

**CONTRACT FOR PULLTAB SERVICES PROGRAM
AND FOR RELATED PRODUCTS AND SERVICES**

THIS CONTRACT ("Contract" or "Agreement") is entered into by and between the Idaho State Lottery (hereinafter "Lottery"), a self-governing agency of the State of Idaho, having its principal office at 1199 Shoreline Lane, Boise, Idaho 83702 and International Gamco, Inc., a Nebraska corporation with its principal office at 9335 No. 48th Street, Omaha, NE 68152 (hereinafter "Contractor"), each sometimes referred to individually as the "Party", or, collectively, as the "Parties" for the purpose of providing an all-inclusive Pulltab Services Program to maximize Pulltab Ticket sales in the State of Idaho and any other related products and services.

RECITALS

WHEREAS, the Director of the Idaho State Lottery (the "Director"), pursuant to the authority granted to him by Idaho Code §67-7409(3) and with the approval of the Idaho Lottery Commission, as contemplated in Idaho Code §67-7408(2), issued a Request for Proposals dated March 21, 2008, (hereinafter referred to as the "RFP"), on behalf of the Lottery. The purpose of the Request for Proposals issued by the Lottery was to enter into a contract for the provision of an all inclusive Pulltab Services Program to maximize Pulltab Ticket sales in the State of Idaho and for the provision of related products and services; and

WHEREAS, Contractor timely submitted a Response to the Idaho State Lottery RFP, dated April 15, 2008, at a fair and reasonable price, and has demonstrated competence and experience in providing Pulltab Tickets and related products and services; and

WHEREAS, the Lottery, with the authorization of the Director and the approval of the Idaho Lottery Commission desires to enter into a contract for an all inclusive Pulltab Services Program and related products and services; and

WHEREAS, the Contractor is agreeable and willing to enter into such a contract;

NOW, THEREFORE, the Lottery and Contractor, for the consideration hereinafter set forth, agree as follows:

1. Definitions

Commission - The Idaho State Lottery Commission.

Contractor – International Gamco, Inc.

Director - The Director of the Idaho State Lottery.

Idaho Lottery or Lottery - The Director and all employees of the Idaho Lottery, as well as any unit, department or representative of the Lottery.

Intellectual Property Rights - Those rights arising from and out of copyright, trademark, trade dress, trade secret, or patent, whether based upon the laws of the State of Idaho, the United States, or one or more foreign countries.

Net Weekly Pulltab Ticket Sales - The monetary value of Pulltab Tickets settled during an accounting week, Sunday through Saturday, less any Returns. Free replays as prizes, promotional free tickets or cancelled transactions are not considered a ticket sold.

Net Revenue – The Lottery’s revenue derived from Net Pulltab Ticket Sales less all costs of doing business associated with the sale of Pulltab Tickets and the Pulltab Services Program including, but not limited to, prizes, commissions and any advertising, marketing costs, personnel costs and capital outlay.

Pre-Existing Intellectual Property - Pre-Existing Intellectual Property shall mean any trademark, service mark, copyright, patent, trade secret, invention, computer code, software, work of authorship, or other intellectual property which relates to the products or services provided under the Contract that has already been conceived or developed by the Contractor before the Effective Date of the Contract.

Proposal - The response by the Contractor to this Lottery issued RFP to obtain an all-inclusive Pulltab Services Program and related products and services. This includes the written proposal and the price proposal.

Pulltab Tickets – Lottery games that are played by revealing symbols located under perforated tabs contained on laminated paper tickets.

Pulltab Services Program - all inclusive solution for expanding the Idaho State Lottery Pulltab product line containing the following services: Pulltab Ticket printing, warehousing services, distribution of Pulltab Tickets, sales staff, vending products including installation and service, retailer recruitment, retailer training, marketing support, and sales reporting and other agreed-upon related products and services.

Retailer - A business entity that is authorized by the Lottery to sell Lottery products.

Returns - The return from the Retailer to the Lottery of all or a portion of the Pulltab Tickets in a pack which was previously settled.

RFP - Request for Proposal issued by the Lottery on March 21, 2008 for provision of a Pulltab Services Program.

Settled - The point at which the Retailer and the Lottery formally acknowledge the sale of a pack of Pulltab Tickets and the Lottery recognizes the revenue therefrom.

State - The State of Idaho.

Subcontractor - Any person or firm having an agreement with the Contractor to perform some or all of the Contractor's work under a contract with the Lottery.

Tel-Sell - A process for Subcontractor or Contractor employees to accept phone orders for Pulltab Tickets from Pulltab Retailers.

Working Papers – A written set of instructions for each individual game setting out Pulltab Ticket game specifications and quantities to be printed. Working Papers must be agreed to and signed by the Director of the Lottery and the Contractor. Terms and conditions contained in the signed Working Papers shall be binding upon the parties to the Contract provided those terms and conditions are not inconsistent with any term or condition contained in the Contract.

Work Product - Work Product shall mean game names, game ideas, play styles, trademarks, artwork, drawings, models, devices, reports, computer programs, schematics and other diagrams, instructional materials, and anything else which Contractor produces or develops in connection with rendering any performance under any Contract, but shall expressly exclude Pre-Existing Intellectual Property.

2. Statement of Work.

The Lottery grants Contractor the exclusive right to provide, and Contractor agrees to provide, services and staff, and otherwise do all things necessary for or incidental to the provision of the Pulltab Services Program, as defined in Section 1 , and consistent with the technical requirements and other operational mandates contained in RFP Part 6 ("Pulltab Services Program"), as well as the security requirements contained in RFP Part 5 ("Security"), and consistent with the proposed manner of meeting these respective technical requirements, operational mandates and security requirements specified in the Contractor's Proposal dated April 15, 2008. In conjunction with the RFP and the Proposal, this Section 2, Statement of Work and its subsections is intended to more particularly specify Contractor responsibilities and obligations with respect to certain aspects the provision of the Pulltab Services Program and related services, as agreed between the Parties.

2.1 Pulltab Ticket Printing. Contractor shall be responsible for the production and printing of all Pulltab Ticket games for the length of the contract. The Contractor shall be responsible for determining game designs, game quantities, and price points. shall be responsible to provide the Lottery with working papers for approval prior to the development and printing of any Pulltab Tickets.

2.2 Warehousing Services. Contractor shall be responsible for warehousing and storage of all Pulltab Ticket game inventory by sub-leasing space from Lottery's facility. Contractor agrees to sub-lease from the Lottery 4,275 square feet of the Lottery's warehouse located at 7529 Mossy Cup, Boise, Idaho for the same terms as the Lottery's current lease agreement.

- a. Contractor shall pay the prorated percentage based upon square feet on a historical monthly KWH and Therms usage and 100% of

any incremental increase in KWH and Therms used. For purposes of illustration and to avoid confusion, if the average utilities were \$100 per month and the Contractor was using 20% of the space, the Contractor would pay 20% or \$20. If the KWH and Therms usage goes up to \$110 per month after the Contractor moves in, Contractor would pay the \$20 plus the increase of \$10 for a total of \$30 per month.

- b. Contractor shall install maintain and pay for, security features for Contractor's applicable warehouse space which are required by the Lottery and not already in place.
- c. Lottery shall provide the use of the specified fencing to help complete the new fenced area. At its sole cost, Contractor shall be responsible for any moving of fencing and for purchase of any additional required fencing to secure the area.
- d. Lottery shall provide personnel and equipment to unload Pulltab Ticket deliveries.

2.3 Distribution of Pulltab Tickets. Contractor shall be responsible for distribution of all Pulltab Tickets to Lottery Pulltab Retailers. Contractor shall run distribution routes using the services of a Subcontractor or Contractor employees. Pulltab Ticket product orders may be shipped by carrier as needed.

2.4 Sales Staff. Contractor shall provide sufficient sales personnel to handle routes, Retailer recruitment, customer service, Pulltab Ticket ordering and delivery in all regions of the state by using Subcontractors or Contractor employees. Contractor shall have a link on the Lottery's website for internet orders. Contractor shall provide a 1-800 number for tel-sell orders taken by tel-sell employees.

2.5 Vending Products Installation/Service. Contractor shall supply its line of digital dispensing devices (TabBOXX) as described in section 6.1.5 of its Proposal or other vending solutions for all Pulltab retailers. The Lottery will allow Contractor to use all current Lottery vending products as needed for no charge. Contractor or its Subcontractor or employees shall install, maintain, service and supply parts for all vending products. Contractor may establish sales volume requirements as needed to determine distribution of dispensing devices.

2.6 Retailer Recruitment. Contractor shall use a Subcontractor or Contractor employees to actively recruit new Pulltab Retailers with yearly expansion goals. All new applicants must complete an Idaho Lottery retailer application, pass a Lottery Retailer background check and pay the respective fees outlined in the Retailer contract prior to receiving a Lottery Retailer license and selling any Lottery product.

2.7 Retailer Training. Contractor shall be solely responsible for training new

Pulltab Ticket Retailers and any on-going training as deemed necessary, along with vending product training.

2.8 Marketing Support. Contractor shall provide marketing support to promote Pulltab Ticket sales using point of sale, advertising displays, media and promotional opportunities to maximize sales as needed. Contractor shall determine the scope and implement retailer incentives and/or player incentives with the approval of the Lottery.

2.9 Sales Reporting. Contractor and the Lottery shall work together to produce reports as described in Contractor's RFP , Section 6.1.9.

2.10 Back Office Solutions. Contractor agrees to create two files .csv formatted files to facilitate communication between Contractor and the Idaho Lottery vendor, Intralot, and Intralot's Back Office System. The Lottery will provide a file specification. See Exhibit A. The first file shall contain order specific information (order.dat) and the second shall contain active retailer information (vendor.dat). Contractor will be provided a secure FTP site, to transfer files between Intralot and International Gamco, as agreed by all Parties. Contractor shall provide a back-out plan to handle a corrupt file.

2.11 Lottery's Oversight. The Lottery shall maintain oversight of the Contractor's Pulltab Services Program including but not limited to approval of all Pulltab Ticket game designs and themes, Retailer licensing and confirmation of Retailer billings.

2.12 Current PullTab Inventory. The Contractor agrees to credit the Lottery every month for every box of Pulltab Tickets sold from the current Lottery inventory of four (4) twenty-five cent games (#518,582,583,584), five (5) fifty cent games (#538,543,544,556,558) and one (1) one dollar game (#585) at the price paid by the Lottery for the product. All of the other remaining games from the current inventory not listed above, will be ended by the Lottery by June 30, 2008.

3. Contract Terms and Priority of Contract Documents

3.1 Terms and Conditions and Priority of Documents. The terms and conditions of the Contract between the Lottery and Contractor consist of and precedence is established by the order of the following documents: 1) Applicable federal and state statutes, laws and regulations; 2) any Amendment executed as provided in section 32, Amendment; 3) this Contract; 4) the RFP; and 5) Contractor's Proposal. The above numbered documents are, collectively, the "Contract". These documents are complementary and what is required by one shall be binding as if required by all. In the case of any conflict or inconsistency arising under the Contract documents, a document identified with a lower number in this section shall supersede a higher numbered document to the extent necessary to resolve any such conflict or inconsistency. No conflict or inconsistency shall be deemed to occur in the event an issue is addressed in one of the above mentioned Contract documents but is not addressed in another of such documents. No conflict or inconsistency shall be deemed to occur in the event an issue addressed in one of the above-mentioned Contract documents is an additional or supplemental

requirement to an issue addressed in another of such documents.

4. Term. The initial term of this Contract shall commence on July 1, 2008 and end June 30, 2013. The Lottery reserves the right, at its sole option, to extend the duration of the contract for two (2) additional one (1) year periods.

