the following:

4. GTECH must provide Player-Activated Sales Terminals that incorporate the latest technology and meet Retailer and Texas Lottery requirements. All Player Activated Sales Terminals must print On-Line Tickets, sell Instant Tickets, perform Instant Ticket pack management, and accounting and reporting functions, and meet other requirements as identified in this RFP and the Contract. The Instant Ticket bins included in the Player Activated Sales Terminals must be scalable to allow a range (e.g., 8 to 24 or more bins) of Instant Ticket packs to be available for sale. The terminals must employ a bill acceptor for payment and allow for purchases using a debit card. Player Activated Sales Terminals must meet all of the requirements for Retailer Sales Terminals, including validation of tickets and crediting winnings for sale. These machines shall provide ticket prize inquiry functionality to include communication of winning, non-winning and actual prize amount data. Player Activated Sales Terminals must have age verification functionality (using a State of Texas or other State or Federal Government issued identification card). These terminals shall be equipped with a remote on/off mechanism that will operate from a minimum of fifty (50) feet in a typical business environment. These terminals must comply with all applicable Americans with Disabilities Act standards. GTECH shall work with the Texas Lottery to jointly develop deployment criteria and requirements for Player-Activated Sales Terminals. Player-Activated Sales Terminals will be deployed in accordance with Texas Lottery-approved deployment requirements.

Section 7.12, Table 64, Detail Requirement 5 is replaced in its entirety with the following:

5. GTECH must provide Player Activated Self Check Terminals. The Player Activated Self Check Terminal is a stand-alone device that allows players to check their own Instant and On-Line Tickets for winners. The Terminal must indicate if a ticket is a winner, but not validate the ticket. The terminals shall provide ticket prize inquiry including communication of winning, non-winning and actual prize amount data via a video display. Also, GTECH shall work with the Texas Lottery to jointly develop deployment criteria and requirements for additional Player Activated Self Check Terminals for multiple entrance or high volume retail locations. GTECH shall provide Player Activated Self Check Terminals with a 2D barcode reader (“Player Activated Self Check Terminals”) no later than eighteen (18) months from the contract effective date, or as the technology becomes available, to those Retailers willing to accept such terminals. Deployment will be in accordance with a deployment schedule agreed upon by the parties. GTECH shall also provide an additional five hundred (500) Player Activated Self Check Terminals to be deployed in accordance with Texas Lottery-approved deployment requirements.

Existing Check-a-Ticket Terminals will remain in the field until such time as Player Activated Self Check Terminals are available for deployment. GTECH shall remain responsible for maintaining and servicing existing Check-a-Ticket Terminals for as long as such terminals remain in the field.

Section 7.12, Table 64, Detail Requirement 11 is replaced in its entirety with the following:

11. GTECH must provide all thermal paper for the printing of On-Line tickets from the Sales Terminals. The thermal paper must be approved by the Texas Lottery.

Section 7.12, Table 64, Detail Requirement 15 is replaced in its entirety with the following:

15. Retailer Sales Terminals must provide a customer-oriented video display (flat-panel monitor) to communicate the outcome of each transaction conducted on the terminal to include:

- a) Sales transaction data;
- b) Validation data to include winning, non-winning and prize amount data, if applicable; and
- c) Displays must also be capable of broadcasting video resident on the terminal, downloaded from the Content Management System, between terminal transactions.

GTECH shall provide 19” or 22” flat panel wide screen monitors for all Retailers willing to accept such monitors as determined by the Texas Lottery. GTECH shall work with the Texas Lottery to jointly develop deployment criteria and requirements for the 19” and 22” flat panel wide screen monitors.

In retailer environments, where displays (flat-panel monitors) capable of video broadcast cannot be deployed, a customer oriented display must provide:

- a) Sales transaction data; and

- b) Validation data to include winning, non-winning and prize amount data, if applicable.

Section 7.12, Table 64, Detail Requirement 26 is added to read:

26. GTECH shall work with the Texas Lottery to jointly develop deployment criteria and requirements for GTECH's Lottery Inside In-Lane Solution [see full description of the Solution in GTECH's Proposal, pp. 7.12.163-164]. The Lottery Inside In-Lane Solution will be deployed in accordance with Texas Lottery-approved deployment requirements. Included in GTECH's base system and services costs and offered at no additional expense to the Texas Lottery, GTECH shall provide all required support and services for its Lottery Inside In-Lane Solution for up to two (2) Retailer chain accounts with no more than 600 total locations and 4 in-lane solutions per location. GTECH shall not be responsible for any software and/or programming required by the Retailer to support such integration. Also included in GTECH's base system and services costs and offered at no additional expense to the Texas Lottery, GTECH shall provide 1,000,000 Easy Play cards to support Retailers utilizing the Lottery Inside In-Lane Solution.

Section 7.12, Table 64, Detail Requirement 27 is added to read:

27. GTECH shall use reasonable efforts to negotiate an agreement with a third-party vendor, approved by the Texas Lottery, for the implementation of an ATM pilot program whereby the Texas Lottery will have the ability to offer lottery tickets, receipts for lottery tickets, and/or vouchers for lottery tickets, as defined by system parameters, via ATM machines in Austin, Texas (the "Pilot Program"). As a condition precedent to the implementation of the Pilot Program, such third-party vendor must be willing to provide all necessary components of the Pilot Program at no fee to GTECH. GTECH shall perform the software integration required to enable the third-party solution to operate via the GTECH/Texas Lottery system and shall be responsible only for those costs associated therewith. In addition, the agreement between GTECH and the third-party vendor shall include, at a minimum, the following terms and conditions:

- 1) The Pilot Program shall be conducted in Austin, Texas;
- 2) The duration of the Pilot Program shall be six (6) months and shall be provided by the third-party vendor at no cost to GTECH and/or the Lottery;
- 3) GTECH shall perform the software integration required to enable the third-party vendor solution to operate via the GTECH/Texas Lottery system and shall be responsible only for those costs associated therewith;
- 4) GTECH's agreement with the third-party vendor shall terminate without further action by either party upon completion of the Pilot Program.

In the event GTECH and the third-party vendor are unable to execute an agreement for the Pilot Program in accordance with the terms set forth herein, GTECH shall be relieved of its obligations associated with this Detail Requirement 27.

At the conclusion of the Pilot Program period, the Texas Lottery and GTECH will jointly evaluate the success of the pilot. If GTECH and the Texas Lottery determine that the

program should be continued beyond the pilot period, the Texas Lottery and GTECH shall mutually agree on the terms under which such program will continue, including GTECH's compensation.

GTECH's obligations under this Detail Requirement 27 are expressly conditioned on the approved third-party vendor's willingness to (i) provide a free Pilot Program; and (ii) continue to work with GTECH beyond the pilot period under terms and conditions that are acceptable to GTECH in its sole discretion, or the Texas Lottery may execute a contract with a third-party vendor for the provision of an ATM terminal solution and GTECH shall cooperate and support the solution in accordance with Section 3.74 of the Contract.

Section 7.12, Table 64, Detail Requirement 28 is added to read:

28. GTECH shall work with the Texas Lottery to jointly develop deployment criteria and requirements for the GT-Mini Terminal [see full description of the GT Mini-Terminal in GTECH's Proposal, pp. 7.12.176-178]. Included in GTECH's base system and services costs and offered at no additional expense to the Texas Lottery, GTECH shall provide no more than two-hundred and fifty (250) GT-Mini Terminals, in accordance with Texas Lottery-approved deployment requirements.

Section 7.12, Table 64, Detail Requirement 29 is added to read:

29. GTECH shall work with the Texas Lottery to jointly develop deployment criteria and requirements for Sales Terminals for visually impaired Retailers. Included in GTECH's base system and services costs and offered at no additional expense to the Texas Lottery, GTECH shall provide up to fifty (50) Sales Terminals for visually impaired Retailers in accordance with Texas Lottery-approved deployment requirements.

Section 7.13, Table 72, Detail Requirement 15.1 is added to read:

15.1 Included in GTECH's base system and services costs and offered at no additional expense to the Texas Lottery, GTECH shall implement an outbound call feature to send a broadcast message to Retailers to provide advance notice of system outages or incidents. The outbound call feature must allow notices by groups of Retailers (based on county, zip code, communication type, etc.).

RFP PART 8 – SALES AND MARKETING

Section 8.4, Table 82, Detail Requirement 28 is replaced in its entirety with the following:

28. GTECH must provide LSR support to service the Texas Lottery's Retailer base. GTECH must support growth in the Retailer base with an appropriate increase in GTECH's LSR staffing. GTECH must maintain an average staff-to-Retailer ratio of 1:143 (measured twice annually – September through February and March through August) in any State fiscal year. The average staff-to-Retailer ratio will be calculated using LSR positions to active Retailers and does not include swing representatives or promotional and training representatives. GTECH shall provide

the Texas Lottery a quarterly report of all LSR positions which shall be due the fifth Day following the end of each State fiscal quarter. The report shall include each LSR position title, name and location and the active number of Retailers as of the last day of the State fiscal quarter.

Section 8.4.1, Table 86, Item 2, is deleted in its entirety and replaced with “This Section intentionally left blank.”

Section 8.5, Table 92, Detail Requirement 20 is replaced in its entirety with the following:

20. GTECH must provide to the Texas Lottery a stand-alone, automated Random Number Generator (RNG), plus one backup RNG, to support player and/or Retailer incentives or promotions. The RNG must be reviewed and approved by the Texas Lottery and/or a third-party vendor selected by the Texas Lottery. GTECH shall be responsible for reimbursing the Texas Lottery for all certification costs.

