AGREEMENT

THIS AGREEMENT is entered by and between Bally Gaming, Inc., with a principal place of business at 6650 El Camino Road, Las Vegas, NV, 89118 ("Bally"), and the Delaware State Lottery, an agency created pursuant to 29 Del. - chapter 48, with a principal place of business at 1575 McKee Road, Suite 102, Dover, DE 19904 ("Lottery").

WHEREAS, the Lottery issued a Request for Proposals on April 7, 2015 (the "RFP") to invite interested manufacturers of video lottery terminals to submit proposals for the implementation and operation of Multi-Player Automated Gaming Tables (machines) (hereinafter, as more fully defined in section 1.9 of the RFP);

WHEREAS, Bally submitted to the Lottery its responsive proposal to supply Multi-Player Automated Gaming Tables (the "Proposal") on or about September 10, 2015;

WHEREAS, the Lottery desires to obtain certain services from Bally: and

WHEREAS, Bally desires to provide such services to the Lottery on the terms set forth below;

WHEREAS, the Lottery and Bally represent and warrant that each party has full right, power and authority to enter into and perform under this Agreement;

FOR AND IN CONSIDERATION OF the premises and mutual agreements herein, the Lottery and Bally agree as follows:

1.0 Definitions

Capitalized terms used herein but not otherwise defined herein shall have the meanings set forth in section 1.9 of the RFP, incorporated by reference.

2.0 Lease of Multi-Player Automated Gaming Tables

Bally agrees to lease to the Lottery for an operational term of five (5) years ("Lease Term") the number of Multi-Player Automated Gaming Tables that the Lottery deems appropriate based on the Lottery's goal of maximizing revenue while protecting the public welfare and security of the operations. The Lottery reserves the right to request Bally lease to the Lottery an additional number of Multi-Player Automated Gaming Tables and/or decrease the number of Multi-Player Automated Gaming Tables leased, subject to the terms of the agreement, the RFP and the Proposal. Multi-Player Automated Gaming Tables will consist of the models as described in Bally's Proposal and any new models that Bally may develop during the term of the Agreement.
2.1 Governing Law

The proposal process, the award procedure, and this Agreement resulting from the RFP shall be governed by the laws of the State of Delaware. The RFP is subject to 29 Del. C. §§4820(b), 6981-82 of the Delaware Code. Any and all litigation arising under the RFP or the Agreement shall be instituted in the appropriate court of the State of Delaware; and, by submitting a proposal, Bally is deemed to waive access to any other court which may have concurrent jurisdiction within or without Delaware.

2.2 Agreement Elements

2.2.1 Any conflict or inconsistency between the provisions of the following documents shall be resolved by giving precedence to such documents in the following order: (a) this Agreement (including any amendments or modifications thereto); (b) the Lottery’s request for proposals, attached hereto as Appendix A; and (c) Bally’s response to the request for proposals, attached hereto as Exhibit B. The aforementioned documents are specifically incorporated into this Agreement and made a part hereof.

2.2.2 The Lottery may, at any time, submit to Bally by written order, a request to make changes in the scope of this Agreement and in the services or work to be performed. The parties agree to make good faith efforts to reach a mutual agreement on any such changes, however, the decision of the Lottery will be final. No services for which additional compensation may be charged by Bally shall be furnished without the written authorization of the Lottery. When the Lottery desires any addition or deletion to the deliverables or a change in the services to be provided under this Agreement, it shall notify Bally, who shall then submit to the Lottery a "Change Order" for approval authorizing said change. The Change Order shall state whether the change shall cause an alteration in the price or the time required by Bally for any aspect of its performance under this Agreement. Pricing of changes shall be consistent with those established within this Agreement. In the event any Change Order(s) are not approved by the Lottery, Bally shall have no obligation to perform under such Change Order(s) for the benefit of the Lottery. Any alterations, variations, changes, modification or waivers of or to provisions of the agreement shall only be valid when they have been reduced to writing and duly executed and approved by each of the parties.

2.2.3 The rights and remedies of the Parties provided for in this Agreement are in addition to any other rights and remedies provided by law.

2.3 Term of Agreement

2.3.1 This Agreement will be in effect for a five (5) year operational term, or such shorter period as the Lottery may determine due to causes such as contract termination or loss of State funding by the Lottery. The Agreement will be in effect from the date of execution until March 15, 2021 which the parties expect to be five years after the date of installation and operation of the first new Multi-Player Automated Gaming Tables under this Agreement.
2.3.2 The Lottery reserves the right to extend this Agreement, with the concurrence of Bally, for up to three, two-year periods, at a rate of compensation negotiated by the parties. Any extension of the Agreement or any notice by the Lottery of intent to solicit new bids must be noticed ninety (90) days prior to the expiration of the Agreement term or at any time mutually agreed upon by both parties.

2.3.3 The Lottery further reserves the right to reactivate or further extend the initial Agreement, or any extension thereof, on thirty days’ notice for ninety day periods if a different bidder’s machines are chosen for subsequent agreements and Bally’s machines do not meet the requirements of the Lottery.

2.3.4 Exercising this right shall not be construed as obligating the Lottery to repeat the procurement process for any subsequent agreements or conferring any right or expectation for Bally to continue operating their Multi-Player Automated Gaming Tables after the expiration of any such 90 day period.

2.4 Bally’s Responsibilities as Prime Contractor

2.4.1 Bally will assume sole responsibility for delivery, installation and maintenance of all equipment, software and support services offered in its proposal. The Lottery will consider Bally to be the sole point of contact with regard to contractual matters.

2.4.2 It shall be the duty of Bally to assure that all products provided by Bally pursuant to this Agreement are technically sound and in conformance with all Federal, State and Local statutes, codes, ordinances, resolutions and other regulations applicable to such product. Bally will not knowingly produce a work product that violates or infringes on any copyright or patent rights. Bally shall, without additional compensation, correct or revise any errors or omissions in its work products.

2.4.3 Permitted or required approval by Delaware of any products provided by Bally pursuant to this Agreement or services furnished by Bally shall not in any way relieve Bally of responsibility for the professional and technical accuracy and adequacy of its work. The Lottery’s review, approval, acceptance, or payment for any of Bally’s services herein shall not be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement, and Bally shall be and remain liable in accordance with the terms of this Agreement and applicable law for all damages to the Lottery caused by Bally’s performance or failure to perform under this Agreement.

2.4.4 Bally shall appoint a project manager who will manage the performance of services by Bally for the Lottery. All of the services specified by this Agreement shall be performed by the project manager directly, or by Bally’s associates and employees under the personal supervision of the project manager.

2.4.5 Bally agrees that its officers and employees will cooperate with the Lottery in the
performance of services under this Agreement and will be available for consultation with the
Lottery at such reasonable times with advance notice as to not conflict with their other
responsibilities

2.4.6 Bally has or will retain such employees as it may need to perform the services required
by this Agreement. Such employees shall not be employed by the Lottery or any other political
subdivision of Delaware.

2.5 Lottery Responsibilities

2.5.1 The Lottery shall, without charge, furnish to or make available for examination or use by
Bally as it may request, any data which the Lottery has available, including as examples only and
not as a limitation:

a. Copies of reports, surveys, records, and other pertinent documents;

b. Copies of previously prepared reports, job specifications, surveys, records,
ordinances, codes, regulations, other document, and information related to the services
specified by this Agreement.

Bally shall return any original data provided by the Lottery upon request.

2.5.2 The Lottery shall assist Bally in obtaining data on documents from public officers or
agencies and from private citizens and business firms whenever such material is necessary for
the completion of the services specified by this Agreement.

2.5.3 Bally will not be responsible for accuracy of information or data supplied by the Lottery
or other sources to the extent such information or data would be relied upon by a reasonably
prudent contractor.

2.5.4 The Lottery agrees not to use Bally's name, either express or implied, in any of its
advertising or sales materials. Bally reserves the right to reuse the nonproprietary data and the
analysis of industry-related information in its continuing analysis of the industries covered.

2.6 Independent Contractor

2.6.1 It is understood that in the performance of the services herein provided for, Bally shall
be, and is, an independent contractor, and is not an agent or employee of Delaware and shall
furnish such services in its own manner and method except as required by this Agreement. Bally
shall be solely responsible for, and shall indemnify, defend and save the Lottery and the State of
Delaware harmless from all matters relating to the payment of its employees, including
compliance with social security, withholding and all other wages, salaries, benefits, taxes,
exactions, and regulations of any nature whatsoever.
2.6.2 Bally acknowledges that Bally and any subcontractors, agents or employees employed by Bally shall not, under any circumstances, be considered employees of Delaware, and that they shall not be entitled to any of the benefits or rights afforded employees of Delaware, including, but not limited to, sick leave, vacation leave, holiday pay, Public Employees Retirement System benefits, or health, life, dental, long-term disability or workers’ compensation insurance benefits. Delaware will not provide or pay for any liability or medical insurance, retirement contributions or any other benefits for or on behalf of Bally or any of its officers, employees or other agents.

2.6.3 As an independent contractor, Bally has no authority to bind or commit the Lottery or the State of Delaware. Nothing herein shall be deemed or construed to create a joint venture, partnership, fiduciary or agency relationship between the parties for any purpose.

2.7 Background Investigations

2.7.1 The Lottery may initiate investigations into the backgrounds of any officers, principals, investors, owners, subcontractors, employees, or any other associates of Bally as it deems appropriate. Such background investigations may include fingerprint identification by the Delaware State Police and the Federal Bureau of Investigation, or the appropriate non-U.S. equivalent, with all investigation expenses to be paid by Bally.

2.7.2 By submission of a proposal, Bally consents to such investigations, and to cooperate with such investigations. The Lottery may reject a proposal or terminate an agreement based upon the results of these background checks.

2.8 Minority/Women-Owned Business Participation

It has been and remains the policy of the State of Delaware to promote equality of economic opportunity for minority and women-owned business enterprises (MBE/WBEs) in contracting activities. Accordingly, Bally is strongly encouraged to utilize MBE/WBE subcontractors in the performance of this Agreement.

2.9 Termination

2.9.1 Termination by default: This Agreement may be terminated in whole or in part by either party in the event of substantial failure of the other party to fulfill its obligations under this Agreement through no fault of the terminating party; but only after the other party is given:

a. Not less than 30 calendar days written notice of intent to terminate; and

b. An opportunity for consultation with the terminating party prior to termination.

2.9.2 Termination for convenience: This Agreement may be terminated in whole or in part by the Lottery for its convenience, but only after Bally is given:
a. Not less than 30 calendar days written notice of intent to terminate; and

b. An opportunity for consultation with the Lottery prior to termination.

2.9.3 The Lottery may not terminate this Agreement pursuant to this section for the primary purpose of obtaining a more favorable compensation rate from another technology provider or from Bally.

2.9.4 If termination for default is effected by the Lottery, the Lottery will pay Bally that portion of the compensation which has been earned by Bally or otherwise due and payable to Bally as of the effective date of termination but:

a. No amount shall be allowed for anticipated profit on performed or unperformed services or other work, and

b. Any payment due to Bally at the time of termination may be adjusted to the extent of any additional costs occasioned to the Lottery by reason of Bally’s default.

