

***AGREEMENT FOR THE PURCHASE OF
PULL-TAB TICKETS
AND RELATED SERVICES***

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**AGREEMENT FOR THE PURCHASE OF
PULL-TAB TICKETS
AND RELATED SERVICES**

This Agreement for the purchase of Pull-Tab Tickets and Related Services (“Agreement”) is entered into by and between the Iowa Lottery Authority (“Lottery”) and (insert Contractor name) (“Contractor”).

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

SECTION 1. IDENTITY OF THE PARTIES.

1.1 The Lottery is an instrumentality of the state of Iowa whose address is 13001 University Avenue, Clive, IA 50325. The Lottery is authorized by Iowa Code chapter 99G to conduct a lottery in the State of Iowa.

1.2 (insert Contractor name) is a (type of business) established under the laws of (state). (insert Contractor name) is engaged in the business, among other things, of printing pull-tab tickets. The address for Contractor is (insert address).

SECTION 2. PURPOSE. The Lottery is desirous of hiring a pull-tab ticket manufacturer to produce pull-tab tickets and provide related services for pull-tab games intended to be sold to Lottery customers. The Contractor designs and manufactures pull-tab lottery tickets for use by various domestic and international government-sanctioned lotteries. The Contractor has the requisite skill, expertise, and personnel required to assist the Lottery in producing pull-tab tickets and to provide related services for the production of pull-tab games.

SECTION 3. DOCUMENTS INCORPORATED BY REFERENCE.

3.1 Incorporation of Proposal Documents. The Request for Proposal number IL-18-01 (RFP) and the Contractor's proposal in response to this RFP, together with any clarifications, addenda or other writings of the Lottery or Contractor (collectively, the Proposal) are incorporated into this Agreement by this reference as if fully set forth in this Agreement.

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

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

3.3.1 First by giving preference to the specific provisions of this document.

3.3.2 Second, by giving preference to the specific provisions of the RFP.

3.3.3 Third, by giving preference to the specific provisions of the Proposal.

3.4 Intent of References to Bid Documents. The references to the parties' obligations, which are contained in this document, are intended to change, supplement or clarify the obligations as stated in the RFP and the Proposal. The failure of the parties to make reference to the terms of the RFP or Proposal in this document shall not be construed as creating a conflict and will not relieve the Contractor of the contractual obligations imposed by the terms of the RFP and the Proposal. Terms offered in the Proposal, which exceed the requirements of the RFP, shall not be construed as creating an inconsistency or conflict with the RFP or this document. The contractual obligations of the Lottery cannot be implied from the Proposal.

3.5 Incorporation of Working Papers.

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

3.5.2 The Contractor represents and warrants to the Lottery that it will use its best efforts to produce additional tickets (reorders) of a game, according to the specifications set forth in the previously executed Working Papers, throughout the term of this Agreement upon written purchase order request by the Lottery.

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

SECTION 4. DEFINITIONS. The following words shall have the meanings set forth below. Words in the singular shall be held to include the plural and vice versa, and words of gender shall be held to include any other gender as the context requires. For the purposes of this Agreement, the following terms and all other terms defined in this Agreement shall have the meanings so defined unless the context clearly indicates otherwise.

4.1 "Delivery" means the date of the Lottery's receipt of the tickets or completion of Services at the Lottery's designated location.

4.2 "Working Papers" means the executed set of working papers as described in Schedule A, section 2.1.14, attached hereto.

4.3 "Party" means either of the legal entities identified in section 1 of this Agreement.

4.4 "Services" means various types of support services as provided to the Lottery by (insert Contractor name) incidental to (insert Contractor name) production of pull-tab tickets including but not limited to game name searches or other services as requested by the Lottery from time to time.

4.5 "Acceptance" means tickets that have been received and inspected by the Lottery and deemed acceptable.

4.6 "Working days" means days of the week excluding Saturday, Sunday, or legal holidays of the state of Iowa.

4.7 "Works" means all concepts, work and work product or any other idea or concept that would be considered intellectual property procured or created by the Contractor or its employees, agents or contractors for the Lottery.

SECTION 5. TERM. The term of this Agreement will be from April 1, 2018 through December 31, 2019 with three (3) one-year option periods that may be exercised at the sole option of the Lottery.

SECTION 6. STATEMENT OF WORK.

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

6.2 Amendments to Scope of Goods and Services. The parties agree that Schedule A, may be revised, replaced, amended or deleted at any time during the term of this Agreement to reflect changes in service or performance standards upon the mutual written consent of the parties.

6.3 Applicability of the Agreement to Orders. The parties agree that the terms and conditions of this Agreement shall apply to all purchase orders, letter orders or other ordering documents issued by the Lottery and accepted in writing by the Contractor.

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

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

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

6.7 Non-Exclusive Rights. The Lottery does not grant the Contractor the exclusive right to produce all Lottery pull-tab tickets during the term of this Agreement. In the event that the Lottery decides that the development, manufacture, and delivery of pull-tab tickets by another contractor is in the Lottery's best interests, the Lottery reserves the right to purchase pull-tab tickets from another contractor. The Lottery is not obligated to purchase any specific number of tickets from the Contractor during the term of this Agreement.

6.8 Ticket Purchase Restrictions. As stated in Iowa Code Chapter 99G.31(2)(h), "No ticket or share issued by the authority shall be purchased by and no prize shall be paid to any officer,

employee, agent, or subcontractor of any Contractor or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence or any such person if such officer, employee, agent, or subcontractor has access to confidential information which may compromise the integrity of the Lottery.”

SECTION 7. COMPENSATION.

7.1 Pricing Matrix. The pricing matrix for the goods and services described in Schedule A is set forth in Schedule B. Travel and per diem expenses are treated as items of overhead and are not compensable as a separate item under this Agreement.

7.2 Payment to Contractor.

7.2.1 The Lottery agrees to pay Contractor for the actual number of conforming tickets delivered which do not exceed the delivery tolerance of +/- 5% of the ticket order quantity. Deliveries in excess of the ordered quantity plus the delivery tolerance may be accepted by the Lottery on consignment only.

7.2.2 The Lottery shall pay for tickets that conform to all of the specifications of this Agreement and the Working Papers and which are billable to the Lottery under this Agreement within (60) days as set forth in section 7.2.4 after the “acceptance” of the tickets by the Lottery. “Acceptance” by the Lottery occurs only after the Lottery has inspected the delivered tickets. The Lottery will inspect the tickets received to determine if they are acceptable within five (5) working days of receipt of the tickets if reasonably possible, but in all events inspection shall be made within ten (10) working days of receipt of the tickets. For purposes of construing this section, “working days” do not include Saturdays, Sundays, or legal holidays of the state of Iowa.

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

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

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

7.2.4 The Lottery shall pay all approved invoices in arrears and in conformance with Iowa Code Section 8A.514 and 11 IAC § 41.1(2). The Lottery may vary the terms of this provision by paying the bill for services in less than 60 days as provided in Iowa Code Section 8A.514. However, an election to pay in less than 60 days shall not act as an implied waiver of Iowa Code Section 8A.514.