5. Terms of Payment

5.1 Compensation and Payment. In accordance with Contractor's price proposal, in consideration for the Pulltab Services Program and related products and services provided hereunder by Contractor to the Lottery, the Lottery shall pay Contractor compensation as set forth in Exhibit B. To facilitate weekly payments, the Lottery shall pay the Contractor:

- a. Eleven and eight hundredths percent (11.08%) of Net Weekly Pulltab Sales for Year 1 of the Contract until the Lottery receives \$300,000 and thereafter adjusted according to Exhibit B;
- b. Eighteen percent (18%) of Net Weekly Pulltab Sales for Year 2 of the Contract until the Lottery receives \$309,000 and thereafter adjusted according to Exhibit B;
- c. Fourteen percent (14%) of Net Weekly Pulltab Sales for Year 3 of the Contract until the Lottery receives \$318,000 and thereafter adjusted according to Exhibit B;
- d. Twelve percent (12%) of Net Weekly Pulltab Sales for Year 4 of the Contract until the Lottery receives \$328,000 and thereafter adjusted according to Exhibit B; and
- e. Ten percent (10%) of Net Weekly Pulltab Sales for Year 5 of the Contract until the Lottery receives \$337,500 and thereafter adjusted according to Exhibit B.

The Lottery shall not be liable for any expenses the Contractor pays or incurs or any charges or costs billed to the Lottery under the Contract unless set forth in the Contract. Except as set forth in the Contract, the Contractor shall supply, at its sole expense, all staff, equipment, tools, materials or supplies to accomplish the work to be performed in providing the Pulltab Services Program pursuant to the terms of the Contract.

5.2 Payment Terms. The Lottery shall calculate Net Weekly Pulltab Ticket Sales for covered games for the period Sunday through Saturday and use this information to calculate the weekly compensation amount owed to Contractor per Section 5.1. This weekly compensation amount shall be remitted to the Contractor by wire transfer, as provided in Section 5.3, no later than the Thursday following the end of the sales week.

5.3 Payment. All payments to Contractor as provided in this Section 5 shall be made by wire transfer.

6. Representations and Warranties

6.1 Minimum Net Revenue Guarantee. Contractor represents and warrants that its Pulltab Services Program shall guarantee a minimum Net Revenue of Three-Hundred-Thousand Dollars (\$300,000) to the Lottery for the Year 1 of the Contract and include a minimum annual increase of three percent (3%) for each subsequent year of the Contract. Therefore, the Vendor represents and warrants that its Pulltab Services Program shall guarantee a minimum Net Revenue of Three Hundred Nine Thousand Dollars (\$309,000) for Year 2 of the Contract; a minimum Net Revenue of Three Hundred Eighteen Thousand Dollars (\$318,000) for Year 3 of the Contract; a minimum Net Revenue of Three-Hundred Twenty-Eight Thousand (\$328,000) for Year 4 of the Contract; and a minimum Net Revenue of Three-Hundred Thirty-Seven Thousand Five-Hundred Dollars (\$337,500) for Year 5 of the Contract.

6.2 Pulltab Ticket Games. Contractor represents and warrants that each Pulltab Ticket game and all Pulltab Tickets supplied to the Lottery under this Contract will in all respects meet the requirements and specifications of this Contract and will be suitable and fit for the purposes of a state-run Lottery and conform to and function with the applicable game specifications and designs and as prescribed by the Lottery in the Working Papers for each game. Contractor acknowledges that the Pulltab Tickets under this Contract are required for the particular purpose of issuance, distribution and sale to the public and that the Lottery is relying on the Contractor's skill and judgment to furnish Pulltab Tickets fit in all respects for that purpose. The Contractor represents and warrants that the Pulltab Tickets will be merchantable and fit for such purpose in accordance with the provisions of the Uniform Commercial Code as adopted in the State of Idaho governing the warranties of merchantability and fitness for a particular purpose. These warranties of merchantability and fitness will take precedence over and govern the contents of the Working Papers for each game.

6.3 Systems and Programming. Contractor represents and warrants that all systems analysis, systems design and programming, if any, performed pursuant to this Contract or for use in Contractor's performance hereunder has been and will be prepared or done in a professional manner consistent with the highest standards of the industry in which Contractor is engaged. Contractor further represents and warrants that all programs implemented in its performance under this Contract will meet the performance standards required hereunder, will correctly and accurately perform their intended functions, and will not be disclosed or released by Contractor to any person or entity other than the Lottery.

6.4 Services. Contractor represents and warrants that all services provided by it pursuant to this Contract will be performed in a prompt, competent and professional manner by properly trained individuals in accordance with the highest standards of Contractor's industry and in accordance with the specifications and requirements of this Contract. Contractor represents and warrants that it will apply its best efforts in game design and marketing games produced for use by the Lottery.

7. Intellectual Property and Ownership of Pulltab Ticket Games, Materials and Information.

7.1 All Work Product shall belong to the Lottery. Contractor shall deliver and assign, and agrees to assign, all rights in and to Work Product it creates, produces, compiles, or develops to the Lottery as set forth in the Contract. If Contractor uses any Pre-Existing Intellectual Property in the development of any Work Product, Contractor shall grant to the Lottery a non-exclusive, royalty-free, worldwide, perpetual license, under Contractor's Intellectual Property Rights to copy, publicly perform, create derivative works from, display, make, sell, use, reproduce, modify, and adapt such as may be necessary for the Lottery to utilize the Work Product as contemplated by the Contract. Prior to Contract execution, Contractor shall disclose in writing to the Lottery items Contractor defines as Pre-Existing Intellectual Property that it intends or wishes to use attendant to its performance, and such disclosure, if acceptable to the Lottery, shall be scheduled as part of the Contract to avoid mistake and uncertainty as to ownership of intellectual property. Contractor may tender written requests for additions to the scheduled list of Pre-Existing Intellectual Property as Contractor's performance progresses. Otherwise, developed materials shall be deemed to be Work Product. Moreover, Contractor shall give the Lottery prompt notice if at any time Contractor knows of any third party claim to any intellectual property provided as Work Product by Contractor to the Lottery pursuant to the Contract. Lottery and Contractor also agree that all Intellectual Property Rights associated with any product or service including but not limited to game names, game ideas, artwork and play styles, developed solely by the Lottery, are and shall remain the sole property of the Lottery.

7.2 The obligations under this Section 7 and its subparts concerning Work Product shall continue perpetually and survive the termination or expiration of the Contract.

7.3 To the extent that a Contractor utilizes or relies upon the Intellectual Property Rights of a third party in fulfilling its obligations under a Contract, Contractor shall provide the Lottery with whatever assurance the Lottery deems necessary that the use of such third party Intellectual Property Rights is permissible. In addition, in the event of failure to perform or breach of Contract, Contractor shall ensure continued right of use of licensed intellectual property by the Lottery.

8. Trademarks and/or Names. Contractor shall obtain and pay for federal trademark, and state trademark searches within Idaho, on names chosen for Pulltab Ticket games by the Contractor or the Lottery, and obtain a written opinion at its sole expense from competent trademark counsel as to the availability and advisability of the use of such Pulltab Ticket game names. The Lottery shall then review each opinion and thereafter determine the name of each Pulltab Ticket game and embody its decision via approval for the final mechanical art for each Pulltab Ticket game. In the event that a name so chosen by the Lottery has been expressly determined to infringe or violate a trademark in connection with a Pulltab Ticket game as expressed in the written opinion supplied hereunder by Contractor's trademark counsel, Contractor shall be relieved of its indemnification responsibilities, hereinafter described in Section 9, to the extent the Lottery

elects to proceed with the name in contravention of counsel's opinion.

9. Warranty and Indemnification. The Contractor represents and warrants that the Work Product will not infringe any third-party Intellectual Property Rights. The Contractor warrants that it has all rights and permissions, including Intellectual Property Rights and rights of publicity necessary to grant copyright, patent, trademark, or Intellectual Property Rights, including licenses, to the Lottery in its performance under the Contract.

The Contractor shall indemnify and hold the Lottery harmless and shall defend at its own expense (subject to the right of the Lottery and the State to provide additional legal counsel at their own expense) any claim or action brought against the Lottery, its commissioners, employees, agents, retailers, and users of PulltabTicket games arising out of or related to the Work Product, the Pre-Existing Intellectual Property, and all other goods and services described in the Contract based upon a claim of infringement of a United States patent, copyright, trade secret, or trademark, and Contractor shall be liable to the Lottery and the State of Idaho for all direct and/or consequential damages, including but not limited to loss of revenue to the Lottery and the State resulting from such claim or suit.

10. Continued Right to Use or Replacement. Should Pulltab Ticket games and respective game names, and/or other goods and services provided and performed under this Contract, including but not limited to Work Product and Pre-Existing Intellectual Property become, or in Contractor's opinion be likely to become, the subject of a claim of infringement of a United States patent, copyright, trade secret, or trademark, the Lottery shall permit the Contractor, at its option and expense, either to procure for the Lottery the right to continue using the Pulltab Ticket games and respective game names, and/or other goods and services provided and performed under this Contract or to replace or modify the same provided under the Contract so that it becomes non-infringing while still remaining acceptable to the Lottery relative to the Lottery's requirements under the Contract. The Lottery's acceptance of such replacement or modification shall not be unreasonably withheld. In the event that Contractor is unable or unwilling to secure a continued right to use the Pulltab Ticket games and respective game names, and/or other goods and services provided and performed under this Contract within a reasonable time, the Lottery may, in its sole discretion, secure alternative Pulltab Ticket games and respective game names, and/or other goods and services provided and performed under this Contract conforming to the requirements of the Contract and deduct the costs of such Pulltab Ticket games and respective game names, and/or other goods and services provided and performed under this Contract from payments to Contractor or terminate the Contract upon written notice to Contractor; provided that with respect to termination of the Contract, the Lottery shall provide a thirty (30) day cure period and shall accompany such notice with reasonable and documented showing of Contractor's failure.

11. Contract Relationship. It is distinctly and particularly understood and agreed between the parties that the Lottery is in no way associated or otherwise connected with the performance of any service under this Contract on the part of the Contractor or with the

employment of labor or the incurring of expenses by the Contractor. The Contractor is an independent contractor in the performance of each and every part of this Contract, and solely and personally liable for all labor, taxes, insurance, required bonding and other expenses, except as specifically stated herein, and for any and all damages in connection with the operation of this Contract, whether it may be for personal injuries or damages of any other kind. The Contractor shall exonerate, indemnify, defend, and hold the Lottery harmless from and against and assume full responsibility for payment of all federal, state, and local taxes or contributions imposed or required under unemployment insurance, social security, worker's compensation, and income tax laws with respect to the Contractor or Contractor's employees engaged in performance under this Contract. The Lottery does not assume liability as an employer.

12. Indemnification. The Contractor shall indemnify, defend and save harmless the Lottery, its officers, agents, and employees, from and against all liability, claims, damages, losses, expenses, actions, attorney fees, and suits whatsoever, including injury or death of others or any employee of the Contractor or Subcontractor caused in whole or in part or that arise from the negligent or wrongful acts or omissions of the Contractor, its employees, agents or Subcontractors under the Contract or that arise from a failure to comply with any state, federal or local statute, law, act, regulation, or rule.

The Lottery shall indemnify, defend and save harmless the Contractor, its officers, agents, and employees from and against all liability, claims, damages, losses, expenses, actions, attorney fees, and suits whatsoever, including injury or death of others or any employee of the Lottery caused in whole or in part or that arise from the negligent or wrongful acts or omissions of the Lottery or its employees under the Contract or that arise from a failure to comply with any state, federal, or local statute, law, act, regulation, or rule.