2.9.5 If after termination for failure of Bally to fulfill contractual obligations and it is determined that Bally has not so failed, the termination shall be deemed to have been effected for the convenience of the Lottery. In the instance of any termination or expiration of this Agreement for convenience by the Lottery, the Lottery will not be released from the obligation to make payment of all amounts then or thereafter due and payable under the terms of this Agreement.

2.9.6 Gratuities.

2.9.6.1 Delaware may, by written notice to Bally, terminate this Agreement if it is found after notice and hearing by the Lottery that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by Bally or any agent or representative of Bally to any officer or employee of the Lottery with a view toward securing an agreement or securing favorable treatment with respect to the awarding or amending or making of and determinations with respect to the performance of this Agreement.

2.9.6.2 In the event this Agreement is terminated as provided in 2.9.6.1 hereof, the Lottery shall be entitled to pursue the same remedies against Bally it could pursue in the event of a breach of this Agreement by Bally.

2.10 Covenant Against Contingent Fees

Bally warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, the Lottery shall have the right to annul this agreement without liability or at its discretion deduct from the agreement price
or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

2.11 **Accounting Records**

Bally is required to maintain books, records and all other evidence pertaining to this Agreement in accordance with generally accepted accounting principles (GAAP) and such other procedures specified by the Lottery. These records shall be available to the Lottery, and its internal or external auditors (and other designees) at all times during the agreement period and any extension thereof, and for three (3) full years from the expiration date and/or final payment on the agreement or extension thereof, whichever is later.

2.12 **Audit Requirements**

Bally must meet the following specific auditing obligations during the term of this Agreement:

a. Bally will have a complete financial audit conducted annually. A copy of Bally's certified financial statements shall be provided to the Lottery annually.

b. In addition, a complete internal control audit of Bally's Delaware operations may be required by the Lottery, to be conducted annually by an independent certified public accounting firm. This audit shall be conducted pursuant to Statement on Auditing Standards No. 70, as issued by the American Institute of Certified Public Accountants. The Lottery reserves the right to specify the type of report and the control objectives to be examined. The Lottery also reserves the right to approve the accounting firm chosen to perform the internal control audit and reserves the right to designate the annual period to be covered by the report and the date by which the report is due. "Delaware operations" refers to local and corporate support of this Agreement, not including Bally's business in general.

c. The Lottery reserves the right to require the first internal control audit to be conducted within 90 days of installation of Bally's first machine.

d. Both the aforementioned types of audits shall be conducted at the expense of Bally.

e. The Lottery's certified public accounting firm or other designate will be given the right to review the work papers of these audits, if considered necessary by the Lottery.

f. The Lottery and its independent certified public accountants shall be given a copy of all reports including any management letters issued as a result of the specified audits.

g. Bally is required to provide, upon request, copies of filings to the Securities and Exchange Commission.
2.13  **Right to Additionally Audit Bally's Delaware Operations**

The Lottery reserves the right to audit Bally's records and operations as they relate to Delaware. Such audits may be conducted by the Lottery's own auditors or an independent firm specified by the Lottery, upon prior written notice to Bally and to the extent possible, the audits will be performed during normal business hours.

2.14  **Authority of the Lottery**

On all questions concerning the interpretation of specifications, the acceptability and quality of material furnished and/or work performed, the classification of material, the execution of the work, the assessment of liquidated damages, and the determination of payment due or to become due, the decision of the Lottery shall be final and binding.

2.15  **Cooperation of the Parties**

Bally and the Lottery agree that their officers and employees will cooperate fully in the performance of services under this Agreement and will be available for consultation at such reasonable times with advance notice as to not conflict with their other responsibilities. Neither party will unreasonably withhold its approval of any act or request of the other to which its approval is necessary or desirable.

2.16  **Indemnification**

2.16.1 Bally shall indemnify and hold harmless the Lottery, the State, its agents and employees, from any and all liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys' fees) directly arising out of (A) the negligence or other wrongful conduct of Bally, its agents or employees, or (B) Bally's or its subcontractor's negligent performance of any work, duties, responsibilities, actions or omissions not cured after due notice and opportunity to cure, provided as to (A) or (B) that (i) Bally shall have been notified promptly in writing by the Lottery of any notice of such claim; and (ii) Bally shall have the sole control of the defense of any action on such claim and all negotiations for its settlement or compromise.

2.16.2 If the Lottery promptly notifies Bally in writing of a third party claim against the Lottery that any deliverable infringes a copyright or a trade secret of any third party, Bally will defend such claim at its expense and will pay any costs or damages that may be finally awarded against the Lottery. Bally will not indemnify the Lottery, however, if the claim of infringement is caused by (1) the Lottery's misuse or modification of the deliverable; (2) the Lottery's failure to use corrections or enhancements made available by Bally; (3) the Lottery's use of the deliverable in combination with any product or information not owned or developed by Bally; (4) the Lottery's distribution, marketing or use for the benefit of third parties of the deliverable or (5) information, direction, specification or materials provided by a third party. If any deliverable is, or in Bally's opinion is likely to be, held to be infringing, Bally shall at its expense and option either (a) procure the right for the Lottery to continue using it, (b) replace it with a noninfringing
equivalent, (c) modify it to make it noninfringing. The foregoing remedies constitute the Lottery's sole and exclusive remedies and Bally's entire liability with respect to infringement.

2.16.3 The Lottery agrees that Bally's total liability to the Lottery for any and all damages whatsoever arising out of or in any way related to this Agreement from any cause, including but not limited to agreement liability or Bally negligence, errors, omissions, strict liability, breach of agreement or breach of warranty shall not, in the aggregate, exceed fees paid to Bally.

2.16.4 In no event shall Bally be liable for special, indirect, incidental, economic consequential or punitive damages, including but not limited to lost revenue, lost profits, replacement goods, loss of technology rights or services, loss of data, or interruption or loss of use of software or any portion thereof regardless of the legal theory under which such damages are sought, and even if Bally has been advised of the likelihood of such damages.

2.17 Bonds and Insurance

All required bonds and insurance must be issued by companies which are at least 'A' rated by A.M. Best & Co., are duly licensed, admitted, and authorized to do business in the State of Delaware and are acceptable to the Lottery. Required coverage must be put into effect as of the effective date of the agreement and must remain in effect throughout the term. Bally must submit copies of each required insurance contract or certificates attesting to such insurance coverage, and any renewals thereof, to the Lottery. The Lottery must receive thirty (30) days advance written notice of cancellation, termination, or failure to renew any policy.

Bally shall purchase adequate insurance for the performance of the agreement and, by submission of a bid, agrees to indemnify and save harmless and to defend all legal or equitable actions brought against the State, any agency, officer and/or employee of the State, for and from all claims of liability which is or may be the result of Bally's actions during the performance of the agreement. The purchase or nonpurchase of such insurance or the involvement of Bally in any legal or equitable defense of any action brought against Bally based upon work performed pursuant to the agreement will not waive any defense which the State, its agencies and their respective officers, employees and agents might otherwise have against such claims, specifically including the defense of sovereign immunity where applicable, and the State and all agencies, officers and employees thereof shall not be financially responsible for the consequences of work performed, pursuant to said agreement.

2.17.1 Insurance

Bally shall purchase and maintain insurance for claims set forth below which may arise out of or result from Bally's operations under the Agreement, whether such operations be by Bally or by any subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

a. Claims under workers' compensation, disability benefit and other similar
employee benefit acts per statute in each state in which Bally does business

b. Claims for damages because of bodily injury, occupational sickness or disease, or death of Bally's employees

c. Claims for damages because of bodily injury, sickness or disease, or death of any person other than Bally's employees

d. Claims for damages because of injury to or destruction of tangible property, including loss of use resulting there from

e. Comprehensive General Liability Insurance coverage with limits of not less than $1,000,000.

f. Property Insurance on all buildings, furniture, fixtures, computer and communications equipment used in operating and supporting the Multi-Player Automated Gaming Tables in an amount equal to or greater than the actual replacement cost thereof. Coverage shall include an All Risk Property Floater to insure personal property including contents, equipment, and mobile items against fire, theft, collision, and flood. The State of Delaware, the Lottery, and Lottery agents will not be responsible for insuring any equipment or facilities included in or associated with the agreement.

g. Automotive Liability Insurance covering drivers and vehicles employed in connection with the operation of the Agreement with limits of not less than $300,000 for personal injury to each person and $25,000 for property damage

h. Professional Liability/Errors and Omissions/Product Liability Insurance with limits of not less than $1,000,000 per claim, to be in force and effect at all times which will indemnify Bally and the Lottery for direct loss which may be incurred due to any error caused by Bally, its officers, employees, agents, subcontractors or assigns regardless of negligence

A STATEMENT OF SELF-INSURANCE TO COVER THE ABOVE REQUIREMENTS SHALL BE CONSIDERED NON-RESPONSIVE.

2.17.1.1 Errors and Omissions Insurance must continue until one year past the term of the Agreement. All other insurance covered by this section must be effective when performance commences under the Agreement and continue through the life of the Agreement and any authorized extensions.

2.17.1.2 Certificates of insurance must be furnished to the Lottery Director on date of agreement execution, with the exception of the certificate for Errors and Omissions Insurance,
which must be furnished to the Lottery Director prior to installation of the first machine.

2.17.1.3 The required insurance coverage shall be written for not less than any limits of liability as required by the Agreement, and shall include contractual liability as applicable to Bally's obligations under the Indemnification clause of the agreement.

2.17.1.4 In no event shall the State of Delaware be named as an additional insured on any policy required by this agreement.

2.17.2 Litigation Bond

Bally must maintain a litigation bond in the amount of $250,000. A claim upon the bond may be made by the Lottery if the following two conditions are met:

a. Bally sues the Lottery, the State of Delaware, or any of their officers, employees, or agents with regard to any matter relating to the award of agreements pursuant to the RFP.

b. The Lottery is the prevailing party in such suit.

2.17.2.1 The purpose of the bond is to discourage unwarranted litigation by permitting the Lottery to recover damages, including reasonable attorneys' fees, resulting from such litigation. The litigation bond shall remain in effect for a period of two (2) years from the date of proposal submission.

2.17.2.2 Upon execution of this Agreement, the litigation bond may be released with the approval of the Lottery if Bally completes a covenant not to sue.

2.18 Liquidated Damages

Bally acknowledges:

a. If Bally does not fulfill the obligations of the Agreement, damage to the Lottery will result. Establishing the precise value of such damage would be costly, difficult, and time consuming.

b. The liquidated damage amounts specified herein are good faith efforts to quantify the damages that could be reasonably anticipated at the time of the making of the Agreement.

c. The Lottery may, therefore, in its discretion, deduct liquidated damages set forth in Sections 2.18.7 through 2.18.13 from the compensation otherwise due to Bally. All assessments of liquidated damages shall be within the discretion of the Lottery and shall be in addition to, and not in lieu of, the right of the Lottery to
terminate the Agreement or to pursue other appropriate remedies.

d. The Lottery shall notify Bally in writing of the assessment of liquidated damages for any default specified herein and payment of such damages shall be initiated within thirty (30) days of receipt of the assessment notice by deducting such damages from the compensation otherwise due to Bally. If timely payment is not made, the Lottery may collect such damages by making a claim against the professional liability insurance or by any other lawful method.

e. Any chronic offender who continually incurs liquidated damages in the sole discretion of the Lottery would be subject to excessive liquidated damages. Bally will be given ample written notice by the Lottery if they reach the point where excessive liquidated damages would be considered. Excessive liquidated damages, and events leading to such, in the sole discretion of the Lottery, may be grounds for termination of the agreement.