7.3 CPI Cost Adjustments. The costs in this Agreement shall allow for an adjustment of the Contractor’s price for each of the three one-year option periods. The Agreement will allow for an adjustment of the Contractor’s price based on the percentage change in the National All Urban Consumer Price Index for the “all items” classification from October to October. The new price will be effective for all games ordered after the following April 1st. The applicable increase for each renewal option period is equal to 100% of the CPI change.

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

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

7.6 Cost of Printing Inspection. The Contractor shall bear the costs of travel expenses for a lottery staff person to be on-site when the Lottery's tickets are being printed. One Lottery Security staff person must be present during the production of all ticket orders produced for the Iowa Lottery. Travel expenses include but are not limited to, transportation to and from the destination, ground transportation, food and lodging.

7.7 Payments to Lottery. In the event that the Contractor owes the Lottery any sum under the terms of this Agreement, the Contractor will remit such sum to the Lottery within fourteen (14) calendar days of written notification by the Lottery that such sum is owed.

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

7.9 Liquidated Damages – Delivery of Non-conforming Tickets.

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

7.9.2 The Contractor shall be responsible for all costs and expenses related to the replacement, return or destruction of non-conforming tickets. The risk of loss on non-conforming tickets remains with the Contractor at all times prior to and after rejection and does not pass to the Lottery upon initial acceptance by the Lottery. The Lottery will pay the Contractor for conforming replacement tickets.

7.9.3 If the quantity of non-conforming tickets is such that the game is terminated, interrupted or delayed, the failure to deliver conforming tickets will interfere with the Lottery's ability to maximize sales. Since the damages accruing to the Lottery for lost sales will be difficult or impossible to ascertain, the Contractor shall pay as liquidated damages for lost sales and not as a penalty, five thousand dollars (\$5,000) per calendar day that the Lottery is unable to sell tickets of the game as originally scheduled and beginning with the fifteenth (15) calendar day the Contractor will be required to pay liquidated damages of seven thousand-five hundred (\$7,500) per calendar day for each day that tickets are not sold as scheduled, limited to a maximum aggregate of \$200,000.

7.9.4 The Lottery may consider the delivery of non-conforming tickets in the amount of 5 percent (5%) or more of the tickets of any particular game to be a material breach of this Agreement. The Lottery may then cancel this Agreement for cause and may concurrently seek any other remedy authorized by law, equity or this Agreement. Except as provided in section 7.9.3, nothing in this Agreement shall be construed as limiting the Contractor's liability for damages, expenses or liabilities incurred by the Lottery as a result of the provision of non-conforming tickets or materials.

7.9.5 Contractor shall pay all liquidated damage payments within fourteen (14) calendar days from receipt of notice from the Lottery that the damages have been incurred. If the required payment is not received by the Lottery within this time frame, the Lottery may withhold sums due to the Contractor under this or any other agreement and if sufficient funds are unavailable to the Lottery to satisfy the amount owed, the Lottery may call the required performance bond to satisfy the liquidated damages amount.

7.9.6 The liquidated damages provided in this section are intended to compensate the Lottery for damages due only to lost ticket sales. The Lottery will also be entitled to additional damages in compensation of expenses, including without limitation, advertising services and materials, promotional items and administrative time for which the Lottery does not receive full value as a consequence of non-conforming tickets.

7.10 Liquidated Damages – Over-redemption.

7.10.1 The parties agree that over-redemption occurs any time the Lottery pays or reimburses licensed retailer, prize winners or any other persons or entities for pull-tab prizes which were not anticipated and approved by the Lottery in the Working Papers that are a result of the Contractor's error or an error of someone working on behalf of the Contractor and whether or not the Lottery is legally obligated to pay such prizes provided that a ticket appears to a reasonable lottery player to be a winner on its face or the ticket can be validated as a winner by the Lottery.

7.10.2 If over-redemption occurs, the Contractor agrees to reimburse the Lottery for all prize liabilities incurred which are attributable to over-redemption and to indemnify the Lottery as provided in section 14 of this Agreement for all liabilities, damages, losses, claims, suits or actions, costs, expenses, and attorney's fees, including fees attributable to time spent by the office of the Attorney General of Iowa, arising from the over-redemption. To determine the prize liability attributable to over-redemption, a prize consisting of a free ticket in any game shall be valued at 62% of the retail sale price of the ticket, and a product prize shall be valued at cost to the Lottery.

7.10.3 If the Lottery interrupts a game due to over-redemption as defined above, the Contractor shall reimburse the Lottery for the aggregate of the Lottery's purchase price from the Contractor of any tickets not sold by the Lottery due to the interruption of the game and the expenses of the Lottery, including without limitation, advertising, promotion, legal fees and administrative time, for which the Lottery does not receive full value due to the interruption of the game.

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

the ordered quantity shall be used. In either case, the Lottery shall pay only for tickets actually sold to the public.

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

7.10.6 The Contractor's liability for over-redemption shall extend to all instances of over-redemption including instances discovered after the expiration, cancellation or termination of this Agreement.

7.10.7 The Lottery shall consider over-redemption as a material breach of this Agreement and may cancel this Agreement for cause and concurrently seek any other remedy authorized by law or this Agreement. Nothing in this Agreement shall be construed as limiting the Contractor's liability for damages, expenses or other liabilities incurred by the Lottery as a result of over-redemption.

7.11 Liquidated Damages - Late Delivery.

7.11.1 If tickets meeting the requirements of this Agreement are not delivered in accordance with the schedule set forth in the Working Papers the delay will interfere with the Lottery's ability to maximize sales. Since the damages accruing to the Lottery in the event of a delay in the delivery of tickets will be difficult or impossible to ascertain, the Contractor and the Lottery agree that the Contractor shall pay as liquidated damages for lost sales, and not as a penalty, five thousand (\$5,000) dollars per calendar day that the contractor does not fully meet the delivery schedule in Working Papers for the first fourteen (14) calendar days during which the schedule is not met. Beginning with the fifteenth (15) calendar day following the scheduled delivery date, the Contractor will pay liquidated damages of seven thousand five hundred (\$7,500) dollars per calendar day for each day the schedule in the Working Papers is not met. Liquidated damages shall not exceed \$200,000 and will be due within fourteen (14) calendar days from receipt of notice from the Lottery that the damages have been incurred by the Contractor. If the required payment is not received by the Lottery within this time frame, the Lottery may withhold sums due to the contractor under this or any other agreement and if sufficient funds are unavailable to the Lottery to satisfy the amount owed, the Lottery may call the required performance bond to satisfy the liquidated damages amount.

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

SECTION 8. INSURANCE.

8.1 Coverage Requirements. The Contractor shall maintain in effect, with insurance companies of recognized responsibility, at its own expense, insurance covering its work during the entire term of this Agreement and any extensions or renewals. The Contractor's insurance shall, among other things, be occurrence based and shall insure against any loss or damage resulting from or related to the Contractor's performance of this Agreement regardless of the date the claim is filed or expiration of the policy. Only companies authorized to transact business in the state of Iowa shall issue insurance policies and certificates. All such insurance policies shall remain in full force and effect for the entire life of this Agreement. Proof of

compliance with this section shall be provided by Contractor to the Lottery immediately upon execution of this Agreement.