Section 8.7, Table 97, Detail Requirement 4 is replaced in its entirety with the following:

4. GTECH must provide a variety of marketing materials and related equipment that fit the varying Retailer environments and placement criteria. Unless otherwise specified, at a minimum, GTECH must provide each Retailer the following materials/equipment:
- a) Playstation—A device that is stocked with Texas Lottery play slips and brochures readily available for customers to take and fill out, in addition to displaying current Lottery promotional material. GTECH must provide an adequate number of playstations to accommodate all licensed Retailers. GTECH must provide the Next Generation playstation model for up to 76% of the Retailer base, but only to those Retailers willing to accept such model, and must also provide as new the current Texas Lottery playstation model or Low Profile playstation model for the remainder of the Retailer base willing to accept such models;
 - b) Instant Ticket dispenser—The dispensers must be able to securely store, display and dispense all tickets and pack sizes offered by the Texas Lottery. GTECH must provide an adequate number of dispensers to accommodate the inventory selection maintained by the Retailer (on average, 24 Instant Ticket games, but with a range of 4 to 100 games). GTECH must also provide unique dispensers that can be used to market and sell specialized Lottery Products that may be offered from time to time (e.g., spotlight game, suite of games, etc.);
 - c) Neon Lottery Signs with attached LED/Starlite Signs—The LED/Starlite signs must include a scrolling messaging display that is remotely programmable by the Texas Lottery. Signs must be updated via wired/wireless communication through the Retailer Sales Terminal/Lottery Gaming System. GTECH shall provide as new neon lottery signs for up to 5% of the Retailer base, but only to those Retailers willing to accept such signs;
 - d) Jackpot Signs —A single three panel jackpot sign that must include LED display for two jackpot games (i.e. Mega Millions and Powerball) and a third panel with the Texas Lottery Logo displayed in the center. Included in the base system and services costs and offered at no additional expense to the Texas Lottery, GTECH shall provide

- jackpot signs for up to 65% of the Retailer base, but only to those Retailers willing to accept such signs; and
- e) Curb Signs –GTECH shall provide and install curb signs for up to 30% of the Retailer base, but only to those Retailers willing to accept such signs. GTECH shall first exhaust the inventory of curb signs currently at the Texas Lottery warehouse and shall provide additional curb signs as necessary throughout the term of the Contract. Specifications for such curb signs shall be subject to Texas Lottery approval.

The Texas Lottery reserves the sole right to approve the equipment recommended by GTECH. GTECH shall work with the Texas Lottery to jointly develop deployment criteria and requirements for playstation models, neon signs, jackpot signs and curb signs. Current deployment of marketing materials and related equipment can be found in RFP Attachment K, TLC Current State Operations.

Section 8.8, Table 100, Detail Requirement 10 is replaced in its entirety with the following:

10. GTECH must provide the Texas Lottery with the latest version of graphics programs that can provide sales analysis by county, zip code, city, or other criteria as designated by the Texas Lottery. Included in the base system and services and at no additional cost to the Texas Lottery, GTECH shall provide one Lottery User Prime Location License.

RFP PART 9 – WAREHOUSE AND DISTRIBUTION

Section 9.3.1, Table 108, Detail Requirement 10 is replaced in its entirety with the following:

10. All full pack ticket returns (processed by Terminal at Retailer) must be returned to the central distribution warehouse within thirty (30) Days from Retailer pickup.

Section 9.3.1, Table 108, Detail Requirement 11 is replaced in its entirety with the following:

11. All partial pack ticket returns (processed by Terminal at Retailer) must be returned to the central distribution warehouse within thirty (30) Days from Retailer pickup.

Attachment H, Annual Credit is replaced in its entirety with the following:

ANNUAL CREDIT

The Texas Lottery relies on marketing advice and expertise from GTECH in making business decisions about Lottery Products. As GTECH will be compensated under the Contract based on a percentage of Sales (see definition in the Glossary of Terms), it is important to the Texas Lottery that the interests of GTECH and the Texas Lottery are generally aligned to ensure the greatest return to the State of Texas, consistent with the Lottery's objectives in RFP Section 1.3. The prize payout percentage from the sale of Lottery Products is a significant factor in determining net revenue and must be considered by GTECH when providing advice and expertise to the Texas Lottery. GTECH shall provide credits to the Texas Lottery based on lottery sales and increases in the overall prize payout percentage for Texas Lottery games as follows:

Annual Credit Based on Increase in Overall Prize Payout Percentage. Effective upon successful conversion, and continuing through Contract term (and any renewals thereof), GTECH shall provide a yearly credit to the Texas Lottery equal to 12% of GTECH's annual incremental revenue from sales above those revenues from sales over the previous state fiscal year (September 1 through August 31) for every .1% increase (rounded to the nearest tenth) in the overall prize payout percentage for Texas Lottery instant and on-line games, using the prize payout percentage for the previous state fiscal year as the basis. Sales are defined as sold tickets processed by the Lottery Gaming System, less any tickets that have been canceled or returned, less any promotional tickets or promotional coupons and less any retailer adjustments. State Fiscal Year 2011 revenue and prize payout percentage will be the basis for the calculation for the state Fiscal Year beginning September 1, 2011. This credit calculation shall be conducted annually (in September) each state fiscal year and the Texas Lottery will withhold the credit, if any, from payments to GTECH. Such credit will not exceed 50% of GTECH's incremental annual revenue in any state fiscal year.

Annual Credit Based on Declining or Flat Lottery Sales and Increase in Overall Prize Payout Percentage. Effective upon successful conversion, and continuing through the Contract term (and any renewals thereof), GTECH shall provide a yearly credit to the Texas Lottery equal to 4.5% of the year-to-year decline (comparing current year dollar returns to the state to returns in the immediately preceding year), calculated on a modified accrual basis, in Texas Lottery monthly transfers to the state under Tex. Gov't Code Ann. § 466.355 (or as may be amended), excluding Texas Lottery transfers of any unspent administrative funds— provided, during the applicable period, (i) overall lottery sales are flat or decline and (ii) the overall prize payout percentage for Texas Lottery instant and on-line games increases by at least .1% (rounded to the nearest tenth). This credit calculation shall be conducted annually (in September) each state fiscal year and the Texas Lottery will withhold the credit, if any, from payments to GTECH. This Annual Credit section will be rendered null and void and no additional credits will be due if Texas law mandates a reduction to the prize payout percentage.

Annual Rebate Based on Increase in Sales. Effective upon successful conversion, and continuing through the Contract term (and any renewals thereof), GTECH shall provide a yearly rebate to the Texas Lottery based on exceeding sales thresholds outlined in Attachment 3, incorporated into and expressly made a part of this Contract. The rebates shall be calculated as follows:

REBATE

Rebate for exceeding Tier 1 Low Range Sales Threshold

GTECH shall provide a yearly rebate to the Texas Lottery equal to 20% of GTECH's annual revenue from sales for those sales in excess of the Tier 1 Low Range Sales threshold designated on Attachment 3 up to Tier 1 High Range Sales.

Rebate for exceeding the Tier 1 High Range Sales

GTECH shall provide a yearly rebate to the Texas Lottery equal to 25% of GTECH's annual revenue from sales for those sales in excess of the Tier 1 High Range Sales threshold designated on Attachment 3.

For the purpose of the rebate calculations, Sales are defined as sold tickets processed by the Lottery Gaming System, less any tickets that have been canceled or returned, less any promotional tickets or promotional coupons and less any retailer adjustments. This rebate calculation shall be conducted annually (in September) each state fiscal year and the Texas Lottery will withhold the rebate, if any, from payments to GTECH.

PART 5 GENERAL PROVISIONS

The following general provisions are specifically applicable to GTECH during this Contract, and shall survive the Contract where necessary:

A. Marketing and Advertising. No marketing or advertising related to this Contract may be conducted by GTECH without the prior written consent of the Texas Lottery.

B. Contractor Employees. GTECH shall assign the work required by this Contract only to those persons previously identified by GTECH in its Proposal by name, together with staff category, and who are reasonably satisfactory to the Texas Lottery. GTECH shall report on a quarterly basis, with deadlines to be supplied by the Texas Lottery, the number of full-time equivalent (FTE) employees used by GTECH or any subcontractors to provide goods and services under this Contract.

C. Contractor Standards. GTECH shall perform its responsibilities under this Contract by following and applying at all times the highest professional and technical guidelines and standards.

D. Contingencies. This Contract is subject to the following contingencies:

(1) GTECH's presentment of all bonds and insurance certificates in the form and amount required by the Texas Lottery in accordance with all Contract requirements.

(2) Satisfactory criminal history and background investigation report of GTECH in accordance with the requirements of the State Lottery Act (Chapter 466 of the Texas Government Code), including sections 466.103 and 466.155.

E. Improper Influence. GTECH hereby agrees that GTECH, its officers, directors, employees, agents, lobbyists, consultants, advisors and representatives shall not knowingly make a gift, loan or political contribution, either directly or indirectly, to any Texas State Officer or a member of the Texas State Legislature, during the term of this Contract. Any violation of this provision may, at the sole discretion of the Texas Lottery, result in either the immediate termination of this Contract or contract sanctions in the amount of \$10,000 for each occurrence.

As used herein, the following terms have the indicated meanings:

"Texas State Officer" means those persons whose duties concern the State of Texas at large or the general public, or who are authorized to exercise their official functions throughout the entire State, without limitation to any political subdivision of the State.

"Gift" has the meaning as defined in Tex. Gov't Code Ann. § 467.001(4) and as may be subsequently changed or amended by acts of the Texas Legislature.

F. Multiple Originals. This Contract is to be executed in five (5) identical copies, each of which shall be deemed an original.

