

**INSTANT TICKET PRINTING
AND ASSOCIATED SERVICES AGREEMENT**

This INSTANT TICKET PRINTING AND ASSOCIATED SERVICES AGREEMENT (the "Agreement") is made and entered into this 28th day of October, 2014 (the "Effective Date"), by and between the TENNESSEE EDUCATION LOTTERY CORPORATION ("TEL"), a public corporation and state instrumentality created pursuant to the Tennessee Education Lottery Implementation Law (T.C.A. §§ 4-51-101 et seq.) (as may be amended from time to time, the "Act"), and SCIENTIFIC GAMES INTERNATIONAL, INC., a Delaware Corporation ("Vendor").

WHEREAS, the TEL was created to organize and operate a lottery in the State of Tennessee (the "Lottery");

WHEREAS, Vendor, on behalf of itself and its "Subcontractors" (as defined in Section 3(a) hereof) (Vendor and Subcontractors being sometimes referred to collectively as the "Vendor Team"), submitted the proposal, dated April 11, 2014, incorporated herein by this reference as (the "Proposal"), to the TEL in response to the TEL's Request for Proposals for Instant Ticket Lottery Game Services, dated February 11, 2014, incorporated herein by this reference as (the "RFP"), as interpreted by TEL's answers to questions concerning the RFP, which were made available by the TEL on February 24, 2014, incorporated herein by this reference as (the "Questions and Answers"); and First and Second Amendment to Answers on March 12, 2014, (collectively, the Questions and Answers);

WHEREAS, subject to the terms and conditions hereinafter set forth, the TEL desires to retain Vendor to provide instant ticket products and services to the TEL, and Vendor desires to provide such instant ticket products and services for TEL;

NOW, THEREFORE, FOR AND IN CONSIDERATION of the premises, the mutual promises, covenants and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties hereto hereby agree as follows:

1. SERVICES

Subject to the terms and conditions set forth in this Agreement, the TEL retains Vendor to provide the instant ticket products and services to the TEL as contemplated by this Agreement, the Questions and Answers, the RFP and the Proposal, and Vendor agrees to render the instant ticket products and services to the TEL. Notwithstanding anything herein to the contrary, in the event of an inconsistency or conflict among the Act, this Agreement, the Proposal, the Question and Answers and/or the RFP, the Act will control the terms of this Agreement, as may be amended from time to time in accordance herewith, shall control the Questions and Answers, the terms of the Question and Answers shall control the RFP, and the terms of the RFP shall control the Proposal.

2. DUTIES AND RESPONSIBILITIES OF THE VENDOR TEAM

- (a) The members of the Vendor Team will work in conjunction and cooperation with the TEL and the other vendors, subcontractors, employees, agents, retailers and consultants of the TEL. The members of the Vendor Team will provide Instant Ticket Products and services to the TEL as detailed in this Agreement, the RFP, the Questions and Answers, and the Proposal and will perform such specific services (which constitute part of the Instant Ticket Products and Services) as requested, from time to time, orally or in writing, by the Chief Executive Officer (the "CEO"), or the CEO's designee(s) subject to terms and conditions agreed upon in writing between the parties. Appropriate employees of the Vendor Team shall meet regularly with the CEO or his/her



designee(s) and shall establish work plans, schedules and timetables for completion as and when reasonably required by the CEO or his/her designee(s).

- (b) Vendor hereby agrees to use its best efforts to make available to the TEL, to the extent required for the effective and timely performance of its obligations under this Agreement, such of its employees, and the employees of the other members of the Vendor Team, as may be necessary or appropriate for the timely performance of the obligations of the Vendor Team pursuant to this Agreement. No such employee or any member of the Vendor Team shall undertake or participate in, during the term of this Agreement, any other engagement that will unreasonably interfere with the completion of the work contemplated by this Agreement. Vendor will provide to the TEL, as reasonably requested from time to time, written reports of the names and work schedules of the employees of the Vendor Team who will be performing services pursuant to this Agreement.
- (c) The TEL and the Vendor Team will cooperate to ensure that the duties and responsibilities of all vendors providing goods and services to the TEL are efficiently allocated in a manner mutually agreed upon by the Vendor and the TEL. The Vendor Team will cooperate with the vendor selected to provide drawing-style lottery games and gaming system services for the TEL with regard to programming requirements and the sharing of algorithms, and other matters of joint participation, as deemed reasonably necessary by the TEL.

3. SUBCONTRACTORS

- (a) Vendor and members of the Vendor Team agree they will not subcontract or otherwise assign any or all of their material obligations under this Agreement to any individual or entity without the prior written consent of the TEL in each instance, which consent may be withheld in the TEL's sole discretion. Vendor will provide the TEL with the name, qualifications, experience and expected duties of each proposed subcontractor under this Agreement each time it desires to retain a subcontractor. Any subcontractor that is approved by the TEL for work pursuant hereto will become a "**Subcontractor**" for purposes hereof and must execute such agreements or other documentation as may be necessary pursuant to the Act or as the TEL may require. Vendor agrees that it will obtain the prior consent of the CEO or his/her designee(s) prior to having any Subcontractor perform any activities for the TEL under this Agreement.
- (b) Upon the request of the TEL, Vendor will promptly provide the TEL with copies of any or all subcontracts and other agreements entered into by Vendor with respect to its obligations under this Agreement, subject to any nondisclosure obligations owed to such subcontractor regarding its confidential or proprietary information. No such subcontract or other agreement may contain any terms or conditions inconsistent or in conflict with the terms and conditions contained in this Agreement. In the event of any such inconsistent or conflicting provisions, such inconsistencies or conflicts will be resolved in favor of this Agreement.
- (c) The TEL shall have the right, at any time and from time to time, to instruct Vendor not to use the services of any Subcontractor, individual or employee in connection with the work to be performed for the TEL under this Agreement, and Vendor agrees to comply with all such instructions.
- (d) Notwithstanding anything herein to the contrary, Vendor will remain fully liable and responsible for all work to be performed under this Agreement, whether or not subcontracted to or performed by a Subcontractor or any other person or entity retained by Vendor or under Vendor's control, and Vendor will ensure the compliance of its employees, and of each Subcontractor and such Subcontractor's employees, with the terms of this Agreement, the Act and all other applicable



laws which govern the performance of services pursuant to this Agreement and such other standards or policies as the TEL may establish from time to time.

4. INDEPENDENT CONTRACTOR

- (a) Both the TEL and Vendor, in the performance of this Agreement, will be acting in their own separate capacities and not as agents, employees, partners, joint venturers or associates of one another. The employees or agents of one party shall not be deemed or construed to be the employees, agents or partners of the other party for any purposes whatsoever. Neither party will assume any liability for any injury (including death) to any persons or any damage to any property or other claim arising out of the acts or omissions of the other party or any of its agents, employees or subcontractors. It is expressly understood and agreed that Vendor is an independent contractor of the TEL in all manners and respects and that no member of the Vendor Team is authorized to bind the TEL to any liability or obligation or to represent that it has any such authority.
- (b) Vendor shall be solely responsible for all payments to Subcontractors and all compensation, withholding taxes and benefits for its employees and for providing all necessary unemployment and workmen's compensation insurance for its employees.

5. COMPENSATION

- (a) Effective January 4, 2015, as full and complete compensation for all goods and services provided by the Vendor Team pursuant to this Agreement, the TEL will pay Vendor, and Vendor will accept on behalf of the entire Vendor Team, an amount equal to .8998% of "Net Sales" (as hereinafter defined) for the applicable "Week" (as hereinafter defined). For purposes of this Agreement, "Net Sales" shall mean:
 - (i) The total face value of the Vendor's tickets activated for sale during the Week (exclusive of any activations from instant tickets purchased by the TEL from other vendors); less
 - (ii) the total face value of activated tickets returned by retailers during the given Week, as well as the total face value of defective tickets or stolen tickets based on numbers reported to the TEL during the given Week; and less
 - (iii) the total face value of tickets issued for investigations or promotional tickets issued by the TEL during the given Week.

For purposes of this Section 5, a "Week" shall mean the period from the beginning of operations on Sunday morning and ending the following Sunday morning at the close of operations.

- (b) Vendor and the TEL agree that appropriate adjustments shall be made for ticket inventory at the end of the term of this Agreement. In the event that there is a new instant ticket printing and related services provider, Vendor shall make available for sale to the TEL tickets in its inventory printed for the TEL. Vendor and the TEL shall agree to a ticket purchase price, at a cost per thousand, equivalent to the then current market price for Vendor's tickets with comparable specifications in comparable quantities.
- (c) Subject to the availability of funds and any other restrictions imposed by the Act or this Agreement, TEL will pay to Vendor all uncontested amounts due under this Agreement on a



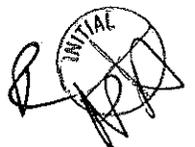
weekly basis, within fourteen (14) days of the end of the Week for which payment is made, subject to setoff or offset for all sums owed by the Vendor Team to the TEL.