13. Insurance and Letter of Credit/Bonding

13.1 Insurance

- a.** The Contractor shall, for the duration of the Contract, maintain in effect all insurance as required herein and comply with all limits, terms and conditions stipulated therein. Policies shall provide, or be endorsed to provide, all required coverage. Prior to beginning any work, or within two (2) weeks after execution of the Contract, the Contractor must provide certificate(s) or certified endorsement(s), as applicable, of the insurance required. Failure to provide the proof of insurance as required may, at the Lottery's option, result in termination of the Contract. The Contractor shall not commence work under this Contract until evidence of all required insurance is provided to the Lottery.
- b.** Insurance, except for Workers Compensation, required by this section shall, as applicable, name the Lottery as an additional named insured, to the extent of the liabilities assumed by the Contractor, or loss payee, as the Lottery's interests may apply; provided, however, that the Lottery shall

be named a loss payee as set forth in subsection d. All insurance shall be with insurers rated A-VII or better in the latest Bests Rating Guide and in good standing and authorized to transact business in Idaho. The coverage provided by such policies shall be primary to any coverage of the Lottery on or related to the Contract and shall provide that the insurance afforded applies separately to each insured against whom a claim is made, except with respect to the limitation of liability. All required policies shall require thirty (30) days' notice to the Lottery, by certified or registered mail, return receipt requested, prior to any cancellation, refusal to renew or any material change in the nature or extent of the coverage provided. If any of the liability insurance required under this Contract is arranged on a "claims made" basis, "tail coverage" will be required at the completion of this Contract for a duration of twelve (12) months thereafter. Continuous "claims made" coverage will be acceptable in lieu of "tail coverage" provided the retroactive date is on or before the Effective Date or twelve (12) months "prior acts" coverage is provided. Contractor shall be responsible for furnishing certification of "tail coverage" or continuous "claims made" liability coverage for twelve (12) months following contract completion. Contractor waives all rights against the Lottery and its agents, officers, directors and employees for recovery of damages to the extent these damages are covered by the required policies. Policies may contain deductibles but such deductibles shall not be deducted from any damages due to the Lottery.

- c. By requiring insurance herein, the Lottery does not represent that coverage and limits will necessarily be adequate to protect the Contractor and such coverage and limits shall not be deemed as a limitation on the Contractor's liabilities under the indemnities granted to the Lottery.
- d. Contractor shall maintain the following insurance in amounts not less than the following:
 - i. Worker's Compensation Insurance in amounts as required by statute. Employer's liability with a liability limit of \$500,000 per Accident, \$1,000,000 Policy Limit.
 - ii. Automobile Liability including non-owned and hired with a liability limit of \$1,000,000 per occurrence.
 - iii. Commercial General Liability (CGL) and, if necessary, commercial umbrella or excess liability with a limit of not less than \$1,000,000 each occurrence/\$3,000,000 annual aggregate. The Schedule of Underlying Insurance in the Umbrella Policy shall include the CGL, the auto policy and the Employer's Liability Policy.
 - iv. Errors and Omissions coverage with a liability limit of \$1,000,000 per

Claim/Annual Aggregate. Coverage shall indemnify the Contractor and pay on behalf of Contractor to the Lottery for loss which may be incurred due to any errors and/or omissions of the Contractor, its officers, employees, agents, subcontractors or assigns, regardless of negligence.

13.2 Performance Bond

- a. Except as provided in Section 13.3, within thirty (30) calendar days of the Effective Date, the Contractor shall procure, at its own cost, and submit to the Lottery a performance bond payable to the Lottery in the amount of three hundred thousand dollars (\$300,000) for the initial period of performance and conditioned on Contractor's faithful performance. The Contractor shall pay the premiums on the performance bond. In the event that the Contractor or any officer, director, employee or agent of the Contractor or any subcontractor or any parent or subsidiary corporation of the Contractor or subcontractor fails to fully and faithfully perform each material requirement of this Contract, including without limitation the Contractor's obligation to meet the Minimum Net Revenue Guarantee as set forth in Section 6.1 of this Contract and the Contractor's obligation to indemnify the Lottery and pay damages to the Lottery, the performance bond shall be forfeited to the Lottery. The performance bond shall be in a form customarily used in the Lottery industry, and be acceptable to the Lottery, and shall be written by a surety authorized to do business in Idaho and that is acceptable to the Lottery. The performance bond shall be in effect at all times during the term of the Contract and any extensions or renewals thereof and for ninety (90) days following the conclusion of the Contract. The Contractor warrants that it will maintain the required performance bond coverage as described herein without any lapse in coverage. Based upon Contractor's performance during the initial contract term, the Lottery reserves the right to discontinue performance bond requirements for any contract extensions.
- b. Failure on the part of the Contractor to furnish such performance bond, or other proof of performance bond coverage acceptable to the Lottery within thirty (30) days of contract execution, or to maintain the performance bond in full force and effect during the term of the Contract and any extension or renewal thereof, unless the Lottery discontinues performance bond requirements at its sole discretion, shall be a material breach of the Contract and shall be considered cause for the Lottery to declare the Contractor in default under this Contract. The Lottery's receipt of such performance bond or other proof of coverage does not constitute approval of the performance bond's coverage nor do the bonds relieve the Contractor from the faithful and honest performance of this Contract.

- c. Prior to acceptance of the Performance Bond, the Lottery reserves the right to review the Performance Bond and require Contractor to substitute an acceptable Performance Bond in such form and underwritten by a surety as the Lottery may reasonably require. The Performance Bond must specifically refer to the Contract and shall bind the surety to all of the terms and conditions of the Contract. The Performance Bond shall be forfeited to the Lottery if the Contract is terminated due to Contractor's default, breach of the Contract by the Contractor, or the Contractor's bankruptcy, whether voluntary or involuntary.

13.3 Letter of Credit. In lieu of a surety performance bond, within thirty (30) calendar days of the Effective Date, the Contractor may cause to be issued an irrevocable Letter of Credit in the amount of three hundred thousand dollars (\$300,000) guaranteeing Contractor's faithful performance of its obligations under the Contract and naming the Lottery as beneficiary. Prior to acceptance of the Letter of Credit, the Lottery reserves the right to review the Letter of Credit and require the Contractor to substitute an acceptable Letter of Credit in such form and underwritten by an issuer as the Lottery may reasonably require. The Letter of Credit must be maintained in full force and effect during the term of the Contract and any extension or renewal thereof, and for ninety (90) days following conclusion of the Contract unless the Lottery discontinues its requirement at its sole discretion, and failure to so maintain shall be a material breach of the Contract and shall be considered cause for the Lottery to declare the Contractor in default under this Contract. The Letter of Credit shall be forfeited if the Contract is terminated due to the Contractor's default, breach of the Contract by the Contractor, or the Contractor's bankruptcy, whether voluntary or involuntary.

14. Availability of Records. All records and documents directly related to the Contract shall be available for and subject to inspection, review or audit, and copying by the Lottery and other personnel duly authorized by the State, such as the Office of the State Auditor and by federal inspectors or auditors. Contractor shall make its records available to such parties upon reasonable request and notice, at either Contractor's principal place of business or upon premises designated by the Lottery. Subject to any nondisclosure obligations owed to its subcontractors existing as of the Effective Date, Contractor shall include a provision granting the Lottery access to each subcontractor's records to the same extent as if the records were Contractor's in every subcontract relating to this Contract.

15. Subcontracting and Assignment. Contractor shall not subcontract or assign its duties under the Contract without the prior written approval of the Lottery, completion of required Lottery security forms and applications and successfully passing the background investigation. The Lottery may, in its sole discretion, impose other reasonable requirements upon the Contractor prior to the approval of any subcontract or assignment. Acceptance of the Contractor's Proposal specifying subcontracts shall constitute the Lottery's acceptance of the specified subcontractors. Notwithstanding the Lottery's

approval of any subcontract, the Contractor shall be solely responsible for the satisfactory performance of all Subcontractors and subcontracted services and for the compensation of all Subcontractors. The Contractor shall be and shall remain liable for all costs and damages to the Lottery caused by negligent performance or non-performance of the subcontracted services. The Contractor shall ensure that each Subcontractor agrees to comply with the terms of the Contract applicable to its scope of performance.

16. Public Records. Pursuant to Idaho Code section 9-337 *et seq.*, information or documents received from the Contractor may be open to public inspection and copying unless exempt from disclosure. The Contractor shall clearly designate individual documents as "exempt" on each page of such documents and shall indicate the basis for such exemption. The Contractor shall indemnify and defend the Lottery against all liability, claims, damages, losses, expenses, actions, attorney fees and suits whatsoever for honoring such a designation or for the Contractor's failure to designate individual documents as exempt. The Contractor's failure to designate as exempt any document that is released by the Lottery shall constitute a complete waiver of any and all claims for damages caused by any such release. If the Lottery receives a request for materials claimed exempt by the Contractor, the Contractor shall provide the legal defense for such claim. The Lottery will not accept a legend or statement on one (1) page that all, or substantially all, of a document is exempt from disclosure.

17. Compliance with Law

17.1 Compliance with Law, Licensing and Certifications. Contractor shall comply with all requirements of federal and state statutes, rules, and regulations applicable to Contractor or to the services performed by Contractor pursuant to this Contract. For the duration of the Contract, the Contractor shall maintain in effect, and have in its possession, all licenses and certifications required by federal, state and local laws, rules and regulations, including, but not limited to business and professional licenses. None of the Contractor's officers, directors, key employees and/or principal owners shall have any connection to any person or organization recognized by law enforcement officers as being a habitual criminal or member of any criminal cartel.

Contractor warrants that, in performing under this Contract, it does not knowingly hire or engage any illegal aliens or persons not authorized to work in the United States; that it takes steps to verify it does not hire or engage any illegal aliens or persons not authorized to work in the United States; and that any misrepresentation in this regard or any employment of persons not authorized to work in the United States constitutes a material breach and shall be cause for termination of the Contract.

17.2 Non-discrimination. The Contractor shall provide all services funded through or affected by the Contract without discrimination on the basis of race, color, national origin, religion, sex, age, or physical/mental impairment, and shall comply with all relevant sections of the following: Title VI of the Civil Rights Act of 1964; Section 504 of the Rehabilitation Act of 1973; The Age Discrimination in Employment Act of 1967; Title IX of the Education Amendments of 1972; The Age Discrimination Act of 1975; The American's

With Disabilities Act of 1990; Executive Order 11246, as amended by Executive Order 11375; Department of Labor Regulations, codified at 41 CFR Part 60; Section 402 of the Vietnam Era Veterans Readjustment Assistance Act of 1974; and, United States Department of the Interior Regulations, codified at 43 CFR Part 17. The Contractor shall comply with pertinent amendments to such laws made during the term of the Contract and with all federal and state rules and regulations implementing such laws. The Contractor must include this provision in every subcontract relating to this Contract.

17.3 Covenant Against Contingent Fees. The Contractor warrants that no person or selling agent has been employed or retained to solicit or secure this contract upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, except *bona fide* employees or *bona fide* established agents maintained by the Contractor for the purpose of securing business. The Lottery has the right, in the event of breach of this clause by the Contractor, to annul this contract without liability or, in its discretion, to deduct from the contract price or consideration or recover by other means the full amount of such commission, percentage, brokerage or contingent fee.

17.4 Ticket Purchase and Prize Payment Restrictions. Throughout its period of Contract performance, the Contractor must not purchase a Lottery game ticket, receive any portion of any Lottery prize payment or share any portion of any prize claimed by a holder of a winning Lottery ticket. Throughout the period of Contract performance, the Contractor must make its best, ongoing efforts to monitor and enforce compliance with this provision. For the specific purposes of this provision, the term "Contractor" will be understood to mean the Contractor as a business entity, any and all agents, employees or subcontractors of the Contractor, and any person residing as a member of the same household in the principal place of residence of any agent, employee or subcontractor of the Contractor.

17.5 No Conflict. The Contractor certifies and warrants that it presently has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of its services under the Contract. The Contractor shall not employ during the term of this Contract any person known to the Contractor to have any such conflicting interests.

18. Removal of Contractor Personnel. The Lottery may, in its sole discretion, require that Contractor reassign or otherwise remove from performing services under the Contract, any staff member, subcontractor or subcontractor staff member reasonably found unacceptable to the Lottery.

18.1 Background Investigations During Contract Term. The Lottery reserves the right to fully investigate personnel associated with the Contractor. The Contractor agrees to cooperate with any such background investigation. In the event that any investigation discloses evidence of the Contractor's non-compliance or failure to pass the background requirements within the Contract term, the Lottery expressly reserves the right to pursue any remedies available to it under law or contract, including the termination of the Contract.

19. Resolution of Disputes. The dispute resolution process provided in this section shall apply to all circumstances where a specification or deliverable requires the Lottery and Contractor to collaborate or cooperate to produce a plan, process, policy or procedure and where there is any dispute regarding Contract performance and terms. If the Director and Contractor are unable to reach a mutually agreeable plan, process, policy or procedure, either party may reduce the disputed issue to writing and deliver the notice of dispute to the other party with a request for resolution. The request for resolution shall be accompanied by supporting information including, but not limited to, a description of the issue with citations to the Contract requirements applicable to the issue, and a clear statement by the requesting party of the party's interpretation of the issue and the basis for its suggested resolution of the issue. If the Director and Contractor are unable to resolve the matter, the parties may pursue remedies available under law or equity.