PART 6 EQUAL OPPORTUNITY

GTECH agrees that all employees shall be recruited, hired, trained, assigned, promoted, transferred, downgraded, laid off, recalled and terminated based upon their own abilities, achievements and experience, and in compliance with the provisions of the Civil Rights Act of 1964 (42 USCA 2000e, *et. seq.*) and other applicable federal and state laws.

EXECUTED on this 14TH day of DECEMBER 2010, by a person having the authority to contractually bind GTECH Corporation.

GTECH Corporation

By: _____

Alan Eland
ALAN ELAND

Senior Vice President, GTECH Americas

EXECUTED on this 14th day of December 2010, by a person having the authority to contractually bind the Texas Lottery Commission.

TEXAS LOTTERY COMMISSION

By: _____

Gary Grief
GARY GRIEF

Executive Director

Attachment 1 - Sanctions Schedule
to Contract for Lottery Operations and Services
Between the Texas Lottery Commission and GTECH Corporation*

Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.6 Failure to Permit an Audit or Examination	Multiple	The failure of GTECH to permit financial or operational audits or examinations, to produce requested records, to provide information, or to provide a timely answer for an audit as required in Contract Sections 3.30, 3.31 and elsewhere in the Contract, may result in GTECH being assessed sanctions for each Day the audit/examination is not permitted, the records are not produced, information is not provided and/or the answer is not provided.	\$5,000 per Day or any part of a Day	Request by Auditor or Texas Lottery	Elapsed Time	100% Responsiveness to Auditor's Request	Total Sanction = Number of Days Past Due x Daily Sanction	None	None	Per Incident	None	Auditor's dated requests
3.60.7 Failure to Produce Accurate Records or Provide Accurate Information	Multiple	The failure of GTECH to produce accurate records or information may result in GTECH being assessed sanctions.	\$500 per incident	Notification by Texas Lottery	Accuracy	100% Accuracy of Records and Information	Accuracy Total Sanction = In-accurate Records/Information x Daily Sanction	\$500 per Day	None	Per Incident	None	Records/information Received
3.60.8 Failure to Produce Timely Records and/or Information	Multiple	The failure of GTECH to provide timely records and/or information may result in GTECH being assessed sanctions for each Day that the records and/or information are not provided after the requested due date.	\$5,000 per Day or any part of a Day	Notification by Texas Lottery	Elapsed Time	100% Responsive to Texas Lottery	Responsiveness Days Past Due = Compliance Date - Notification Date Total Sanction = Number of Days Past Due x Daily Sanction	None	None	Per Incident	None	Lottery's dated requests
3.60.9 Failure to Disclose Litigation	Multiple	The failure of GTECH to disclose any material civil or criminal litigation or indictment either threatened or pending as part of a monthly report as required in Contract Section 3.43 may result in GTECH being assessed sanctions.	\$1,000 per incident	Failure to Timely Disclose Litigation/Indictment	Complete and Accurate Report	100% of all Litigation Declared in Monthly Litigation Reports	Total Sanction = In-accurate Monthly Reports x Sanction Amount	None	None	Per Incident	Monthly	Receipt of Monthly Litigation Report
3.60.10 Failure to Obtain Prior Written Approval Before Issuing News Release	Multiple	The failure of GTECH to receive prior written approval from the Texas Lottery before issuing any news releases or publishing information to the public related to the Texas Lottery, as required in Contract Section 3.48 may result in GTECH being assessed sanctions.	\$100,000 per incident	News Release Published Without Approval	# of Unapproved News Releases	100% of Releases are Texas Lottery Approved	Total Sanction = Unapproved News Release x Sanction Amount	None	None	Per Incident	None	News Releases, Written Approvals of News Releases
3.60.11 Failure to Notify the Texas Lottery of Changes of Lobbyist, Consultant and/or Advisor Information	Multiple	The failure of GTECH to inform the Texas Lottery of any change of lobbyist, consultant or advisor information as required under Contract Section 3.51 may result in GTECH being assessed sanctions.	\$10,000 per incident	Annual Review of Texas Ethics Commission Records	# of Incidents Where Lobbyist, Consultant Changes Were Not Disclosed	100% Full Disclosure of Lobbyist, Consultant and/or Advisor Information	Total Sanction = Non-Disclosure of Lobbyist, Consultant and/or Advisor Changes x Sanction Amount	None	None	Yearly	None	Texas Ethics Commission Records, GTECH Employee Records
3.60.12 Failure to Comply with Non-Disclosure Terms	Multiple	The failure of GTECH, its agents and/or employees to comply with the terms of the non-disclosure requirements in Contract Section 3.53 may result in GTECH being assessed sanctions.	\$5,000 per incident	Discovery of Unauthorized Disclosure	# of Unauthorized Disclosures	100% Compliance with Non-Disclosure Statement	Total Sanction = Detected Disclosure x Sanction Amount	None	None	Per Incident	None	Media, RFP, Presentations, Other Lottery Related Documents

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Attachment 1 - Sanctions Schedule
to Contract for Lottery Operations and Services
Between the Texas Lottery Commission and GTECH Corporation*

Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.13 Unauthorized Purchase of Texas Lottery Tickets	Multiple	Any failure of GTECH to comply with the prohibition set forth in Contract Section 3.55 against the purchase or claiming of a prize in any Texas Lottery game by any member, officer or employee of GTECH, or that member's, officer's or employee's spouse, child, brother, sister or parent who resides in the same household in the principal place of residence of such member, officer or employee may result in GTECH being assessed sanctions.	\$5,000 per incident	System Logs Attempt of GTECH Personnel to Claim Winnings at Claim Center	GTECH Employees and/or their Family Members Attempting to Claim Lottery Winnings	100% Compliance with Tex. Gov't Code Section 466.254	Total Sanction = Detected Violation x Sanction Amount	None	None	Per Incident	None	Claim Center Database including GTECH employees' information
3.60.14 Failure to Report Significant Incidents and Anomalies	Multiple	The failure of GTECH immediately to report, as set forth in Contract Section 3.72, all significant incidents and anomalies to the Executive Director or designee may result in GTECH being assessed sanctions.	\$1,000 per occurrence per Day or part of a Day	Lottery Gaming System Incidents, Retailer Terminal Incidents, Terminal Availability Monitoring, Terminal Performance Monitoring (Transaction & Throughput)	Notification	100% Immediate Notification of all Incidents and Anomalies	Total Sanction = Days (or Part of Days) Past Due x Daily Sanction	None	None	Per Incident	None	Retailer Terminal Incident Report, Timestamps from Availability / Performance Monitoring Software, Call Center Log, Incident Management System
3.60.15 Failure to Timely Notify the TLC of a Change in Financial Condition, Change in Key Management, or Change of Ownership	Multiple	If GTECH fails to notify timely the Texas Lottery of a change in financial condition as described in RFP Section 4.7.2 and elsewhere in the Contract, or change of ownership or control, or change in Key Management as described in Contract Section 3.12.2 and elsewhere in the RFP, GTECH may be assessed sanctions.	\$1,000 per Day or part of a Day	Failure to Provide Timely Notice	# of Days Late on Reporting Changes in Financial Condition, Key Management Changes, or Ownership Changes	100% Timely Notice of Key Financial, Key Management, and Key Ownership Data	Total Sanction = Number of Days Late x Sanction Per Day	None	None	Per Incident	None	Financial and Management Reports
3.60.16 Failure to Provide Information and/or Cooperate Fully with Contract Compliance Review	6.5 Compliance Review	The failure of GTECH to provide information and/or to cooperate fully with any Contract compliance review may result in GTECH being assessed sanctions.	\$1,000 per Day or any part of a Day	Notification by Texas Lottery	Elapsed Time	100% Cooperation with Contract Compliance Reviews	Days Past Due = Compliance Date - Request Date Total Sanction = Number of Days Past Due x Daily Sanction	None	None	Per Incident	None	Notification from Auditors/Compliance Reviewers of Responsiveness
3.60.17 Failure to Correct Audit and/or Compliance Finding	6.5 Compliance Review	The failure of GTECH to take prompt corrective action in response to any Lottery audit finding may result in GTECH being assessed sanctions.	\$5,000 per incident plus an additional \$5,000 per week, or portion thereof, until the problem noted in the audit/compliance finding is corrected.	Incomplete Resolutions to Audit or Compliance Findings	Incomplete Resolutions to Audit or Compliance Findings	100% Prompt Resolution to Audit or Compliance Findings	Number of Days of Delayed Resolution = Resolution Date - Resolution Due Date Total Sanction = [(# of Incidences of Delayed Resolution) x \$5,000] + [(Number of Days of Delayed Resolution / 7) x \$5,000]	None	Texas Lottery Written Approval	Per Audit/Compliance Review	None	Audit/Compliance Review Findings & Resolution Tracking