6. TERM

- (a) Unless sooner terminated in accordance with the provisions of Section 19 of this Agreement, and subject to the provisions of Section 26 hereof, the term of this Agreement shall become a binding, enforceable contract between the parties as of the Effective Date of this Agreement and shall continue until close of operations on June 30, 2022 (the "**Expiration Date**"). The TEL shall compensate the Vendor commencing on January 4, 2015 and ending on the Expiration Date (unless earlier terminated pursuant to the terms of this Agreement). The TEL reserves the right to renew this Contract for up to another seven (7) years under terms and conditions beneficial to the TEL and the people of the State of Tennessee.
- (b) Vendor acknowledges that it is the present intention of the TEL to award, prior to the expiration of the term of this Agreement, a new contract or contracts for replacement of the Instant Ticket Products and Services provided by Vendor under this Agreement, and that Vendor has no right or expectation in or to any such new contract(s) unless Vendor is selected as the vendor thereunder. Vendor agrees that the TEL may use the final one hundred eighty (180) days of the term of this Agreement to convert to the use of such replacement products and services. Vendor shall cooperate fully and in good faith and shall assist the TEL and the new contractor, if Vendor is not selected as the new contractor, to the extent reasonable and practical, to accomplish such conversion in a timely and efficient manner, at no additional cost to the TEL or such new contractor.

7. WORK STANDARD

- (a) Vendor hereby agrees that all members of the Vendor Team shall at all times comply with and abide by all terms and conditions set forth in this Agreement, the applicable Regulations, Policies and Procedures of the Tennessee Education Lottery Corporation (as may be amended from time to time, the "TEL Policies"), and all requirements of the Act. Vendor further agrees that all members of the Vendor Team shall perform their respective duties and responsibilities as set forth in this Agreement by following and applying the highest professional and technical guidelines and standards.
- (b) Vendor hereby agrees that all members of the Vendor Team will perform their respective duties and responsibilities as set forth in this Agreement with integrity and dignity and free from political influence, collusion and fraud. Vendor further agrees that no members of the Vendor Team will solicit or accept, or attempt to solicit or accept, any bribes or other inducements from any offeror, supplier, manufacturer or subcontractor in connection with the performance of its obligations under this Agreement.
- (c) If the TEL becomes dissatisfied with the work product of, or the working relationship with, any of the individuals assigned to perform services under this Agreement by any member of the Vendor Team, the TEL may require, by a writing signed by the CEO or his/her designee(s), or other appropriate means of notification, the replacement of any or all of such individuals as soon as is reasonably practicable. Personnel identified in the Proposal as performing services under this Agreement will continue to perform such services in their designated capacities until such services are completed unless they cease to be employed by a member of the Vendor Team or unless the TEL requests their removal, in which case a person or persons of suitable competency



and acceptable to the TEL, in its discretion, will be substituted within thirty (30) days of receipt of notice of the CEO requiring such replacement.

- (d) Nothing in this Section 7 shall be construed to prevent Vendor from using the services of others to perform tasks ancillary to those tasks that directly require the expertise of such key personnel, including secretarial, clerical and common labor duties. Vendor shall at all times remain responsible for the performance of all necessary tasks under the scope of this Agreement, whether performed by Subcontractors, key personnel or other workers.
- (e) Nothing in this Agreement shall prohibit the TEL from retaining the services of any individual or entity to perform any services on its behalf, whether or not such or similar services were initially contemplated to be performed by a member of the Vendor Team. The TEL is not prohibited by this Agreement from retaining the services of any individual or entity to perform any services it requires, and it is under no obligation to exclusively use the services of the Vendor Team.
- (f) Vendor shall designate an individual, who is acceptable to the TEL, as Vendor's primary contact with the TEL for purposes of this Agreement.

8. PROGRESS REPORT AND CONVERSION PLAN

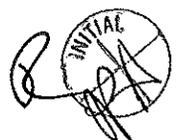
To assure the TEL that its work under this Agreement is progressing and is being performed in a manner consistent with the TEL's wishes, Vendor will meet with the CEO or his/her designee regularly and as reasonably requested during conversion and throughout the term of the Agreement. If requested, Vendor shall submit written progress reports to the TEL covering all work performed by all members of the Vendor Team, in form and substance satisfactory to the CEO.

9. CHANGES IN WORK; AMENDMENTS

- (a) By written order by the CEO or his/her designee(s) to the Vendor, the TEL may, from time to time, make changes in the services to be provided by the Vendor Team or the manner or place of delivery or performance of such services or any requested deliverables; provided, however, to the extent any such changes in services or deliverables are outside the scope of any of this Agreement, the RFP, the Questions and Answers or the Proposal, the TEL and Vendor shall in good faith negotiate mutually acceptable terms and compensation, which shall be memorialized in a written amendment to this Agreement clearly detailing the additions, deletions, and modifications thereto, and signed by both parties.
- (b) The applicable members of the Vendor Team shall promptly comply with such change order(s) and take all necessary or appropriate actions to effect such change.
- (c) Failure to agree to any change within the Act, the scope of the Agreement, the Questions and Answers, the RFP, or the Proposal shall constitute a "dispute" under Section 22 hereof.

10. BOOKS AND RECORDS

- (a) Within six (6) months following the end of the Vendor's fiscal year, the Vendor shall provide to the TEL a copy of its audited financial statements for such year, together with the opinion of its independent public accounting firm with respect to such financial statements. In the event such an opinion is not expressed without reservation or qualification with respect to Vendor's audited financial statements, and the reasons for any such reservation or qualification are determined by the TEL, in its sole and reasonable judgment, to be reasonably likely to materially and adversely



affect the performance of Vendor under this Agreement, Vendor shall be deemed to have breached this Agreement, which shall give rise to the TEL's termination rights pursuant to Section 19 of this Agreement.

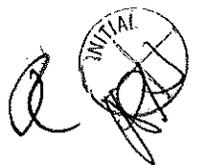
- (b) The Vendor Team shall maintain documentation for all charges against the TEL under this Agreement or any modifications or amendments thereto. The books, documents, papers, accounting records and other evidence pertaining to products and/or services to be provided or performed or money received under this Agreement (A) shall be maintained for a period of five (5) full years from the date of the final payment and (B) shall be subject to audit or inspection at any reasonable time and upon reasonable notice by the TEL or its duly appointed representatives, including without limitation the Comptroller of the Treasury of the State of Tennessee. Vendor shall make such materials available at its offices, and copies thereof shall be furnished to the TEL or its duly appointed representative by the Vendor, at no cost to the TEL or its duly appointed representative, if requested by the TEL or its duly appointed representative. Such records shall be maintained in accordance with any applicable provisions of generally accepted accounting principles (or other applicable accounting principles or policies) and any other applicable procedures established by the TEL from time to time.

11. CONFIDENTIALITY;

- (a) For purposes of this Agreement, "**TEL Confidential Information**" means any and all items or information of the TEL which are: (i) marked "Confidential" or some such similar designation; or (ii) valuable, proprietary and confidential information belonging to or pertaining to the TEL that does not constitute a "**Trade Secret**" (as defined under applicable law) and that is not generally known to the public but is generally known only to the TEL and those of its employees, independent contractors or agents to whom such information must be confided for business purposes, including, without limitation, information regarding the TEL's customers, suppliers, manufacturers and distributors. Notwithstanding the foregoing, TEL Confidential Information shall not include TEL information that is: (A) documented as being generally known to the public other than due to a disclosure by Vendor or any member of the Vendor Team; (B) documented as being already known to Vendor at the time it is disclosed by the TEL to Vendor; (C) documented as having been independently developed by Vendor; (D) documented as having been received by Vendor from a third party that Vendor believed in good faith had the right to make such disclosure; or (E) subject to disclosure under the Tennessee Public Records Act, Tenn. Code Ann. § 10-7-101 et seq. (the "**Public Records Act**").
- (b) For purposes of this Agreement, "**Vendor Confidential Information**" means any and all items or information of Vendor which are: (i) marked "Confidential" or some such similar designation; or (ii) valuable, proprietary and confidential information belonging to or pertaining to Vendor that does not constitute a trade secret and that is not generally known to the public but is generally known only to Vendor and those of its employees, independent contractors or agents to whom such information must be confided for business purposes, including, without limitation, information regarding Vendor's customers, suppliers, manufacturers and distributors. Notwithstanding the foregoing, Vendor Confidential Information shall not include Vendor information that is: (A) documented as being generally known to the public other than due to a disclosure by the TEL; (B) documented as being already known to the TEL at the time it is disclosed by Vendor to the TEL; (C) documented as having been independently developed by the TEL; or (D) documented as having been received by the TEL from a party that the TEL believed in good faith had the right to make such disclosure.