2.18.1 Notification of Liquidated Damages

All assessments of liquidated damages shall be made by the Lottery Director. Upon determination that liquidated damages are to be or may be assessed, the Lottery shall notify Bally of the potential assessment in writing.

2.18.2 Conditions for Termination of Liquidated Damages

As determined appropriate by the Director, the following are the conditions under which Bally may obtain relief from the continued assessment of liquidated damages that have been imposed:

a. Except as waived in writing by the Director, no liquidated damages imposed shall be terminated or suspended until Bally issues a written notice verifying the correction of the condition(s) for which liquidated damages were imposed, and all the corrections have been subjected to system testing or other verification at the discretion of the Director.

b. If appropriate, Bally shall conduct systems testing of any correction as the Director deems necessary. Such testing shall be developed jointly by the Lottery and Bally, and approved by the Lottery, including the test script, test environment, and test results.

c. The documentation necessary for verification and approval shall be determined by the Director. The Director shall be the sole judge of the accuracy of any documentation provided.
d. Bally's notice of correction will not be accepted until the correction is verified by the Lottery.

2.18.3 Severability of Individual Liquidated Damages

If any portion of the liquidated damages provisions is determined to be unenforceable in one or more applications, that portion remains in effect in all applications not determined to be invalid and is severable from the invalid applications. If any portion of the liquidated damages provisions is determined to be unenforceable, the other provision or provisions shall remain in full force and effect.

2.18.4 Waivers of Liquidated Damages

It is expressly agreed that the waiver of any liquidated damages due the Lottery shall constitute a waiver only as to such liquidated damages and not a waiver of any future liquidated damages. Failure to demand payment of liquidated damages within any period of time shall not constitute a waiver of such claim by the Lottery.

2.18.5 Payment of Liquidated Damages

All assessed liquidated damages will be deducted from any moneys owed Bally by the Lottery and in the event the amount due from Bally is not sufficient to satisfy the amount of the liquidated damages, Bally shall pay the balance to the Lottery within thirty (30) calendar days of written notification. If the amount due is not paid in full, the balance will be deducted from subsequent payments to Bally.

2.18.6 Applicability of Liquidated Damages

Bally shall not be required to pay liquidated damages for delays solely due to matters as enumerated in the section entitled "Force Majeure," for outages related solely to regulated communications carriers, due solely to the Lottery's central system provider, nor for time delays specifically due to, or approved by, the Lottery, any action of the State of Delaware or any person or entity acting on its behalf. Liquidated damages will not be assessed in the event the Lottery does not suffer actual damages and will not be assessed solely as a penalty.

2.18.7 Late Installation

If Bally does not have the ordered quantities of machines installed and accepted by the Lottery by a date specified by the Lottery, the Lottery may assess liquidated damages in the amount of two hundred dollars ($200) per station for each day of delay. The machines will be considered operational when they have been installed, tested and accepted by the Lottery and are ready to be activated by the central computer system for customer play. Any additional shipments of Multi-Player Automated Gaming Tables may be subject to a reasonable penalty.
schedule to be established by the Lottery, not to exceed amounts set forth in this subsection. The
date of installation specified by the Lottery shall be based on an implementation schedule agreed
upon between Bally and the Lottery.

2.18.8 Untimely Repair

2.18.8.1 Bally shall ensure that all Multi-Player Automated Gaming Table Stations are
repaired or replaced and operational within the "maximum repair time." "Maximum repair time"
shall be measured from the time of receipt of a service call, and a repair shall be considered
completed when the technician who completed the repair informs the central system provider
that the machine is repaired and ready to be activated for play.

2.18.8.2 For the purposes of this provision, "maximum repair time" shall be defined as
follows: Two Hours for Multi-Player Automated Gaming Table Station.

2.18.8.3 If machine station maintenance is not completed within the "maximum repair
time," liquidated damages may be assessed at the rate of fifty dollars ($50) per hour or a fraction
thereof that the station remains un repaired beyond the "maximum repair time."

2.18.9 Lack of Preventive Maintenance

Each type of machine delivered shall have a preventive maintenance cycle established by
Bally and accepted by the Lottery. For each event of neglected preventive maintenance,
liquidated damages of one hundred dollars ($100) per station, per day, may be assessed.

2.18.10 Deficient Machine Field Service

2.18.10.1 Bally shall employ sufficient resources and inventory to meet the performance
standards for field service specified in this RFP. Within thirty (30) calendar days after
notification from the Lottery that a performance standard is not being met, Bally shall employ
such additional resources as are necessary to meet the performance standard.

2.18.10.2 If Bally does not bring deficient performance up to the standards specified within
thirty (30) calendar days of notification, the Lottery may impose liquidated damages in the
amount of one thousand dollars ($1,000) per unit per day until performance is in compliance
with the Agreement.

2.18.11 Failure to Provide Enhancements

2.18.11.1 During the term of this Agreement, the Lottery and Bally may agree in writing to
a schedule for developing, testing, and implementing or installing a modification or enhancement
of an existing game or report or an addition of a new game or report.

2.18.11.2 If Bally fails to meet any date specified in such a schedule, the Lottery may assess
liquidated damages of one thousand dollars ($1,000 U.S.) per day for each day of delay regarding the modification, enhancement, or addition of a game and five hundred dollars ($500 U.S.) per day for each day of delay regarding the modification, enhancement, or addition of a report, or other system change.

2.18.12 Unauthorized Modifications

2.18.12.1 Bally shall not modify any software, firmware, or hardware in the machines without the prior written consent of the Lottery; provided however that Bally may make immaterial modifications to the hardware in the Multi-Player Automated Gaming Tables in the ordinary course of business without obtaining the Lottery’s written consent.

2.18.12.2 If an unauthorized modification occurs, the Lottery may assess initial liquidated damages of twenty five thousand dollars ($25,000 U.S.) and additional liquidated damages of five thousand dollars ($5,000 U.S.) per day for each day between the issuance of a removal order and the actual removal of the unauthorized modification and restoration of the device to its previous operating state.

2.18.13 Unauthorized Access

2.18.13.1 Bally shall make all reasonable efforts within their ability to prevent persons not authorized by the Lottery from accessing the machines.

2.18.13.2 If Bally fails to prevent unauthorized access within reason, the Lottery may impose liquidated damages of ten thousand dollars ($10,000 U.S.) for each incident of unauthorized access by an unauthorized person.

2.19 Ownership of Materials and Right of Use

2.19.1 Ownership of all data, documentary material, and operating reports originated and prepared for the Lottery pursuant to this Agreement shall belong exclusively to the Lottery.

2.19.2 Ownership of the Multi-Player Automated Gaming Table equipment, software and/or software license shall be retained by Bally both during the course of the Agreement and at the close of the Agreement or any extension thereto.

2.19.3 If for any reason other than a breach of agreement by the Lottery, Bally loses the ability to comply with the terms of the Agreement, the Lottery shall retain the right to use the equipment, source program instructions and documentation for those items owned by Bally and that are necessary to provide contractual services. Said right shall be limited to the right of the Lottery to possess and make use of such solely for the use and benefit of the Lottery in maintaining, altering and improving the operational characteristics of the programs and systems being used under the Agreement.
2.19.4 If the Lottery exercises its right to use the agreement items, all software programs, documentation, operating instructions, hardware, and the like, including modifications or alterations thereof, shall be kept in confidence and shall be returned together with all copies to Bally when their use has been completed.

2.20 Game Playing and Prize Payment Restrictions

No officer or employee of Bally or of any subcontractor or owner of a 10% or greater share of either who is involved in Delaware operations shall play the video lottery games of the Delaware State Lottery or be paid a prize in any video lottery game. Bally shall ensure that this requirement is made known to each officer and employee of Bally and of any subcontractor.

2.21 Force Majeure

2.21.1 A Force Majeure occurrence is an event or effect that cannot be reasonably anticipated or controlled. As herein used, Force Majeure means acts of war, terrorism, action of the elements, governmental interference, rationing, or any other cause which is beyond the control of the party affected and which by the exercise of reasonable diligence said party is unable to prevent.

2.21.2 Neither Bally nor the Lottery shall be liable to the other for any delay in or failure of performance under the Agreement due to a Force Majeure occurrence. Any such delay in or failure of performance shall not constitute default or give rise to any liability for damages. The existence of such causes of such delay or failure shall extend the period for performance to such extent as determined by the Lottery Director to be necessary to enable complete performance by Bally if reasonable diligence is exercised after the cause of delay or failure has been removed.

2.21.3 If Force Majeure conditions for Bally shall be expected to continue unabated for an indefinite period and Bally cannot service the Agreement, the Lottery retains the right to operate the machines (see RFP 2.19) and/or to terminate the Agreement so that business continuity can be restored.

2.22 Security Program

2.22.1 Prior to operations under the Agreement, Bally shall establish a physical and software security program for its equipment, subject to the prior written approval of the Lottery.

2.22.2 The Lottery reserves the right to require at any time such further and additional security measures as deemed necessary or appropriate to ensure the integrity of the equipment or the games.

2.22.3 The Lottery reserves the right, at any time and without prior notice, to inspect and otherwise evaluate all phases of performance specified in the Agreement and the premises in which such work is performed.
2.23 Taxes, Fees and Assessments

2.23.1 Bally shall pay all taxes, fees and assessments upon the machines, however designated, levied or based.

2.23.2 Delaware is a sovereign entity and shall not be liable for the payment of federal, state and local sales, use and excise taxes, including any interest and penalties from any related deficiency, which may become due and payable as a consequence of the Agreement.

2.24 News Releases

Bally shall not issue any news releases pertaining to the award of or performance of the Agreement without prior approval by the Lottery, and then only in cooperation with the Lottery.

2.25 Advertising

Bally agrees not to use the Lottery's name, logos, images, nor any data or results arising from the RFP process or this Agreement as a part of any commercial advertising without prior written approval by the Lottery.

2.26 Hiring of Lottery Personnel

At all times during the proposal evaluation period and continuing for one year following either the award of agreements or the rejection of all proposals, Bally is prohibited from officially or unofficially making any employment offer or proposing any business arrangement whatsoever to any Evaluation Committee personnel, advisors and Lottery employees involved in the evaluation of proposals, the agreement awards, or agreement negotiations. Knowingly making such an offer or proposed business arrangement may result in the termination of this Agreement.

2.27 Code of Conduct

The Delaware State Lottery is an extremely sensitive enterprise because of the nature of the business and because it is government-affiliated. Therefore, it is essential that its operation, and the operation of other enterprises that would be linked to it in the public mind, avoid not only impropriety but also the appearance of impropriety. Because of this, Bally is expected to:

a. Offer goods and services only of the highest standards

b. Use its best efforts to prevent the industry from becoming embroiled in unfavorable publicity

c. Make sales presentations in a responsible manner. When pointing out the
perceived superiority of their goods or services over those of competitors, Bally shall do so in such a manner as to avoid unfavorable publicity for the industry

d. Avoid promotional activities which could be interpreted as improper and provide embarrassment to the industry

e. Report security problems or potential security problems immediately and only to the Lottery

f. Comply with all Video Lottery Regulations.