8.2 Types of Coverage. Unless otherwise requested by the Lottery, Contractor shall, at its sole cost, cause to be issued and maintained during the entire term of the contract the insurance coverage's set forth below each naming the Lottery as an additional insured's or loss payee, as applicable:

Type of Insurance	Limit	Amount
General Liability (Including contractual liability) written on an occurrence basis	General Aggregate	\$2 million
	Products Completed Operations Aggregate	\$1 million
	Personal Injury	\$1 million
	Each Occurrence	\$1 million
Automobile Liability, including any auto, hired autos and non-owned autos	Combined Single limit	\$1 million
Errors and Omissions Policy	Each Occurrence	\$1 million
Excess Liability, Umbrella Form	Each Occurrence	\$2 million
	Aggregate	\$2 million
Workers Compensation and Employer Liability	As required by law	
Property Damage	Each Occurrence	\$250,000
	Aggregate	\$250,000

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

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

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

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

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

8.8 Scope of Errors and Omissions Insurance. The Contractor shall procure errors and omissions insurance in the amount set out above that indemnifies the Lottery and the Contractor for losses that may be incurred due to errors. This policy shall remain in effect for one year past the expiration of this Agreement and any extensions thereof.

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

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

SECTION 9. BONDS.

9.1 Performance Bond. The Contractor shall post a performance bond in the amount of two hundred thousand dollars (\$200,000) to the Lottery within ten (10) days of commencement of the term of the Agreement. The Contractor shall pay the cost of the bond. In the event that the Contractor or any subcontractor or any officer, director, employee or agent of the Contractor or any subcontractor or any parent or subsidiary corporation of the Contractor or subcontractor fails to fully and faithfully perform each material requirement of this Agreement, including without limitation the Contractor's obligation to indemnify the Lottery and pay damages to the Lottery, the Lottery shall make claim against the bond. The bond may be renewable annually. Neither non-renewal by the Surety, nor failure or inability of the Contractor to file a replacement bond in the event the Surety exercises its right to not renew this bond, shall itself constitute a loss to the Obligor recoverable under this bond or any extension thereof. The bond shall be in a form customarily used in the lottery industry and shall be written by a Surety authorized to do business in Iowa and that is acceptable to the Lottery. The bond shall be in effect at all times during the term of the Agreement and any extensions or renewals thereof and for ninety (90) days following the conclusion of the Agreement. The Contractor represents and warrants that it will maintain the required performance bond coverage as described herein without any lapse in coverage.

9.2 Fidelity Bond. The Contractor shall post a fidelity bond in the amount of two hundred thousand dollars (\$200,000) to the Lottery within ten (10) days of commencement of the term of the Agreement. The Contractor shall pay the cost of the bond. The bond shall provide funds to the Lottery in the event that the Contractor or Lottery suffers any liability, loss, damage, or expense as a result of any fraudulent or dishonest act or omission of the Contractor or any parent or subsidiary corporation of the Contractor, which occurs during the term of the bond regardless of the date the act or omission is discovered, or a claim is made. The bond shall be

in a form customarily used in the lottery industry, and shall be written by a Surety authorized to do business in Iowa and that is acceptable by the Lottery. This bond shall be in effect at all times during the term of the Agreement and any extensions or renewals thereof and for one (1) year following the conclusion of the Agreement. The Contractor represents and warrants that it will maintain the required fidelity bond coverage as described herein without any lapse in coverage.

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

SECTION 10. INTELLECTUAL PROPERTY.

10.1 Works Made for Hire.

10.1.1 All original concepts, work and work product or any other idea or concept that would be considered intellectual property procured, developed, or created by the Contractor or its employees, agents or contractors specifically for the Lottery (collectively "Works") shall be subject to the direction and creative control of the Lottery. The Works shall be the sole property of the Lottery.

For clarification, any patents, trade secrets, trade marks, trade names, trade dress, copyright or other intellectual property rights owned by the Contractor, which were developed by the Contractor for its general clientele and which were not created or developed specifically for the Lottery ("Contractor's Intellectual Property Rights") and licensed properties as described in section 10.3 ("Licensed Property") are not to be considered part of or included in the Works nor the sole property of the Lottery.

10.1.2 As between the Contractor and the Lottery, the Lottery shall be deemed to be the sole author of the Works as the author of a "work made for hire," and shall be the owner of the Works and the owner of all rights, title and interest in such materials including, but not limited to, all copyrights.

10.1.3 As the owner of the Works, the Lottery may adapt, change or edit or use these materials in combination with the works of others and may publish the "Works" in any medium throughout the world whether now known or later devised including but not limited to any digital or optical medium.

10.1.4 If for any reason the Lottery is not deemed to be the author and owner of all Works for all purposes, as works made for hire, then this Agreement shall be considered, to the extent allowed by law, an irrevocable, exclusive, royalty free, perpetual license from the Contractor, its employees, agents or subcontractors, to the Lottery, of all intellectual property rights in all materials purchased by the Lottery from the Contractor.

10.2 The Lottery's Trademarks, Service Marks, and Trade Names. The Lottery's trademarks, including game names, trade names and service marks used on materials produced pursuant to this Agreement shall remain the sole property of the Lottery. The

Contractor shall not use these marks or names on products sold to any person or entity other than the Lottery. The Lottery's marks and specifications concerning the marks shall be provided to the Contractor by the Lottery. The Lottery's marks and names shall be reproduced exactly as specified by the Lottery and only in the quantity specified.

10.3 Acquisition of Proprietary Rights Held by Others.

The Contractor shall obtain releases, licenses, permits and all other authorizations necessary to use licensed property in which third parties have any rights or interests if the licensed property will be used in association with any materials furnished to the Lottery. The Contractor shall ensure that the Lottery's use of the licensed property with Contractor participation or in the manner communicated to the Contractor will not exceed any applicable limitations. The Contractor shall bear the costs associated with the acquisition of any proprietary rights unless prior authorization has been issued by the Lottery.

10.4 Right to Use Intellectual Property.

10.4.1 Right to Use Intellectual Property. To the extent the Contractor has the right to do so, and excluding any Licensed Property, the furnishing or using of any intellectual property by the Contractor in creating the Works shall confer upon the Lottery the unrestricted, irrevocable right to make, have made, use, sell, license, publish, and/or lease any such intellectual property without payment of additional consideration by Lottery; provided however, that this subsection shall not apply to Contractor Intellectual Property Rights.

10.4.2 Right to Use Intellectual Property Created or Developed for Contractor's General Clientele. To the extent Contractor has the right to do so, and excluding Licensed Property, the furnishing or using of any Contractor Intellectual Property Rights, shall confer upon the Lottery the unrestricted right, irrevocable so long as tickets produced pursuant hereto are being sold, to use such intellectual property without payment of additional consideration by Lottery, unless otherwise mutually agreed between the parties with respect to any of Contractor's Intellectual Property Rights created after the date of this Agreement.

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

10.6 Games Name Trademark Searches and Opinions of Counsel.

10.6.1 The Contractor shall obtain a complete state and a federal trademark search and a written opinion from competent trademark counsel, stating whether the name selected for each pull-tab game ordered by the Lottery is available for use without a likelihood of confusion with outstanding trademarks.

10.6.2 If trademark counsel advises the Lottery that the name is available for use by the Lottery, the name shall be incorporated into the final, approved artwork of the game for review by the Lottery in the Working Papers. The Contractor shall pay all associated expense of the

search and counsel fees. Contractor will forward a copy of search results and opinions to the Lottery prior to approval of the Working Papers.