- (c) Vendor acknowledges that the TEL is subject to the Public Records Act. In view thereof, the parties agree that the TEL shall advise Vendor of any request for inspection of records under the Public Records Act that seeks Vendor Confidential Information prior to making a decision to disclose such information and provide Vendor with an opportunity to respond to such request. If the TEL determines that any such Vendor Confidential Information should be disclosed, the TEL shall notify Vendor on the day such Public Records request is received by the TEL and shall not disclose the information until 4:30 p.m. of the third business day following the date the Public Records request was originally received by the TEL, unless earlier disclosure is required under the Public Records Act. Unless otherwise required by court order or direction, no disclosure shall be made while legal proceedings regarding the issue of disclosure are pending. Any disclosure may be made under such limiting conditions, as the TEL shall determine appropriate.
- (d) In recognition of the need of the TEL to protect its legitimate business interests, Vendor hereby covenants and agrees that with regard to any: (i) TEL Confidential Information, at all times during the term of this Agreement and for a period of three (3) years following the expiration or termination of this Agreement for any reason; and (ii) Trade Secrets, at all times such information remains a "trade secret" under applicable law, Vendor and all other members of the Vendor Team will regard and treat all such items or information as strictly confidential and wholly owned by the TEL and will not, for any reason or in any fashion, either directly or indirectly use, disclose, transfer, assign, disseminate, reproduce, copy, or otherwise communicate any such TEL Confidential Information or Trade Secrets to any individual or entity for any purpose other than in accordance with this Agreement or pursuant to the instructions from a duly authorized representative of the TEL. In addition, to the extent the Act or any other applicable law imposes any greater restrictions or prohibitions with respect to any TEL Confidential Information, Trade Secrets or other information or property of the TEL, Vendor covenants and agrees that it and all members of the Vendor Team shall comply with such greater restrictions or prohibitions. To ensure the compliance by it and all members of the Vendor Team with the provisions of this Section 11(d), Vendor shall use its best efforts, including, without limitation, obtaining written confidentiality agreements with all other members of the Vendor Team which incorporate requirements no less restrictive than those set forth herein and which contain provisions which permit the TEL to independently enforce the requirements set forth in such agreements.
- (e) In recognition of the need of Vendor to protect its legitimate business interests, the TEL hereby covenants and agrees that with regard to any: (i) Vendor Confidential Information, at all times during the term of this Agreement and for a period of three (3) years following the expiration or termination of this Agreement for any reason; and (ii) Vendor trade secrets (as defined by applicable law), at all times such information remains a "trade secret" under applicable law, the TEL will regard and treat all such items or information as strictly confidential and wholly owned by Vendor and will not, for any reason or in any fashion, either directly or indirectly use, disclose, transfer, assign, disseminate, reproduce, copy, or otherwise communicate any such Vendor Confidential Information or Vendor "trade secrets" to any individual or entity for any purpose other than in accordance with this Agreement, pursuant to the instructions from a duly authorized representative of Vendor or except to the extent necessary to fulfill the purposes of this Agreement or conduct the Tennessee Lottery. However, the TEL shall not be liable to Vendor or to any other person or entity, if despite the TEL's reasonable efforts, Vendor Confidential Information is disclosed in breach of the foregoing. Notwithstanding anything herein to the contrary, the entirety of Section 1.6 of the RFP shall supersede and control any provision of this Agreement with respect to the subject matter of Section 1.6, and the TEL's obligations and liabilities shall never be greater than as set forth in Section 1.6 of the RFP with respect to the subject matter thereof.



12. OWNERSHIP OF WORK PRODUCT

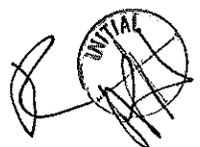
- (a) All work product, property, data, documentation or information or materials conceived, discovered, developed or created by Vendor or any member of the Vendor Team pursuant to this Agreement exclusively and specifically for the TEL and solely for the TEL's ownership and use (collectively, the "**Work Product**") shall be owned exclusively by the TEL. Subject to the terms of subsection 12(b), but otherwise to the greatest extent possible, any Work Product shall be deemed to be a "work made for hire" (as defined in the Copyright Act, 17 U.S.C.A. § 101 et seq., as amended) and owned exclusively by the TEL. Vendor hereby unconditionally and irrevocably transfers and assigns to TEL, and Vendor shall cause all members of the Vendor Team and others it or members of the Vendor Team retains to irrevocably transfer and assign to the TEL, all right, title and interest in or to any Work Product, including, without limitation, all patents, copyrights, trade secrets, trademarks, service marks and other intellectual property rights therein, including all rights, title and interest in and to it and all drafts, revisions, arrangements, adaptations, derivative works, and other versions of the Work Product that may heretofore have been created or that may hereafter be created and any other rights subsequently created. The TEL, or its designee(s), shall have the exclusive right to secure registration and protection of the Work Product in its name, or otherwise, as the TEL may desire, as the author and owner of the Work Product and to secure any and all renewals and extensions of copyright, trademark and service mark, if any, throughout the world under any present or future laws. Vendor expressly and forever waives, and shall cause all members of the Vendor Team to expressly and forever waive, any and all moral rights any of them may have in the Work Product in favor of the TEL. Vendor agrees to execute and deliver to the TEL, and to cause all of Vendor's applicable employees to execute and deliver, any transfers, assignments, documents or other instruments which the TEL may deem necessary or appropriate, from time to time, to vest complete title and ownership of any Work Product exclusively in the TEL. The TEL shall have full, immediate and unrestricted access to all Work Product during the term of this Agreement.
- (b) Notwithstanding the foregoing, or any other provision in this Agreement, nothing contained herein shall limit or be deemed to limit any member of the Vendor Team's intellectual property ownership rights in its proprietary software systems, production and manufacturing processes, tickets, game content and designs, and deliverables that are generally provided to its customers, unless such intellectual property is Work Product.
- (c) The TEL hereby grants to Vendor a fully paid-up, non-exclusive, perpetual and transferable license to use, sublicense, modify and create derivative works of software, hardware, equipment, firmware and mask works which are owned by the TEL and created solely by Vendor or member of the Vendor Team, and which constitute Work Product (the "**Created Work Product Items**"). While the TEL has the free right to use, modify and create derivative works of such Created Work Product Items for its own use, it agrees not to license any of the rights licensed to Vendor to any other person or entity unless Vendor: (i) ceases to function as a going concern; (ii) files, or has filed against it, any bankruptcy or insolvency proceeding of any kind; (iii) dissolves, liquidates or otherwise ceases its corporate existence; (iv) makes an assignment for the benefit of its creditors; or (v) Vendor announces it will cease, or actually ceases, to perform continuing maintenance, support or enhancement services with regard to Created Work Product Items (any of the foregoing events being defined as a "**Material Event**"). Upon the occurrence of any Material Event, the license granted by this Section 12(c) to Vendor with respect to the Created Work Product Items, and any restrictions of the TEL's rights with respect to such Created Work Product Items set forth in this Section 12(c) shall immediately terminate and cease, and the TEL shall have the right, without limitation, to grant to another entity a license to use, modify and create derivative works of Created Work Product Items for the use or benefit of the TEL.



- (d) Vendor grants to the TEL a non-assignable, non-sub-licensable, royalty free license to use in Tennessee any and all proprietary materials owned by it and supplied to TEL in connection with the performance of the Agreement, and the Vendor agrees to grant to the TEL the necessary rights and authority to modify such proprietary materials in any manner the TEL deems necessary and to the extent necessary for the TEL to continue to use the systems, software and equipment which is acquired under this Agreement in the conduct of the lottery games, if in the discretion of the TEL it is in the best interests of the TEL to do so, after the expiration or termination of the Agreement.
- (e) Vendor agrees to escrow the source codes to all applicable software and other similar proprietary materials developed or provided by any member of the Vendor Team in connection with its or their performance under this Agreement, in accordance with a source code escrow agreement reasonably acceptable to the TEL, to be entered into subsequent to the execution of this Agreement. Such escrow agreement shall contain agreed upon terms allowing the TEL to have access to the source code, operational diagrams and other proprietary materials so that the TEL, or contractors engaged by the TEL, if the Vendor is unable or unwilling to supply upgrades, modifications or other necessary support, can perform such functions so as not to jeopardize the operation of the TEL. The costs of such escrow (including, but not limited to any verifications and tests of the deposit materials conducted by the escrow agent as may be reasonably requested by the TEL from time to time) shall be borne solely by the Vendor.