2.28 Tests Following Award

a. Certification Tests. The Lottery requires that the game algorithms be certified by an independent laboratory (Gaming Laboratories International and BMM Testing labs are currently approved by the Lottery). Bally must cooperate in submitting chips and/or other appropriate materials for the testing. Certification is an expense that must be borne by Bally.

b. Functional Tests. The Lottery will conduct a series of acceptance tests to fully determine Bally's communication functionality with the Lottery's central system. Failure of Bally to pass these tests may result in Bally paying liquidated damages. Cooperation of Bally in these tests is required. Bally will not be responsible for expenses resulting from this form of testing.

The machines will be tested for each and every requirement in the RFP. Bally's assistance in arranging tests will be necessary. The Lottery, at its sole discretion, will determine whether performance against the acceptance tests is adequate, and installation can proceed.

2.29 End of Agreement Activity

At the end of this Agreement, the Lottery shall identify the milestones, dates of conversion and removal of all equipment and material from each Agent location for Multi-Player Automated Gaming Tables based on a schedule that is agreed upon between Bally and the Lottery that is fair and reasonable. Bally shall cooperate fully and in good faith in said conversion.

2.30 Funding Out Clause

If sufficient funds are not appropriated by the Delaware General Assembly or other appropriate Federal or State agency to sustain, in whole or in part, the Lottery's performance under this Agreement, or if such support is reduced such that it is insufficient to sustain said performance, then the Agreement shall be null and void at the insistence of the Lottery. The Lottery's termination of this Agreement under this section shall not limit Bally's legal rights to
pursue appropriate legal recourse in a proper forum for money’s claimed to be due and owed by the Lottery under this Agreement.

2.31 Equipment and Software Changes and Upgrades

2.31.1 Bally’s services shall include software changes, including fixes to all software errors and design defects, improved versions of the software, software enhancements and new gaming features, software changes for promotions, new games from Bally's library, new games defined by the Lottery, and changes to reports. Bally is further required to maintain the machine software with supported releases for any third party products incorporated. All these changes and upgrades shall be included in Bally's base price.

2.31.2 Changes and enhancements that exceed agreement-specified requirements (and which are not otherwise accommodated by the above or by the pricing method in RFP Part 4) will have the terms and price negotiated.

2.31.3 Any equipment made available to any of Bally's other clients shall also be made available to the Lottery.

2.32 Authority of Lottery

On all questions concerning the interpretation of specifications, the acceptability and quality of material furnished and/or work performed, the classification of material, the execution of the work, the assessment of liquidated damages and the determination of payment due or to become due, the decision of the Lottery shall be final and binding.

2.33 Lottery Approval of Staffing

The Lottery reserves the right to review and if perceived necessary, reject an employee's assignment to this Agreement, either at Agreement inception or during the term. In addition, the Lottery may require Bally to provide minimum levels of staffing or service to meet the requirements as set out in this Agreement.

2.34 Subcontract Approval

Any proposed subcontracts shall be subject to the prior approval of the Lottery and shall include such contracting and purchasing requirements as shall be binding on agencies of the State of Delaware. The proposal and agreement shall identify proposed subcontractors by name.

2.35 Compensation During Agreement

Bally will be compensated by the Lottery based on management and accounting reports generated by central system data. Method of payment will be via weekly electronic funds transfer, based on a percentage of net proceeds generated by Bally's Multi-Player Automated
Gaming Tables.

2.36 Replacement of Under-Performing Multi-Player Automated Gaming Tables

2.36.1 The purpose of installing Multi-Player Automated Gaming Tables is to maximize revenues for the Lottery. If it becomes clear that a population of Bally machines is under-performing with regard to generating net proceeds, the Lottery reserves the right to alter the mix of Multi-Player Automated Gaming Tables. The following procedure will apply for determining the need for, and carrying out of, replacement of under-performing Bally machines:

a. The Lottery shall maintain records that define the performance of Multi-Player Automated Gaming Tables. The reports will apply to the overall population of Video Lottery Terminals, to the overall population of Multi-Player Automated Gaming Tables and to Multi-Player Automated Gaming Tables provided by individual successful bidders.

b. For comparison purposes, the Lottery will use a rolling eight (8) week review of performance data for identifying under-performing Multi-Player Automated Gaming Tables. The Lottery will exercise several tests of the following nature based on the results of these reviews, including:

1. If a group of similar Multi-Player Automated Gaming Table Stations from Bally is under-performing average net proceeds of the total Video Lottery Terminal population by 10% or more

2. If a group of Multi-Player Automated Gaming Tables from Bally is under-performing the average net proceeds of the overall population of Multi-Player Automated Gaming Tables

3. If a group of Multi-Player Automated Gaming Tables from Bally is under-performing the average net proceeds of a comparably-located set of Multi-Player Automated Gaming Tables by 10% or more

c. As a result of such performance tests the Lottery will make a determination whether the group of Multi-Player Automated Gaming Tables is “under-performing” and correction or replacement is prudent.

d. For a group of Multi-Player Automated Gaming Tables determined to be “under-performing,” Bally shall have thirty (30) days in which to perform adjustments that are acceptable to the Lottery. At the end of the afforded adjustment period the machines will be monitored for forty-five (45) days. If the adjustments include the replacement of machines, then Bally shall have forty five (45) days in which to physically replace them after which they will be monitored for an additional forty-five (45) days.
e. If the "under-performing" tests still indicate that the population is "under-performing," then the Lottery reserves the right to order that those Multi-Player Automated Gaming Tables be removed within thirty (30) days. The Lottery may then opt to replace the removed machines with Multi-Player Automated Gaming Tables from Bally or a different successful bidder, based on favorable net proceeds experience as determined from the performance reviews described above, or other selection criteria.

2.36.2 For removed Multi-Player Automated Gaming Tables, Bally shall receive no further compensation from the Lottery, either related to net proceeds or to the effort and/or expense of removal. For removed machines, the Lottery will award those as necessary to other successful bidders pursuant to 29 Del. C. §4820(b).

2.37 Reduction of Multi-Player Automated Gaming Tables

It is the Lottery's intent to maintain a sufficient number of Multi-Player Automated Gaming Tables at each Agent's location to maximize revenues for the Lottery while maintaining the highest possible performance levels in the most efficient manner possible. In the event it becomes necessary to reduce the number of machines at any of the Agents' locations, the Lottery reserves the right to remove machines based on performance levels of similar machines and to distinct groups within the population of similar machines, as determined by the rolling eight (8) week review of performance data as described in section 2.36.

2.38 Patent/Copyright Infringement Indemnification

2.38.1 Bally shall provide for the use of any patented design, material, or process to be used or furnished under this Agreement by suitable legal agreement with the patentee or owner. Bally shall have the obligation to ensure that the use of materials does not infringe on copyright, trademark, or other intellectual property rights of third parties. This may require Bally to obtain permission for use, including payments made for such, to third parties. In particular, Bally is required to pay all franchise and/or licensing fees for use of games employing symbols or names involving intellectual property rights of third parties.

2.38.2 Bally shall indemnify, defend and hold harmless the Lottery, State of Delaware, its employees and agents from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including, but not limited to, reasonable attorneys' fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), incurred in connection with any action or proceeding brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by Bally or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service, infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States.
2.38.3 In addition, should the equipment, software, commodity, or service, or the operation thereof, become or in Bally’s opinion be likely to become the subject of a claim of infringement, Bally shall, at Bally’s sole expense:

a. procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to Bally,

b. replace or modify the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing.

2.38.4 Should patentable or licensable designs, devices, materials, or processes arise from Bally’s work under this Agreement, Bally shall retain the right to possess, develop, and commercialize such items. The Lottery shall be granted the right or license to employ said items indefinitely in the execution of Lottery business; however, the Lottery shall not license, distribute, or otherwise commercialize such items.

2.39 Licensing as a Gaming Vendor

The Lottery can make an award only to vendors that obtain a Gaming Vendor license, pursuant to 29 Del. C. §4805(a)(17). The denial of a license application will result in the elimination of Bally as a technology provider regardless of the recommendations or findings of the Lottery Evaluation Committee or the Lottery Director. The failure of Bally to maintain its status as a licensed Gaming Vendor during the term of the Agreement will result in the termination of the Agreement. Bally must reimburse the Lottery for the cost of periodic background checks related to licensing. Bally currently holds a Gaming Vendor license in good standing with the Lottery as a VLT provider and is not required to obtain an additional license.

2.40 Removal of Unapproved Equipment and Loss of License

Any Multi-Player Automated Gaming Table from Bally that does not conform to machines previously provided by Bally for testing and acceptance will be disconnected. If any modification to a Multi-Player Automated Gaming Table that has not been approved by the Lottery is supplied by Bally and operated by a Video Lottery Agent, the Lottery shall disconnect all of Bally’s Multi-Player Automated Gaming Tables and may suspend its Gaming Vendor License.

2.41 Assignment

This Agreement may not be assigned, transferred, conveyed, sublet, or otherwise disposed of without previous written approval of the Lottery. Any purported assignment in violation of this section shall be null and void. Further, Bally may not assign the right to receive moneys due under the Agreement without the prior written consent of the Lottery.

2.42 Confidential Information
2.42.1 Bally, its officers, employees, agents, representatives, and subcontractors, shall not disclose to any other person or entity any information pertaining to the Lottery's methods, systems, programs, procedures, or operations at any time without prior written approval of the Lottery, except as may be necessary in its performance of the Agreement. The Lottery, its officers, employees, agents, representatives, and contractors, to the extent permitted by law shall not disclose to any other person or entity any confidential, secret, or proprietary information or know-how, concerning the equipment, programming, software, trademarks, trade or commercial secrets, of Bally or its subcontractors, except as may be necessary in its performance of the Agreement.

2.42.2 In the event that any demand, claim, action, or proceeding of any nature whatsoever is made, asserted, or instituted that has as its purpose or object, or may have as its consequence, the disclosure to any person of any of the information referred to herein, each party shall immediately: notify the other party thereof; and, if legal action is successfully taken by a party to prevent disclosure, the other party shall not disclose such information unless, until, and only to the extent required to do so, by the final order of a judicial, legislative, executive or administrative authority having actual jurisdiction thereof.

2.43 Scope of Agreement

If the scope of any provision of this Agreement or the RFP are declared to be too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and Bally hereto consents and agrees that such scope may be judicially modified accordingly and that the whole of such provisions of this Agreement or the RFP shall not thereby fail, but the scope of such provisions shall be curtailed only to the extent necessary to conform to law.

2.44 Statutory Provisions

2.44.1 The Lottery may require Bally to execute truth-in-negotiation certificates stating that the prices bid and other costs supporting the compensation are accurate, complete, and current at the time of contracting. Under 29 Del. C. §6982(b)(3), the original contract price and any additions thereto shall be adjusted to exclude significant sums where the Lottery determines the agreement price was increased due to inaccurate, incomplete, or noncurrent price information. All such agreement adjustments shall be made within one (1) year following the end of the agreement.

2.44.2 No Agreement shall be executed until Bally has provided the Lottery with its taxpayer identification number or its Delaware business license number.

2.45 Miscellaneous Provisions

2.45.1 In performance of this Agreement, Bally shall comply with all applicable federal, state and local laws, ordinances, codes and regulations. Bally shall solely bear the costs of permits
and other relevant costs required in the performance of this Agreement.