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Attachment 1 - Sanctions Schedule
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Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.18 Failure to Receive TLC Written Approval At Least Twenty Four (24) Hours in Advance for Visitors to the Central Distribution Warehouse	6.6 - Facilities Support Services	The failure of GTECH to give written notice to and get written approval from the Texas Lottery at least twenty-four (24) hours prior to access by any visitors to the central distribution warehouse may result in GTECH being assessed sanctions.	\$1,000 per incident	Reports from Warehouse Employees, Review of Security Camera Footage or Warehouse Sign-in Logs	Unauthorized Warehouse Visits	100% of Warehouse Visitors Approved by the Texas Lottery at Least 24 Hours in Advance	Number of Incidents = Visitors Not Approved by the Texas Lottery at Least 24 Hours in Advance Total Sanction = Incidents of Visitors Not Approved x Sanction per Incident	None	None	Per Incident	None	Warehouse sign-in sheets, Visitor Approval Records
3.60.19 Failure to Comply with Title 1 TAC 202 Information Security Standards	6.7 - Business Continuity and Disaster Recovery and 7.8 System Security	The failure of GTECH to take corrective action in response to any Lottery audit or compliance finding related to Texas Administrative Code ch. 202 - Information Security Standards, in the timeframe listed in the management response and agreed to by the Texas Lottery may result in GTECH being assessed sanctions.	\$10,000 per incident plus an additional \$10,000 per week (prorated) until the problem noted in the audit/compliance finding is corrected.	Incomplete Resolutions to Audit or Compliance Findings	Incomplete Resolutions to Audit and/or Compliance Findings	100% Resolution to Audit or Compliance Findings within by agreed deadline	Number of Days of Delayed Resolution = Resolution Date - Resolution Due Date Total Sanction = [(# of Incidences of Delayed Resolution) x \$10,000] + [(Number of Days of Delayed Resolution / 7) x \$10,000]	None	Texas Lottery Written Approval	Per Audit/Compliance Review	None	Audit/Compliance Review Findings & Resolution Tracking
3.60.20 Failure to Backup and Restore Data in a Manner and/or Format for Business Processing	6.7 - Business Continuity and Disaster Recovery	The failure of GTECH to backup and restore data in a manner and/or format for business processing may result in GTECH being assessed sanctions.	\$10,000 per incident	Incomplete or Unavailable Data to Restore	Incomplete Data Backups or Restore	100% Data Backup and Restore	Total Sanction = Incident of Failed Backup and Restore x Sanction per Incident	None	None	Per Incident	None	Availability of Backup Data
3.60.21 Failure to Perform Retailer Training	6.8 - Training	The failure of GTECH to provide training for a retailer as required in RFP Section 6.8 may result in GTECH being assessed sanctions.	\$200 per incident and \$100 per Day or part of a Day	Missed Milestones	Elapsed Time	100% of Training Complete On time	Number of Days Past Due = Training Date - Required Training Date Total Sanction = Sanction per Incident + [Number of Days Past Due x Sanction Per Day]	None	Texas Lottery Written Approval	Per Incident	Monthly	Training Logs & Schedules
3.60.22 Failure to Perform Retailer Retraining	6.8 - Training	The failure of GTECH to perform retraining for a retailer within seven (7) Days of written notice from the Texas Lottery may result in GTECH being assessed sanctions.	\$200 per incident and \$100 per Day or part of a Day	Missed Milestones	Elapsed Time	100% of Re-Training Complete on Time	Number of Days Past Due = Training Date - Required Training Date Total Sanction = Sanction per Incident + [Number of Days Past Due x Sanction Per Day]	None	Texas Lottery Written Approval	Per Incident	Monthly	Training Logs & Schedules
3.60.23 Failure to Implement New On-Line Games	7.2.1 - On-Line Game Development	The failure of GTECH to implement any new On-Line games as scheduled may result in GTECH being assessed sanctions.	\$100,000 per Day or part of a Day	Missed Deadline for New On-Line Game	Elapsed Time	100% On Time Delivery of New Games	Number of Days Late = On-Line Game Implementation Date - On-Line Game Due Date Total Sanction = Number of Days Late x Sanction Per Day	None	Texas Lottery Written Approval	Per Incident	None	Monitoring of On-Line Game Project Schedule
3.60.24 Failure to Conduct Intellectual Property Search	7.2.1 - On-Line Game Development	The failure of GTECH to conduct, as required by Contract Section 3.28, all appropriate intellectual property searches (e.g., full copyright, trademark or service mark or patent searches) for all proposed Works, to ensure that the proposed Works are protectable by the Texas Lottery and do not infringe the Intellectual Property Rights of any third person or entity may result in GTECH being assessed sanctions.	\$10,000 per incident	Alleged Infringement	Completion of intellectual property Searches	100% of Intellectual Property Searches Completed	Total Sanction = Number of Incidents x Sanction Per Incident	None	None	Per Incident	None	Infringement Notification

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Attachment 1 - Sanctions Schedule
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Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.25 Failure to Update Jackpot Amount Throughout the Lottery Gaming System	7.2.3 - Drawings	The failure of GTECH to enter the new estimated jackpot(s) into the Lottery Gaming System within four (4) hours after the draw break process has been completed, may result in GTECH being assessed sanctions.	\$10,000 per incident and \$1,000 per hour after the first hour.	Retailer and Player Complaints	Elapsed Time	100% Jackpots Updated On time	Sanction Hours = Jackpot Actual Update Time - Completion of Draw - 4 Hours Total Sanction = Incident Sanction + (Sanction Hours x Sanction Per Hour)	None	Texas Lottery Written Approval for high sales Days; for multi-jurisdiction games, any extraordinary events outside of GTECH's control.	Daily	None	Retailer & Player Complaints
3.60.26 Lottery Gaming System Inability to Cash Winning Tickets at a Retailer Location (All On-Line Games or All Instant Ticket Games)	7.4 - Claims and Validation	If the Lottery Gaming System will not cash any tickets for all On-Line games or any tickets for all of the available instant games due to a Lottery Gaming System problem, GTECH may be assessed sanctions after the first two (2) minutes such circumstance exists (referred to as "grace time"); a maximum of five (5) two-minute periods of grace time per week. This calculation will be made for all On-Line games affected or when all available instant games are affected.	\$1,000 per minute or part of a minute after two (2) minutes (maximum of five (5) 2 minute grace periods per week)	Retailer Complaints, Downtime Notification, Application Availability and Performance Monitoring Alerts, Retailer Hotline	Availability	100% Availability with up to five (5) two-minute grace periods per week	Calculated based on application availability time stamp in log file or monitoring program Downtime = Application Availability (After Outage) Time Stamp - Application Availability (Before Outage) Time Stamp - Grace Time Total Sanction = Downtime x Sanction per Minute	\$250,000 per Day	Texas Lottery Approved Scheduled Downtime	Per Incident	Monthly	Application Availability and Performance Monitoring Logs, Incident Management System
3.60.27 Lottery Gaming System Inability to Cash Winning Tickets at a Retailer Location (Specific On-Line Game or One or More Instant Ticket Games)	7.4 - Claims and Validation	If the Lottery Gaming System will not cash a ticket for a specific On-Line game or one or more instant game(s) due to a Lottery Gaming System problem, GTECH may be assessed sanctions. This sanction will be separately calculated and assessed for each On-Line game affected and/or instant games as a whole, but not each instant game affected.	\$5,000 for first four (4) hours; \$10,000 per hour or part of an hour thereafter	Retailer Complaints, Downtime Notification, Application Availability and Performance Monitoring Alerts, Retailer Hotline	Availability	100% Availability	Calculated based on application availability time stamp in log file or monitoring program Downtime = Application Availability (After Outage) Time Stamp - Application Availability (Before Outage) Time Stamp Total Sanction = Downtime x Sanction per Hour	None	Texas Lottery Approved Scheduled Downtime	Per Incident	Monthly	Application Availability and Performance Monitoring Logs, Incident Management System
3.60.28 Lottery Gaming System Inability to Cash Winning Tickets at a Texas Lottery Claim Center	7.4 - Claims and Validation	If any Texas Lottery claim center is open for business but unable to cash winning tickets and process a claim due to a Lottery Gaming System problem, GTECH may be assessed sanctions after the first two (2) minutes such circumstance exists (referred to as "grace time"); provided, however, that GTECH will be allowed a maximum of five (5) two-minute periods of grace time per week.	\$2,000 per minute or part of a minute after two (2) minutes (maximum of five (5) 2 minute grace periods per week)	Claim Center Downtime Notification, Application Availability and Performance Monitoring Alerts	Availability	100% Availability with five (5) two-minute grace periods per week	Calculated based on application availability time stamp in log file or monitoring program Downtime = Application Availability (After Outage) Time Stamp - Application Availability (Before Outage) Time Stamp - Grace Time Total Sanction = Downtime x Sanction per Minute	\$100,000 per Day	Texas Lottery Approved Scheduled Downtime	Per Incident	Monthly	Application Availability and Performance Monitoring Logs, Incident Management System, Check Printing Log Files
3.60.29 Inability of the Lottery Gaming System to Conduct Retailer, Licensing, Inventory, Accounting, or Other Management Functions	7.6.1 - System Configuration and Capacity	If any Lottery Management functions required by Texas Lottery staff to conduct business (as determined by the Texas Lottery in its sole discretion) are unavailable, GTECH may be assessed sanctions after the first hour such circumstance exists (referred to as "grace time"); provided, however, that GTECH will be allowed a maximum of one (1) one-hour period of grace time per week.	\$1,000 per hour (after the first hour) and then \$500 per additional hour or part of an hour	Unavailable Instant Ticket inventories, Retailer Management Functions, Licensing Management, or other Management Function Failures	Availability	100% Availability With one 1 Hour Grace Period Per Week	Calculated based on application availability time stamp in log file or monitoring program Downtime = Application Availability (After Outage) Time Stamp - Application Availability (Before Outage) Time Stamp - 1 Hour Total Sanction = Downtime x Sanction per Hour	None	Texas Lottery Approved Scheduled Downtime	Per Incident	Monthly	Management System Logs, Incident Management System