13. COMMITMENT TO NONDISCRIMINATION

- (a) Each member of the Vendor Team hereby covenants and agrees that no person shall (A) be excluded from participation in, or be denied benefits of, this Agreement, or (B) be excluded from employment, denied any of the benefits of employment or otherwise be subjected to discrimination on the grounds of handicap or disability, age, race, color, religion, sex, national origin or ancestry, or any other classification protected by federal, Tennessee state constitutional, or statutory law. The Vendor shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination. The Vendor's breach of this covenant shall constitute a material breach of this Agreement.
- (b) Any and all contracts executed by and between the Vendor and any other member of the Vendor Team shall specifically state that no member of the Vendor Team shall discriminate against any employee or applicant for employment because of his or her handicap or disability, age, race, color, religion, sex, national origin or ancestry, or any other classification protected by federal, Tennessee state constitutional, or statutory law. Vendor's breach of this covenant, or Vendor's failure to enforce against the other members of the Vendor Team any provision of such covenant, shall constitute a material breach of this Agreement.
- (c) Each member of the Vendor Team shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, handicap, disability, national origin or ancestry.
- (d) Consistent with the Act, TEL Policies, and the TEL EBO Program, Vendor agrees to make every reasonable effort to include participation by minority businesses in the performance of its services pursuant hereto. Specifically, and without limitation, any human resources services performed for the TEL or the Vendor will include appropriate attention to the hiring and training of qualified minority applicants in accordance with the Act and all policies and procedures adopted by the



TEL from time to time. In addition, in accordance with the Act, Vendor agrees to strive to maximize participation of minority-owned businesses to assist the TEL in achieving the statutory minimum goal of fifteen percent (15%).

- (e) Consistent with the Act, and in accordance with Section 4.13 of the RFP, Commitment to Nondiscrimination and Minority Participation, Vendor has submitted the response to such Section, along with EBO Forms A & B. Further, attached hereto as Exhibit A and incorporated herein by reference is a copy of EBO Form B1, which is required in connection with the execution of this Agreement.

14. ANTITRUST ACTIONS

Vendor hereby agrees to convey, sell, assign and transfer to the TEL all of its rights, title and interest in and to all causes of action it may now have or hereafter acquire during the term of the Agreement under the antitrust laws of the United States of America and the State of Tennessee to the extent directly relating to the Instant Ticket Products and Services acquired by the TEL under this Agreement. Notwithstanding the foregoing, (i) in the event Vendor is damaged as a result of antitrust violations referenced herein, TEL consents to Vendor pursuing its own cause(s) of action for said damages, and (ii) to the extent Vendor would violate a covenant with a third party(ies) by complying with this Section 14, Vendor shall not be required to comply with this Section 14, but Vendor shall use reasonable efforts to obtain a waiver of such covenant from such third party(ies) to permit Vendor to comply with this Section 14.

15. COMPLIANCE WITH LAWS

Vendor agrees to comply with all applicable rules, procedures and regulations adopted from time to time by the TEL under the Act, including but not limited to the TEL Policies, and all other applicable federal, state and local laws, rules, regulations, ordinances or executive orders, including, without limitation, all labor, employment and anti-discrimination laws, and all provisions required thereby to be included herein are hereby incorporated by reference (all of the foregoing being sometimes referred to collectively as the "Governing Laws and Regulations").

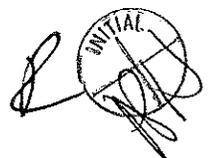
16. REPRESENTATIONS, WARRANTIES AND COVENANTS

Vendor hereby represents and warrants to the TEL, on its own behalf and on behalf of each member of the Vendor Team, as follows:

- (a) Vendor and each other member of the Vendor Team are and will remain at all times during the term of this Agreement duly organized and in good standing under the laws of the respective jurisdictions under which they are organized or incorporated. Vendor and each other member of the Vendor Team have the power and authority to execute and deliver and perform each of their respective obligations under this Agreement, and Vendor and each other member of the Vendor Team have taken all necessary and appropriate action to authorize the execution and delivery of this Agreement and the performance of their obligations under this Agreement. The execution and delivery of this Agreement and the performance of their obligations under this Agreement are not in contravention of any provisions of law or any material indenture or agreement by which Vendor or any other member of the Vendor Team is bound and do not require the consent or approval of any governmental body, agency, authority or other person or entity which has not been obtained. This Agreement constitutes the valid and legally binding obligation of Vendor and each other member of the Vendor Team, enforceable against them in accordance with its terms.



- (b) Vendor and each other member of the Vendor Team have disclosed or will disclose to the TEL all matters required to be disclosed under the Governing Laws and Regulations. In addition, Vendor and each member of the Vendor Team recognize and acknowledge that there are certain limitations on their activities, and the activities of their subcontractors, now and in the future, including, but not limited to, limitations on the ability to enter into or perform contracts or other arrangements with certain third parties, and limitations on the ability to purchase lottery tickets, all of which shall be observed. Some of these restrictions also apply to the employees of the members of the Vendor Team and the members of such employees' households, and each member of the Vendor Team will enforce such restrictions upon its employees and subcontractors.
- (c) Neither Vendor, the Subcontractors, nor any of its or their respective officers, directors, partners or major shareholders has ever been found guilty of a felony related to the security or integrity of any lottery or gaming operation in any jurisdiction.
- (d) Neither Vendor, the Subcontractors, nor any of its or their respective officers, directors, partners or major shareholders has an ownership interest in any entity that has supplied consultation services under contract to the TEL with respect to the RFP.
- (e) No "public officer" (as defined in T.C.A. § 8-50-501(a)), or an employee of such officer, has an ownership interest of one percent (1%) or more in Vendor or any of the other members of the Vendor Team.
- (f) No employee of the TEL has a financial interest in the Vendor or any of the other members of the Vendor Team.
- (g) To the extent required by applicable law, Vendor and each member of the Vendor Team are, and will remain at all times during the term of this Agreement, qualified to do business in the State of Tennessee.
- (h) All Work Product (i) shall be prepared, worked on and completed solely by employees of Vendor or a member of the Vendor Team in the scope of their employment or by independent contractors of Vendor or a member of the Vendor Team working under the supervision of such employees; (ii) shall be original works of authorship; (iii) shall not infringe, plagiarize, pirate or constitute misappropriations, infringements or unauthorized uses or disclosures of any copyrights, trademarks, service marks, trade names, confidential information, trade secrets or other intellectual properties or proprietary rights of any individuals or entities; and (iv) shall not be false, misleading, actionable, defamatory, libelous or constitute an invasion of privacy of any individual or entity. To the extent that any Work Product is prepared, worked on or completed by independent contractors of Vendor, or a member of the Vendor Team, Vendor shall be responsible for seeing that all independent contractors of Vendor, or of any member of the Vendor Team, execute and deliver to the TEL any transfers, assignments, documents or other instruments which the TEL may deem necessary or appropriate from time to time, to vest complete title and ownership of the Work Product, and all intellectual property and other rights therein, exclusively in the TEL.
- (i) Neither Vendor nor any other member of the Vendor Team, nor any of its or their respective employees, officers, directors, partners or major stockholders, shall issue any press release, conduct any press or news conference, participate in any media interview or otherwise make any public statement or announcement on behalf of, with respect to or in connection with this



Agreement or the TEL without the express prior written consent of the CEO or his/her designee(s) in each instance.

- (j) Neither Vendor nor any other member of the Vendor Team, nor any of its or their respective employees, officers, directors, partners or major stockholders, shall use the TEL's names, trademarks, service marks, logos, images or any other information or data related to the services to be provided pursuant to this Agreement as a part of or in connection with any commercial advertising or proposal without the express prior written consent of the CEO or his/her designee(s) in each instance. TEL hereby consents to Vendor utilizing products and services provided by Vendor under this Agreement and the TEL's logos in connection with such products and services as examples or as proof of performance, and not as an endorsement, in proposals and other sales materials submitted by Vendor to customers and potential customers.
- (k) All products and services provided by the Vendor Team used in connection with this Agreement shall in all material respects meet the requirements, performance standards and specifications of the RFP, the Proposal, the Answers and this Agreement.
- (l) All equipment and components provided by the Vendor Team shall be new and shall conform to the manufacturer's current official published specifications, unless otherwise approved in writing by TEL. All such equipment and components not manufactured by the Vendor Team shall carry manufacturer warranties of merchantability and warranties against defects in materials and workmanship, all of which are enforceable or available to the TEL without additional charge or action. All adjustments, repairs and replacement parts necessary to maintain such equipment and components in good working order shall be promptly provided and performed by Vendor. Any such equipment requirements set forth herein shall be replaced by Vendor as soon as feasible and without cost to TEL.
- (m) Vendor and the other members of the Vendor Team shall keep all of their equipment used in connection with this Agreement in good condition and repair and shall make reasonable efforts to prevent anything that may materially impair the operations thereof. Such equipment shall not be used in violation of this Agreement, the RFP or any of the Governing Laws and Regulations, and neither Vendor nor any other member of the Vendor Team shall encumber such hardware or equipment or otherwise dedicate the use of such hardware or equipment in such a way as to compromise the ability of any member of the Vendor Team to perform its obligations under this Agreement.
- (n) All systems analysis, systems design and programming prepared or done by Vendor or any other member of the Vendor Team in connection with this Agreement, the RFP or the Proposal have been and shall be prepared or done in a workmanlike manner consistent with the highest professional and technical guidelines and standards of the industry in which Vendor is engaged.
- (o) All instant tickets provided by the Vendor Team pursuant to this Agreement shall in all respects conform to, and function in accordance with, their specifications and designs, as approved by TEL. Without limiting the generality of the foregoing, Vendor warrants that the actual prize pool will be within the limits agreed to by the parties in the "Working Papers" as mutually agreed upon by the TEL and the Vendor for each new game.