20. Remedial Action. In addition to any remedies available to the Lottery under this Contract and under law or equity, the Lottery may at its sole discretion require one or more of the following remedial actions, taking into account the nature of the deficiency, if any of the services or products do not conform to Contract requirements: (1) require the Contractor to take corrective action to ensure that performance conforms to Contract requirements; (2) reduce payment to reflect the reduced value of services received; (3) require the Contractor to subcontract all or part of the service at no additional cost to the Lottery; (4) withhold payment or require payment of actual damages caused by the deficiency; (5) secure products or services and deduct the costs of products or services from payments to the Contractor, or (6) terminate the Contract pursuant to section 21.2, Termination of Contract. Withholding of payment by the Lottery for the failure of Contractor to perform shall not relieve Contractor from its obligations under the Contract and shall not be a basis for termination by Contractor under Section 21.2, Termination for Cause.

21. Termination of Contract

21.1 Termination for Convenience. The Lottery may cancel the Contract at any time, with or without cause, upon no less than ninety (90) calendar days' prior written notice to the Contractor specifying the date of termination. Upon termination pursuant to this section, the Lottery shall pay to Contractor all monies due for Contractor's performance up to the effective date of termination.

21.2 Termination for Cause. Except as set forth in Section 20, either party may terminate the Contract for the bases set forth below when the other party has been provided written notice of default or non-compliance and has failed to cure the default or non-compliance within a reasonable time set forth in the written notice of default, not to exceed thirty (30) calendar days. If the nature of the default or non-compliance is such that the same cannot be reasonably be cured within thirty (30) calendar days, the party receiving notice shall not be in default or non-compliance if the party shall within thirty (30) calendar days commence cure under a reasonable written cure plan and thereafter diligently prosecute the cure to completion. Either party may terminate the Contract for

cause if at any time: (a) the other party is in material breach of any warranty, term, condition, covenant or obligation under the Contract and does not cure such breach within the time period set forth above; (b) judicial interpretation of federal or state laws, regulations, or rules renders fulfillment of the Contract infeasible or impossible; (c) Contractor's license or certification required by law is suspended, not renewed, or is otherwise not in effect at the time service is provided; or (d) Contractor fails to comply with any applicable law, regulation, or rule.

21.3 Effect of Termination. Upon termination by the Lottery for cause under section 21.2, Contractor shall: (i) promptly discontinue all performance, unless the termination notice directs otherwise; (ii) place no further orders or requests of subcontractors, if any, for materials, services, or facilities; (iii) terminate all orders and subcontracts, if any, to the extent that they relate to the performance of work terminated by the termination notice; (iv) promptly return to the Lottery any property provided by the Lottery pursuant to the Contract; and (v) deliver or otherwise make available to the Lottery all data, reports, estimates, summaries and such other information and materials, including confidential information, as may have been accumulated by Contractor in performing the Contract, whether completed or in process. Upon termination by the Lottery, the Lottery may take over the services and may award another party a contract to complete the services contemplated by the Contract. Upon termination for cause, the Lottery shall be entitled to reimbursement from Contractor for losses incurred as a result of Contractor's breach.

21.4 Existing Vending Equipment and Inventory at Contract Termination.

At the Lottery's sole option, the Lottery shall have the option to purchase or lease from Contractor any vending equipment machines ("machines") and shall have the option to purchase existing Pulltab Ticket inventory at the time of Contract termination. To determine purchase price for the machines, the Lottery and Contractor agree that independent appraiser chosen by the Lottery, at the Lottery's sole cost, shall appraise the machines and provide a depreciated fair market value at the time of exercising option to purchase.

22. Extension of Contract by the Lottery. In the interest of an effective end of Contract transition to any successor Contractor, the Lottery reserves the right to extend this Contract for up to 180 days after the end of the last contract period.

23. Notices. Any notice given in connection with the Contract shall be given in writing and shall be delivered either by hand or by certified mail, return receipt requested, to the other party at the address stated below. Either party may change its address by giving notice of the change in accordance with this section.

TO THE LOTTERY: Idaho State Lottery
Post Office Box 6537
Boise, Idaho 83707-6537
Attention: Jeffrey R. Anderson, Lottery Director

TO THE CONTRACTOR: International Gamco Inc.
9335 No. 48th Street,
Omaha, NE 68152
Attention: Mark Stevens, VP Sales and Marketing

24. Survival of Terms. Any termination, cancellation, or expiration of the Contract notwithstanding, provisions which are intended to survive and continue, shall survive and continue, including, but not limited to, the provisions of sections 3.1, Contract Terms and Priority of Contract Documents, 9, Warranty and Indemnification, 11, Contract Relationship, 16, Public Records, 20, Remedial Action, 25, Officials Not Personally Liable, 28, Governing Law, 29, Attorney Fees.

25. Officials Not Personally Liable. In no event shall any official, officer, employee or agent of the State of Idaho or the Lottery be liable or responsible for any representation, statement, covenant, warranty or obligation contained in, or made in connection with the Contract, express or implied.

26. Non-Appropriation. It is understood and agreed that the Lottery is a governmental agency and this Contract shall in no way be construed so as to bind or obligate the Lottery or the State of Idaho beyond the term of any particular appropriation of funds by the State Legislature as may exist from time to time. The Lottery reserves the right to terminate this Contract if, in its sole judgment, the legislature of the State of Idaho fails, neglects or refuses to appropriate sufficient funds, or requires any return or "give-back" of funds required for the Lottery to perform under the Contract, or if the executive branch of the State of Idaho mandates any cuts or holdback in Lottery's spending. Any such termination shall take effect on ninety (90) days notice.

27. Taxes. The Lottery is generally exempt from payment of state sales and use taxes and from personal property tax for property purchased for its use. The Lottery is generally exempt from payment of federal excise tax under a permanent authority from the District Director of the Internal Revenue Service. The Lottery will furnish exemption certificates upon written request by the Contractor. If the Contractor is required to pay any taxes incurred as a result of doing business with the Lottery, the Contractor shall be solely and absolutely responsible for the payment of those taxes.

28. Governing Law. The Contract shall be governed by and construed under the laws of the State of Idaho and the parties hereto consent to the jurisdiction of the state courts of Ada County in the State of Idaho in the event of any dispute with respect to the Contract.

29. Attorney Fees. In the event of a legal proceeding of any kind instituted under the Contract or instituted to obtain performance or to remedy a default under the Contract, the prevailing party shall be awarded such additional sums as the court may adjudge for reasonable attorney fees and to pay all costs and disbursements incurred in connection therewith.

30. News/Media Releases. The Contractor agrees to submit to the Lottery all

news/media releases and publicity matters relating to this Contract in which the Lottery name is mentioned or in which language is used, from which the connection of the Lottery may, in the Lottery's judgment, be inferred or implied. The Contractor agrees not to publish or use such news/media releases and publicity matters without the prior written consent of the Lottery.

31. Entire Agreement. The Contract constitutes the entire agreement between the parties hereto and shall supersede all previous Proposals, oral or written, negotiations, representations, commitments, and all other communications between the parties.

32. Amendment. The Contract may not be released, discharged, changed, extended, modified, subcontracted or assigned in whole or in part (collectively, an "Amendment") except to the extent provided by a written instrument signed by the Contractor and the party authorized to bind the Lottery as more particularly described in this section. The Director is authorized to execute Amendments consisting solely of any plans required by the RFP and working documents that further define the day-to-day responsibilities of the Contractor and the Lottery. The Director is not authorized to execute Amendments increasing monetary obligations of the Lottery or extending the Contract term absent Lottery Commission approval. An Amendment not executed in compliance with this section shall be void.

33. Severability. If any term, provision, covenant, or condition of the Contract, or the application thereof to any party or circumstance, shall be held to be illegal, invalid or unenforceable, in whole or in part or for any reason, the remaining terms, provisions, covenants and conditions of the Contract shall continue in full force and effect as if the Contract had been executed with the illegal, invalid or unenforceable portion eliminated, so long as the Contract as so modified continues to express, without material change, the original intentions of the parties as to the subject matter of the Contract, and the deletion of such portion of the Contract will not substantially impair the respective benefits or expectations of the parties to the Contract.

34. Force Majeure. If the Contractor or Lottery is delayed, hindered, or prevented from performing any act required under the Contract by reason of delay beyond the reasonable control of the asserting party due to theft, fire, Act of God or public enemy, severe and unusual weather conditions, injunction, riot, strikes, lockouts, insurrection, war, or court order, then performance of the act shall be excused for the period of the delay. In that event, the period for the performance of the act shall be extended for a period equivalent to the period of the delay. Matters of the Contractor's finances shall not be considered a force majeure.

35. No Waiver. The failure of the Lottery to require strict performance of any term or condition of the Contract or to exercise any option or discretion granted to it, in any one or all instances shall not be construed to be a waiver or relinquishment of any such term or condition. The same shall be and remain in full force and effect unless there is a prior written waiver by the Lottery.

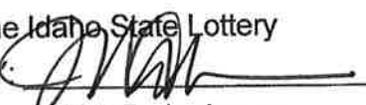
36. Authority to Execute. Both parties hereto warrant and represent that they have full

right, power, and authority to execute this contract on behalf of their respective parties.

37. Counterparts. Each Parties' authorized representative shall execute the Contract on duplicate counterparts of the Contract, one of which fully executed counterparts is to be retained by each Party, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. This Contract is not valid or enforceable unless signed and executed by the Parties.

IN WITNESS WHEREOF, the parties hereto have executed this Contract which shall commence as of the Effective Date.

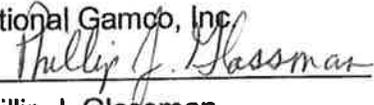
The Idaho State Lottery

BY: 

Jeffrey R. Anderson

DIRECTOR

International Gamco, Inc.

BY: 

Phillip J. Glassman

PRESIDENT

Date: 6-26-08

Date: June 24, 2008

EXHIBIT A

FILE SPECIFICATION FOR BACK OFFICE SOLUTION

intralot

International Gamco, Inc. Packed Pull tabs

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Document Revision History

Revision	Date	Modified By	Description
1.0	05-08-2008	Shawn Hall	Initial functional specification.
1.1	05-12-2008	Shawn Hall	Revised Spec
1.2	05-21-2008	Shawn Hall	Revised Spec

<i>intralot</i>	Title:		Page i□
	Technical Division	Code:	Status:
Prepared by: Intralot Inc.	Reviewed by:		Version
			Date:

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 2.1 FILE SPEC1

 2.1.1 FILE NAME: ORDER.DAT1

 2.1.2 FILE NAME: VENDOR.DAT2

3. TRANSMITTAL2

4. ASSUMPTIONSERROR! BOOKMARK NOT DEFINED.

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	Technical Division	Code:	Status:
Prepared by: Intralot Inc.	Reviewed by:		Date:

1. INTRODUCTION

This document is intended to lay out the specification of the file format for International Gamco, Inc. for the shipping of pull tab games.

2. SPECIFICATION

At the end of the day International Gamco, Inc. will generate a CSV data files that will contain all the shipped pull tab orders for that day.

2.1 File Spec

2.1.1 File Name: *order.dat*

Field Name	Description	Example	Data Type
ORDER_ID	9 + YYMMDD + incremented sequence number	NNNNNNN example: 908010101	Integer
ORDER_TYPE_ID	Specifics a Gamco packed order	[9]	Integer
ITEM_NUMBER	This is the line item on the order	[1,2,3,4,5,6,..]	Integer
PRODUCT_ID	Game number	945	Integer
PACK ID	Pack ID shipped	100	Integer
RETAILER_ID	Intralot Provided Retailer ID	12345	Integer
DATE_TIME_PLACED	Datetime the order was placed format	MMDDYYYY:HH24:MI:SS	Date
DATE_TIME_FILLED	Datetime the order was filled	MMDDYYYY:HH24:MI:SS	Date
REQ PICK DATE		MMDDYYYY:HH24:MI:SS	Date
DATE_SHIPPED	Datetime the order was shipped	MMDDYYYY:HH24:MI:SS	Date

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	Technical Division	Code:	Status:
Prepared by: Intralot Inc.	Reviewed by:		Date:

2.1.2 File Name: *retailer.dat*

This file contains all retailers and their active status.