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Attachment 1 - Sanctions Schedule
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Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.30 Performance Degradation	7.6.1 - System Configuration and Capacity	The Lottery Gaming System's performance shall not be degraded during the daily operational sales period for more than two (2) cumulative minutes per Day or GTECH may be assessed sanctions. The Lottery Gaming System shall be deemed to be operating with degraded performance if one or more of the following conditions exist: a. 20% or more of single wager tickets are not produced within four (4) seconds of data entry. b. 20% or more of multi-wager tickets are not produced within six (6) seconds of data entry. c. 20% or more of other transactions are not processed within eight (8) seconds.	\$200 per minute or part of a minute that the Lottery Gaming System functions are degraded after a two (2) minute cumulative grace period per Day	Automated Performance Monitoring Alerts	Transactions Speeds	Over 80% of Transactions Processed On Time	Degraded Transaction = Transaction Complete Time - Transaction Start Time > Transaction Deadline Regular Transaction = Transaction Complete Time - Transaction Start Time <= Transaction Deadline Sanction Time = Degraded Performance Time End - Degraded Performance Time Begin - 2 Minute Grace Period Per Day Total Sanction = Sanction Time x Sanction Per Minute	None	None	Per Minute	Daily	Automated Performance Monitoring Software
3.60.31 Failure to Test Backup Lottery Gaming System	7.6.1 - System Configuration and Capacity	The failure of GTECH to test the backup Lottery Gaming System each month may result in GTECH being assessed sanctions.	\$10,000 per incident	Scheduled Test Date Missed	Completion of Testing of Backup Lottery Gaming System on Schedule	100% On Time Testing of Backup Lottery Gaming System	Total Sanction = # of Missed Tests of Backup System x Sanction Per Incident	None	None	Monthly	Monthly	Backup Testing Reports
3.60.32 Failure of the Lottery Gaming System to Execute Planned On-Line Promotion	7.6.3 - Sales and Marketing System General Requirements	If the Lottery Gaming System fails to execute a planned On-Line promotion as configured by GTECH and approved by the Texas Lottery, GTECH may be assessed sanctions.	\$25,000 per incident and GTECH must pay any additional costs incurred by the Texas Lottery from the incident (e.g., promotion runs in more areas than intended, resulting in higher prize liability borne by the Texas Lottery for more prizes being won)	Missed Milestones or Improper Execution	Elapsed Time	100% Planned Promotions Executed Successfully	Total Sanction = (Promotion Not Executed According to Plan x Sanction) + Additional Costs Incurred by Texas Lottery	None	Texas Lottery Written Approval	Per Incident	None	Promotion Go-Live Records
3.60.33 Failure to Provide Software Fixes and/or Enhancements	7.7 - Change and Release Management	If GTECH fails to provide software fixes and/or enhancements to the Lottery Gaming System per an agreed upon schedule, GTECH may be assessed sanctions.	\$1,000 per Day or part of a Day	Missed Milestones or Deliverables	Elapsed Time	100% On Time Delivery of Software Fixes and/or Enhancements	Days Late = Date Fix/Enhancement Delivered - Date Fix/Enhancement Due Total Sanction = Days Late x Sanction Per Day	None	None	Per Incident	None	Schedule of Fixes and/or Enhancements
3.60.34 Failure to Implement Change or Release Management as Required under RFP Section 7.7	7.7 - Change and Release Management	If GTECH fails to implement any change or release to the Lottery Gaming System as required under RFP Section 7.7, GTECH may be assessed sanctions.	\$25,000 per incident	Change or Release not implemented in accordance with RFP Section 7.7	Incidents	100% of Changes and Releases implemented as required in RFP Section 7.7	Total Sanction = Change or Release Not Implemented as Required * Sanction Per Incident	None	Texas Lottery Written Approval	Per Incident	None	Incidents attributable to a Change or Release
3.60.35 Failure to Comply with Title 1 TAC 202 Resulting in a Security Incident	7.8 - System Security	The failure of GTECH to comply with Texas Administrative Code Title 1 ch. 202 - Information Security Standards, resulting in a security incident may result in GTECH being assessed sanctions.	\$100,000 per incident	System Errors, Unauthorized Access, Release of Unauthorized Data	Compliance	No Security Incidents	Total Sanction = Security Incident x Sanction Per Incident	None	None	Per Incident	None	Incidents attributable to Title 1 TAC 202 non-compliance

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Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.36 Failure to Provide New Reports and/or to Modify Existing Reports	7.9 - Reporting	IF GTECH fails to provide new reports and/or to modify existing reports within thirty (30) Days of written request by the Texas Lottery, GTECH may be assessed sanctions.	\$1,000 per Day or part of a Day	Missed Deliverables	Elapsed Time	100% On Time Delivery of Reports	Days Late = Date Report Delivered - Date Report Requested - 30 Days Total Sanction = Days Late x Sanction Per Day	None	None	Per Incident	None	Requested Report List, List of Existing Reports
3.60.37 Inability of the Internal Control System to Update Lottery Applications	7.10 - ICS System and Vendor Requirements	If the Internal Control System fails to update Texas Lottery downstream applications, by the date and time specified in the data exchange report, due to failure of the Lottery Gaming System, GTECH may be assessed sanctions.	\$1,000 per incident for up to 4 hours; After 4 hours, \$1,000 for each hour or part of an hour	Automated Alert	On Time Application Updates	100% On Time Updates	Downtime = Application Updated Time Stamp - Application Update Deadline - 4 Hours Total Sanction = Incident Sanction + (Downtime x Sanction per Hour)	None	This sanction shall not apply to a failure to update that occurs during implementation of a software download, enhancement or other modification, Lottery Gaming System hardware change and/or Lottery Network change for which prior written approval has been obtained from the Texas Lottery.	Per Incident	None	System Logs
3.60.38 Out-of-balance Condition Between ICS and Lottery Gaming Systems	7.10 - ICS System and Vendor Requirements	If an out-of-balance condition exists in transactions or amounts between ICS and the Lottery Gaming System during nightly transaction processing and is determined to be the result of the Lottery Gaming System processing, GTECH may be assessed sanctions.	\$1,000 per incident	Automated Alert	Accuracy	100% of Transactions and Amounts Between ICS & Lottery Gaming System Balance	Sanction amount for each incident when ICS balances do not equal GTECH balances	None	None	Per Incident	None	ICS Processing Report
3.60.39 Failure to Load Debit, Credit, and/or New Retailer Files From the Tx Lottery into the Lottery Gaming System	7.10 - ICS System and Vendor Requirements	The failure of GTECH to load debit, credit and/or new Retailer files from the Texas Lottery into GTECH's Lottery Gaming System within four (4) hours after receipt of the files may result in GTECH being assessed sanctions.	\$10,000 per incident and \$1,000 per hour after four (4) hours	System Errors	Elapsed Time	100% On Time Load of Debit, Credit, and New Retailer Files into GTECH's Lottery Gaming System	Sanction Hours = File Load Time - File Receipt from Texas Lottery - 4 Hours Total Sanction = Incident Sanction + (Sanction Hours x Sanction Per Hour)	None	None	Daily	None	Retailer Complaints, ICS and Lottery Gaming Software
3.60.40 Inability of the Lottery Gaming System to Confirm or Activate Instant Ticket Packs (All Retailers)	7.11 - System Supported Terminal Functions	If all Texas Lottery Retailers are unable to confirm or activate Instant Ticket packs, GTECH may be assessed sanctions after the first five (5) minutes such circumstance exists (referred to as "grace time") and for each additional thirty (30) minutes that the issue is not resolved; provided, however, that GTECH will be allowed a maximum of five (5) five-minute periods of grace time per week.	\$50,000 per incident after five (5) minutes (maximum of 5 grace periods per week) and thereafter \$50,000 for every thirty (30) minutes or every part thereafter	Retailer Complaints, Instant Ticket Warehouse Complaints, Downtime Notification, Application Availability and Performance Monitoring Alerts	Availability	100% Availability with five (5) five-minute grace periods per week	Calculated based on application availability time stamp in log file or monitoring program Downtime = Application Availability (After Outage) Time Stamp - Application Availability (Before Outage) Time Stamp - Grace Time Total Sanction = Downtime * Sanction Per Half-Hour	None	Texas Lottery Approved Scheduled Downtime	Per Incident	Monthly	Application Availability Monitoring Logs, Incident Management System