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

10.7.1 The Contractor represents and warrants that all the concepts and materials produced, or provided to the Lottery pursuant to the terms of this Agreement, including the copy and artwork submitted to the Lottery in the Working Papers, shall be wholly original with the Contractor or that the Contractor has secured all applicable interests, rights, licenses, permits, or other intellectual property rights in such concepts and materials.

10.7.2 The Contractor represents and warrants that the concepts and materials and the Lottery's use of the materials and the exercise by the Lottery of the rights granted by this Agreement shall not infringe upon any other work, other than material provided by the Lottery to the Contractor to be used as a basis for such materials, or violate the rights of publicity or privacy of, or constitute a libel or slander against, any person, firm or corporation and that the materials will not infringe upon the copyright, trademark, trade name, literary, dramatic, statutory, common law or any other rights of any person, firm or corporation or other entity.

10.7.3 The Contractor represents and warrants that, in the performance of this Agreement, the Contractor's work product and the information, data, designs, processes, inventions, techniques, devices, and other such intellectual property furnished, used, or relied upon by the Contractor will not infringe any copyright, patent, trademark, trade dress or other intellectual property right of the Contractor or others.

10.7.4 The Contractor also represents and warrants that the design and method of manufacture of materials provided pursuant to this Agreement shall not infringe on any patent.

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

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

10.10 Possession of Copies. Upon request, the Contractor shall deliver to the Lottery and the Lottery may retain all copies of all materials produced as a result of or in accordance with this Agreement.

10.11 Copyright Notice. All materials and Works produced by the Contractor in which the Lottery shall own the copyright shall contain the following notices, with the correct year inserted, in an appropriate location unless a different form of notice is subsequently specified by the Lottery in writing: "C" enclosed in a circle(©), the year(2017), and the Iowa Lottery (© 2017 Iowa Lottery).

SECTION 11. CONTRACTOR REPRESENTATIONS AND WARRANTIES.

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

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

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

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

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

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

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

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

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

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

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

SECTION 12. INDEMNIFICATION.

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

12.1.1 Any violation or breach of this Agreement by the Contractor, its employees, or agents; or

12.1.2 Any negligent acts or omissions of Contractor, its officers, employees, agents, board members, contractors, subcontractors, or trademark counsel employed by Contractor in the performance of this Agreement; or

12.1.3 Any failure by the Contractor to comply with all local, state and federal laws and regulations; or,

12.1.4 Any failure by the Contractor to make all reports, payments and withholdings required by Federal and State law with respect to social security, employee income and other taxes, fees or costs required by the Contractor to conduct business in the state of Iowa; or,

12.1.5 Any event in which a third-party asserts that the Lottery's use of a product, design, and use of ticket product provided by Contractor to the Lottery is a violation of such party's rights; provided, however, that Contractor need provide no such indemnification for claims which relate solely to information, data, designs, processes, inventions, techniques, devices and other such intellectual property furnished to Contractor by the Lottery.

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

SECTION 13. DEFAULT AND TERMINATION.

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

13.1.1 Contractor fails to materially perform as required by this Agreement;

13.1.2 Contractor fails to make substantial and timely progress toward performance or fails to meet any of the material specifications and requirements of this Agreement, including without limitation the representations and warranties provided in this Agreement.

13.1.3 Lottery fails to materially perform as required by this Agreement including failure to make timely payment for goods and services rendered.

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

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

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

13.3.2 If the Contractor fails to perform, to the Lottery's satisfaction, any material requirement of this Agreement or is in violation of any material provision of this Agreement, including, without limitation, the express warranties made by the Contractor.

13.3.3 If the Lottery determines that satisfactory performance of this Agreement is substantially endangered or that a default is likely to occur.

13.3.4 If the Contractor becomes subject to any bankruptcy or insolvency proceeding under federal or state law to the extent allowed by applicable state or federal law including bankruptcy laws.

13.3.5 If the Contractor terminates or suspends its business

13.3.6 If the Lottery reasonably believes that the Contractor has become insolvent or unable to pay its obligations as they accrue consistent with applicable federal or state law.

13.3.7 If an officer, director or employee with significant contact with the Lottery's account is or has been convicted of a felony, any gambling related offense whether a misdemeanor or felony, or of any state of federal Racketeer Influenced or corrupt Organization Act (RICO) by a court of competent jurisdiction.

13.3.8 If it is alleged that the Contractor's processes or materials violate any valid patent, trademark, copyright, other intellectual property right or contract, and the Lottery reasonably believes that the allegation may impair the Contractor's performance of this Agreement.

13.3.9 If during the course of this Agreement, the Contractor sells pull-tab tickets to others having reason to know that the other person intend to sell the tickets illegally in any jurisdiction.

13.3.10 If during the course of this Agreement any action by the Contractor interferes with the Lottery's relationship with its licensed retailers, or promotes products or distribution systems that compete with authorized Lottery products or distribution systems.

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

13.4 Termination for Convenience. Following thirty (30) days written notice, the Lottery may terminate this Agreement in whole or in part for convenience without the payment of any penalty or incurring any further obligation to the Contractor. Following termination for convenience, the Contractor shall be entitled to compensation, for conforming tickets, materials actually in the Lottery's possession at the time of cancellation, and reasonable industrial costs of work-in-progress.

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

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

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

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

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

13.7.2 Any liability which at the time of expiration or termination has already accrued to the other party, or, which thereafter may accrue in respect to any event prior to expiration or termination; or

13.7.3 Any liability from any obligation that survives expiration or termination.

SECTION 14. CONFIDENTIAL INFORMATION.

14.1 All Confidential Information provided shall be clearly marked as Confidential Information by the party providing the information at the time of disclosure to the other party. The Contractor shall limit such identification to information it reasonably believes is entitled to confidential treatment pursuant to the public records provisions of Iowa law. Each party shall hold the Confidential Information of the other in strictest confidence and, except as previously authorized in writing by the other party, (i) shall use the Confidential Information only in furtherance of this Agreement, (ii) shall not copy Confidential Information and (iii) shall not disclose the Confidential Information to any person or entity except those employees of the party to whom the information has been disclosed who have a need to know the Confidential Information for purposes contemplated by this Agreement. The parties' obligations under this provision do not apply to information which: is publicly available or in the public domain when provided; is or becomes publicly available or public domain information through no fault of the recipient of the information subsequent to the time it was provided; is rightfully communicated to the recipient of the information by another party; is independently developed by the recipient; or is disclosed pursuant to law or the order of a court or government authority. The parties' obligations under this provision shall survive the conclusion of this Agreement and shall be perpetual.

14.2 No private or confidential data collected, maintained, or used in the course of performance of the Agreement shall be disseminated except as authorized by statute or section 14.1, either during the period of the Agreement or thereafter. Any data supplied to (insert Contractor name) by the Lottery shall be considered the property of the Lottery.

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

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

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

SECTION 15. CONTRACT ADMINISTRATION.