17. OBLIGATIONS OF VENDOR

- (a) Vendor shall provide to the TEL on an annual basis updated certificate(s) of existence showing that it and each member of the Vendor Team are qualified to transact business in the State of Tennessee.
- (b) Vendor agrees to fully disclose to the TEL all matters materially affecting the TEL, this Agreement or the performance of this Agreement and all matters reasonably necessary to perform background and security investigations with respect to Vendor, the Subcontractors, their respective officers, directors, partners, major shareholders and employees, and the individuals performing services pursuant to this Agreement or otherwise for the benefit of the TEL. In addition, Vendor acknowledges that some or all of its employees, officers, directors, partners and major shareholders, and its approved subcontractors and their respective employees, officers, directors, partners and major shareholders, may be required to submit to background and other investigations, and Vendor shall cause any such individuals or subcontractors to fully cooperate with any such investigations and to provide all necessary information and authorizations in connection therewith. Vendor further agrees that it will routinely and continuously update all information disclosed to the TEL pursuant to this Agreement or the RFP, including, without limitation, the representations and warranties set forth in Section 16 hereof, no less often than quarterly; provided, however, Vendor shall immediately notify TEL upon the occurrence of any event the effect or results of which Vendor would be required to disclose, or to update a previous disclosure, to TEL under this Agreement or the RFP and which is reasonably likely to materially affect the TEL, Vendor, the Subcontractors, any of their respective officers, directors, partners, major shareholders or employees, this Agreement or the performance of this Agreement.
- (c) Vendor must, contemporaneously with the execution of this Agreement, post with the TEL a performance bond or letter of credit from a bank or credit provider acceptable to the TEL in an amount equal to Two Million Dollars (\$2,000,000.00), unless such bond or letter of credit is replaced by alternate security as authorized under T.C.A. § 4-51-114 and approved by the TEL. The security provided by Vendor pursuant to this Section 17(c) shall provide funds to the TEL, in the event the TEL suffers any liability, loss, damage, or expense that is the subject matter of a claim on such bond in accordance with the terms of this Agreement, including, without limitation, Vendor's obligation to pay any liquidated damages due hereunder or to indemnify the TEL pursuant hereto.
- (d) Vendor shall maintain the following types and amounts of insurance during the term of this Agreement:
 - (i) General liability insurance in the amount of at least \$5,000,000.00;
 - (ii) Property insurance in the amount of at least \$5,000,000.00;
 - (iii) Errors and omissions insurance, including over-redemption insurance, in the amount of at least \$5,000,000.00;
 - (iv) Vehicle insurance in the amount of at least \$2,000,000.00;
 - (v) Crime insurance in the amount of at least \$5,000,000.00; and
 - (vi) Such other types and amounts of insurance as the TEL shall from time to time reasonably require.



- (e) Vendor shall provide the TEL with certificates of insurance within ten (10) days after the date hereof and evidence of any renewed bonds or insurance policies within ten (10) days prior to the expiration of the then existing bonds or insurance policies. All bonds and insurance required of Vendor by this Agreement must be issued by companies or financial institutions which are financially rated A or better by a nationally recognized rating agency and duly licensed, admitted and authorized to transact business in the State of Tennessee.
- (f) Vendor shall, at its own expense, conduct trademark and service mark searches with respect to the names of all instant ticket games provided by the Vendor for use in connection with the Lottery. New trademarks and service marks developed for the TEL will be registered in the name of the TEL for its sole use in Tennessee.
- (g) Vendor shall lease mutually agreeable office space from the TEL at the TEL's main office, under the same terms and conditions as required by the TEL from its landlord or its successors and assigns. Vendor shall allow any authorized representatives of the TEL to inspect, without notice and at reasonable times, the plants, places of business and job sites of any member of the Vendor Team that are being used in connection with the performance of this Agreement.
- (h) Vendor shall not change the location of its computer system, offices, warehouse, press or service facilities used in connection with this Agreement without the prior written approval of the TEL.
- (i) Tickets printed pursuant to this Agreement shall be printed as specified in the Working Papers for each game, subject to standard trade tolerances.
- (j) Unless the parties hereto otherwise mutually agree, all tickets printed by Vendor pursuant to this Agreement shall contain full UV coating over the entire front surface of the ticket.
- (k) Vendor will provide up to 2,000, game card inserts to be used in the TEL's ticket vending machines for each Lottery instant ticket game produced by Vendor, excluding re-orders for such games.
- (l) Vendor will provide 30,000 instant ticket dispenser facings and 7,500 locking mount stands annually.
- (m) Vendor shall assume full financial responsibility for picking up any tickets printed by Vendor that the TEL and Vendor agree must be picked up as a result of exigent circumstances.
- (n) Vendor may be required each contract year commencing January 4, 2015, to warehouse and distribute up to four (4) proprietary or patented instant ticket games purchased by the TEL from other vendors, with ticket sizes and quantities consistent with the TEL's other instant ticket games. Reorders of any such proprietary or patented instant ticket games shall be considered a new game for purposes of this subsection 17(n). These tickets will only be distributed as part of the regularly scheduled distribution of Vendor's tickets, and not separately from Vendor's tickets or by special allocation. Vendor will not be reimbursed for packaging, warehousing and distributing these tickets, nor will Vendor be paid a percentage of sales when these tickets are sold. Vendor may also be required to include reasonable additional materials, at no additional cost to the TEL, in packages containing tickets to Lottery retailers.
- (o) All tickets provided to the TEL by Vendor must pass all lottery industry standard security tests. Vendor shall establish and maintain a physical plant, ticket and distribution security program that



is acceptable to the TEL and shall adhere to all reasonable security requirements established from time to time by the TEL.

- (p) Vendor and each other member of the Vendor Team shall establish and enforce a code of conduct for their respective employees, vendors, suppliers and independent contractors to ensure that Vendor and each other member of the Vendor Team comply with the rules and procedures established by the TEL.
- (q) Vendor and each other member of the Vendor Team will promptly disclose all written and oral agreements any of them have with any lobbyists or government affairs consultants working on their behalf in the State of Tennessee or on Tennessee issues before the United States government. Upon the written request of the TEL, they will immediately provide copies thereof to the TEL. Notwithstanding anything else contained herein to the contrary, the TEL may terminate this Agreement upon notice to Vendor in the event Vendor or any other member of the Vendor Team fails to comply with the provisions of this subsection 17(q).
- (r) Vendor will supply the automated sorter, ticket ordering and inventory control system along with consumable goods (i.e., labels and invoices) for the picking and packing printers located at the Vendor's warehouse and PC workstations for all TEL Retail Sales Specialist. The automated sorter shall be installed and implemented in accordance with a schedule agreed upon by the parties following the Effective Date.
- (s) Vendor shall provide a grant (the "Grant") to the TEL of Twelve Thousand Dollars (\$12,000.00) during the remaining calendar year 2014, and Twenty-Five Thousand Dollars (\$25,000.00) each contract year commencing January 4, 2015, to fund an internship program dedicated to the educational and professional development of students enrolled in and attending historically black colleges and universities in Tennessee. The Grant shall be provided pursuant to a schedule mutually acceptable to Vendor and the TEL over the term of this Agreement. In addition, Vendor has agreed to provide an Equal Business Opportunity ("EBO") Program, which will include minority subcontracting opportunities and business development. Vendor's EBO Program shall generate a minority business participation level of fifteen percent (15%) of Vendor's compensation received from the TEL. The Grant shall count toward Vendor's expenditures under the EBO Program. Vendor will submit a quarterly report certifying all payments made to Minority-Owned Businesses and detailing its activities in compliance with its EBO Program. Failure to comply with the terms of this Section may be deemed a breach, which may give rise to the TEL's termination rights pursuant to Section 19 of this Agreement.
- (t) Vendor shall provide a credit in the amount of One Hundred Thousand Dollars (\$100,000.00) in favor of the TEL to be utilized, in the TEL's sole discretion and in support of the instant ticket games produced by Vendor, for the purchase of marketing initiatives, or optional products and services included in the Proposal, during each contract year of the Agreement, commencing January 4, 2015. Any credit remaining at the end of each contract year may carry over into the following contract year subject to the mutual agreement of the parties. All remaining amounts of such credit must be utilized or allocated to marketing initiatives or optional products and services by the TEL no later than six (6) months prior to the expiration of the Agreement.
- (u) Vendor will provide void instant tickets for all games and oversized tickets for selected games, as mutually agreed by the parties in the corresponding Working Papers.
- (v) Vendor shall establish and maintain a physical and software security program that is reasonably acceptable to the TEL and shall adhere to all reasonable written security requirements established



by the TEL from time to time. The security program shall include, but is not limited to, Fail Safe® bar code and KDS3 and future releases.