2.45.2 Neither this Agreement nor any appendix may be modified or amended except by the mutual written agreement of the parties. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against which it is sought to be enforced.

2.45.3 The delay or failure by either party to exercise or enforce any of its rights under this Agreement shall not constitute or be deemed a waiver of that party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

2.45.4 Bally covenants that it presently has no interest and that it will not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement. Bally further covenants, to its knowledge and ability, that in the performance of said services no person having any such interest shall be employed.

2.45.5 Bally acknowledges that the Lottery has an obligation to ensure that public funds are not used to subsidize private discrimination. Bally recognizes that if they refuse to hire or do business with an individual or company due to reasons of race, color, gender, ethnicity, disability, national origin, age, or any other protected status, the Lottery may declare Bally in breach of the Agreement, terminate the Agreement, and designate Bally as non-responsible.

2.45.6 This Agreement was drafted with the joint participation of both parties and shall be construed neither against nor in favor of either, but rather in accordance with the fair meaning thereof.

3.0 Services

3.1 Delivery

3.1.1 The machines to be delivered to the Lottery are described in Bally's proposal. The allocation as to locations of the machines shall be determined by the Lottery. Bally shall be responsible for the assembly and initial operation of the machines and all associated equipment in a manner to be approved by the Lottery. The machines are to be delivered and installed at the direction of the Lottery to the Premises of any one or more of the following Video Lottery Agents in Delaware: Delaware Park in Wilmington, Dover Downs in Dover, Harrington Raceway in Harrington, or any other locations authorized by the Lottery.

3.1.2 Bally also agrees to deliver up to two machines of each machine model to the offices of Scientific Games, located at 1575 McKee Road, Suite 101, Dover, DE for the purpose of acceptance testing as previously described in Section 2.28. Bally also agrees to provide sufficient machine parts and sufficient information as is required for performance of necessary testing by either Gaming Laboratories International ("GLI"), 600 Airport Road, Lakewood, New Jersey or
BMM Testlabs, 815 Pilot Road, Suite G, Las Vegas, Nevada.

3.1.3 Bally agrees that the technical specifications detailed in the RFP and this Agreement must be met before the Multi-Player Automated Gaming Tables are approved for use in Delaware.

3.1.4 All game software must be approved and certified by an independent testing laboratory licensed with the Lottery (currently GLI or BMM). Bally will be responsible for the costs of independent testing.

3.2 **Gaming System Training Program**

At the request of the Lottery, Bally shall provide training for Agent, subcontractor and/or Lottery staff in the operation of their machines. Bally must provide the materials, equipment, and personnel for this training effort. Training must be conducted on-site at each of the three (3) Agent locations.

3.3 **Gaming Systems Field Maintenance Program**

It is recommended that Bally maintain a maintenance center and depot in the state to fully support the maintenance and repair program and provide spare parts and technical services to maintain the machines.

3.3.1 Bally will be required during any service call to routinely check mechanical security, safety, electronic reader, and any other attachments provided by Bally. Bally shall be responsible for maintaining the Multi-Player Automated Gaming Tables in the highest level of appearance including, but not limited to, cleaning of equipment and a refurbishing of covers.

3.3.2 Bally shall be responsible to determine that all gaming machines are operable and shall take positive action when hardware malfunction is indicated to ensure that the affected machine is returned to an operational state within the required time as defined in this Agreement. In all cases, the Lottery reserves the right to make the determination as to whether a Multi-Player Automated Gaming Table is operable and whether Bally responded within the time period specified.

3.3.3 Operating and service manuals for all gaming machines shall be kept updated and accessible to the Lottery.

3.3.4 Bally shall maintain an adequate supply of parts to sustain the service of machines that it has supplied and/or is required to maintain.

3.3.5 Bally shall maintain and manage a data base and reporting system that fulfills the following criteria:
a. Tracking and various reporting of all Multi-Player Automated Gaming Tables and other problems whether or not actual problems were found. Records on any particular machine serial number must be maintained for up to three (3) years after their permanent removal from Delaware and must include machines in reserve or returned for maintenance.

b. Information for various reports is to be available in real time. The real time retrieval will not be limited to inquiries for the current day only but must include up to twelve (12) months of activity by date.

c. Various reports shall include, but are not limited to:

1) By Licensed Agent for a given period
2) By part or component
3) Others as defined by the Lottery

d. Data shall include, but not be limited to:

1) Machine serial number.
2) Component, sub-component, part identifiers.
3) Time and date of reported problem.
4) Nature of problem reported.
5) Field service person identifier.
6) Problem resolution and date and time.
7) Elapsed time for notification to completed repair (down time).

3.4 Technical Support Services

3.4.1 Bally shall identify at least one staff member to have priority for Delaware service relative to all related aspects of Multi-Player Automated Gaming Table operations during the term of this Agreement. This responsibility includes the software and mechanical engineering of the products. When no Lottery project requests are outstanding, such an individual can then and only then conduct work for other clients and purposes of Bally.

3.4.2 Bally shall have at least one service technician present at each of the Video Lottery Agents' locations during all operational hours. Technicians must be authorized and capable of conducting all maintenance requirements for Bally's machines. The Lottery may require Bally to provide minimum levels of on-site staffing based on the number of machines an individual technician is responsible for, day of the week, time of day, etc. Any exceptions to this requirement must be approved in advance by the Lottery.
4.0 **Compensation**

The Lottery agrees to compensate Bally by weekly payments for the leased Multi-Player Automated Gaming Tables according to the following schedule:

For the period from the commencement of this Agreement and through the subsequent five (5) year initial term of the Agreement, the Lottery agrees to compensate Bally by weekly payments equal to the following:

a. Ten percent (10.00%) of the net proceeds of each Multi-Player Automated Gaming Table leased by Bally to the Lottery that is delivered after the signing of this Agreement

b. Ten percent (10.00%) of the net proceeds of each Multi-Player Automated Gaming Table leased by Bally to the Lottery that already exists on the Agents' floors prior to the signing of this Agreement.

Net proceeds are to be determined in accordance with the definition set forth in the RFP.

5.0 **Amendments/Merger**

This Agreement constitutes the entire Agreement between the Lottery and Bally with respect to the subject matter hereof. The Agreement may be amended only by the signed, written agreement of both parties thereto.

6.0 **Release of Bond**

Pursuant to section 2.17.2 of the Agreement, the Lottery agrees to release the litigation bond after this Agreement is signed by both parties should Bally complete a covenant not to sue.

7.0 **Assignment of Antitrust Claims**

As consideration for the award and execution of this agreement by the Lottery, Bally hereby grants, conveys, sells, assigns, and transfers to the Lottery all of its right, title and interest in and to all known or unknown causes of action it presently has or may now or hereafter acquire under the antitrust laws of the United States and the State of Delaware, relating to the particular goods or services purchased or acquired by the Lottery pursuant to this agreement.

8.0 **Benefit**

This Agreement is solely for the benefit of the Lottery and Bally.

9.0 **Notice**

The parties agree that all notices given pursuant to the terms of this Agreement shall be
sufficient if in writing and sent by certified mail or overnight courier service with receipt acknowledged. All other communications shall be sufficient if in writing and mailed postage prepaid first class. Any such notice or communication shall be sent to the following address or such other address as may be designated from time to time by the parties in writing:

As to the Lottery:
Vernon A. Kirk, Director
Delaware State Lottery Office
McKee Business Park
Suite 102
1575 McKee Road
Dover, DE 19904-1903

As to Bally:
David Smail
Sr. Vice President and General Counsel
Bally Gaming, Inc.
6650 El Camino Road
Las Vegas, NV 89118

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the dates indicated below, and the Agreement shall commence upon the later of the two signature dates listed below.

Bally Gaming, Inc, a Nevada corporation
Signature on File

By: ________________________________ Date
Signature on File

Witness

Delaware State Lottery
Signature on File

By: ________________________________ Date
Vernon Kirk
Director
Signature on File

Witness
AGREEMENT

THIS AGREEMENT is entered by and between IGT, with a principal place of business at 6355 S. Buffalo Road, Las Vegas, NV, 89113 ("IGT"), and the Delaware State Lottery, an agency created pursuant to 29 Del. - chapter 48, with a principal place of business at 1575 McKee Road, Suite 102, Dover, DE 19904 ("Lottery").

WHEREAS, the Lottery issued a Request for Proposals on April 7, 2015 (the "RFP") to invite interested manufacturers of video lottery terminals to submit proposals for the implementation and operation of Multi-Player Automated Gaming Tables (machines) (hereinafter, as more fully defined in section 1.9 of the RFP);

WHEREAS, IGT submitted to the Lottery its responsive proposal to supply Multi-Player Automated Gaming Tables (the "Proposal") on or about September 10, 2015;

WHEREAS, the Lottery desires to obtain certain services from IGT; and

WHEREAS, IGT desires to provide such services to the Lottery on the terms set forth below;

WHEREAS, the Lottery and IGT represent and warrant that each party has full right, power and authority to enter into and perform under this Agreement;

FOR AND IN CONSIDERATION OF the premises and mutual agreements herein, the Lottery and IGT agree as follows:

1.0 Definitions

Capitalized terms used herein but not otherwise defined herein shall have the meanings set forth in section 1.9 of the RFP, incorporated by reference.

2.0 Lease of Multi-Player Automated Gaming Tables

IGT agrees to lease to the Lottery for an operational term of five (5) years ("Lease Term") the number of Multi-Player Automated Gaming Tables that the Lottery deems appropriate based on the Lottery's goal of maximizing revenue while protecting the public welfare and security of the operations. The Lottery reserves the right to request IGT lease to the Lottery an additional number of Multi-Player Automated Gaming Tables and/or decrease the number of Multi-Player Automated Gaming Tables leased, subject to the terms of the agreement, the RFP and the Proposal. Multi-Player Automated Gaming Tables will consist of the models as described in IGT's Proposal and any new models that IGT may develop during the term of the Agreement.
2.1 **Governing Law**

The proposal process, the award procedure, and this Agreement resulting from the RFP shall be governed by the laws of the State of Delaware. The RFP is subject to 29 Del. C. §§4820(b), 6981-82 of the Delaware Code. Any and all litigation arising under the RFP or the Agreement shall be instituted in the appropriate court of the State of Delaware; and, by submitting a proposal, IGT is deemed to waive access to any other court which may have concurrent jurisdiction within or without Delaware.

2.2 **Agreement Elements**

2.2.1 Any conflict or inconsistency between the provisions of the following documents shall be resolved by giving precedence to such documents in the following order: (a) this Agreement (including any amendments or modifications thereto); (b) the Lottery’s request for proposals, attached hereto as Appendix A; and (c) IGT’s response to the request for proposals, attached hereto as Exhibit B. The aforementioned documents are specifically incorporated into this Agreement and made a part hereof.

2.2.2 The Lottery may, at any time, submit to IGT by written order, a request to make changes in the scope of this Agreement and in the services or work to be performed. The parties agree to make good faith efforts to reach a mutual agreement on any such changes, however, the decision of the Lottery will be final. No services for which additional compensation may be charged by IGT shall be furnished without the written authorization of the Lottery. When the Lottery desires any addition or deletion to the deliverables or a change in the services to be provided under this Agreement, it shall notify IGT, who shall then submit to the Lottery a "Change Order" for approval authorizing said change. The Change Order shall state whether the change shall cause an alteration in the price or the time required by IGT for any aspect of its performance under this Agreement. Pricing of changes shall be consistent with those established within this Agreement. In the event any Change Order(s) are not approved by the Lottery, IGT shall have no obligation to perform under such Change Order(s) for the benefit of the Lottery. Any alterations, variations, changes, modification or waivers of or to provisions of the agreement shall only be valid when they have been reduced to writing and duly executed and approved by each of the parties.