Field Name	Description	Example	Data Type
RETAILER_ID	Retailer ID	12345	Integer
RETAILER_NAME	Name of the retailer location	'Gas N Go'	Varchar
RETAILER_PHYSICAL_ADDRESS	Physical address of the retailer	12345 West Plaza	Varchar
RETAILER_PHYSICAL_CITY	Physical city the retailer resides in	Nampa	Varchar
RETAILER_PHYSICAL_STATE	Postal Abbreviation of the State	ID	Varchar
RETAILER_PHYSICAL_ZIP	Zip Code	83687	Varchar
RETAILER_STATUS	0:Inactive 1:Active 2:Pending 3:Terminated	[1,2,3,4]	Varchar

3. TRANSMITTAL

Files should be made available via secure FTP and will be pulled from the vendor on a daily basis by 8 PM MST.

Intralot will do a file pull daily after 8PM and upload the daily active retailer file.

4. KNOWN PROCESSES

1. Idaho lottery will continue to upload pull-tab game files to INTRALOT using the BOS system.
2. INTRALOT will archive files provided by GAMCO and is only responsible for accurate insertion of data into the system. INTRALOT will assume that the data is correct when received. We will also attempt some partial data validation.

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Technical Division	Code:	Status:	Version
Prepared by: Intralot Inc.	Reviewed by:		Date:

EXHIBIT B

GAMCO PRICE PROPOSAL

Idaho Lottery RFP 08

APPENDIX B PRICING PAGE						
VENDORS PULLTAB SERVICES PROGRAM PRICING PROPOSAL						
	Estimated FY08	Year 1 FY09	Year 2 FY10	Year 3 FY11	Year 4 FY12	Year 5 FY13
Estimated Net Sales	\$1,470,000	\$ 2,155,244	\$ 7,458,573	\$ 22,787,228	\$ 42,846,169	\$ 49,995,000
Estimated Prize Payout Percentage	68%	70.00%	70.00%	72.00%	73.00%	74.00%
Estimated Prize Payout	\$999,600	\$ 1,508,671	\$ 5,221,001	\$ 16,406,804	\$ 31,277,703	\$ 36,996,300
Retailer Commission Percentage	5%	5.00%	5.00%	5.00%	5.00%	5.00%
Estimated Retailer Commission	\$73,500	\$ 107,762	\$ 372,929	\$ 1,139,361	\$ 2,142,308	\$ 2,499,750
Fixed costs FY 08	\$96,285					
Vendor's Estimated Pricing Proposal Percentage		11.00%	18.00%	14.00%	12.00%	10.00%
Vendor's Estimated Annual Revenue		\$ 237,077	\$ 1,342,543	\$ 3,190,212	\$ 5,141,540	\$ 4,999,500
Lottery's Estimated Revenue Percentage	30.45%	13.92%	7.00%	9.00%	10.01%	11.01%
Lottery's Estimated Annual Revenue	\$300,615	\$ 300,000	\$ 522,315	\$ 2,051,314	\$ 4,287,394	\$ 5,505,800

Lottery's Minimum Annual Revenue		\$ 300,000	\$ 309,000	\$ 318,000	\$ 328,000	\$ 337,500
PLUS						
Lottery's Percentage of Net Sales:						
Net Sales Levels						
0-\$8,000,000		0.00%	2.86%	2.86%	2.86%	2.86%
sales level		\$ 2,155,244	\$ 7,458,573	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
lottery revenue		\$ -	\$ 213,315	\$ 228,800	\$ 228,800	\$ 228,800
Net Sales Levels						
\$8,000,000-\$16,000,000		10.00%	10.00%	10.00%	10.00%	10.00%
sales level		\$ -	\$ -	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
lottery revenue		\$ -	\$ -	\$ 800,000	\$ 800,000	\$ 800,000
Net Sales Levels						
\$16,000,000-\$24,000,000		10.38%	10.38%	10.38%	10.38%	10.38%
sales level		\$ -	\$ -	\$ 6,787,228	\$ 8,000,000	\$ 8,000,000
lottery revenue		\$ -	\$ -	\$ 704,514	\$ 830,400	\$ 830,400
Net Sales Levels						
\$24,000,000-\$32,000,000		11.00%	11.00%	11.00%	11.00%	11.00%
sales level		\$ -	\$ -	\$ -	\$ 8,000,000	\$ 8,000,000
lottery revenue		\$ -	\$ -	\$ -	\$ 880,000	\$ 880,000
Net Sales Levels						
\$32,000,000-\$44,000,000		11.25%	11.25%	11.25%	11.25%	11.25%
sales level		\$ -	\$ -	\$ -	\$ 10,846,169	\$ 12,000,000
lottery revenue		\$ -	\$ -	\$ -	\$ 1,220,194	\$ 1,350,000
Net Sales Levels						
\$44,000,000+		18.00%	18.00%	18.00%	18.00%	18.00%
sales level		\$ -	\$ -	\$ -	\$ -	\$ 5,995,000
lottery revenue		\$ -	\$ -	\$ -	\$ -	\$ 1,079,100
NET SALES FOR ALL LEVELS ABOVE		\$ 2,155,244	\$ 7,458,573	\$ 22,787,228	\$ 42,846,169	\$ 49,995,000
Lottery's Annual Revenue Based on those levels		\$ 300,000	\$ 522,315	\$ 2,051,314	\$ 4,287,394	\$ 5,505,800

**SECOND AMENDMENT TO CONTRACT FOR PULLTAB SERVICES PROGRAM
AND FOR RELATED PRODUCTS AND SERVICES**

This Second Amendment (“Amendment”) is made and entered into by and between the following parties:

- (A) Idaho State Lottery (hereinafter “Lottery”), a self-governing agency of the State of Idaho, having its principal office at 1199 Shoreline Lane, Boise, Idaho 83702; and
- (B) International Gamco, Inc., having its principal office at 9335 North 48th Street, Omaha, Nebraska 68152 (hereinafter “Contractor”);

each sometimes referred to hereinafter, collectively as the “Parties” or individually as the “Party”.

RECITALS

WHEREAS on June 26, 2008, the Parties entered into an agreement entitled “Contract for Pulltab Services Program and for Related Products and Services” (hereinafter “Contract”) for the purpose of providing an all-inclusive Pulltab Services Program to maximize Pulltab Ticket sales in the State of Idaho and any other related products and services, a copy of which is attached to this Second Amendment and fully incorporated herein;

WHEREAS on May 14, 2009, the Parties entered into an amendment to the Contract addressing the billing of new pulltab retailers (“First Amendment”);

WHEREAS the Contract provides for the provision by Contractor to the Lottery of other agreed-upon related products and services as part of the Pulltab Services Program;

WHEREAS the Parties desire to test an electronic pulltab dispensing machine entitled “TouchTab” to be placed in age-controlled environments only (“TouchTab Test”);

WHEREAS upon the successful completion of the TouchTab Test, the Parties intend to further amend the Contract to allow for the inclusion of the TouchTab product in the Lottery’s product line; and

WHEREAS Section 32. of the Contract provides that the Parties may modify or amend the Contract by a written instrument amendment signed by Contractor and the party authorized to bind the Lottery, provided approval from the Lottery Commission, such approval to proceed with the TouchTab Test provided by the Lottery Commission at its public meeting, December 7, 2010;

NOW, THEREFORE, the Lottery and Contractor, intending to be legally bound, hereby agree as follows:

A. That the Contract be amended by addition of the following terms and conditions relating to the TouchTab Test:

1. **TouchTab Test.** Contractor shall be responsible for providing the TouchTab product to the Lottery for testing purposes in accordance with the following provisions.

(a) **Venues.** The TouchTab product shall be placed in age-controlled environments only. The Lottery shall approve all TouchTab placements prior to installation.

(b) **Duration of Test.** The first placement of TouchTab product shall commence in December of 2010 and the Test shall continue for a period of six months unless the Parties mutually agree to a shorter period.

(c) **Number of TouchTab product.** Contractor shall supply up to seventy (70) TouchTab dispensing machines for placement during the test period.

(d) **TouchTab Games.** The Lottery shall approve all TouchTab games prior to distribution to Lottery retailers and play by the public. Contractor shall provide the Lottery proper Working Papers for each game approval detailing game parameters.

(e) **Statement of Work.** A Statement of Work addressing the specific procedures related to the TouchTab Test is set forth in Exhibit A to this Second Amendment, attached hereto and made a part hereof.

(f) **TouchTab Mark.** The Lottery has licensed the mark "Touch Tab" (USPTO Reg. No. 3016428) from the Iowa Lottery Commission and authorizes the Contractor to use this mark on the TouchTab product, related materials and advertising for the period of the Test.

(g) **Compensation.** In consideration for the services provided, the Lottery shall pay Contractor compensation as set forth in Exhibit B to this Second Amendment, attached hereto and made a part hereof.

(h) **Inclusion of TouchTab product into product line.** The Parties understand and agree that the TouchTab test is of limited duration. Upon completion of the Test period, the Parties shall evaluate the Test and if satisfied with the results, intend to negotiate and further amend the Contract to allow for the inclusion of the TouchTab product in the Lottery's product line.

2. **Billing of Retailers.**

(a) **Paper Pull Tab Lottery Retailers.** Effective on the date this Amendment is

executed, initial orders for new pull tab retailers shall be billed thirty (30) days from receipt of the first paper pull tab deal(s).

(b) TouchTab Lottery Retailers. Lottery TouchTab retailers shall be billed by the receipt of one thousand (1,000) ticket sub-deals rather than by a deal itself.

3. Termination for Lack of Authority or Funding. Notwithstanding anything in the Agreement to the contrary, and subject to the limitations, conditions, and procedures set forth below, the Lottery shall have the right to terminate the TouchTab Test without penalty and without any advance notice as a result of any of the following:

(a) The Lottery is unable to operate as required or to fulfill its obligations under this Agreement because of an act or omission of the Legislature or the Governor; or

(b) If funds are de-appropriated, not appropriated or allocated, or if the funds needed by the Lottery in the Lottery's sole discretion are insufficient for any other reason; or

(c) If the Lottery's authorization to conduct its business is withdrawn or there is a material alteration in the programs the Lottery administers; or

(d) If Lottery's duties are substantially modified.

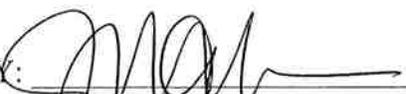
B. That the First Amendment shall be rescinded and except as modified by this Amendment, all terms and conditions of the Contract shall remain in full force and effect.

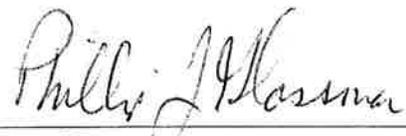
C. Each Party acknowledges its acceptance of this Amendment by the signature below on duplicate counterparts of Amendment, one of which fully executed counterparts is to be retained by each Party.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the day and year last written below.

THE IDAHO STATE LOTTERY

INTERNATIONAL GAMCO, INC.

BY: 
Jeffrey R. Anderson
DIRECTOR

BY: 
Phillip J. Glassman
President

Date: 12/30/10

Date: 1/07/11

EXHIBIT A TO SECOND AMENDMENT

STATEMENT OF WORK

STATEMENT OF WORK for SECOND AMENDMENT TOUCHTAB TEST

REQUIRED FORMS

1. Retailer Pre-Installation & Initial Billing Form
2. Machine Movement Request Form
3. Machine & Game: Activation/Deactivation Request Form

REQUIRED PROCEDURES

A Retailer Pre-Installation and Initial Billing Form will be completed and emailed to the designated email group at time of installation.

A Machine Movement Request Form shall be completed and emailed to the designated email group at time of removal or change.