- (w) Vendor shall provide two (2) SalesBuilder™ retailer training seminars for Lottery retailers selected by the TEL in consultation with the Vendor. Each seminar shall be conducted at a regional location in Tennessee selected by the TEL during each of the first two (2) contract years of the Agreement, commencing January 4, 2015. Each seminar day will consist of two (2) separate sessions, attended by up to one hundred-fifty (150) retailers per session. Vendor shall assist and advise the TEL in identifying the retailers selected to attend the seminars. Vendor shall provide TEL a hotel conference room at the selected location for the seminar, invitations to send to the selected retailers, registration services at the seminar location, a retail best practices guide to give to attendees, and simple refreshments for the attendees.
- (x) Vendor or a member of the Vendor Team shall conduct up to four (4) marketing focus groups on selected topics agreed upon by the parties during each contract year commencing January 4, 2015 at no additional cost to the TEL.
- (y) Vendor shall assist the TEL with its continued development of its Responsible Gaming Program as outlined in its Proposal at Section 5.20.
- (z) Vendor agrees to escrow the source code to all applicable software and other similar proprietary materials developed or provided by any member of the Vendor Team in connection with its or their performance under this Agreement, in accordance with a Source Code Escrow Agreement reasonably acceptable to the TEL, to be entered into subsequent to the execution of this Agreement.
- (aa) In the event the Player Loyalty Rewards Program Agreement (“**Rewards Program**”) as amended among the parties (and MDI Entertainment, LLC, a wholly-owned subsidiary of Vendor) expires or is otherwise terminated during the term of this Agreement, then following such expiration or termination, TEL shall have the right to select two (2) licensed property games per year during the term of the Agreement commencing January 4, 2014 from Vendor’s then-current licensed property games portfolio royalty-free, provided that the retail value of each such game shall not exceed \$15,000,000.00. Any prizes related to the licensed property games are not included. The parties acknowledge and agree that licensed properties related to sports brands, linked games, vehicle games and potential future games may require additional fees and may require additional agreement with corresponding owner of such licensed properties or third party suppliers. In the event such game includes a microsite linked to the TEL website, such microsite shall be provided at no additional charge to the TEL. For the avoidance of doubt, if the Rewards Program expires or is terminated, the TEL may decide annually to select two (2) licensed property games under the terms and conditions of this subsection 17(aa), forgoing the Vendor’s interactive offering in Section 5.12.1 of the Proposal.
- (bb) Vendor shall, if requested by and at no cost to the TEL, provide one (1) specialty game selected by the TEL in its sole discretion from the following categories, as further described in the Proposal, each contract year during the term of the Agreement commencing January 4, 2015 in ticket quantities typically purchased by the TEL for other instant ticket games:
 - (i) Gigantix™
 - (ii) Scratch My Back™



- (iii) Bottlenecks™
- (iv) Die cut tickets
- (v) Scented ink

The parties may amend the foregoing categories in writing from time to time during the term of the Agreement.

- (cc) In consideration for the rights granted under subsection 17(dd) and for Vendor's agreement to accelerating the application of the compensation rate under this Agreement to January 4, 2015, the Parties agree that Vendor shall provide three (3), rather than four (4) as required by the RFP, premium substrate games, utilizing either holographic paper or foil-backed paper, as selected by the TEL in its discretion per contract year commencing January 4, 2015, provided that (i) such games are based upon typical ticket sizes and quantities for the TEL's instant ticket Lottery games, (ii) reorders of any such selected premium substrate games are deemed new games for purposes of this subsection 17(cc), and (iii) at least one (1) such premium substrate game shall be printed on foil-backed paper.
- (dd) Vendor shall provide a credit to the TEL of up to Forty Thousand Dollars (\$40,000.00) per contract year commencing as of January 4, 2015, to be utilized for the management and testing of the Scitrack Ultra instant ticket management system, which system will be installed and operative no later than April 5, 2015, provided that such amount shall be prorated to \$30,000.00 during the first contract year based upon the launch date of the Scitrack Ultra system.
- (ee) Vendor shall provide the TEL the premium printing options set forth in Exhibit B at no additional cost to the TEL as such premium printing options are selected by TEL in its discretion and included in the Working Papers.
- (ff) Vendor shall increase the dimensions of all One Dollar (\$1.00) instant tickets to 2.5" x 4".

18. TAXES

The TEL shall have no responsibility whatsoever for the payment of any federal, state or local taxes which become payable by the Vendor or its subcontractors, agents, officers or employees. The Vendor shall pay and discharge all such taxes when due.

19. TERMINATION

- (a) The TEL may terminate the Agreement for any breach or default by the Vendor or member of the Vendor Team under the terms of the Agreement if, within ten (10) days after the TEL gives the Vendor written notice specifying a breach or a default, the Vendor has not, in the TEL's sole reasonable judgment, either cured the default or given adequate assurance that the default will be promptly cured and that the default will not adversely affect the timely conversion of the lottery or its continued operation. Moreover, the TEL may cancel and terminate the Agreement on less than ten (10) days written notice in cases of fraud, failure to disclose information required under this RFP, submission of work product in contravention of the terms of the Agreement, refusal to permit inspections authorized by the Agreement, failure to establish and maintain a physical plant, ticket and distribution security program that is acceptable to the TEL, and failure to adhere to all security requirements established from time to time by the TEL.



- (b) If TEL, after thirty (30) calendar days prior written notice from Vendor, fails to correct or cure any material breach of this Agreement, then Vendor may cancel and terminate this Agreement and in due course collect monies properly due up to and including the date of such termination.
- (c) In the event that either party hereto is unable to perform any of its obligations under this Agreement, or to enjoy any of its benefits because of natural disaster, actions or decrees of governmental bodies, or other events of force majeure not the fault of the affected party, the affected party shall immediately give notice to the other party and shall use its best efforts to resume performance. Upon receipt of such notice, each party's obligations under this Agreement shall be immediately suspended. Any such causes of delay or failure shall, in the exercise of reasonable diligence, extend the period of performance, for a reasonable period, until after such causes of delay or failure have been removed. However, if delays resulting from any foregoing causes extends for more than one hundred eighty (180) days and the parties have not agreed upon a revised basis for continuing the work at the end of the delay, including adjustment for price, then either party, upon thirty (30) days written notice may terminate this Agreement and in due course collect monies properly due up to and including the date of such termination.
- (d) If, for any reason other than a breach of this Agreement by TEL, the Vendor Team is unable to perform any of the Vendor Team's obligations hereunder, TEL shall acquire a usufruct in all property owned by any member of the Vendor Team which is supplied to the TEL under, is used in conjunction with, and is necessary to the performance of this Agreement for the remaining term of the Agreement.

20. LIQUIDATED DAMAGES

- (a) Notwithstanding anything herein to the contrary, Vendor shall be liable to TEL for liquidated damages as follows:
 - (i) Delay in the Start of a Game. In the event the start of any Lottery instant ticket game occurs after the start date established in the executed Working Papers for such game (a "Game Start Date") as a result of Vendor's act or omission, Vendor may be assessed liquidated damages in an amount up to ten thousand dollars (\$10,000.00) per day with respect to each day after such Game Start Date until the date on which the TEL begins such instant ticket game, such date not to be unreasonably delayed by the TEL.
 - (ii) Shortage of Tickets. In the event the TEL is unable to fill orders from its retailers for Lottery instant tickets for any Lottery instant ticket game as a result of Vendor's actions or omissions, Vendor may be assessed liquidated damages in an amount up to ten thousand dollars (\$10,000.00) per day that such shortage continues.
 - (iii) Failure to Distribute Tickets within Two (2) Business Days of Ordering. In the event Vendor fails to distribute tickets within two (2) business days of notice of the TEL's ordering, Vendor may be assessed liquidated damages in an amount up to fifty dollars (\$50.00) per day, per retailer, with respect to each day after such two day period until the date on which such instant tickets are actually delivered by Vendor.
 - (iv) Security Violations. In the event of any unauthorized access by any person to any of the TEL's instant ticket printing, storage, packaging or warehousing areas, or any theft of or tampering with any instant tickets in any such area, Vendor may be assessed liquidated damages in an amount up to one thousand dollars (\$1,000.00) per occurrence. Should any



one of the security systems at the warehouse fail, the Vendor shall report the outage to the TEL's chief security officer immediately upon detection and shall take all actions requested by the TEL to limit or minimize the disruption, threat or damage resulting therefrom. Vendor may be assessed liquidated damages in an amount equal to five thousand dollars (\$5,000.00) per occurrence for failure to follow the agreed upon procedures. Vendor shall take steps to prevent unauthorized access to the computer system and data files used in its duties. Upon detection of any attempt of unauthorized access to the computer system and/or data files, the Vendor shall notify the TEL's chief security officer immediately upon detection and shall take all actions requested by the TEL to limit or minimize the disruption, threat or damage resulting there from. Vendor may be assessed liquidated damages in an amount equal to ten thousand dollars (\$10,000.00) per occurrence for failure to follow the agreed upon procedures.