15.1 Independent Contractor.

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

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

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

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

15.2 Compliance with the Law and Regulations.

15.2.1 The Contractor shall comply with all applicable federal, state, and local laws, rules, ordinances, regulations and orders when performing within the scope of this Agreement, including without limitation, all laws applicable to the prevention of discrimination in employment,

the administrative rules of the Iowa Department of Management or the Iowa Civil Rights Commission which pertain to equal employment opportunity and affirmative action, laws relating to prevailing wages, occupational safety and health standards, prevention of discrimination in employment, payment of taxes, gift laws, lobbying laws, laws dealing with the manufacture and transportation of gambling related materials and laws relating to the use of targeted small businesses as subcontractors or suppliers.

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

15.2.3 The Contractor shall give notice to any labor union with which it has a bargaining or other agreement of its commitment under this section of the Agreement. The Contractor shall make the provisions of this section a part of its contracts with any subcontractors providing goods or services related to the fulfillment of this Agreement.

15.2.4 The Contractor shall comply with all of the reporting and compliance standards of the Department of Management regarding equal employment. These requirements may require the Contractor to submit its affirmative action plan. The plan must comport with the Department of Management rules at 541 IAC chapter 4.

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

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

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

15.5 Choice of Law and Forum.

15.5.1 The laws of the state of Iowa shall govern and determine all matters arising out of or in connection with this Agreement without regard to the choice of law provisions of Iowa law.

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

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

15.6 Assignment and Delegation. The Contractor shall not assign, transfer, convey, or otherwise dispose of this Agreement, its duties under this Agreement, or any rights, title, or interest in this Agreement to any other person, corporation, or other entity without the prior written approval of the Lottery. For purposes of this section a transfer or conveyance includes the sale or gift of a twenty-five percent (25%) equity interest in the Contractor.

In the event that any person, or group of persons, hereafter acquires directly or indirectly the beneficial ownership (as defined by Securities and Exchange Commission Regulation 17 C.F.R. §240.13d-3) of five percent (5%) or more of the ownership interest in, or any class of equity securities of, the Contractor, the Lottery must be notified in writing of such event. Background investigation may be required for these new owners. Such background investigations may include fingerprint identification by the Iowa Division of Criminal Investigation, the Federal Bureau of Investigation or the appropriate non-U.S. equivalent. By signing this Agreement, the Contractor consents to cooperate with such investigations, and to instruct its employees to cooperate. The expense of any investigation will be borne by the Contractor. The Lottery may terminate this contract based upon adverse results of these background checks. The ability to conduct such investigations is a continuing right of the Lottery throughout the contract term.

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

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

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

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

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

15.12 Notices.

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

If to the **Iowa Lottery**: Iowa Lottery
Attn.: Larry Loss
13001 University Ave.
Clive, IA 50325

If to the **Contractor**: (insert Contractor name).
Attn.:
Address
Address

15.12.2 Each such notice shall be deemed to have been provided:

15.12.2.1 At the time it is actually received; or,

15.12.2.2 Within one day in the case of overnight hand delivery, courier or services such as Federal Express with guaranteed next day of delivery; or,

15.12.2.3 Within five days after deposited the U.S. Mail in the case of registered U.S. Mail.

15.13.3 Copies of such notice shall be provided separately to each party.

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

15.14 Cumulative Rights.

15.14.1 The various rights, powers, options, elections and remedies of either party, provided in this Agreement, shall be construed as cumulative and no one of them is exclusive of the others or exclusive of any rights, remedies or priorities allowed either party by law.

15.14.2 Nothing in this Agreement shall be construed as affecting, impairing or limiting the equitable or legal remedies to which either party may be entitled as a result of any breach of this Agreement.

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

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

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

15.17.1 It has the right, power and authority to enter into and perform its obligations under this Agreement.

15.17.2 It has taken all requisite action (corporate, statutory, or otherwise) to approve execution, delivery and performance of this Agreement, and this Agreement constitutes a legal, valid and binding obligation upon itself in accordance with its terms.

15.17.3 This Agreement is contingent upon ratification of the Lottery Board pursuant to Iowa Code Chapter 99G. The Lottery does not warrant that the Agreement will be ratified by the Lottery Board.

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

15.19 Records Retention and Access.

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

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

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

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

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

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

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

15.24 Force Majeure.

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

15.24.2 As used in this Agreement, "force majeure" includes acts of God, war, civil disturbance and any other causes which are beyond the control and anticipation of the party effected and which, by the exercise of reasonable diligence, the party was unable to anticipate or prevent. Failure to perform by a subcontractor or an agent of the Contractor shall not be considered a "force majeure" unless the subcontractor or supplier is prevented from timely performance by a "force majeure" as defined in this Agreement. "Force Majeure" does not include financial difficulties of the Contractor or any parent, subsidiary, affiliated or associated company of the Contractor or claims or court orders which restrict the Contractor's ability to deliver the goods or services contemplated by this Agreement.

15.24.3 If a "force majeure" delays or prevents the Contractor's performance, the Contractor shall immediately commence to use its best efforts to directly provide alternate, and to the extent possible, comparable performance. Comparability of performance and the possibility of comparable performance shall be reasonably determined solely by the Lottery.

15.24.4 During any such period, the Contractor shall continue to be responsible for all costs and expenses related to alternative performance, subject to not incurring unreasonable costs.

15.24.5 This section shall not be construed as relieving the Contractor of its responsibility for any obligation which is being performed by a subcontractor or supplier of services unless the subcontractor or supplier is prevented from timely performance by a "force majeure" as described here.

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

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

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

15.28 Survival of Obligations.

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

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

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

15.30 Non-Exclusive Rights. The contract will not be exclusive. The Lottery will reserve the right to contract with other Contractors for the production of pull-tab tickets and related services during the contract term.

15.31 Authorization to do Business in Iowa. The Contractor shall obtain a certificate of authority to do business in Iowa and shall take all necessary steps to ensure that it is authorized to do business in Iowa as (insert Contractor name).

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

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

15.34 Financial Statements. Each year during the term of this Agreement, the Contractor shall provide the Lottery with an audited financial statement, if available, otherwise, an audited consolidated financial statement of its parent entity, consolidating the financial results of both entities and their subsidiaries. The financial statement shall be provided as soon as practicable following completion of the statement.

15.35 Investigation of Officers, Directors and Shareholders.

15.35.1 The Contractor shall require all officers, directors or shareholders owning five percent (5%) or more of the Contractor or any parent or subsidiary company of the Contractor to participate in background investigations conducted by the Lottery and to complete background disclosure forms. Throughout the term of this Agreement the Contractor will notify the Lottery of any changes in the identity of persons or entities holding these positions.

15.35.2 The Contractor shall require its employees and the employees of any subcontractors to submit to background investigations if requested by the Lottery and to complete all background disclosure forms as may be required by the Lottery. The Contractor shall bear all costs and expenses associated with background investigations. In the event the Lottery is required to pay any of these costs and expenses, the Contractor agrees to reimburse the Lottery accordingly. Costs may include but are not limited to the hourly charges of the Division of Criminal Investigation's agents, meals, travel, lodging, and miscellaneous expenses and fees incurred in conducting the background investigations.

15.36 Obligations Beyond Agreement Term. This Agreement shall remain in full force and effect to the end of the specified term or until terminated or canceled pursuant to this Agreement. All continuing obligations of the Lottery and the Contractor incurred or existing under this Agreement as of the date of expiration, termination or cancellation will survive the termination or conclusion of this Agreement.

SECTION 16. EXECUTION.