A Machine & Game: Activation/Deactivation Request Form shall be completed and emailed to the designated email group at time of removal or change.

REQUIRED RESPONSE TIMES

Installation - This would be from time a retailer is approved by Lottery and installation of machine(s):

- Three (3) to Five (5) days – Treasure Valley Area (Depending on retailer and sub-contractor availability. If retailer or sub-contractor is not available for install within this time, Gamco shall notify the Lottery).
- Seven (7) to Ten (10) days – Northern and Eastern Area (Depending on retailer and sub-contractor availability. If retailer or sub-contractor is not available for install within this time, Gamco shall notify the Lottery).

Routine Maintenance – Conducted monthly

Machine repair - This would be from time of notification from either the system reports or retailer reports.

This category has different priority levels as follows:

- 1) Has more than one machine and only one is not functioning properly - (Response within 48 hours).

REQUIRED RESPONSE TIMES (Cont'd)

Page 2

Statement of Work

Second Amendment – TouchTab

2) All machines at the location are not functioning properly - (Response within 24 hours).

** Not functioning properly would be the machine still works but has issues such as bill receptor jams or other items that require the retailers attention to keep it going **

Down Machine

- 1) Machine is not functioning at all - (Response within 24 hours).
- 2) Retailer has turned off due to the numerous problems - (Response within 24 hours).
- 3) Machine is not reporting sales - (Response within 24 hours).
- 4) System is not connecting with machine - (Response within 48 hours).

SUPPLY REPLENISHMENT

Contractor or its sub-contractor shall provide each retailer two (2) one-thousand (1,000) count paper banded packs per machine for printing cash vouchers on site.

EXHIBIT B TO SECOND AMENDMENT
COMPENSATION

**Idaho Lottery Amendment - Exhibit B
Pricing Grid for Touch Tab Test
December 9, 2010**

<u>Form #</u>	<u>Name</u>	<u>Payout %</u>	<u>Tickets/Subset</u>	<u>Ticket Denomination</u>	<u>Price/Ticket</u>	<u>Price/Subset</u>
100ID	Wild Thing 2.00	80.00%	1,000	\$	2.00	\$ 0.18261
105ID	Hot Summer 7's 1.00	80.00%	1,000	\$	1.00	\$ 0.09130

The Lottery has agreed to allow weekly billing based on ticket subsets opened and to adjust their revenue from a percentage of gross sales to a percentage of the adjusted net, which is gross sales, less prizes paid less the 5% retailer commission.

The following example depicts this revenue share arrangement for the period of the test.

				<u>Example</u>	
<i>Hot Summer 7's 1.00</i>	80.00%	1,000	\$		1.00
<i>Gross per deal</i>			\$		1,000.00
<i>Prize Payout</i>		80%	\$		800.00
<i>Net Profit</i>			\$		200.00
<i>Retailer Commission</i>		5%	\$		50.00
<i>Adjusted Net Profit</i>			\$		150.00
<i>Lottery Gross %</i>					9.00%
<i>Lottery Adjusted Net %</i>					39.13%
<i>Lottery Adjusted Net \$</i>			\$		58.70
<i>Gamco Gross %</i>					14.00%
<i>Gamco Adjusted Net %</i>					60.87%
<i>Gamco Adjusted Net \$</i>			\$		91.30
<i>Gamco price per ticket</i>		\$1.00	\$		0.09130
Examples of Other Denominations					
<i>Gamco price per ticket</i>		\$0.50	\$		0.04565
<i>Gamco price per ticket</i>		\$2.00	\$		0.18261

Summary of Contractor Compensation for TouchTab Test

Gamco price per ticket	\$0.50 Game	\$0.04565
Gamco price per ticket	\$1.00 Game	\$0.09130
Gamco price per ticket	\$2.00 Game	\$0.18261

**THIRD AMENDMENT TO CONTRACT FOR PULLTAB SERVICES PROGRAM AND
FOR RELATED PRODUCTS AND SERVICES**

This Third Amendment (“Amendment”) is made and entered into by and between the following parties:

- (A) Idaho State Lottery (hereinafter “Lottery”), a self-governing agency of the State of Idaho, having its principal office at 1199 Shoreline Lane, Boise, Idaho 83702; and
- (B) International Gamco, Inc., having its principal office at 9335 North 48th Street, Omaha, Nebraska 68152 (hereinafter “Contractor”);

each sometimes referred to hereinafter, collectively as the “Parties” or individually as the “Party”.

RECITALS

WHEREAS on June 26, 2008, the Parties entered into an agreement entitled “Contract for Pulltab Services Program and for Related Products and Services” (hereinafter “Contract”) for the purpose of providing an all-inclusive Pulltab Services Program to maximize Pulltab Ticket sales in the State of Idaho and any other related products and services, a copy of which is attached to this Third Amendment and fully incorporated herein;

WHEREAS on May 14, 2009, the Parties entered into an amendment to the Contract addressing the billing of new pulltab retailers (“First Amendment”);

WHEREAS the Contract provides for the provision by Contractor to the Lottery of other agreed-upon related products and services as part of the Pulltab Services Program and the Parties entered into an amendment to the Contract on January 7, 2011 (“Second Amendment”) to test an electronic pulltab dispensing machine (“TouchTab”) to be placed in age-controlled environments (“TouchTab Test”);

WHEREAS the Parties have deemed the TouchTab Test to be worthy of proceeding to a more comprehensive rollout, are currently negotiating an amendment intending to further amend the Contract to allow for the inclusion of the TouchTab product in the Lottery’s product line and desire to extend the term of the Second Amendment; and

WHEREAS Section 32. of the Contract provides that the Parties may modify or amend the Contract by a written instrument amendment signed by Contractor and the party authorized to bind the Lottery, provided approval from the Lottery Commission, such approval to proceed with this Third Amendment having been provided by the Lottery Commission;

NOW, THEREFORE, the Lottery and Contractor, intending to be legally bound, hereby agree as follows:

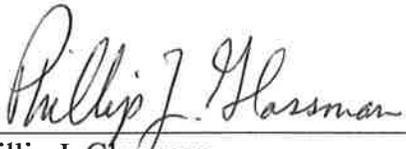
- A. That except as modified by this Amendment, all terms and conditions of the Second Amendment and Contract shall remain in full force and effect.
- B. That the original language of section A. 1. (b) of the Second Amendment be stricken and that the following language be inserted in its place:
 - (b) **Duration of Test.** The TouchTab Test shall continue until July 15, 2011 or until the Parties execute a Fourth Amendment to the Contract to allow for the inclusion of the TouchTab product in the Lottery's product line, whichever occurs first.
- C. Each Party acknowledges its acceptance of this Amendment by the signature below on duplicate counterparts of Amendment, one of which fully executed counterparts is to be retained by each Party.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the day and year last written below.

THE IDAHO STATE LOTTERY

INTERNATIONAL GAMCO, INC.

BY: 
Jeffrey R. Anderson
Director

BY: 
Phillip J. Glassman
President

Date: 6/30/11

Date: 7/1/11

**FOURTH AMENDMENT TO CONTRACT FOR PULLTAB SERVICES PROGRAM
AND FOR RELATED PRODUCTS AND SERVICES**

This Fourth Amendment (“Amendment”) is made and entered into by and between the following parties:

- (A) Idaho State Lottery (hereinafter “Lottery”), a self-governing agency of the State of Idaho, having its principal office at 1199 Shoreline Lane, Boise, Idaho 83702; and
- (B) International Gamco, Inc., having its principal office at 9335 North 48th Street, Omaha, Nebraska 68152 (hereinafter “Contractor”);

each sometimes referred to hereinafter, collectively as the “Parties” or individually as the “Party”.

RECITALS

WHEREAS on June 26, 2008, the Parties entered into an agreement entitled “Contract for Pulltab Services Program and for Related Products and Services” (hereinafter “Contract”) for the purpose of providing an all-inclusive Pulltab Services Program to maximize Pulltab Ticket sales in the State of Idaho and any other related products and services, a copy of which is attached to this Third Amendment and fully incorporated herein;

WHEREAS on May 14, 2009, the Parties entered into an amendment to the Contract addressing the billing of new pulltab retailers (“First Amendment”);

WHEREAS the Contract provides for the provision by Contractor to the Lottery of other agreed-upon related products and services as part of the Pulltab Services Program and the Parties entered into an amendment to the Contract on January 7, 2011 (“Second Amendment”) to test an electronic pulltab dispensing machine (“TouchTab”) to be placed in age-controlled environments (“TouchTab Test”);

WHEREAS the Parties have deemed the TouchTab Test to be worthy of proceeding to a more comprehensive rollout, are currently negotiating an amendment intending to further amend the Contract to allow for the inclusion of the TouchTab product in the Lottery’s product line and desire to extend the term of the Second Amendment; and

WHEREAS Section 32. of the Contract provides that the Parties may modify or amend the Contract by a written instrument amendment signed by Contractor and the party authorized to bind the Lottery, provided approval from the Lottery Commission, such approval to proceed with a Fourth Amendment having been provided by the Lottery Commission;

NOW, THEREFORE, the Lottery and Contractor, intending to be legally bound, hereby agree as follows:

A. That except as modified by this Amendment, all terms and conditions of the Second Amendment and Contract shall remain in full force and effect.

B. That the original language of section A. 1. (b) of the Third Amendment be stricken and that the following language be inserted in its place:

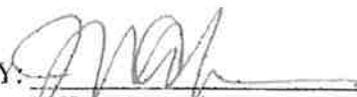
(b) **Duration of Test.** The TouchTab Test shall continue until July 20, 2011 or until the Parties execute a Fifth Amendment to the Contract to allow for the inclusion of the TouchTab product in the Lottery's product line, whichever occurs first.

C. Each Party acknowledges its acceptance of this Amendment by the signature below on duplicate counterparts of Amendment, one of which fully executed counterparts is to be retained by each Party.

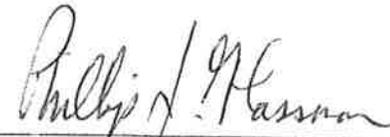
IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the day and year last written below.

THE IDAHO STATE LOTTERY

INTERNATIONAL GAMCO, INC.

BY: 

Jeffrey R. Anderson
Director

BY: 

Phillip J. Glassman
President

Date: 7/13/11

Date: 7/14/11

**FIFTH AMENDMENT TO CONTRACT FOR PULLTAB SERVICES PROGRAM AND
FOR RELATED PRODUCTS AND SERVICES**

This Fifth Amendment (“Amendment”) is made and entered into by and between the following parties:

- (A) Idaho State Lottery (hereinafter “Lottery”), a self-governing agency of the State of Idaho, having its principal office at 1199 Shoreline Lane, Boise, Idaho 83702; and
- (B) International Gamco, Inc., having its principal office at 9335 North 48th Street, Omaha, Nebraska 68152 (hereinafter “Contractor”);

each sometimes referred to hereinafter, collectively as the “Parties” or individually as the “Party”.