- (v) **Untimely Reports.** Vendor and the TEL will mutually agree as to the types of reports to be provided and the time of delivery of such reports. In the event Vendor fails to deliver such reports to TEL by the agreed upon time, Vendor may be assessed liquidated damages in an amount up to one hundred dollars (\$100.00) per day that it is late per report.
- (vi) **Working Papers-Untimely or Unauthorized Modifications.** Vendor and the TEL will mutually agree as to the format of Working Papers to be provided and the time of delivery of such Working Papers. In the event Vendor fails to deliver such Working Papers to the TEL by the agreed upon time, Vendor may be assessed liquidated damages up to one thousand dollars (\$1,000.00) per day that it is late per Working Papers. Vendor shall not make any material modifications to executed Working Papers without the prior written approval of TEL. In the event Vendor breaches the foregoing sentence, Vendor may be assessed liquidated damages in an amount of up to one thousand dollars (\$1,000.00) per occurrence.
- (vii) **Claimed Prize Tickets Not Approved by the TEL.** In the event a TEL instant ticket has been printed and validated as a winning ticket and is paid but is a non-winning instant ticket as per the overall prize structure, Vendor may be assessed liquidated damages up to an amount equal to the prize paid on such ticket.
- (viii) **Defective or Nonconforming Tickets.** In the event a TEL instant ticket appears on its face to be a winning ticket, but has not been validated as such, is presented for payment and the defect is due to a printing error or malfunction, which causes TEL to incur verifiable costs or expenses and/or loss of goodwill, Vendor may be assessed liquidated damages in an amount of up to \$10,000.00 per incident unless such apparent winning ticket is a counterfeit ticket, or the caption does not match the prize symbol, or it has been tampered with in any manner; and in any event, such ticket shall be presented to Vendor for examination and analysis prior to assessing any liquidated damages under this subsection.
- (ix) **Untimely or unauthorized software modifications.** In the event Vendor makes any material modifications to its operational software systems (other than emergency repairs which are reported to TEL within twenty-four (24) hours) without the prior written approval of TEL, or fails to perform all material authorized software modifications in a timely manner, then Vendor may be assessed liquidated damages in an amount up to one thousand dollars (\$1,000.00) per occurrence.

- (x) Unavailability of the telemarketing and inventory control system. In the event that the telemarketing and inventory control system provided by Vendor is unable to provide the material data required for telemarketing to retailers in a manner that prevents the TEL from completing calls or orders not leaving the warehouse, or is unable to track instant ticket games in inventory, Vendor may be assessed liquidated damages in an amount up to \$15,000.00 per day until the telemarketing and inventory control system is properly functional. The above excludes issues resulting from items outside of the Vendor's control such as lack of availability of gaming system or communication lines.
- (xi) Incomplete or Incorrect Game Validation Files. In the event a TEL instant ticket validation file produced by Vendor is incomplete or incorrect, Vendor may be assessed liquidated damages in the amount of up to one thousand dollars (\$1,000.00) per occurrence.
- (xii) Non-Performing or Underperforming Products or Services. In the event that Vendor has provided materially non-performing or significantly underperforming products or services, contrary to its representations and warranties in subsection 16(k), (l), and (m) of this Agreement, the TEL shall promptly notify Vendor in writing of such issue(s), and the Parties agree to promptly hold discussions to mutually determine appropriate actions. If no mutually agreed upon solution can be ascertained, Vendor may be assessed liquidated damages in an amount up to \$1,000.00 per incident.
- (xiii) Failure to Fulfill the Minority Participation Commitment. The TEL will monitor and review Vendor's progress quarterly. Annually, the TEL will evaluate Vendor's EBO expenditures. In the event Vendor fails to provide a minority participation level of fifteen percent (15%), Vendor shall be assessed liquidated damages in the amount of \$100,000.00 for every percentage point by which it fails to meet said commitment. Said funds shall be utilized to further expand the TEL's EBO Program, including the college internship program, as set forth in subsection 17(s) of this Agreement.

(b) Vendor and the TEL hereby acknowledge and agree that:

- (i) the TEL's damages following the occurrence of any event set forth in Section 20(a) hereof are difficult or impossible to accurately estimate or calculate;
- (ii) the liquidated damages amounts set forth in Section 20(a) hereof constitute reasonable estimates of the TEL's damages following the occurrence of any such events;
- (iii) it is their mutual intention that Section 20(a) hereof provide for liquidated damages to compensate the TEL upon the occurrence of such an event, rather than penalties to deter Vendor from breaching this Agreement and/or to punish Vendor upon the occurrence of such an event; and
- (iv) to the extent an event occurs for which liquidated damages are assessable under more than one subsection of subparagraph (a) above, the TEL shall not be entitled to recover under multiple subsections for the same event.
- (v) Notwithstanding the foregoing provisions of this Section 20, the TEL shall have the right, in its sole discretion, to waive (in whole or in part) payment by Vendor of any liquidated damages due hereunder, but TEL must assess liquidated damages within six (6) months of



the incident or such liquidated damages are waived. A waiver in any one instance shall be strictly limited to that specific instance and shall not in any way constitute or be construed to constitute a waiver of the payment of any other liquidated damages that are or may become due hereunder.

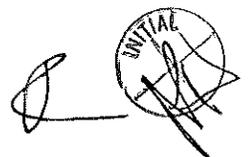
- (vi) Vendor is not liable for liquidated damages for any of the foregoing with respect to instant tickets not produced by Vendor and is not liable for system malfunctions caused by defective or improperly produced data or validation files in connection with such tickets not produced by Vendor.
- (vii) The TEL shall notify Vendor in writing of a proposed assessment of liquidated damages prior to such assessment becoming due and payable.

Vendor shall have the right to protest any such assessment within ten (10) business days of its receipt of the notice. In the event Vendor does protest an assessment of liquidated damages, it shall propose a time for the parties to discuss such assessment. The TEL shall provide Vendor with a written response to any such discussions within ten (10) days of the date they take place.

- (c) The TEL and Vendor agree that the TEL may, at its option, (i) require Vendor to pay such liquidated damages directly to the TEL or (ii) offset the amount of such liquidated damages against any amounts owed by the TEL to Vendor.

21. INDEMNIFICATION

- (a) Vendor agrees to indemnify, defend and hold harmless the TEL, its directors, officers and employees the State of Tennessee and its agencies and political subdivisions, and their respective agents, officers and employees, against any and all suits, damages, expenses (including, without limitation, court costs, attorneys' fees and other damages), losses, liabilities and claims of any kind, caused by or resulting from any breach of this Agreement by any member of the Vendor Team or any other act or omission of Vendor, the Subcontractors, any member of the Vendor Team or any of its or their respective agents or employees, whether the same may be the result of negligence, responsibility under strict liability standards, any other substandard conduct.
- (b) In addition, Vendor agrees to indemnify, defend and hold harmless the TEL, its directors, officers and employees, the State of Tennessee and its agencies and political subdivisions, and their respective agents, officers and employees (the "TEL Indemnified Parties"), against any and all suits, damages, expenses (including, without limitation, court costs, attorneys' fees and other damages), losses, liabilities and claims of any kind (collectively, "IP Claims"), arising out of, in connection with or resulting from the development, possession, license, modifications or use of any copyrighted or non-copyrighted composition, trademark, service mark, service process, patented invention or idea, trade secret, article or appliance furnished to the TEL, or used in the performance of this Agreement, by any member of the Vendor Team. Notwithstanding the foregoing, the Vendor shall only be required to indemnify and hold harmless the TEL Indemnified Parties with respect to any IP Claims for infringement, to the extent that the products or services provided by the Vendor infringe the rights of a third party, and not to the extent any infringement resulted from acts of the TEL Indemnified Parties. To the extent that any products or services provided by the Vendor become the subject of any IP Claim for infringement, the Vendor, after consultation with the TEL and at the TEL's option, may do one of the following at the Vendor's expense: (i) procure for the TEL the right under such patent, trademark, or copyright to use or sub-license, as appropriate, the product or such part thereof; or (ii) replace the



product(s), or part thereof, with other suitable products or parts conforming to the original TEL specifications; or (iii) suitably modify the products, or part thereof.

- (c) Vendor also agrees to indemnify, defend and hold harmless the TEL Indemnified Parties against any and all suits, damages, interests, awards, penalties, fines, costs or expenses of whatever kind (including, without limitation, court costs, attorneys' fees and other damages), the cost of enforcing any right to indemnification hereunder, the cost of pursuing any insurance providers, the cost of remediation, losses, liabilities and claims of any kind, arising out of, or resulting from any third-party claim against any TEL Indemnified Party arising out of or resulting from a data security breach. Notwithstanding anything to the contrary set forth in this subsection 21(c) Vendor shall not be obligated to indemnify, defend or hold harmless any TEL Indemnified Party to the extent such data security breach was caused by a TEL Agent.