2.2.3 The rights and remedies of the Parties provided for in this Agreement are in addition to any other rights and remedies provided by law.

2.3 **Term of Agreement**

2.3.1 This Agreement will be in effect for a five (5) year operational term, or such shorter period as the Lottery may determine due to causes such as contract termination or loss of State funding by the Lottery. The Agreement will be in effect from the date of execution until March 15, 2021, which the parties expect to be five years after the date of installation and operation of the first new Multi-Player Automated Gaming Tables under this Agreement.
2.3.2 The Lottery reserves the right to extend this Agreement, with the concurrence of IGT, for up to three, two-year periods, at a rate of compensation negotiated by the parties. Any extension of the Agreement or any notice by the Lottery of intent to solicit new bids must be noticed ninety (90) days prior to the expiration of the Agreement term or at any time mutually agreed upon by both parties.

2.3.3 The Lottery further reserves the right to reactivate or further extend the initial Agreement, or any extension thereof, on thirty days’ notice for ninety day periods if a different bidder's machines are chosen for subsequent agreements and IGT's machines do not meet the requirements of the Lottery.

2.3.4 Exercising this right shall not be construed as obligating the Lottery to repeat the procurement process for any subsequent agreements or conferring any right or expectation for IGT to continue operating their Multi-Player Automated Gaming Tables after the expiration of any such 90 day period.

2.4 IGT's Responsibilities as Prime Contractor

2.4.1 IGT will assume sole responsibility for delivery, installation and maintenance of all equipment, software and support services offered in its proposal. The Lottery will consider IGT to be the sole point of contact with regard to contractual matters.

2.4.2 It shall be the duty of IGT to assure that all products provided by IGT pursuant to this Agreement are technically sound and in conformance with all Federal, State and Local statutes, codes, ordinances, resolutions and other regulations applicable to such product. IGT will not knowingly produce a work product that violates or infringes on any copyright or patent rights. IGT shall, without additional compensation, correct or revise any errors or omissions in its work products.

2.4.3 Permitted or required approval by Delaware of any products provided by IGT pursuant to this Agreement or services furnished by IGT shall not in any way relieve IGT of responsibility for the professional and technical accuracy and adequacy of its work. The Lottery's review, approval, acceptance, or payment for any of IGT's services herein shall not be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement, and IGT shall be and remain liable in accordance with the terms of this Agreement and applicable law for all damages to the Lottery caused by IGT's performance or failure to perform under this Agreement.

2.4.4 IGT shall appoint a project manager who will manage the performance of services by IGT for the Lottery. All of the services specified by this Agreement shall be performed by the project manager directly, or by IGT's associates and employees under the personal supervision of the project manager.

2.4.5 IGT agrees that its officers and employees will cooperate with the Lottery in the
performance of services under this Agreement and will be available for consultation with the Lottery at such reasonable times with advance notice as to not conflict with their other responsibilities.

2.4.6 IGT has or will retain such employees as it may need to perform the services required by this Agreement. Such employees shall not be employed by the Lottery or any other political subdivision of Delaware.

2.5 Lottery Responsibilities

2.5.1 The Lottery shall, without charge, furnish to or make available for examination or use by IGT as it may request, any data which the Lottery has available, including as examples only and not as a limitation:

a. Copies of reports, surveys, records, and other pertinent documents;

b. Copies of previously prepared reports, job specifications, surveys, records, ordinances, codes, regulations, other document, and information related to the services specified by this Agreement.

IGT shall return any original data provided by the Lottery upon request.

2.5.2 The Lottery shall assist IGT in obtaining data on documents from public officers or agencies and from private citizens and business firms whenever such material is necessary for the completion of the services specified by this Agreement.

2.5.3 IGT will not be responsible for accuracy of information or data supplied by the Lottery or other sources to the extent such information or data would be relied upon by a reasonably prudent contractor.

2.5.4 The Lottery agrees not to use IGT's name, either express or implied, in any of its advertising or sales materials. IGT reserves the right to reuse the nonproprietary data and the analysis of industry-related information in its continuing analysis of the industries covered.

2.6 Independent Contractor

2.6.1 It is understood that in the performance of the services herein provided for, IGT shall be, and is, an independent contractor, and is not an agent or employee of Delaware and shall furnish such services in its own manner and method except as required by this Agreement. IGT shall be solely responsible for, and shall indemnify, defend and save the Lottery and the State of Delaware harmless from all matters relating to the payment of its employees, including compliance with social security, withholding and all other wages, salaries, benefits, taxes, exactions, and regulations of any nature whatsoever.
2.6.2 IGT acknowledges that IGT and any subcontractors, agents or employees employed by IGT shall not, under any circumstances, be considered employees of Delaware, and that they shall not be entitled to any of the benefits or rights afforded employees of Delaware, including, but not limited to, sick leave, vacation leave, holiday pay, Public Employees Retirement System benefits, or health, life, dental, long-term disability or workers' compensation insurance benefits. Delaware will not provide or pay for any liability or medical insurance, retirement contributions or any other benefits for or on behalf of IGT or any of its officers, employees or other agents.

2.6.3 As an independent contractor, IGT has no authority to bind or commit the Lottery or the State of Delaware. Nothing herein shall be deemed or construed to create a joint venture, partnership, fiduciary or agency relationship between the parties for any purpose.

2.7 Background Investigations

2.7.1 The Lottery may initiate investigations into the backgrounds of any officers, principals, investors, owners, subcontractors, employees, or any other associates of IGT as it deems appropriate. Such background investigations may include fingerprint identification by the Delaware State Police and the Federal Bureau of Investigation, or the appropriate non-U.S. equivalent, with all investigation expenses to be paid by IGT.

2.7.2 By submission of a proposal, IGT consents to such investigations, and to cooperate with such investigations. The Lottery may reject a proposal or terminate an agreement based upon the results of these background checks.

2.8 Minority/Women-Owned Business Participation

It has been and remains the policy of the State of Delaware to promote equality of economic opportunity for minority and women-owned business enterprises (MBE/WBEs) in contracting activities. Accordingly, IGT is strongly encouraged to utilize MBE/WBE subcontractors in the performance of this Agreement.

2.9 Termination

2.9.1 Termination by default: This Agreement may be terminated in whole or in part by either party in the event of substantial failure of the other party to fulfill its obligations under this Agreement through no fault of the terminating party; but only after the other party is given:

a. Not less than 30 calendar days written notice of intent to terminate; and

b. An opportunity for consultation with the terminating party prior to termination.

2.9.2 Termination for convenience: This Agreement may be terminated in whole or in part by the Lottery for its convenience, but only after IGT is given:
a. Not less than 30 calendar days written notice of intent to terminate; and
b. An opportunity for consultation with the Lottery prior to termination.

2.9.3 The Lottery may not terminate this Agreement pursuant to this section for the primary purpose of obtaining a more favorable compensation rate from another technology provider or from IGT.

2.9.4 If termination for default is effected by the Lottery, the Lottery will pay IGT that portion of the compensation which has been earned by IGT or otherwise due and payable to IGT as of the effective date of termination but:
   a. No amount shall be allowed for anticipated profit on performed or unperformed services or other work, and
   b. Any payment due to IGT at the time of termination may be adjusted to the extent of any additional costs occasioned to the Lottery by reason of IGT's default.

2.9.5 If after termination for failure of IGT to fulfill contractual obligations and it is determined that IGT has not so failed, the termination shall be deemed to have been effected for the convenience of the Lottery. In the instance of any termination or expiration of this Agreement for convenience by the Lottery, the Lottery will not be released from the obligation to make payment of all amounts then or thereafter due and payable under the terms of this Agreement.

2.9.6 Gratuities.

2.9.6.1 Delaware may, by written notice to IGT, terminate this Agreement if it is found after notice and hearing by the Lottery that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by IGT or any agent or representative of IGT to any officer or employee of the Lottery with a view toward securing an agreement or securing favorable treatment with respect to the awarding or amending or making of and determinations with respect to the performance of this Agreement.

2.9.6.2 In the event this Agreement is terminated as provided in 2.9.6.1 hereof, the Lottery shall be entitled to pursue the same remedies against IGT it could pursue in the event of a breach of this Agreement by IGT.

2.10 Covenant Against Contingent Fees

IGT warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, the Lottery shall have the right to annul this agreement without liability or at its discretion deduct from the agreement price or otherwise recover the full amount of such commission, percentage, brokerage or contingent
fee.

2.11 Accounting Records

IGT is required to maintain books, records and all other evidence pertaining to this Agreement in accordance with generally accepted accounting principles (GAAP) and such other procedures specified by the Lottery. These records shall be available to the Lottery, and its internal or external auditors (and other designees) at all times during the agreement period and any extension thereof, and for three (3) full years from the expiration date and/or final payment on the agreement or extension thereof, whichever is later.

2.12 Audit Requirements

IGT must meet the following specific auditing obligations during the term of this Agreement:

a. IGT will have a complete financial audit conducted annually. A copy of IGT's certified financial statements shall be provided to the Lottery annually.

b. In addition, a complete internal control audit of IGT’s Delaware operations may be required by the Lottery, to be conducted annually by an independent certified public accounting firm. This audit shall be conducted pursuant to Statement on Auditing Standards No. 70, as issued by the American Institute of Certified Public Accountants. The Lottery reserves the right to specify the type of report and the control objectives to be examined. The Lottery also reserves the right to approve the accounting firm chosen to perform the internal control audit and reserves the right to designate the annual period to be covered by the report and the date by which the report is due. "Delaware operations" refers to local and corporate support of this Agreement, not including IGT's business in general.

c. The Lottery reserves the right to require the first internal control audit to be conducted within 90 days of installation of IGT's first machine.

d. Both the aforementioned types of audits shall be conducted at the expense of IGT.

e. The Lottery's certified public accounting firm or other designee will be given the right to review the work papers of these audits, if considered necessary by the Lottery.

f. The Lottery and its independent certified public accountants shall be given a copy of all reports including any management letters issued as a result of the specified audits.

g. IGT is required to provide, upon request, copies of filings to the Securities and Exchange Commission.
2.13 Right to Additionally Audit IGT's Delaware Operations

The Lottery reserves the right to audit IGT's records and operations as they relate to Delaware. Such audits may be conducted by the Lottery's own auditors or an independent firm specified by the Lottery, upon prior written notice to IGT and to the extent possible, the audits will be performed during normal business hours.

2.14 Authority of the Lottery

On all questions concerning the interpretation of specifications, the acceptability and quality of material furnished and/or work performed, the classification of material, the execution of the work, the assessment of liquidated damages, and the determination of payment due or to become due, the decision of the Lottery shall be final and binding.

2.15 Cooperation of the Parties

IGT and the Lottery agree that their officers and employees will cooperate fully in the performance of services under this Agreement and will be available for consultation at such reasonable times with advance notice as to not conflict with their other responsibilities. Neither party will unreasonably withhold its approval of any act or request of the other to which its approval is necessary or desirable.