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Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.41 Inability of a Texas Lottery Retailer to Confirm or Activate Instant Ticket Packs (Single Retailer)	7.11 - System Supported Terminal Functions	If a Texas Lottery Retailer is unable to confirm or activate Instant Ticket packs, GTECH may be assessed sanctions.	\$1,000 per hour for the first 4 hours after failed attempt to confirm or activate Instant Ticket Packs; \$5,000 per hour or part of an hour thereafter	Retailer Complaints, Warehouse Complaints, Downtime Notification, Application Availability and Performance Monitoring Alerts	Availability	100% Availability	Calculated based on application availability time stamp in log file or monitoring program Downtime = Application Availability (After Outage) Time Stamp - Application Availability (Before Outage) Time Stamp Total Sanction = Downtime x Sanction per Hour	\$50,000 per Day	Texas Lottery Approved Scheduled Downtime	Per Incident	Monthly	Application Availability Monitoring Logs, Incident Management System
3.60.42 Inability of the Lottery Gaming System to Produce Accurate Terminal Reports or Make Terminal Reports Available	7.11 - System Supported Terminal Functions	If the Lottery Gaming System fails to produce accurate terminal reports or if terminal reports are unavailable, GTECH may be assessed sanctions after the first ten (10) minutes such circumstance exists (referred to as "grace time") and for each additional hour that the issue is not resolved; provided, however, that GTECH will be allowed a maximum of five (5) ten-minute periods of grace time per week.	\$5,000 per hour after 10 minutes (maximum of 5 grace periods per week) and \$5,000 per hour for each hour or part of an hour thereafter	Terminal Reports Not Received, Inaccuracies Detected in Reports	Accuracy, Elapsed Time	100% Available and Accurate Reports	Unavailable Report Sanction Hours = Time Report Received - Time Report Due - Grace Time Inaccurate Report Sanction Hours = Time Report Corrected - Time Report Due - Grace Time Total Sanction = Unavailable/Inaccurate Report Sanction Hours x Sanction Amount	\$50,000 per Day	None	Per Incident	None	Terminal Reports Log
3.60.43 Failure to Install, Relocate or Remove Lottery Sales and/or Validation Equipment	7.12.1 - Installation, Relocation and Removal	The failure of GTECH to install, relocate, or remove lottery sales and/or validation equipment within three (3) Working Days of notification by the Texas Lottery may result in GTECH being assessed sanctions.	\$300 per Day or part of a Day per service request	Missed Milestones	Elapsed Time	100% On Time Installation / Move / Removal of Lottery Sales and /or Validation Equipment	Number of Days Past Due = Installation, Relocation or Removal Date - Expected Install, Relocation or Removal Date Total Sanction = Number of Days Past Due x Sanction Per Day	None	Texas Lottery Written Approval	Per Incident	Monthly	Equipment Install Plans
3.60.44 Failure to Install, Relocate or Remove Lottery Non-Sales and/or Validation Equipment	7.12.1 - Installation, Relocation and Removal	The failure of GTECH to install, relocate, or remove lottery non-sales and/or validation equipment within three (3) Working Days of notification by the Texas Lottery may result in GTECH being assessed sanctions.	\$100 per Day or part of a Day per service request	Missed Milestones	Elapsed Time	100% On Time Installation / Move / Removal of Non-Sales and/or Validation Equipment	Number of Days Past Due = Installation, Relocation or Removal Date - Expected Install, Relocation or Removal Date Total Sanction = Number of Days Past Due x Sanction Per Day	None	Texas Lottery Written Approval	Per Incident	Monthly	Equipment Install Plans
3.60.45 Failure to Resolve a Lottery Non-Sales and/or Validation Problem within the Specified Timeframe	7.12.2 - Installation, Relocation and Removal 8.7 - Marketing Material and Related Equipment	The failure of GTECH to resolve all Lottery non-sales and/or validation equipment problems and return the equipment to service within three (3) Days of notification may result in GTECH being assessed sanctions.	\$100 per Day or part of a Day until equipment is returned to service	Retailer Hotline, Automated Alert from Incident Management System	Response Time	100% Response and Resolution to Retailer Service Calls On Time	Number of Days Past Due = Date/Time of Return to Service - 3 Days (72 hours) Total Sanction = Number of Days Past Due x Sanction Per Day	None	Texas Lottery Written Approval	Per Incident	Monthly	Incident Reporting, Retailer Hotline

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Between the Texas Lottery Commission and GTECH Corporation*

Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.46 Call Center Answer Time	7.13 - Call Center Support	The failure of GTECH to answer 95% of all calls (answered or abandoned) in forty-five (45) seconds or less during any bi-weekly period may result in GTECH being assessed sanctions. "Bi-weekly" is defined as a fourteen (14) Day period beginning at 12 a.m. on Sunday and ending at 11:59 p.m. on Saturday. Bi-weekly periods will be considered an independent event; "rolling" bi-weekly periods will not be utilized.	\$25 per call	Review of Texas Lottery Retailer Call Center Reports, Automated Alerts	Answer Time	95% of inbound calls to be answered within forty-five (45) seconds	Answer Time = Call Answered Time - Time Reached Menu Destination Total Sanction = [(# of calls with answer time >45 seconds) - (5% x # of inbound calls)] x \$25	Maximum Combined Sanction for Sections 3.60.46, 3.60.47, 3.60.48, and 3.60.49 within any bi-weekly period, not to exceed \$25,000	None	Bi-weekly	Monthly	Automated Call Center Reporting
3.60.47 Call Center Busy Signal Time	7.13 - Call Center Support	The failure of GTECH to support 99% of all calls without a busy signal during any bi-weekly period may result in GTECH being assessed sanctions. "Bi-weekly" is defined as a fourteen (14) Day period beginning at 12 a.m. on Sunday and ending at 11:59 p.m. on Saturday. Bi-weekly periods will be considered an independent event; "rolling" bi-weekly periods will not be utilized.	\$25 per call	Review of Texas Lottery Retailer Call Center Reports, Automated Alerts	Calls With Busy Signals	99% of all calls received without a busy signal	No Busy Signal Percent = # of Calls Without Busy Signal / Total Number of Calls Total Sanction = [(# of calls with busy signal) - (1% x # of inbound calls)] x \$25	Maximum Combined Sanction for Sections 3.60.46, 3.60.47, 3.60.48, and 3.60.49 within any bi-weekly period, not to exceed \$25,000	None	Bi-weekly	Monthly	Automated Call Center Reporting, Phone Carrier Service Reporting
3.60.48 Call Center Abandonment Rate	7.13 - Call Center Support	The failure of GTECH to maintain a call abandonment rate less than or equal to 5% during any bi-weekly period may result in GTECH being assessed sanctions. "Bi-weekly" is defined as a fourteen (14) Day period beginning at 12 a.m. on Sunday and ending at 11:59 p.m. on Saturday. Bi-weekly periods will be considered an independent event; "rolling" bi-weekly periods will not be utilized.	\$25 per call	Review of Texas Lottery Retailer Call Center Reports, Automated Alerts	Abandonment Rate	Call Abandonment Rate not to exceed 5%	Abandonment Rate = Hang-ups Within thirty (30) Seconds of Reaching Menu Destination / Total Calls Received Total Sanction = [(# of calls with hang-ups within 30 seconds of reaching menu destination) - (5% x # of inbound calls)] x \$25	Maximum Combined Sanction for Sections 3.60.46, 3.60.47, 3.60.48, and 3.60.49 within any bi-weekly period, not to exceed \$25,000	None	Bi-weekly	Monthly	Automated Call Center Reporting
3.60.49 Call Center Hold Time	7.13 - Call Center Support	The failure of GTECH to maintain a maximum hold time that does not exceed two (2) minutes per call may result in GTECH being assessed sanctions.	\$25 per call	Review of Texas Lottery Retailer Call Center Reports, Automated Alerts	Call Hold Time	Maximum hold time not to exceed two (2) minutes per call	Hold Time = Time Until Live Agent Reached Total Sanction = (# of calls with hold time >2 minutes) x \$25	Maximum Combined Sanction for Sections 3.60.46, 3.60.47, 3.60.48, and 3.60.49 within any bi-weekly period, not to exceed \$25,000	None	Bi-weekly	Monthly	Automated Call Center Reporting

*All sanctions and liquidated damages shall be subject to the maximum daily total set forth in Contract Section 3.61.5.

Attachment 1 - Sanctions Schedule
to Contract for Lottery Operations and Services
Between the Texas Lottery Commission and GTECH Corporation*

Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.50 Call Center Availability	7.13 - Call Center Support	Any service interruption of the service desk that exceeds fifteen (15) minutes per week may result in GTECH being assessed sanctions. "Weekly" is defined as a seven (7) Day period beginning at 12 a.m. on Sunday and ending at 11:59 p.m. on Saturday. Weekly periods will be considered an independent event; "rolling" weekly periods will not be utilized.	\$10,000 per hour or part of an hour after one 15 minute grace period per week	Review of Texas Lottery Retailer Call Center Reports, Automated Alerts	Call Center Availability	100% Availability of Service Desk (with one 15 minute grace period per week)	Availability = System Available Timestamp - System Down Start Timestamp - 15 minutes Total Sanction = Availability x Sanction Per Hour	None	None	Weekly	Monthly	Automated Call Center Reporting
3.60.51 LSR Visits	8.4.1 - Retailer Visit	If GTECH's Lottery Sales Representatives fail to visit each Retailer at least once during each two (2) week sales cycle, GTECH may be assessed sanctions.	\$250 per incident	Retailer Complaints, Exception Reports	On Time Attendance	100% On Time Attendance At Each Retailer	Retailer Sanction Incident = LSR Card Scan Day - Last LSR Card Scan Day - 14 Days Total Sanction = Retailer Sanction Incident x Sanction Per Incident	None	Texas Lottery Written Approval	Monthly	Monthly	Retailer Visit Report or Log
3.60.52 This Section intentionally left blank.												
3.60.53 Failure to Properly Process or Assign On-Line Ticket Stock	8.4.1 - Retailer Visit	The failure of GTECH to properly process or assign On-Line Ticket stock for Retailers may result in GTECH being assessed sanctions.	\$100 per roll	Retailer Complaints	# of Rolls of Mispromessed On-Line Ticket Stock	100% Properly Processed On-Line Ticket Stock	Total Sanction = # of Rolls of On-Line Ticket Stock Mispromessed x Sanction Per Roll	None	None	Per Incident	Monthly	Retailer Inventory
3.60.54 Improperly Processed Packs of Instant Tickets	8.4.2 - LSR Ticket Retrieval, Transfers & Returns	If GTECH improperly processes packs of Instant Tickets, GTECH may be assessed sanctions.	\$100 per pack	Retailer Hotline, Warehouse Scanning	# of Improperly Packaged, Damaged, or Missing Tickets	100% Properly Processed Packs of Tickets	Total Sanction = Improperly Processed Packs x Sanction Per Pack	None	None	Per Incident	Monthly	Warehouse Records, Shipping Records, Retailer Hotline
3.60.55 Failure to Support a Promotional Event	8.6 - Promotional Events & Retailer Promotions	The failure of GTECH to support a scheduled promotional event as required under RFP section 8.6 may result in GTECH being assessed sanctions.	\$5,000 per Day-pro-rated across 10 hour Day	Notification to Texas Lottery of Late or Missing GTECH Staff Assigned to the Event and/or Not Fully Prepared at the Promotional Event	On Time Attendance, Preparation, Equipment Availability & Usability	100% support based on Texas Lottery Promotional Event Schedule	Total Sanction = (CEILING)(Number of Hours Late or Equipment Unusable / 10) x \$5,000	None	None	Per Incident	None	Promotional Event Follow-Up Reports, Problem Notifications from Event Attendees
3.60.56 Inability to Program the Programmable Signs	8.7 - Marketing Materials & Related Equipment	If the Lottery's interface to update programmable sign messaging is unavailable or otherwise not able to be accessed by Texas Lottery staff, GTECH may be assessed sanctions.	\$1,000 per hour or part of a hour	Retailer Complaints, Application Error Reports	Ability to Program Signs	100% Ability to Program Signs	Number of Hours Downtime = Programmable Sign Interface Available Timestamp - Programmable Sign Interface Unavailable Timestamp Total Sanction = Number of Hours Downtime x Sanction Per Hour	None	None	Per Incident	None	Error Messages from Sign Programming Software
3.60.57 Inability of the Programmable Signs to Communicate	8.7 - Marketing Materials & Related Equipment	If GTECH's interface to update the programmable signs is not functioning, GTECH may be assessed sanctions.	\$1,000 per hour or part of a hour	Retailer Complaints, Application Error Reports	Ability for the Program Signs to Communicate	100% Ability to Update Signs	Number of Hours Downtime = Programmable Sign Communication Available Timestamp - Programmable Sign Communication Unavailable Timestamp Total Sanction = Number of Hours Downtime x Sanction Per Hour	None	None	Per Incident	None	Error Messages from Sign Communication Software
3.60.58 Failure to Load Instant Game Files within Specified Timeframe	9.2 - New Instant Ticket Delivery and Storage	In the event GTECH fails to load Instant Ticket game files within three (3) Days of notification by the Texas Lottery, GTECH may be assessed sanctions.	\$1,000 per Day or part of a Day	Missed Milestones	Elapsed Time	100% Instant Game Files Loaded On time	Number of Days Past Due = Actual Load Time - Texas Lottery Request Received Date - 3 Days Total Sanction = Number of Days Past Due x Sanction Per Day	None	None	Per Incident	None	Game Load Logs & Date of Texas Lottery Requests