RECITALS

WHEREAS on June 26, 2008, the Parties entered into an agreement entitled “Contract for Pulltab Services Program and for Related Products and Services” (hereinafter “Contract”) for the purpose of providing an all-inclusive Pulltab Services Program to maximize Pulltab Ticket sales in the State of Idaho and any other related products and services, a copy of which is attached to this Fifth Amendment and fully incorporated herein;

WHEREAS on May 14, 2009, the Parties entered into an amendment to the Contract addressing the billing of new pulltab retailers (“First Amendment”);

WHEREAS the Contract provides for the provision by Contractor to the Lottery of other agreed-upon related products and services as part of the Pulltab Services Program and the Parties entered into an amendment to the Contract on January 7, 2011 (“Second Amendment”) to test an electronic pulltab dispensing machine (“TouchTab”, “TouchTab machine” or “machine”) to be placed in age-controlled environments (“TouchTab Test”);

WHEREAS on July 1, 2011, the Parties entered into an amendment to the Contract (“Third Amendment”) to extend the period of the TouchTab Test to July 15, 2011 or the date this Fifth Amendment is executed, whichever occurs first;

WHEREAS on July 14, 2011, the Parties entered into an amendment to the Contract (“Fourth Amendment”) to extend the period of the TouchTab Test to July 20, 2011 or the date this Fifth Amendment is executed, whichever occurs first;



WHEREAS the Parties have deemed the TouchTab Test to be worthy of proceeding to a more comprehensive roll out and now intend to further amend the Contract to allow for the inclusion of the TouchTab machine in the Lottery's product line; and

WHEREAS Section 32 of the Contract provides that the Parties may modify or amend the Contract by a written instrument amendment signed by Contractor and the party authorized to bind the Lottery, provided approval from the State Lottery Commission, such approval to proceed with this Fifth Amendment provided by the Lottery Commission at its May 19, 2011 and July 19, 2011 meetings;

NOW, THEREFORE, the Lottery and Contractor, intending to be legally bound, hereby agree as follows:

- A. That Section 21.1 of the Contract and the Second, Third, and Fourth Amendments shall be rescinded and except as modified by this Amendment, all terms and conditions of the Contract shall remain in full force and effect
- B. That the Contract be amended by modification or addition of the following terms and conditions:
 1. **Term.** The term of the Contract is extended to June 30, 2017. The Parties may agree to extend the duration of the Contract for two (2) additional one (1) year periods.
 2. **Definitions.** The following terms are defined below for purposes of this Fifth Amendment and supersede any corresponding term in the Contract:
 - (a) **Pulltab Tickets** – Lottery games that are played electronically using a TouchTab machine or by revealing symbols located under perforated tabs contained on laminated paper tickets.
 - (b) **Net Weekly Pulltab Ticket Sales** - The monetary value of Net Paper Ticket Revenue and Net Electronic Ticket Revenue settled during an accounting week, Sunday through Saturday, less any returns. Free replays as prizes, promotional free tickets or cancelled transactions are not considered a ticket sold.
 - (c) **Net Paper Ticket Revenue** – Paper ticket revenue is calculated by accumulating settled sleeves/deals throughout the accounting week, less any prizes and retailer commission.

(d) **Net Electronic Ticket Revenue** – Electronic ticket revenue is calculated using cash in and credits played, less prizes and retailer commissions.

3. **Exhibit B.** That the original Exhibit B is stricken and alternative Exhibit B1 attached hereto and made a part hereof, is inserted in its place.

4. **Inclusion of TouchTab machine into product line.** Contractor shall be responsible for providing TouchTab machines to the Lottery for inclusion into the Lottery's product line in accordance with the following provisions.

(a) **Venues and Project Implementation.** Contractor shall comply with the TouchTab machine Rollout Plan (Exhibit C). Subject to subsection (i) below, the major milestones listed in Exhibit C to ensure on-time completion, adequate accountability and adequate internal controls. Contractor shall only place the TouchTab machines in age-controlled environments unless an exception is mutually agreed upon by the Parties.

(i) It is the intent of the Parties that placement of the TouchTab machines is made in the following order: Phase IA – Two Hundred Seventy (270) TouchTab Pilot model cabinets; Phase IB – Three Hundred (300) new design cabinets; and Phase II placements. Prior to commencing Phase II, the Parties will assess and discuss the performance of the first Five Hundred Seventy (570) TouchTab machines, including but not limited to machine sales, before agreeing upon the quantity, roll-out schedule and design of additional TouchTab machine placements. The Lottery shall approve all Lottery retailers and TouchTab placements prior to installation.

(ii) The Parties have agreed on the timeline and number of TouchTab machines installed as listed in **Exhibit C**. The Parties shall discuss and agree upon the geographic locations, number of machines placed, and timing of the placements for the machines after the first rollout of Phase IA (**Exhibit C**) is fulfilled. The Parties contemplate an eventual roll-out of One Thousand (1,000) TouchTab machines.

(b) **Staffing.** To ensure timelines, growth and service expectations are met, Contractor agrees to fulfill staffing obligations required as set forth in **Exhibit D**

(c) Pulltab Ticket Games. The Lottery shall approve all Pulltab ticket games prior to distribution to Lottery retailers and play by the public. Contactor shall provide the Lottery proper Working Papers for each Pulltab ticket game approval detailing game parameters.

(d) Game Type Required. All retailer locations with a TouchTab Machine installed for sale of Pulltab tickets, shall also carry a minimum of two (2) paper Pulltab ticket games available for sale using a TabBOXX or other dispensing device or method of sale of paper Pulltab ticket games.

(e) Game Requirements. The Lottery shall receive Working Papers for all Pulltab ticket games. The Working Papers shall include an "Audit Sign Off" area that shall be signed by an Officer of the Contractor. In signing this section, the Contractor verifies the game has been tested.

(i) Field Audit. Fourteen working (14) days after a new TouchTab dispensed Pulltab ticket game has been launched for play, the Contractor will conduct a field audit to ensure that the game performance is consistent with the Working Papers. The Contractor shall provide a completed "Field Audit" form to the Lottery Security Division within twenty (20) days of the launch date

(f) Statement of Work. A Statement of Work addressing the specific procedures related to the TouchTab is set forth in Exhibit A to this Amendment, attached hereto and made a part hereof.

(g) TouchTab Mark. The Lottery has licensed the mark "Touch Tab" (USPTO Reg. No. 3016428) from the Iowa Lottery Commission and authorizes the Contractor to use this mark on the TouchTab product, related materials and advertising for the term of this Contract.

(h) Compensation. In consideration for the services provided under the Contract, as amended by this Fifth Amendment, the Lottery shall pay Contractor in accordance with Exhibit B1.

The compensation and Lottery projections set forth in Exhibit B1 are predicated upon TouchTab machine sales levels achieving an average minimum sales threshold of at least \$150 gross sales per TouchTab machine per day. In the event that the average total gross electronic ticket revenue (total cash in and credits played) on all TouchTab machines in operation does not exceed one hundred fifty dollars (\$150) per day over any two consecutive accounting weeks (Sunday through Saturday), Contractor shall have the right

to move the machines from underperforming sites into new sites and adjust the roll-out schedule (Exhibit C) back accordingly.

The minimum guarantee set forth in Exhibit B1 amends and modifies section 6.1 of the Contract and ceases for Fiscal Year 1016 and fiscal years thereafter. In the event that the Contract or this Fifth Amendment is cancelled or terminated, any outstanding guarantee obligation of the Contractor set forth in Exhibit B1 shall also terminate.

(i) Liquidated Damages. It is acknowledged by the Parties that the goods and services to be provided are unique and that certain breaches by the Contractor will delay and disrupt the Lottery's operation resulting in damage to the Lottery. It is further agreed that it would be difficult or impossible to compute and ascertain with certainty the basis for recovery by the Lottery of actual damages, and that liquidated damages represent a fair, reasonable and appropriate estimate thereof. Accordingly, in lieu of actual damages for certain breaches, the Contractor agrees that liquidated damages may be assessed and recovered by the Lottery against Contractor in the event of the following. Such liquidated damages represent a good faith effort to quantify the damages that could reasonably be anticipated at the time of the execution of this Amendment. Whenever the Lottery determines that liquidated damages are to be assessed, the Lottery shall notify the Contractor in writing of the assessment to be paid by the Contractor (or withheld from Lottery payments to the Contractor) within thirty (30) days of the Lottery's notification. If within this thirty (30) day period the Contractor satisfies the Lottery that there was no breach or that the breach was not attributable to the Contractor, the Lottery in its discretion may withdraw or reduce its assessment of liquidated damages. The Contractor shall not be required to pay liquidated damages for delays due to changes which are specifically requested or approved by the Lottery or events due to the negligence or actions of the Lottery or third parties (other than the Contractor's subcontractors). The Lottery shall have the discretion to waive or reduce assessed amounts of liquidated damages; provided, however that the failure of the Lottery to assess or the waiver or reduction by the Lottery of liquidated damages shall not constitute waiver in any fashion of the Lottery's right to assess liquidated damages. The Lottery may assess the following liquidated damages:

- (i) **Weekly Report.** In the event the Contractor fails to provide the Weekly Report specified in the Statement of Work or information required to be included in the Weekly Report within the time specified, or if it is determined that the Weekly Report contains inaccurate information, the Contractor may be assessed liquidated

damages up to one thousand dollars (\$1,000) per working day for each day in which the Contractor fails to provide an accurate Weekly Report to the Lottery.

- (ii) **Security Failure.** The Contractor may be assessed liquidated damages in the amount of up to five hundred dollars (\$500) per hour in the event the Lottery determines the occurrence of a Contractor failure or violation of any security requirement set forth in the Contract.
- (iii) **Unauthorized Game in Play.** If an unauthorized PullTab Ticket game has been made available for play by the public, the Contractor may be assessed liquidated damages up to one thousand dollars (\$1000) per hour that such a game is sold to the public.
- (iv) **Non-Reporting TouchTabs.** Every TouchTab machine shall electronically report and communicate with the Contractor's central game center system at least once within three (3) calendar days or automatically time out. In the event that this does not occur, the Contractor may be assessed liquidated damages up to one thousand dollars (\$1000) per calendar day for each non-reporting TouchTab machine unless the Contractor has notified the Lottery in writing of verifiable circumstances causing this event that are outside of the Contractor's control.
- (v) **Unauthorized Access to TouchTab Machine.** Each TouchTab machine shall employ security features to prevent unauthorized access. Should the Contractor fail to employ such features or otherwise knowingly allow unauthorized access to any TouchTab machine, the Lottery may assess the Contractor liquidated damages up to five thousand dollars (\$5000) for any such occurrence.
- (vi) **Field Service.** In the event the Contractor (or its subcontractor(s)) fail to comply with the required response times for field service for the TouchTab machines as specified in the Statement of Work, the Contractor may be assessed liquidated damages up to five hundred dollars (\$500) per working day for each day in which the Contractor fails to comply with such required response times.
- (vii) **Unauthorized Modification to TouchTab Software or Hardware.** If the Contractor performs or allows any third party to perform any modification to TouchTab hardware or software not authorized by the Lottery and such hardware or software is made available for play by

PJG

the public, the Lottery may assess the Contractor liquidated damages up to ten thousand dollars (\$10,000) per calendar day that such unauthorized hardware or software is made available to the public.

(viii) **TouchTab Game Audit Discrepancies.** In the event that an audit of a TouchTab dispensed PullTab Ticket game reveals a material discrepancy with regard to approved ticket count or inventory the Lottery may assess the Contractor liquidated damages up to ten thousand dollars (\$10,000) for each occurrence.

(ix) **Delayed Billing Of Lottery Retailers.** In the event the Contractor does not process the delayed billing for a new paper pull tab retailer within the required time as set forth in Section 5 (a), below, the Lottery may assess the Contractor liquidated damages up to five hundred dollars (\$500) for each occurrence.

5. Billing of Retailers.

(a) **Paper PullTab Ticket Lottery Retailers.** Initial orders for new paper Pulltab Ticket retailers shall be billed thirty (30) days from receipt of the first paper Pulltab Ticket deal(s).

(b) **TouchTab Lottery Retailers.** Lottery TouchTab retailers shall be billed by the receipt of Pulltab Ticket sub-deals comprised of one hundred (100) to one thousand (1,000) Pulltab Tickets, rather than on a per deal basis.

6. Termination for Lack of Authority or Funding. Notwithstanding anything in the Contract to the contrary, and subject to the limitations, conditions, and procedures set forth below, the Lottery shall have the right to cancel or terminate this Fifth Amendment as a result of any of the following, upon written notice to the Contractor specifying the date of termination:

(a) The Lottery is unable to operate as required or to fulfill its obligations under this Fifth Amendment because of an act or omission of the Legislature or act, omission or order of the Governor; or

(b) If funds are de-appropriated, not appropriated or allocated, or if the funds needed by the Lottery in the Lottery's sole discretion are insufficient for any other reason; or

- (c) If the Lottery's authorization to conduct its business is withdrawn or there is a material alteration in the programs the Lottery administers; or
- (d) If Lottery's duties are substantially modified.

If this Fifth Amendment is cancelled or terminated, the original Contract terms shall govern as set forth in the Contract, subject to further amendment as necessary and agreed between the parties.