2.16 Indemnification

2.16.1 IGT shall indemnify and hold harmless the Lottery, the State, its agents and employees, from any and all liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys’ fees) directly arising out of (A) the negligence or other wrongful conduct of IGT, its agents or employees, or (B) IGT’s or its subcontractor’s negligent performance of any work, duties, responsibilities, actions or omissions not cured after due notice and opportunity to cure, provided as to (A) or (B) that (i) IGT shall have been notified promptly in writing by the Lottery of any notice of such claim; and (ii) IGT shall have the sole control of the defense of any action on such claim and all negotiations for its settlement or compromise.

2.16.2 If the Lottery promptly notifies IGT in writing of a third party claim against the Lottery that any deliverable infringes a copyright or a trade secret of any third party, IGT will defend such claim at its expense and will pay any costs or damages that may be finally awarded against the Lottery. IGT will not indemnify the Lottery, however, if the claim of infringement is caused by (1) the Lottery’s misuse or modification of the deliverable; (2) the Lottery’s failure to use corrections or enhancements made available by IGT; (3) the Lottery’s use of the deliverable in combination with any product or information not owned or developed by IGT; (4) the Lottery’s distribution, marketing or use for the benefit of third parties of the deliverable or (5) information, direction, specification or materials provided by a third party. If any deliverable is, or in IGT’s opinion is likely to be, held to be infringing, IGT shall at its expense and option either (a) procure the right for the Lottery to continue using it, (b) replace it with a noninfringing
equivalent, (c) modify it to make it noninfringing. The foregoing remedies constitute the Lottery's sole and exclusive remedies and IGT's entire liability with respect to infringement.

2.16.3 The Lottery agrees that IGT's total liability to the Lottery for any and all damages whatsoever arising out of or in any way related to this Agreement from any cause, including but not limited to agreement liability or IGT negligence, errors, omissions, strict liability, breach of agreement or breach of warranty shall not, in the aggregate, exceed fees paid to IGT.

2.16.4 In no event shall IGT be liable for special, indirect, incidental, economic consequential or punitive damages, including but not limited to lost revenue, lost profits, replacement goods, loss of technology rights or services, loss of data, or interruption or loss of use of software or any portion thereof regardless of the legal theory under which such damages are sought, and even if IGT has been advised of the likelihood of such damages.

2.17 Bonds and Insurance

All required bonds and insurance must be issued by companies which are at least 'A' rated by A.M. Best & Co., are duly licensed, admitted, and authorized to do business in the State of Delaware and are acceptable to the Lottery. Required coverage must be put into effect as of the effective date of the agreement and must remain in effect throughout the term. IGT must submit copies of each required insurance contract or certificates attesting to such insurance coverage, and any renewals thereof, to the Lottery. The Lottery must receive thirty (30) days advance written notice of cancellation, termination, or failure to renew any policy.

IGT shall purchase adequate insurance for the performance of the agreement and, by submission of a bid, agrees to indemnify and save harmless and to defend all legal or equitable actions brought against the State, any agency, officer and/or employee of the State, for and from all claims of liability which is or may be the result of IGT's actions during the performance of the agreement. The purchase or nonpurchase of such insurance or the involvement of IGT in any legal or equitable defense of any action brought against IGT based upon work performed pursuant to the agreement will not waive any defense which the State, its agencies and their respective officers, employees and agents might otherwise have against such claims, specifically including the defense of sovereign immunity where applicable, and the State and all agencies, officers and employees thereof shall not be financially responsible for the consequences of work performed, pursuant to said agreement.

2.17.1 Insurance

IGT shall purchase and maintain insurance for claims set forth below which may arise out of or result from IGT's operations under the Agreement, whether such operations be by IGT or by any subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

a. Claims under workers' compensation, disability benefit and other similar employee benefit acts per statute in each state in which IGT does business
b. Claims for damages because of bodily injury, occupational sickness or disease, or death of IGT's employees

c. Claims for damages because of bodily injury, sickness or disease, or death of any person other than IGT's employees

d. Claims for damages because of injury to or destruction of tangible property, including loss of use resulting there from

e. Comprehensive General Liability Insurance coverage with limits of not less than $1,000,000.

f. Property Insurance on all buildings, furniture, fixtures, computer and communications equipment used in operating and supporting the Multi-Player Automated Gaming Tables in an amount equal to or greater than the actual replacement cost thereof. Coverage shall include an All Risk Property Floater to insure personal property including contents, equipment, and mobile items against fire, theft, collision, and flood. The State of Delaware, the Lottery, and Lottery agents will not be responsible for insuring any equipment or facilities included in or associated with the agreement.

g. Automotive Liability Insurance covering drivers and vehicles employed in connection with the operation of the Agreement with limits of not less than $300,000 for personal injury to each person and $25,000 for property damage

h. Professional Liability/Errors and Omissions/Product Liability Insurance with limits of not less than $1,000,000 per claim, to be in force and effect at all times which will indemnify IGT and the Lottery for direct loss which may be incurred due to any error caused by IGT, its officers, employees, agents, subcontractors or assigns regardless of negligence

A STATEMENT OF SELF-INSURANCE TO COVER THE ABOVE REQUIREMENTS SHALL BE CONSIDERED NON-RESPONSIVE.

2.17.1.1 Errors and Omissions Insurance must continue until one year past the term of the Agreement. All other insurance covered by this section must be effective when performance commences under the Agreement and continue through the life of the Agreement and any authorized extensions.

2.17.1.2 Certificates of insurance must be furnished to the Lottery Director on date of agreement execution, with the exception of the certificate for Errors and Omissions Insurance, which must be furnished to the Lottery Director prior to installation of the first machine.

2.17.1.3 The required insurance coverage shall be written for not less than any limits of
liability as required by the Agreement, and shall include contractual liability as applicable to IGT's obligations under the Indemnification clause of the agreement.

2.17.1.4 In no event shall the State of Delaware be named as an additional insured on any policy required by this agreement.

2.17.2 Litigation Bond

IGT must maintain a litigation bond in the amount of $250,000. A claim upon the bond may be made by the Lottery if the following two conditions are met:

a. IGT sues the Lottery, the State of Delaware, or any of their officers, employees, or agents with regard to any matter relating to the award of agreements pursuant to the RFP.

b. The Lottery is the prevailing party in such suit.

2.17.2.1 The purpose of the bond is to discourage unwarranted litigation by permitting the Lottery to recover damages, including reasonable attorneys' fees, resulting from such litigation. The litigation bond shall remain in effect for a period of two (2) years from the date of proposal submission.

2.17.2.2 Upon execution of this Agreement, the litigation bond may be released with the approval of the Lottery if IGT completes a covenant not to sue.

2.18 Liquidated Damages

IGT acknowledges:

a. If IGT does not fulfill the obligations of the Agreement, damage to the Lottery will result. Establishing the precise value of such damage would be costly, difficult, and time consuming.

b. The liquidated damage amounts specified herein are good faith efforts to quantify the damages that could be reasonably anticipated at the time of the making of the Agreement.

c. The Lottery may, therefore, in its discretion, deduct liquidated damages set forth in Sections 2.18.7 through 2.18.13 from the compensation otherwise due to IGT. All assessments of liquidated damages shall be within the discretion of the Lottery and shall be in addition to, and not in lieu of, the right of the Lottery to terminate the Agreement or to pursue other appropriate remedies.

d. The Lottery shall notify IGT in writing of the assessment of liquidated damages
for any default specified herein and payment of such damages shall be initiated within thirty (30) days of receipt of the assessment notice by deducting such damages from the compensation otherwise due to IGT. If timely payment is not made, the Lottery may collect such damages by making a claim against the professional liability insurance or by any other lawful method.

e. Excessive liquidated damages, and events leading to such, in the sole discretion of the Lottery, may be grounds for termination of the agreement. Any chronic offender who continually incurs liquidated damages in the sole discretion of the Lottery would be subject to excessive liquidated damages. IGT will be given ample written notice by the Lottery if they reach the point where excessive liquidated damages would be considered.

2.18.1 Notification of Liquidated Damages

All assessments of liquidated damages shall be made by the Lottery Director. Upon determination that liquidated damages are to be or may be assessed, the Lottery shall notify IGT of the potential assessment in writing.

2.18.2 Conditions for Termination of Liquidated Damages

As determined appropriate by the Director, the following are the conditions under which IGT may obtain relief from the continued assessment of liquidated damages that have been imposed:

a. Except as waived in writing by the Director, no liquidated damages imposed shall be terminated or suspended until IGT issues a written notice verifying the correction of the condition(s) for which liquidated damages were imposed, and all the corrections have been subjected to system testing or other verification at the discretion of the Director.

b. If appropriate, IGT shall conduct systems testing of any correction as the Director deems necessary. Such testing shall be developed jointly by the Lottery and IGT, and approved by the Lottery, including the test script, test environment, and test results.

c. The documentation necessary for verification and approval shall be determined by the Director. The Director shall be the sole judge of the accuracy of any documentation provided.

d. IGT's notice of correction will not be accepted until the correction is verified by the Lottery.
2.18.3 Severability of Individual Liquidated Damages

If any portion of the liquidated damages provisions is determined to be unenforceable in one or more applications, that portion remains in effect in all applications not determined to be invalid and is severable from the invalid applications. If any portion of the liquidated damages provisions is determined to be unenforceable, the other provision or provisions shall remain in full force and effect.

2.18.4 Waivers of Liquidated Damages

It is expressly agreed that the waiver of any liquidated damages due the Lottery shall constitute a waiver only as to such liquidated damages and not a waiver of any future liquidated damages. Failure to demand payment of liquidated damages within any period of time shall not constitute a waiver of such claim by the Lottery.

2.18.5 Payment of Liquidated Damages

All assessed liquidated damages will be deducted from any moneys owed IGT by the Lottery and in the event the amount due from IGT is not sufficient to satisfy the amount of the liquidated damages, IGT shall pay the balance to the Lottery within thirty (30) calendar days of written notification. If the amount due is not paid in full, the balance will be deducted from subsequent payments to IGT.

2.18.6 Applicability of Liquidated Damages

IGT shall not be required to pay liquidated damages for delays solely due to matters as enumerated in the section entitled "Force Majeure," for outages related solely to regulated communications carriers, due solely to the Lottery's central system provider, nor for time delays specifically due to, or approved by, the Lottery, any action of the State of Delaware or any person or entity acting on its behalf. Liquidated damages will not be assessed in the event the Lottery does not suffer actual damages and will not be assessed solely as a penalty.

2.18.7 Late Installation

If IGT does not have the ordered quantities of machines installed and accepted by the Lottery by a date specified by the Lottery, the Lottery may assess liquidated damages in the amount of two hundred dollars ($200) per station for each day of delay. The machines will be considered operational when they have been installed, tested and accepted by the Lottery and are ready to be activated by the central computer system for customer play. Any additional shipments of Multi-Player Automated Gaming Tables may be subject to a reasonable penalty schedule to be established by the Lottery, not to exceed amounts set forth in this subsection. The date of installation specified by the Lottery shall be based on an implementation schedule agreed upon between IGT and the Lottery.
2.18.8 Untimely Repair

2.18.8.1 IGT shall ensure that all Multi-Player Automated Gaming Table Stations are repaired or replaced and operational within the "maximum repair time." "Maximum repair time" shall be measured from the time of receipt of a service call, and a repair shall be considered completed when the technician who completed the repair informs the central system provider that the machine is repaired and ready to be activated for play.