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Attachment 1 - Sanctions Schedule
to Contract for Lottery Operations and Services
Between the Texas Lottery Commission and GTECH Corporation*

Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.59 Instant Ticket Packs not Delivered to Texas Lottery Retailers	9.3 - Instant Ticket Delivery	If any orders for packs of Instant Tickets received for processing at the central distribution warehouse Monday through Thursday are not delivered to the Retailer location within thirty six (36) hours of order receipt, or if any orders for packs of Instant Tickets received for processing by the central distribution warehouse on Friday are not delivered to the Retailer location within seventy two (72) hours of order receipt, GTECH may be assessed sanctions.	\$100 per pack	Carrier Delivery System, Retailer Complaints	# of Undelivered or Late Delivered Ticket Packs at Retailers	100% On-Time Delivery of Instant Tickets to Retailers	Number of Packs Not Delivered (Monday through Thursday Order Date) = Ticket Order Received Time - Tickets Shipped Time - 36 Hours Number of Packs Not Delivered (Friday Order Date) = Ticket Order Received Time - Tickets Shipped Time - 72 Hours Total Sanction = Sanction Per Pack x Number of Packs Not Delivered	None	None	Per Incident	Monthly	Retailer Inventory, Shipping Records, Ticket Status Database/Application
3.60.60 Instant Ticket Packs not Returned to the Warehouse	9.3.1 Warehouse Instant Ticket Return Verification	If GTECH fails to return Instant Ticket packs within thirty (30) days from Retailer pickup, GTECH may be assessed sanctions.	\$100 per pack	Order Scanning at Warehouse	# of Missing/Late Returned Ticket Packs to Warehouse	100% of Returned Packs Received On Time at Warehouse	Total Sanction = Number of Instant Ticket Packs Not Returned within the Timeframe Specified for Each Pack Status x Sanction Per Pack Stolen Tickets From Warehouse = Warehouse Expired Inventory - Warehouse Inventory Stolen Tickets From Shipping = Shipping Expected Inventory - Shipping Inventory Total Sanction = Stolen Tickets (Warehouse or Shipping) x Sanction Per Pack	None	None	Per Incident	Monthly	Warehouse Inventory, Shipping Records, Retailer Inventory, Ticket Status Database / Application
3.60.61 Warehouse Instant Ticket Return Verification	9.3.1 Warehouse Instant Ticket Return Verification	If an instant ticket pack is damaged or if any tickets are stolen while tickets are in GTECH's care or custody, GTECH may be assessed sanctions.	\$100 per pack	Retailer Call, Order Scanning at Warehouse	# of Damaged or Stolen Tickets and Ticket Packs	100% of Packs/Tickets Not Damaged or Stolen	Total Sanction = Damaged Tickets x Sanction Per Pack Days Past Due = Date Accurate Reports Filed - August 31st - 2 Working Days Total Sanction = Days Past Due x Daily Sanction Accuracy Total Sanction = Date Accurate Reports Filed - Date of Notification of Inaccuracies x Daily Sanction	None	None	Per Incident	Monthly	Warehouse Inventory, Shipping Records, Ticket Status Database Application
3.60.62 Failure to Timely Provide Accurate Annual Instant Ticket Inventory Report	9.7 Warehouse Distribution General Requirements	The failure of GTECH to timely file, within two (2) Working Days of the Texas Lottery's August 31st fiscal year end, an accurate annual instant ticket inventory report, including the status of all inventory by game and by pack, may result in GTECH being assessed sanctions for each Day that the report is not timely filed or accurate.	\$1,000 per Day or part of a Day	Annual Inventory Reports Not Received, Inaccuracies Detected in Annual Inventory Report	Accuracy, Elapsed Time	100% Accurate & On Time Instant Ticket Inventory Report		None	None	Per Incident	Annually	Annual Inventory Report received by Texas Lottery and time stamped (physical) or Receive Date and Time (Texas Lottery Email)

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Attachment 1 - Sanctions Schedule
to Contract for Lottery Operations and Services
Between the Texas Lottery Commission and GTECH Corporation*

Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.63 Failure to Cooperate Fully and in Good Faith in the Conversion to any New System	10.6 - Conversion Plan	The failure of GTECH to cooperate fully, and in good faith, to assist to the extent reasonable and practical in the conversion to any new vendor's system (including, but not limited to, providing access to the telecommunications network as required, continuing Contract services at a consistently high level without interruption during the turnover period, sharing of liability files, cross-validation of winning tickets, providing critical documentation such as instant ticket inventories, terminal inventories, system specifications, data files, job control language, program designs, procedures and all other elements required by GTECH in order for a new vendor to install and operate the games and/or to otherwise perform the services may result in GTECH being assessed sanctions for each week, and pro rata for each Day of the week, that GTECH fails to perform the services and provide the resources required by this Contract where such failure is solely attributable to GTECH's actions, at the reasonable and sole discretion of the TLC.	\$500,000 per week and pro rata per Day	Missed Conversion Milestones or Deliverables	Elapsed Time	100% Cooperation and Participation in Conversion Schedule	Total Sanction = (Date Issue Resolved - Date of Notification) / 7 x Sanction per Week	None	Approved Changes to Texas Lottery Approved Conversion Schedule	Per Incident	Weekly During Conversion to New System	Adherence to Conversion Schedule and Deliverables
3.60.64 Failure to Provide a Detailed Conversion Plan w/in 45 Days of Contract Execution	10.1 - Conversion Plan	The failure of GTECH to provide a detailed Conversion Plan within 45 days of Contract execution may result in GTECH being assessed sanctions for each Day that the detailed conversion plan is not provided.	\$1,000 per Day or part of a Day	Missed Deliverables	Elapsed Time	On-time submission of detailed Conversion Plan	Number of Days Overdue = Task Completion Day Total Sanction = Number of Days Overdue x Sanction per Day	None	None	Per Day	None	Receipt of Detailed Conversion Plan
3.60.65 Failure to Deliver According To The Final Approved Detailed Conversion Plan	10.1 - Conversion Plan	The failure of GTECH to deliver according to the final approved Detailed Conversion Plan, may result in GTECH being assessed sanctions for each Day that the detailed conversion plan is not completed.	\$10,000 per Day or part of a Day	Missed Milestones or Deliverables	Completion % According to Conversion Plan Schedule	100% On Time Delivery	Number of Days Overdue = Task Completion Day - Project Milestone Total Sanction = Number of Days Overdue x Sanction per Day	None	Written Approval by Texas Lottery, Delay Directly Caused by the Texas Lottery	Per Incident	Weekly During Conversion to New System	Project Management System
3.60.66 Failure to Update ES Multi-Media System Messages or Inaccurate ESMM Messages	8.7 - Marketing Materials and Related Equipment	The failure of GTECH to update or maintain the ES Multi-Media (ESMM) system messages, or if ESMM messages are inaccurate, may result in GTECH being assessed sanctions.	\$5,000 per Incident	Retailer and/or Player Complaints	Elapsed Time	100% Timely Updates	Total Sanction = Message Not Updated / Inaccurate Message x Sanction Amount	None	None	Per Incident	None	Approved Messages

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Attachment 1 - Sanctions Schedule
to Contract for Lottery Operations and Services
Between the Texas Lottery Commission and GTECH Corporation*

Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.60.67 Failure to Maintain LSR Staff-to-Retailer Ratio	8.4 – Lottery Sales Representative s	The failure of GTECH to maintain an average LSR staff-to-Retailer ratio of 1:143 (measured twice annually - September through February and March through August) may result in GTECH being assessed sanctions.	\$50,000 per incident, the sanction shall increase by an additional \$50,000 for each consecutive measure interval, until the staff-to-retailer ratio is met.	Required average ratio is not maintained at time of measurement.	Elapsed Time	Meets staff to Retailer Ratio	Staff to Retailer Ratio Average Number of LSR Positions for Period (September - February or March - August) / Average Active Retailers for Period (September - February or March - August) Staff to Retailer Ratio Greater than 1:143 x Sanction Amount e.g. staff to retailer ratio is greater than 1:143 (Sept. to Feb.) sanction amount is \$50,000; in the immediate following interval, staff to retailer ratio is greater than 1:143 (Mar. to Aug.) sanction amount is \$100,000; each successive interval of non-compliance thereafter increases sanction by an additional \$50,000	None	None	Twice a Year	None	Filled LSR Positions

*All sanctions and liquidated damages shall be subject to the maximum daily total set forth in Contract Section 3.61.5.