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

Iowa Lottery Authority

By: _____
Name: Larry Loss
Title: Executive Vice President

Date: _____

(insert Contractor name)

By: _____
Name:
Title:

Date: _____

Federal ID # _____

SCHEDULE A SCOPE OF SERVICES

SECTION 1. GENERAL DESCRIPTION OF WORK. The Contractor shall provide the Lottery with pull-tab tickets and related materials and services as follows:

SECTION 2. TICKET SPECIFICATIONS.

2.1 Ticket Specifications

2.1.1 Samples. The Contractor shall include sample tickets identical in construction and as similar in design as possible to the tickets the Contractor proposes to sell to the Lottery. Handmade samples are not acceptable although the printing on the back of the sample tickets may be in rough form.

2.1.2 Ticket Construction

2.1.2.1 The Lottery requires the use of a coated-board stock, on the face side (opposite side of the opening tabs), of the finished, glued ticket. The basic ticket construction shall be 2-ply with the overall thickness in the range of .024 through .027 inches. Stock must be specified in the working papers.

2.1.2.2 Pull-tab tickets may be constructed as either a 3, 4 or 5 tab break open industry standard ticket.

2.1.2.3 The Contractor shall ensure color consistency in the printing of tickets making it impossible to identify winning tickets in a unit due to differences in color or the appearance of extraneous marks on the tickets.

2.1.2.4 Pull-tab tickets produced must be capable of being dispensed from automated pull-tab dispensing machines. The Lottery currently sells pull-tabs through American Games Maxim Vending Machines in one of two sizes: the 4206 Model accommodating six vending columns of tickets and the 8412 with twelve vending columns. The dispensing of tickets is achieved with one non-abrasive dispensing belt, which smoothly delivers each ticket into a ticket hopper that can hold multiple tickets.

2.1.3 Ticket Gluing. Pattern ticket gluing must occur on all four edges of the sealed ticket and between the individual break-open tabs.

2.1.4 Die-Cut Openings and Perforations

2.1.4.1 The opening tabs shall be evenly spaced side-to-side on each ticket.

2.1.4.2 Each ticket shall contain opening tabs perforated on the horizontal lines top and bottom and at the end of the opening tab where the tab must be grasped for opening. Perforations and die cutting shall allow easy opening by the general public while at the same time not permit tickets to be accidentally opened in normal handling.

2.1.4.3 The openings shall be 9/16" H x 1 3/8" W.

2.1.5 Size of Tickets. The individual ticket size shall be 1 7/8" +/- 1/16" x 4 1/4" +/- 1/16". The Lottery reserves the right to request tickets in other sizes at prices mutually agreeable to the Lottery and the Contractor.

2.1.6 Play Numbers/Symbols. All labor and materials necessary to produce and generate the play numbers or symbols that must appear on individual tickets comprising the game, shall be the responsibility of the Contractor.

2.1.7 Confirming Caption/Verification Symbol or Device. Each winning play shall be accompanied by a confirming caption/verification symbol or device that must appear under the winning tab. Examples of verification symbols would be the use of a specific number keyed to particular winners, changing symbol colors for winners, the use of benday patterns, or similar feature. Each winning ticket winning combination shall also have a colored winning arrow running through the winning symbols, along with the total dollar amount the entire ticket won printed in the far left margin of the lower most winning arrowhead tab. Multiple wins on a single ticket may be used depending on the approved prize structure. The use of benday patterns is a requirement. Benday patterns may be repeated on non-winning tickets; however, all non-winning tickets shall not have the same benday pattern. A unique benday pattern and a win code shall also be used in addition to the total dollar amount won and the actual win bar.

2.1.8 Barcode. A barcode representing the game and unit number must be printed on the outside ply of the ticket that contains the unconcealed symbols or numbers, rather than on the covering sheet containing the opening tabs. The 10 digit barcode contains a check digit which is determined by the algorithm and does change with each serial number. The game and unit number must also appear above the barcode in an easily read form. Each ticket in the unit must bear the same barcode. The barcode height shall be 5/16" high. The barcode will be standard interleaved two of five symbology. The barcode will contain 10 digits in the form of GGGUUUUUC where:

GGG	represents the 3 digit game number
UUUUUU	represents the 6 digit unit number
C	represents a check digit

The algorithm will be supplied to Contractor after contract award.

2.1.9 Special Ticket Markings

2.1.9.1 The reverse or back side (pull-tab side) of each ticket must include the following printing and may include additional printing as specified by the Lottery.

- "Must be 21 to purchase"
- "Prizes of \$600 or less must be claimed at place of sale"
- The Lottery logo
- "If you or someone you know has a gambling problem, Call 1-800-BETS OFF"
- A signature line

2.1.9.2 The following items must appear on the ticket front:

- " Average odds of winning are 1 in X.XX "
- Ticket Price
- Iowa Lottery
- IAGG (where GG is a game number)
- 10 Digit barcode

2.1.10 Colors. The colors and symbols on the front of the tickets shall correspond to the same colors and symbols on the reverse side of the same ply (game spots). The Contractor shall be capable of printing four-color process and/or spot color printing.

2.1.11 Fluorescent Ink. Contractors shall be capable of printing fluorescent inks.

2.1.12 Ultra-Violet Ink. Contractors shall be capable of printing tickets using an ultra-violet print process and inks for security purposes.

2.1.13 Randomization. The odds of winning any prize of any level on a given ticket must not vary from the odds of winning that prize as stated in the final approved prize structure. Winning prizes must appear randomly within each unit of tickets.

2.1.13.1 Number patterns, plate layouts, collating/shuffling sequences, and plans for cutting shall be developed by Contractor and require Lottery approval to eliminate any possibility of the tickets not appearing totally random in their organization within units.

2.1.13.2 In cutting finished tickets, winners and losers must be cut together to eliminate any possibility of picking out the winners from variations in the cutting, or from edge patterns that are caused from cutting.

2.1.13.3 The Contractor shall organize the printing plates used in the process of printing tickets to ensure that winning tickets are interspersed among losing tickets. Various combinations of plates must be utilized during the manufacturing process to achieve this objective.

2.1.13.4 All play symbols on tickets, both winning and non-winning, shall be dispersed randomly throughout the play area.

2.1.13.5 The Contractor shall be capable of selective seeding within pools as may be specified by the Lottery.

2.1.14 Working Papers. For each game ordered, the Lottery will require a complete set of working papers describing the details of the ticket production. This set of working papers must be delivered to the Lottery in hard copy form or may be provided electronically. The approved final set of working papers become the governing document pertaining to the game and take precedence over any other conditions of the contract in the event of any conflict in the specifications or requirements. The working papers will contain the detailed specifications of the game including ticket design, play symbols, prize structure, production schedule, packaging & shipping and game layout.

2.1.15 Ticket Production Timetable

2.1.15.1 For the first order of a game (not a reorder), the Contractor shall submit to the Lottery draft Working Papers and an electronic version of trademark approval from competent trademark attorney within 20 days after receiving a purchase order request from the Lottery. Delivery dates shall be established in the purchase order; failure to meet the delivery dates shall be subject to a penalty clause.

2.1.15.2 Delivery date for the tickets shall be 45 days from final approval of the Working Papers.

2.1.15.3 Reorders shall be delivered within 35 days from the date the Lottery orders the tickets.

2.1.15.4 "Days" shall mean "working days" and does not include Saturdays, Sundays or State legal holidays.