22. DISPUTE RESOLUTION PROCEDURES

Any and all claims, disputes or controversies arising in connection with this Agreement must be made in accordance with the Tennessee Education Lottery Corporation- Dispute Resolution Procedures established by the TEL Board of Directors (as the same may be amended from time to time).

23. NOTICES

- (a) All notices and statements provided for or required by this Agreement shall be in writing, and shall be delivered personally to the other designated party, or mailed by certified or registered mail, return receipt requested, or delivered by a recognized national overnight courier service, as follows:

If to TEL:

Tennessee Education Lottery Corporation
1 Century Place
26 Century Blvd. Suite 200
Nashville, Tennessee 37214
Attn: Rebecca Hargrove, President & CEO
With a copy to: General Counsel

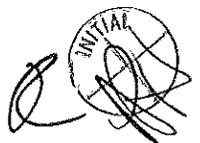
If to Vendor:

Scientific Games International, Inc.
1500 Bluegrass Lakes Parkway
Alpharetta, Georgia 30004
Attn: John Schulz, Senior Vice President
With a copy to: Legal Department

- (b) Either party hereto may change the address or individual to which notice is to be sent by written notice to the other party in accordance with the provisions of this Section 23.

24. MISCELLANEOUS

- (a) This Agreement, together with the Proposal, the Questions and Answers and the RFP, all of which are incorporated herein by reference, contains the entire agreement and understanding concerning the subject matter hereof between the parties hereto. No waiver, termination or discharge of this



Agreement, or any of the terms or provisions hereof, shall be binding upon either party hereto unless confirmed in writing. This Agreement may not be modified or amended, except by a writing executed by both parties hereto. No waiver by either party hereto of any term or provision of this Agreement or of any default hereunder shall affect such party's rights thereafter to enforce such term or provision or to exercise any right or remedy in the event of any other default, whether or not similar.

- (b) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TENNESSEE, AND, SUBJECT TO SECTION 22 ABOVE, ANY CAUSE OF ACTION ARISING HEREUNDER MUST BE BROUGHT IN THE CHANCERY COURT FOR DAVIDSON COUNTY, TENNESSEE. VENDOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY PROCEEDING WHICH IS BROUGHT IN SUCH A COURT.
- (c) Vendor shall not assign this Agreement, in whole or in part, without the prior written consent of the TEL, and any attempted assignment not in accordance herewith shall be null and void and of no force or effect. For purposes of this Section 24(c), the transfer or sale of a controlling equity interest in, or substantially all of the assets of, Vendor will be deemed an assignment for which the TEL's consent is required.
- (d) This Agreement shall be binding on and inure to the benefit of Vendor, and its Subcontractors, successors and permitted assigns.
- (e) The headings contained herein are for the convenience of the parties only and shall not be interpreted to limit or affect in any way the meaning of the language contained in this Agreement.
- (f) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute the same Agreement. Any signature page of any such counterpart, or any electronic facsimile thereof, may be attached or appended to any other counterpart to complete a fully executed counterpart of this Agreement, and any telecopy or other facsimile transmission of any signature shall be deemed an original and shall bind such party.
- (g) If any provision of this Agreement shall be held void, voidable, invalid or inoperative, no other provision of this Agreement shall be affected as a result thereof, and accordingly, the remaining provisions of this Agreement shall remain in full force and effect as though such void, voidable, invalid or inoperative provision had not been contained herein.
- (h) Upon the request of the TEL, Vendor agrees to take, and to cause any other member of the Vendor Team to take, any and all reasonable actions, including, without limitation, the execution of certificates, documents or instruments, necessary or appropriate to give effect to the terms (and conditions set forth in this Agreement.

25. ADDITIONAL SERVICES

In the event the TEL desires to retain the services of Vendor for activities in addition to those contemplated by this Agreement, payment therefore shall be as agreed upon by the parties. Any such services, the rates, and the terms of payment shall be approved, in writing, prior to the commencement of any such additional work. In no event shall Vendor or any member of the Vendor Team be paid for work not authorized, or for work in excess of that authorized, in writing by the TEL.



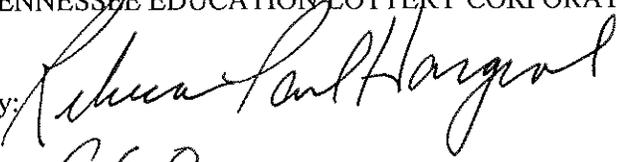
26. REQUIRED INVESTIGATIONS

The TEL and Vendor hereby agree that this Agreement, and all of the terms and conditions contained herein, is subject to the completion of all criminal and other background investigations required by the Act or the TEL Policies. This Agreement will not be binding upon the TEL or the Vendor until the completion of all such investigations.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Agreement to be effective as of the day and year first above written.

"TEL"

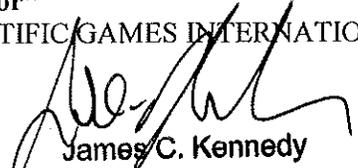
TENNESSEE EDUCATION LOTTERY CORPORATION

By: 

Its: CEO

"Vendor"

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: 

Its: James C. Kennedy
President & CEO

TENNESSEE EDUCATION LOTTERY CORPORATION
EQUAL BUSINESS OPPORTUNITY PROGRAM

EBO FORM BI

**MINORITY-OWNED BUSINESS UTILIZATION PLAN
(TO BE SUBMITTED WITH THE CONTRACT)**

Company: **Scientific Games International, Inc.**
RFP/ITB: **RFP for Instant Ticket Lottery Game Services**

Scientific Games International, Inc., does certify that on the above noted procurement opportunity,
(Firm)
the following minority-owned businesses will be utilized as subcontractors, joint-venturers, suppliers, or provide professional services:

Name	Description of Work	% of Contract Value	Joint Venture (Yes/No)	% of Minority Ownership	Certified (Yes/No)	Certification Agency
Boxes Etc II, LLC	Packaging materials	4.26%	No	51%	Yes	State of Tennessee
Burns Printing, Inc.	Printing and mailing service	0.16%	No	100%	Yes	State of Tennessee
Expedited Transportation Services, Inc.	Freight handling	2.48%	No	100%	Yes	State of Tennessee
Prosys Information Systems, Inc.	Computer hardware	5.27%	Yes	52%	Yes	State of Tennessee
Rite Quality Office Supplies, Inc.	Office supplies	0.46%	No	100%	Yes	State of Tennessee
Smith Harris & Carr, Co.	Policy research, consulting	0.29%	No	100%	Yes	State of Tennessee
Southern Solutions of Tennessee	Focus groups, market research	1.58%	No	100%	Yes	State of Tennessee
Specialized Services Unlimited, LLC	Janitorial and staffing	0.29%	No	51%	Yes	State of Tennessee
Focus with Pettig	Focus group moderator	0.23%	No	100%	Yes	National Women Business Owners Corporation

(If additional space is needed this form may be duplicated)

Are you a minority-owned business? Yes/No No
If yes, what is the percentage of ownership? _____

TOTAL COMMITMENT VALUE: Estimated \$12.2 million
TOTAL % OF MINORITY BUSINESS PARTICIPATION:

ESTIMATED TOTAL % OF MINORITY BUSINESS PARTICIPATION: 15.02%

The successful bidder/ proposer is required to complete this form prior to execution of a contract. Joint Venture Agreements, partnering agreements and all pertinent information must be presented upon request by the TEL. This information will be incorporated into the contract and will become a contractual obligation of the successful bidder/proposer. EBO Form BI shall not be changed or altered after contract execution without approval from the TEL. The company is required to notify the TEL and to obtain approval prior to changing the minority-owned businesses listed above.

Submitted by: Joseph Stewart
Authorized Representative Signature
VP, CPO
Title
6/10/14
Date

Premium Printing Options

In addition to "Standard" ticket features, Scientific Games will provide the TEL following "Premium" printing features as part of the base price. These features are in addition to the three games per year Premium Paper requirement and Full UV Gloss Coating requirement of this agreement.

Premium Printing Options Included in Base Price
Additional front display colors
Additional ticket back color
Additional overprint colors
Additional hits of scratch-off coating
Additional hits of primer
FouReal four color process overprint
Four process display integrated with four color process overprint
Perforated stub with scratch-off area
Perforated stub without scratch-off area
Multiple scenes
Continuous scene games
Synchronized scene games
Spot matte coating
One color imaging, color other than black
Graphic ClearMark extended play marking system
SureMark extended play marking system
ClearMark extended play marking system
ColorMark extended play marking system
Ink color pulse, per each
Graphic Pulse, per press stop as required by production
Graphic Pulse, per plate changed as required by production
Understand dual language feature
Fluorescent ink, each
Pearlescent coating
Standard metallic ink, each
SGI proprietary play action games: Multi-line games,
ITVM Cards (Up to 2,000/game as described iSection 17(k))
Secure ticket destruction at Scientific Games Alpharetta facility