Attachment 2 - Liquidated Damages Schedule
to Contract for Lottery Operations and Services
Between the Texas Lottery Commission and GTECH Corporation*

Title	RFP Section	Description	Amount	Trigger Example	Measure	Performance Target	Formula	Maximum Sanction	Exceptions	Measure Interval	Reporting Period	Measurement Basis
3.6.1.5 On-Line Game Unavailability	7.6.1 - System Configuration and Capacity	If any On-Line Game is unavailable for sales due to a Lottery Gaming System problem, liquidated damages may be assessed. The first two (2) minutes of down time for sales will be grace time, up to a maximum of ten (10) minutes of grace time per week. Forty percent (40%) of the previous fourteen (14) Days average per minute sales for the same affected game, for the same time of Day corresponding to the period the game is unavailable, will be multiplied by the number of minutes of down time to compute liquidated damages. If the down time is within ten (10) hours of that game's drawing, a sixty percent (60%) factor will be used in lieu of forty percent (40%). This calculation will be made for each affected On-Line Game.	40% of an average "per minute" sales Day 60% of an average "per minute" sales Day within 10 hours of drawing Grace Time of 2 minutes; maximum of 5 grace periods per week.	Retailer Complaints, Downtime Notification, Application Availability and Performance Monitoring Alerts. Retailer Terminal Hotline	On-Line Gaming System Availability	100% Availability of On-Line Games	Downtime for First 5 Instances Per Week = Application Availability (After Outage) Time Stamp - Application Availability (Before Outage) Time Stamp - 2 Minutes Downtime After First 5 Instances = Application Availability (After Outage) Time Stamp - Application Availability (Before Outage) Time Stamp Total Damages = Downtime x Damages	\$250,000 per Day	None	Per Incident	Monthly	Availability and Performance Monitoring Log Files for Applications
3.6.1.6 Inability of the Texas Lottery Retailer Terminals to Communicate with the Lottery Gaming System	7.6.1 - System Configuration and Capacity	If Texas Lottery Retailer terminals are unable to communicate with the Lottery Gaming System due to a problem with GTECH's hardware, software, communications network, or the Lottery Gaming System is down, liquidated damages may be assessed. The first two (2) minutes of down time for sales will be a grace period, up to a maximum of ten (10) minutes of grace time per week. Forty percent (40%) of the previous fourteen (14) Days average per minute sales for the same affected game, for the same time of Day corresponding to the period the game is unavailable, will be multiplied by the number of minutes of down time to compute liquidated damages. If the down time is within ten (10) hours of that game's drawing, a sixty percent (60%) factor will be used in lieu of forty percent (40%). This calculation will be made for each affected On-Line Game.	40% of an average "per minute" sales Day 60% of an average "per minute" sales Day within 10 hours of drawing Grace Time of 2 minutes; maximum of 5 grace periods per week.	Retailer Complaints, Downtime Notification, Application Availability and Performance Monitoring Alerts. Retailer Terminal Hotline	Connectivity to On-Line Gaming System	100% Availability of Lottery Gaming System	Downtime for First 5 Instances = Application Availability (After Outage) Time Stamp - Application Availability (Before Outage) Time Stamp - 2 Minutes Downtime After First 5 Instances = Application Availability (After Outage) Time Stamp - Application Availability (Before Outage) Time Stamp Total Damages = Downtime x Damages	\$250,000 per Day	None	Per Incident	Monthly	Availability and Performance Monitoring Log Files for Applications and Communications Network
3.6.1.7 Failure to Resolve Terminal and Related Sales Equipment Problems.	7.12.2 - Maintenance and Repair	If GTECH fails to respond to Retailer calls for terminal maintenance and correct terminal problems that affect the ability to sell or validate tickets (including, but not limited to, inadequate On-Line Ticket stock, printer out of ink, terminal down time, service degradation, and communication problems), and return the equipment to service within four (4) hours of the time of the service call, liquidated damages may be assessed against GTECH equal to thirty-one percent (31%) of the average sales for the affected Terminal per Day calculated over the last ten (10) Days. Failure to resolve the problem within eight (8) hours of the time of the service call may result in GTECH being assessed liquidated damages equal to sixty two percent (62%) of the average sales for the affected Terminal per Day calculated over the last ten (10) Days.	Outage from 4-8 Hours; 31% of Avg. Daily Sales for Terminal in Last 10 Days Outage Exceeding 8 Hours; 62% of Avg. Daily Sales for Terminal in Last 10 Days	Self Reporting Terminal Incident Management System, Call from Retailer	Ability of Sales Terminals to Produce and Validate Tickets	100% Resolution within four (4) hours	Outage Time is 4-8 Hours: Damages = (31% x Avg. Daily Sales for Terminal During Last 10 Days) x (Outage Hours - 4 Hour Grace Period) Outage Time is Greater Than 8 Hours: Damages = (62% x Avg. Daily Sales for Terminal During Last 10 Days) x (Outage Hours - 4 Hour Grace Period)	None	None	Per Incident	Monthly	Terminal Downtime Report, Terminal and Network Monitoring Logs, Incident Management System
3.6.1.8 Unassigned Packs of Instant Tickets Missing from the Warehouse	9.3 - Instant Ticket Delivery	GTECH may be assessed liquidated damages for unassigned Instant Tickets missing from the warehouse.	Face value of each pack	Order Scanning at Warehouse, Attempted Ticket Validation	# of Missing Unassigned Instant Tickets from Warehouse	100% of Unassigned Tickets in Warehouse	Total Damages = Unassigned Tickets Missing From the Warehouse x Damages	None	None	Per Incident	Monthly	Warehouse Inventory, Ticket Status Database / Application

*All sanctions and liquidated damages shall be subject to the maximum daily total set forth in Contract Section 3.6.1.5

Attachment 3**Rebate Tiers - Hypothetical Example**

Revenue Rate 2.2099%

Tier 1 Growth Rate 1.10%

Tier 1 Discount 20%

Tier 2 Discount 25%

Hypothetical Sales Case	4.0500	4.1391	4.2302	4.3232	4.4183	4.5155	4.6149	4.7164	4.8202	39.8278
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In Billions	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	Total 9 years
Tier 1 - Low Range	4.0500	4.0946	4.1396	4.1851	4.2312	4.2777	4.3248	4.3723	4.4204	38.0957
Tier 1 - High Range	4.1499	4.1955	4.2417	4.2884	4.3355	4.3832	4.4314	4.4802	4.5295	39.0353
Tier 2 - Low Range	4.1500	4.1957	4.2418	4.2885	4.3356	4.3833	4.4315	4.4803	4.5296	39.0363

Tier 1 - in '000

Sales within Cap	0.0	44,550.0	90,570.2	103,233.1	104,368.7	105,516.7	106,677.4	107,850.9	109,037.2	771,804.2
GTECH Commission	0.0	984.5	2,001.5	2,281.3	2,306.4	2,331.8	2,357.5	2,383.4	2,409.6	17,056.1
Tier 1 Rebate	0.0	196.9	400.3	456.3	461.3	466.4	471.5	476.7	481.9	3,411.2
Net Commission	0.0	787.6	1,601.2	1,825.1	1,845.2	1,865.5	1,886.0	1,906.7	1,927.7	13,644.9

Tier 2 - in '000

Sales within Cap	0.0	0.0	0.0	34,761.8	82,699.6	132,211.0	183,336.2	236,116.6	290,594.3	959,719.5
GTECH Commission	0.0	0.0	0.0	768.2	1,827.6	2,921.7	4,051.5	5,217.9	6,421.8	21,208.8
Tier 2 Rebate	0.0	0.0	0.0	192.1	456.9	730.4	1,012.9	1,304.5	1,605.5	5,302.2
Net Commission	0.0	0.0	0.0	576.2	1,370.7	2,191.3	3,038.7	3,913.5	4,816.4	15,906.6

Total Tier 1 & Tier 2 - in '000

Sales within Cap	0.0	44,550.0	90,570.2	137,994.9	187,068.3	237,727.7	290,013.6	343,967.5	399,631.5	1,731,523.7
GTECH Commission	0.0	984.5	2,001.5	3,049.5	4,134.0	5,253.5	6,409.0	7,601.3	8,831.5	38,264.9
Net Commission	0.0	787.6	1,601.2	2,401.2	3,215.8	4,056.7	4,924.6	5,820.2	6,744.1	29,551.5

EXHIBIT 1

Renaissance Player Loyalty Card Program

This page contains proprietary and trade secret information and is redacted pursuant to Tex. Gov't Code §552.110.

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Exhibit A

Request for Proposals for
Lottery Operations and
Services, issued January 4, 2010

Exhibit B

Responses to Proposers'
Questions and Amendments to
the RFP

(See all links to Request for Proposals (RFP) for
Lottery Operations and Services, Q&A Round
1, Q&A Round 2, and all Amendments on this
page)

Exhibit C

GTECH's Proposal

(See all links to GTECH's Proposal and submissions filed on this page)