2.1.16 State or Federal Trademark Searches. The contract will require the Contractor to obtain a state and federal trademark search and a written opinion from trademark counsel, stating whether the name selected for the pull-tab ticket game is available for use without a likelihood of confusion with outstanding trademarks. The expense of the search and all associated counsel fees will be the responsibility of the Contractor.

2.1.17 Press Proof. Press proofs (actual design and color) must be made available to the Lottery for approval at least seven (7) days prior to production printing of tickets. The Contractor shall also notify the Lottery via e-mail at least two (2) weeks prior to the expected print date indicating the official print dates. The Lottery will require press proofs for every new game. The Lottery may inspect press proofs at the Contractor's facility. The Contractor shall notify the Lottery ten working days prior to the printing of the press proofs.

2.1.18 Quality Control. The Contractor shall allow the Lottery to select three complete production cartons of tickets for inspection and approval of quality from among the initial cartons produced for each individual order of tickets. All tickets accepted by the Lottery must meet

specifications in the "Working Papers". Tickets that do not conform to these specifications shall be rejected by the Lottery. The Lottery may, in its sole discretion, reject an entire ticket order if the Lottery's sample inspection reveals nonconforming tickets or packaging in the ticket order.

2.1.19 Production Samples. The initial order of each game shall include 12 units of void sample tickets that must not include any winning tickets. The Contractor shall mark "VOID" on the back of these sample tickets to assure they cannot be confused with valid game tickets. The barcode and human readable number on the front of the ticket shall contain game number 099 and unit number 999999.

2.1.20 Durability. Tickets that have been printed and sealed must maintain their original crisp appearance, must not warp, and must remain properly sealed, regardless of environment encountered in normal handling and usage, for a minimum of two years after delivery by Contractors to the Lottery.

2.1.21 Ticket Security. All production techniques possible must be employed to prevent security compromise in the following areas:

- Opacity
- Debonding
- Color or printing variations
- Cutting variations
- Positioning of winners in unit
- Paper
- Gluing
- Bendays
- Ultra-violet inks
- Selective seeding

2.1.22 Test Game. A test game consisting of 17,280 tickets printed in accordance with the printing specifications listed in this RFP and packaged in accordance with the specifications listed in this RFP, shall be produced by the Contractor if the Contractor has not produced a live game for the Iowa Lottery within the preceding eighteen (18) months of this RFP. The sample game must include all validation algorithms, barcodes and media files associated with a live game. Creative ticket art will not be required. Production of a live game will not occur until the Lottery has successfully tested a sample game. All costs associated with the production and delivery of a sample game at the initiation of the contract will be borne by the Contractor.

2.2 Packaging

2.2.1 Unit Assembly and Guarantee. The Contractors production plans and manufacturing procedures must ensure: (a) that each unit has the precise quantity of tickets; (b) that the proper number and ratio of winning to losing tickets exists in each unit; and, (c) that there is a random distribution of the winning tickets in a given unit and that there is no possibility that individual winning tickets could be picked out by their physical location in a unit.

2.2.2 Unit Packaging. Each unit shall consist of five hundred forty (540) tickets. Each unit must be placed in a cardboard tray and individually shrink-wrapped. The cardboard tray sizes shall be L 14 1/4" x W 4 3/8" x H 1 1/4" using a 2-ply cardboard. One ticket of the unit is to be "flipped" over and placed on top of the unit with game side up prior to shrink-wrapping, so that the barcode, game and unit number are readily identifiable. One Retailer Manual Page shall be placed in the bottom of the tray prior to tickets being inserted.

There shall be one serial number per 540 ticket-count tray, four serial numbers in the carton of four trays and a total of 16 serial numbers in a master case of product. Serial numbers are to be sequential with omits allowed in the sequential numbering. The unit tray does not require a label; the ticket that is "flipped" over is sufficient labeling.

2.2.3 Carton Packaging. Each carton shall consist of four packaged units of tickets with each cardboard carton containing the same total number of tickets (2160 per carton). The size of the die cut cardboard carton shall be L 16 1/2" x W 9 1/2" x H 4" and designed to pass a 200 lb crush test and 32 lb edge crush test. The carton containing the four units is not to be shrink-wrapped, but the carton must be capable of being securely closed for shipment. Each carton must be sequentially numbered with its' own unique 9-digit number. The carton serial number will be structured to indicate the game code (first three digits) and the consecutive carton within the game (last six digits).

2.2.4 Carton Label. Each carton shall contain labeling in the form of a stick-on label or direct printing on the outside of the carton with identifying information. Labels or direct printing must be no less than 3" x 4 1/2". Each carton label must identify the four unit numbers within the carton.

2.2.5 Case Packaging. Each case shall consist of four packaged units of four cartons for ease of handling and shipment. The cases must be designed to pass a 200 lb crush test and 32 lb edge crush test. Standard case size shall be L 17" x W 10" x H 17".

2.2.6 Case Label. Each case shall contain labeling in the form of a stick-on label or direct printing on the outside of the case with identifying information. Labels or direct printing must be no less than 3" x 4 1/2". Each case label must identify the case number and unit serial numbers within the case.

2.2.7 Skids.

2.2.7.1 Shipping cases shall be packed on pallets in sequential order secured by stretch wrapped plastic. Pallets must be constructed of hardwood lumber or number two softwood, capable of withstanding multiple handling by forklift trucks without splintering or collapsing.

2.2.7.2 Pallets are to be 30" x 37" with 3 runners 4" high and 37" long to allow forklift to enter the 30" side. Pallet labels are to face outwards and be on 30" side of the pallet. The label must show the game code number, the lowest and highest case numbers loaded on the pallet, and the pallet number for the game. Pallets shall be numbered one through the highest pallet number for the game.

2.2.7.3 The cases of tickets will be stacked on pallets not to exceed 55" in height, in numerical sequence (clockwise) with the case labels facing out. The lowest numbered case shall be on the top layer of the pallet and highest number on the bottom layer.

2.2.7.4 Each pallet shall be assigned a number with all numbering to be sequential within the ticket order.

2.3 Delivery

2.3.1 Delivery Vehicles and Loading. Tickets are to be delivered in exclusive-use, sealed trucks from plant to warehouse. Skids of finished tickets must be loaded with the lowest numbered skid in the "nose" of the trailer and the highest numbered skid at the rear of the trailer. A minimum of three feet of clearance must be left between the last skid loaded and the cargo doors at the rear of the delivery vehicle to facilitate unloading.

2.3.2 Shipping Documentation. At the time of ticket delivery, the Contractor shall provide three separate reports; a) a shipping manifest, b) a shipping report, and c) game file information.

2.3.3 Delivery of Tickets. Tickets must be delivered FOB destination to the Lottery Warehouse located at 1918 SE Hulsizer in Ankeny, Iowa or to any other warehouse location in Iowa designated by the Lottery in writing. Continuous and uninterrupted delivery, without storage, must be made in accordance with the delivery schedule specified in the working papers.

2.3.4 Delivery Tolerances. The Contractor shall deliver the ordered quantity for each game plus or minus five (5) percent. The Lottery will be billed and will pay only for the actual number of

conforming tickets delivered. Deliveries in excess of the ordered quantity plus the delivery tolerance may be accepted by the Lottery on consignment only.