All TouchTab machines and related equipment, hardware and software shall remain the property of and returned to Contractor upon expiration of this Agreement.

7. **Procedural Requirements.** The Contractor understands it has limited authority and therefore, must notify designated Lottery personnel when any of the following take place.
 - (i) **Security Breach** – Contractor shall notify the Lottery both verbally and in writing within one (1) hour of discovering any security breach.
 - (ii) **Issues and Problems** – Contractor shall notify the Lottery when a system, potentially sensitive or other type of problem or issue does or may exist in writing within twenty four (24) hours.
8. **Payment For Machine Certification.** Prior to the first implementation of TouchTab machines, the Parties shall agree on testing standards, the independent testing laboratory to be utilized for such testing and the resulting certification to be issued as a result of compliance with the testing standards. It is agreed the Contractor shall pay for the initial independent testing and certification of machines as required by the Lottery.
9. **Disaster Recovery Requirements.** It is agreed the Contractor shall maintain a warm backup site (“DR site”) that can fulfill all critical functions. It is further agreed the Contractor will perform a failover test to the DR site at least once a year.
10. **Inspection of Facilities.** Contractor agrees that the Lottery shall have the right to inspect Contractors facilities at any time. At the Lottery’s discretion, Contractor shall secure a right of inspection on the Lottery’s behalf from any subcontractors involved in the provision of equipment, products and related services for TouchTab machines, TabBOXX dispensing devices or other PullTab Ticket dispensing device.

11. **Change of Game Format.** If the Touch Tab Ticket game format changes to non-finite games, the parties agree to renegotiate compensation at that time, if allowable under Idaho law and contracting rules.

C. Each Party acknowledges its acceptance of this Amendment by the signature below on duplicate counterparts of Amendment, one of which fully executed counterparts is to be retained by each Party.

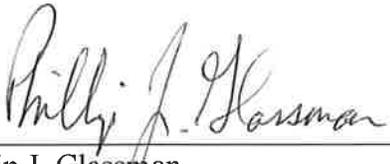
IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the day and year last written below.

THE IDAHO STATE LOTTERY

INTERNATIONAL GAMCO, INC.

BY: 

Jeffrey R. Anderson
Director

BY: 

Phillip J. Glassman
President

Date: 7-20-11

Date: July 20, 2011

EXHIBIT A TO FIFTH AMENDMENT

STATEMENT OF WORK

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STATEMENT OF WORK for TOUCHTAB PRODUCT

REQUIRED FORMS

1. Retailer Pre-Installation & Initial Billing Form
2. Machine Movement Request Form
3. Machine & Game: Activation/Deactivation Request Form

REQUIRED PROCEDURES

A Retailer Pre-Installation and Initial Billing Form will be completed and emailed to the designated email group at time of installation.

A Machine Movement Request Form shall be completed and emailed to the designated email group at time of removal or change.

A Machine & Game: Activation/Deactivation Request Form shall be completed and emailed to the designated email group at time of removal or change.

Call Center: Contractor is required to configure and implement a telephonic quick transfer option between the Call Center and the designated local Contractor staff for calls relating to supplies, emergencies or other situations that require local Contractor attention.

REQUIRED RESPONSE TIMES

Installation – At the time a retailer is approved by Lottery and the Contractor receives written or electronic notification of such event, the Contractor has ten (10) business days to install the TouchTab machine. In the event circumstances beyond the Contractor's control prevent an installation within this timeframe, the Contractor shall notify the Lottery of such circumstances in writing prior to the conclusion of this time period.

Routine Maintenance – Conducted at each retailer site once every eight (8) weeks.

Machine repair - From time the Contractor receives notification from the retailer:

This category has different priority levels as follows:

- 1) Retailer site has more than one machine and only one is not functioning properly - Response within forty-eight (48) hours.
- 2) All machines at the retailer location are not functioning properly - Response within twenty-four (24) hours.

** Not functioning properly would be the machine still works but has issues such as bill receptor jams or other items that require the retailers attention to keep it going **

Down Machine

- 1) TouchTab machine is not functioning at all - Response within twenty-four (24) hours.
- 2) Retailer has TouchTab machine turned off due to the numerous problems - Response within twenty-four (24) hours.
- 3) TouchTab machine is not reporting sales - Response within forty-eight (48) hours.
- 4) System is not connecting with TouchTab machine - Response within forty-eight (48) hours.
- 5) Out of paper – Response within 24 hours if the only machine on premises, forty-eight (48) hours if another machine is functional at the same location.

SUPPLY REPLENISHMENT

Contractor or its sub-contractor shall provide each retailer two (2) one-thousand (1,000) count paper banded packs per machine for printing cash vouchers on site.

WEEKLY REPORT

Contractor will provide the Lottery with a report by the end of the business day each Thursday that includes the following items for the period of Sunday through Saturday

- 1) All calls for service to include time and date for when the call came in and when the service was completed.
- 2) All preventive maintenance calls to include time and date
- 3) Sales separated between paper pull tabs and electronic pull tabs.

- 4) The number of TouchTab machines installed by retailer location to include time and date
- 5) The number of TouchTab machines removed by retailer location.
- 6) A "No Sales Report" specifying retailers who have had no paper pull tab sales for thirty (30) days and no electronic pull tab sales for three (3) consecutive days.
- 7) The number of on-site sales visits to retailer locations specifying the retailer location.
- 8) A description of any promotional activities.

Lottery may add to required reports if deemed necessary. Contractor shall have 10 business days to create and supply new report requests.

RJY

EXHIBIT B1 - IDAHO COMBINED PULLTAB SERVICES PROJECTIONS AND PRICING

20-Jul-11

	FY12	FY13	FY14	FY15	FY16	FY17	ALL YEARS
Paper Pulltab Projection	\$3,500,000	\$4,000,000	\$4,500,000	\$5,000,000	\$5,500,000	\$5,500,000	\$28,000,000
TouchTab Projection	\$27,540,000	\$54,000,000	\$54,000,000	\$54,000,000	\$54,000,000	\$54,500,000	\$298,040,000
Total Projection	\$31,040,000	\$58,000,000	\$58,500,000	\$59,000,000	\$59,500,000	\$60,000,000	\$326,040,000
Paper Prize %	72%						
\$0.50 (6%) T2 Prize %	72%						
\$1.00 (58%) T2 Prize %	80%						
\$2.00 (36%) T2 Prize %	80%						
Game Sales	\$31,040,000	\$58,000,000	\$58,500,000	\$59,000,000	\$59,500,000	\$60,000,000	\$326,040,000
Prizes Paid	(\$24,419,808)	(\$45,820,800)	(\$46,180,800)	(\$46,540,800)	(\$46,900,800)	(\$47,298,400)	(\$257,161,408)
Retailer Commission	(\$1,552,000)	(\$2,900,000)	(\$2,925,000)	(\$2,950,000)	(\$2,975,000)	(\$3,000,000)	(\$16,302,000)
Adjusted Net Profit	\$5,068,192	\$9,279,200	\$9,394,200	\$9,509,200	\$9,624,200	\$9,701,600	\$52,576,592
Lottery Net %	50%	50%	50%	57.14%	60%	60%	
Lottery Net \$	\$2,534,096	\$4,639,600	\$4,697,100	\$5,433,557	\$5,774,520	\$5,820,960	\$28,899,833
Lottery Guarantee	\$328,000	\$337,840	\$347,975	\$358,414	n/a	n/a	
Gamco Net %	50%	50%	50%	42.86%	40%	40%	
Gamco Net \$	\$2,534,096	\$4,639,600	\$4,697,100	\$4,075,643	\$3,849,680	\$3,880,640	\$23,676,759

Note: Pursuant to the Fifth Amendment, this Exhibit B1 supercedes the original Exhibit B.

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Exhibit C

TOUCHTAB MACHINE ROLL-OUT PLAN

Following is the installation schedule. Included in this schedule is the training for the retailers at installation.

August 1, 2011 through August 31, 2011 - 20 TouchTab machines

September 1, 2011 through September 2011 - 60 TouchTab machines

October 1, 2011 through October 31 2011 - 60 TouchTab machines

November 1, 2011 through November 30, 2011 - 60 TouchTab machines

December 1, 2011 through December 31, 2011 - 60 TouchTab machines

January 1, 2012 through January 31, 2012 - 60 TouchTab machines

February 1, 2012 through February 29, 2012 - 60 TouchTab machines

March 1, 2012 through March 31, 2012 - 60 TouchTab machines

April 1, 2012 through April 30, 2012 - 60 TouchTab machines

Note: The Parties will assess and discuss the performance of the first Five Hundred Seventy (570) TouchTab machines, including but not limited to machine sales, before agreeing upon the quantity, roll-out schedule and design of additional TouchTab machine placements. The Parties contemplate an eventual roll-out of One Thousand (1,000) TouchTab machines.

PJY

Exhibit D

REQUIRED STAFFING

Customer Service Representative (CSR)

Prior to September 15, 2011 one (1) new CSR for the Boise area

Prior to October 15, 2011 one (1) new CSR for the Coeur d'Alene area

Prior to November 11, 2011 one (1) new CSR for the Idaho Falls area

New CSRs shall be added as the number of retailers grows. The recommended formula is one (1) CSR for every one hundred and fifty (150) retailer locations.

Customer Service Technicians (CST)

July 1, 2011 through July 1, 2012 - One (1) CST per 150 retailer locations.

CST includes any qualified subcontractor employee of the Contractor.

PJG

**SIXTH AMENDMENT TO CONTRACT FOR PULLTAB SERVICES PROGRAM AND
FOR RELATED PRODUCTS AND SERVICES**

This Sixth Amendment (“Amendment”) is made and entered into by and between the following parties:

- (A) Idaho State Lottery (hereinafter “Lottery”), a self-governing agency of the State of Idaho, having its principal office at 1199 Shoreline Lane, Boise, Idaho 83702; and
- (B) International Gamco, Inc., having its principal office at 9335 North 48th Street, Omaha, Nebraska 68152 (hereinafter “Contractor”);

each sometimes referred to hereinafter, collectively as the “Parties” or individually as the “Party”.

RECITALS

WHEREAS on June 26, 2008, the Parties entered into an agreement entitled “Contract for Pulltab Services Program and for Related Products and Services” (hereinafter “Contract”) for the purpose of providing an all-inclusive Pulltab Services Program to maximize Pulltab Ticket sales in the State of Idaho and any other related products and services;

WHEREAS on May 14, 2009, the Parties entered into an amendment to the Contract addressing the billing of new pulltab retailers (“First Amendment”);

WHEREAS on July 20, 2011, the Parties entered into an amendment to the Contract to allow for the inclusion of the TouchTab machine into the Lottery’s product line (“Fifth Amendment”);

WHEREAS Section B. 1. of the Fifth Amendment provides that “*The Parties may agree to extend the duration of the Contract for two (2) additional one (1) year periods*” and the Parties agree to extend the term of the Contract for one (1) additional year with an additional one (1) year option and

WHEREAS Section 32 of the Contract provides that the Parties may modify or amend the Contract by a written instrument amendment signed by Contractor and the party authorized to bind the Lottery, provided approval from the State Lottery Commission, such approval to proceed with this Sixth Amendment provided by the Lottery Commission at its July 19, 2016 meeting;

NOW, THEREFORE, the Lottery and Contractor, intending to be legally bound, hereby agree as follows:

- A. That except as modified by this Amendment, all terms and conditions of the Contract (including the First and Fifth Amendments) shall remain in full force and effect.
- B. That section B. 1. of the Fifth Amendment be deleted and the following language be inserted in its place:
 - 1. **Term.** The term of the Contract is extended to June 30, 2018. The Parties may agree to extend the duration of the Contract for one (1) additional one (1) year period.
- C. Each Party acknowledges its acceptance of this Amendment by the signature below on duplicate counterparts of Amendment, one of which fully executed counterparts is to be retained by each Party.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on the day and year last written below.

THE IDAHO STATE LOTTERY

INTERNATIONAL GAMCO, INC.

BY: 
Jeffrey R. Anderson
Director

BY: 
Phillip J. Glassman
President

Date: 8/11/16

Date: Aug 8, 2016