2.3.5 Delivery Schedule. The Contractor shall notify the Lottery when tickets are ready for shipment. Tickets ordered are not to be shipped from the Contractor's plants or warehouses until the Lottery authorizes acceptable times for the shipment of tickets.

2.3.6 Partial Shipments. The Contractor shall be prepared to supply partial shipments if requested by Lottery.

2.4 Reports and Other Deliverables

At the time the ticket order is delivered to the Lottery, the Contractor shall provide a shipping manifest, shipping report and game file as described below.

2.4.1 Shipping Manifest. The shipping manifest shall contain the following information:

- Game number.
- Game name.
- Purchase order number.
- Date picked up at Contractor's plant.
- Date of delivery to the Lottery.
- Truck seal number.
- Listing of omitted cartons and ticket serial numbers.
- Total number of omitted cartons.
- Total number of cartons (4 units of tickets per carton).
- A list providing the carton number, ticket or serial number within that carton broken down by individual pallet number.

2.4.2 Shipping Report. The shipping report shall contain the following information:

- Gross number of tickets included in the shipment.
- Number of pallets,
- Number of cases per pallet.
- Number of tickets per pallet.
- Seal number of the truck lock. The seal number must also appear on the bill of lading for the shipment.

2.4.3 Game File. The game file shall be a sequential listing of all case numbers and unit serial numbers within the shipment. The game file shall be provided on a CD compatible with the Lottery computer system. The game file shall be sequential and all-inclusive with missing units (omits) designated on the game file.

2.5 Security

2.5.1 Cost of Travel for Ticket Printing. The Lottery may be present during the production of all ticket orders produced and shall have the right, acting by itself or through its authorized representatives, to enter the premises of the Contractor at all times to examine the game and to inspect and copy the records of the Contractor pertaining to the operation of the Lottery account.

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

Current practice is to have a Lottery Security staff person inspect the printing of ticket backs and UV ink applications and monitor the process of hand-seeding for all tickets having a prize greater than \$600.

2.5.2 Plant Security Requirement. All plants in which the game tickets are produced must be equipped with a complete plant security system acceptable to the Lottery, which must include controlled access, building intrusion alarm system and monitoring cameras.

2.5.3 Waste Materials. All tickets or ticket parts wasted in the manufacturing processes throughout the plant are to be accounted for and destroyed. These materials must be destroyed by shredding, burning or dissolving on the printer's premises. Scrap materials cannot leave the printer's premises until processed to render them unrecognizable as lottery materials.

2.5.4 Storage. Finished tickets are to be stored in a secured area which must include controlled access and monitoring cameras. If the Lottery requests a delayed delivery date other than the delivery date specified in the working papers, the Contractor shall be required to store tickets for up to ninety (90) days at no additional cost to the Lottery.

2.5.5 Security Breach Notification. The Contractor shall notify the Vice President of Lottery Security immediately via telephone and in writing of any breach of security experienced by the Contractor during the term of the contract including but not limited to the theft or disappearance of any paper stock, data media, cylinders, tickets, waste, film, printing plates, etc.

2.5.6 Property of Lottery. Tickets produced for the Lottery are proprietary materials, and shall not be furnished by the Contractor to any other country, state, organization, company, agency, jobber, distributor or individual other than the Iowa Lottery.

2.6 Corporate Marketing Support

2.6.1 The Contractor must apply its best efforts to support the Lottery game design and marketing, assisting the Lottery to achieve its financial objectives. A Contractor must be able to accommodate the Lottery's marketing plans and efforts with corporate marketing support that includes, but is not limited to:

2.6.1.1 Catalog. The Contractor shall be capable of providing a catalog of all games currently available from Contractor.

2.6.1.2 Retailer Manual Pages. The Contractor shall design, produce and provide Retailer Manual Pages as described herein. The initial order of a game shall include 950 Retailer Manual Pages. These Retailer Manual Pages shall be packaged in quantities of fifty and shrink-wrapped. The Retailer Manual Page shall be approved by the Lottery. Each page is to be printed on 6" x 4" recycled enamel 100# paper with multi-colors to be selected, full bleed, and printed on both sides. Each page shall be six-hole punched.

2.6.1.3 Sales Sheets. The Contractor shall provide 660 Lottery approved Sales Sheets at least seven (7) working days prior to the start of each new game launch. The Sales Sheet shall be shipped directly to each of the five (5) Lottery regions and Lottery headquarters. The Contractor shall design, produce and provide Sales Sheets as described herein. The Sales Sheet design shall be submitted to the Lottery for approval. Each Sales Sheet designed shall be printed on 8.5" x 11" white 100# signature gloss enamel stock with multi-colors (to be selected at a later time), full bleed, and printed two sides.

2.6.1.4 Marketing Support . The Contractor shall provide marketing support to assist the lottery with prize structure and game design, game names, themes, play formats, industry trends, lottery data processing, lottery accounting, and lottery security. The Lottery reserves the right to approve the account representative(s). Costs for marketing services provided by the account representative and any required support staff shall be included in the printing prices.

The representative will be responsible for providing the following services:

- Coordination of contract execution between the Lottery and the Contractor including working papers for specific games, ticket art design, prize structures, schedules, production, ticket printing and ticket delivery.
- Provide support in game design and strategic planning of the pull-tab product.
- Recommend game offerings, prize structures, pricing and point-of-sale strategies.
- Contractor representative must identify any special printing techniques or costs associated with the Contractors recommendation for tickets.
- Be readily available by telephone or other means of business communication.
- Meet with Lottery personnel, typically one time per calendar year or as may be requested by Lottery.
- Provide promotional ideas or concepts available for licensing to enhance pull-tab sales.

SCHEDULE B PRICING MATRIX

SECTION 1. PRICING FOR GAMES AND OTHER MATERIALS. The prices of tickets provided by the Contractor shall be as follows:

<i>Ticket Quantity</i>	<i>Cost of Order</i>	<i>Cost per Ticket</i>
250,000		
500,000		
1,000,000		
1,500,000		
2,000,000		
2,500,000		
3,000,000		
3,500,000		
4,000,000		
5,000,000		

SECTION 2. NEW GAME DEVELOPMENT. The development of a new game shall include a trademark search, press proofs, 12 units of sample tickets, 950 retailer pages and 660 sales sheets.

SECTION 3. ONE TIME SET-UP CHARGE. Contractor will charge the Lottery a one time charge for developing a new game _____ for the sum of \$_____. This charge will be billed in accordance with section 7, of this Agreement.

SECTION 4. ADDITIONAL PRODUCT PRICING. Upon request by the Lottery in the Working Papers, the Contractor shall provide selective “seeding” of tickets, ultra-violet ink, and/or fluorescent inks. Additional costs for these products are:

Ultra-violet inks	Add XXXX
Fluorescent inks	Add XXXX
Selective seeding	Add XXXX
Standard industry ticket size with barcode activation insert*	XXXX

*Standard industry ticket size is 1 7/8” x 3 3/4”, a shorter 5 tab ticket with a barcode insert or barcode activation card to be inserted into each pull-tab unit of tickets. (Current Lottery ticket size is 1 7/8” x 4 1/4”.)