2.18.8.2 For the purposes of this provision, "maximum repair time" shall be defined as follows: Two Hours for Multi-Player Automated Gaming Table Station.

2.18.8.3 If machine station maintenance is not completed within the "maximum repair time," liquidated damages may be assessed at the rate of fifty dollars ($50) per hour or a fraction thereof that the station remains unrepaired beyond the "maximum repair time."

2.18.9 Lack of Preventive Maintenance

Each type of machine delivered shall have a preventive maintenance cycle established by IGT and accepted by the Lottery. For each event of neglected preventive maintenance, liquidated damages of one hundred dollars ($100) per station, per day, may be assessed.

2.18.10 Deficient Machine Field Service

2.18.10.1 IGT shall employ sufficient resources and inventory to meet the performance standards for field service specified in this RFP. Within thirty (30) calendar days after notification from the Lottery that a performance standard is not being met, IGT shall employ such additional resources as are necessary to meet the performance standard.

2.18.10.2 If IGT does not bring deficient performance up to the standards specified within thirty (30) calendar days of notification, the Lottery may impose liquidated damages in the amount of one thousand dollars ($1,000) per day until performance is in compliance with the Agreement.

2.18.11 Failure to Provide Enhancements

2.18.11.1 During the term of this Agreement, the Lottery and IGT may agree in writing to a schedule for developing, testing, and implementing or installing a modification or enhancement of an existing game or report or an addition of a new game or report.

2.18.11.2 If IGT fails to meet any date specified in such a schedule, the Lottery may assess liquidated damages of one thousand dollars ($1,000 U.S.) per day for each day of delay regarding the modification, enhancement, or addition of a game and five hundred dollars ($500 U.S.) per day for each day of delay regarding the modification, enhancement, or addition of a report, or other system change.
2.18.12 Unauthorized Modifications

2.18.12.1 IGT shall not modify any software, firmware, or hardware in the machines without the prior written consent of the Lottery; provided however that IGT may make immaterial modifications to the hardware in the Multi-Player Automated Gaming Tables in the ordinary course of business without obtaining the Lottery’s written consent.

2.18.12.2 If an unauthorized modification occurs, the Lottery may assess initial liquidated damages of twenty five thousand dollars ($25,000 U.S.) and additional liquidated damages of five thousand dollars ($5,000 U.S.) per day for each day between the issuance of a removal order and the actual removal of the unauthorized modification and restoration of the device to its previous operating state.

2.18.13 Unauthorized Access

2.18.13.1 IGT shall make all reasonable efforts within their ability to prevent persons not authorized by the Lottery from accessing the machines.

2.18.13.2 If IGT fails to prevent unauthorized access within reason, the Lottery may impose liquidated damages of ten thousand dollars ($10,000 U.S.) for each incident of unauthorized access by an unauthorized person.

2.19 Ownership of Materials and Right of Use

2.19.1 Ownership of all data, documentary material, and operating reports originated and prepared for the Lottery pursuant to this Agreement shall belong exclusively to the Lottery.

2.19.2 Ownership of the Multi-Player Automated Gaming Table equipment, software and/or software license shall be retained by IGT both during the course of the Agreement and at the close of the Agreement or any extension thereto.

2.19.3 If for any reason other than a breach of agreement by the Lottery, IGT loses the ability to comply with the terms of the Agreement, the Lottery shall retain the right to use the equipment, source program instructions and documentation for those items owned by IGT and that are necessary to provide contractual services. Said right shall be limited to the right of the Lottery to possess and make use of such solely for the use and benefit of the Lottery in maintaining, altering and improving the operational characteristics of the programs and systems being used under the Agreement.

2.19.4 If the Lottery exercises its right to use the agreement items, all software programs, documentation, operating instructions, hardware, and the like, including modifications or alterations thereof, shall be kept in confidence and shall be returned together with all copies to IGT when their use has been completed.
2.20  Game Playing and Prize Payment Restrictions

No officer or employee of IGT or of any subcontractor or owner of a 10% or greater share of either who is involved in Delaware operations shall play the video lottery games of the Delaware State Lottery or be paid a prize in any video lottery game. IGT shall ensure that this requirement is made known to each officer and employee of IGT and of any subcontractor.

2.21  Force Majeure

2.21.1  A Force Majeure occurrence is an event or effect that cannot be reasonably anticipated or controlled. As herein used, Force Majeure means acts of war, terrorism, action of the elements, governmental interference, rationing, or any other cause which is beyond the control of the party affected and which by the exercise of reasonable diligence said party is unable to prevent.

2.21.2  Neither IGT nor the Lottery shall be liable to the other for any delay in or failure of performance under the Agreement due to a Force Majeure occurrence. Any such delay in or failure of performance shall not constitute default or give rise to any liability for damages. The existence of such causes of such delay or failure shall extend the period for performance to such extent as determined by the Lottery Director to be necessary to enable complete performance by IGT if reasonable diligence is exercised after the cause of delay or failure has been removed.

2.21.3  If Force Majeure conditions for IGT shall be expected to continue unabated for an indefinite period and IGT cannot service the Agreement, the Lottery retains the right to operate the machines (see RFP 2.19) and/or to terminate the Agreement so that business continuity can be restored.

2.22  Security Program

2.22.1  Prior to operations under the Agreement, IGT shall establish a physical and software security program for its equipment, subject to the prior written approval of the Lottery.

2.22.2  The Lottery reserves the right to require at any time such further and additional security measures as deemed necessary or appropriate to ensure the integrity of the equipment or the games.

2.22.3  The Lottery reserves the right, at any time and without prior notice, to inspect and otherwise evaluate all phases of performance specified in the Agreement and the premises in which such work is performed.

2.23  Taxes, Fees and Assessments

2.23.1  IGT shall pay all taxes, fees and assessments upon the machines, however designated, levied or based.
2.23.2 Delaware is a sovereign entity and shall not be liable for the payment of federal, state
and local sales, use and excise taxes, including any interest and penalties from any related
deficiency, which may become due and payable as a consequence of the Agreement.

2.24 News Releases

IGT shall not issue any news releases pertaining to the award of or performance of the
Agreement without prior approval by the Lottery, and then only in cooperation with the Lottery.

2.25 Advertising

IGT agrees not to use the Lottery's name, logos, images, nor any data or results arising
from the RFP process or this Agreement as a part of any commercial advertising without prior
written approval by the Lottery.

2.26 Hiring of Lottery Personnel

At all times during the proposal evaluation period and continuing for one year following
either the award of agreements or the rejection of all proposals, IGT is prohibited from officially
or unofficially making any employment offer or proposing any business arrangement whatsoever
to any Evaluation Committee personnel, advisors and Lottery employees involved in the
evaluation of proposals, the agreement awards, or agreement negotiations. Knowingly making
such an offer or proposed business arrangement may result in the termination of this Agreement.

2.27 Code of Conduct

The Delaware State Lottery is an extremely sensitive enterprise because of the nature of
the business and because it is government-affiliated. Therefore, it is essential that its operation,
and the operation of other enterprises that would be linked to it in the public mind, avoid not
only impropriety but also the appearance of impropriety. Because of this, IGT is expected to:

a. Offer goods and services only of the highest standards

b. Use its best efforts to prevent the industry from becoming embroiled in
   unfavorable publicity

c. Make sales presentations in a responsible manner. When pointing out the
   perceived superiority of their goods or services over those of competitors, IGT
   shall do so in such a manner as to avoid unfavorable publicity for the industry

d. Avoid promotional activities which could be interpreted as improper and provide
   embarrassment to the industry

e. Report security problems or potential security problems immediately and only to
the Lottery

f. Comply with all Video Lottery Regulations.

2.28 Tests Following Award

a. Certification Tests. The Lottery requires that the game algorithms be certified by an independent laboratory (Gaming Laboratories International and BMM Testing labs are currently approved by the Lottery). IGT must cooperate in submitting chips and/or other appropriate materials for the testing. Certification is an expense that must be borne by IGT.

b. Functional Tests. The Lottery will conduct a series of acceptance tests to fully determine IGT's communication functionality with the Lottery's central system. Failure of IGT to pass these tests may result in IGT paying liquidated damages. Cooperation of IGT in these tests is required. IGT will not be responsible for expenses resulting from this form of testing.

The machines will be tested for each and every requirement in the RFP. IGT's assistance in arranging tests will be necessary. The Lottery, at its sole discretion, will determine whether performance against the acceptance tests is adequate, and installation can proceed.

2.29 End of Agreement Activity

At the end of this Agreement, the Lottery shall identify the milestones, dates of conversion and removal of all equipment and material from each Agent location for Multi-Player Automated Gaming Tables based on a schedule that is agreed upon between IGT and the Lottery that is fair and reasonable. IGT shall cooperate fully and in good faith in said conversion.

2.30 Funding Out Clause

If sufficient funds are not appropriated by the Delaware General Assembly or other appropriate Federal or State agency to sustain, in whole or in part, the Lottery's performance under this Agreement, or if such support is reduced such that it is insufficient to sustain said performance, then the Agreement shall be null and void at the insistence of the Lottery. The Lottery’s termination of This Agreement under this section shall not limit IGT’s legal rights to pursue appropriate legal recourse in a proper forum for money’s claimed to be due and owed by the Lottery under this Agreement.

2.31 Equipment and Software Changes and Upgrades

2.31.1 IGT's services shall include software changes, including fixes to all software errors and design defects, improved versions of the software, software enhancements and new gaming features, software changes for promotions, new games from IGT's library, new games defined by
the Lottery, and changes to reports. IGT is further required to maintain the machine software with supported releases for any third party products incorporated. All these changes and upgrades shall be included in IGT's base price.

2.31.2 Changes and enhancements that exceed agreement-specified requirements (and which are not otherwise accommodated by the above or by the pricing method in RFP Part 4) will have the terms and price negotiated.

2.31.3 Any equipment made available to any of IGT's other clients shall also be made available to the Lottery.

2.32 Authority of Lottery

On all questions concerning the interpretation of specifications, the acceptability and quality of material furnished and/or work performed, the classification of material, the execution of the work, the assessment of liquidated damages and the determination of payment due or to become due, the decision of the Lottery shall be final and binding.

2.33 Lottery Approval of Staffing

The Lottery reserves the right to review and if perceived necessary, reject an employee's assignment to this Agreement, either at Agreement inception or during the term. In addition, the Lottery may require IGT to provide minimum levels of staffing or service to meet the requirements as set out in this Agreement.

2.34 Subcontract Approval

Any proposed subcontracts shall be subject to the prior approval of the Lottery and shall include such contracting and purchasing requirements as shall be binding on agencies of the State of Delaware. The proposal and agreement shall identify proposed subcontractors by name.

2.35 Compensation During Agreement

IGT will be compensated by the Lottery based on management and accounting reports generated by central system data. Method of payment will be via weekly electronic funds transfer, based on a percentage of net proceeds generated by IGT's Multi-Player Automated Gaming Tables.

2.36 Replacement of Under-Performing Multi-Player Automated Gaming Tables

2.36.1 The purpose of installing Multi-Player Automated Gaming Tables is to maximize revenues for the Lottery. If it becomes clear that a population of IGT machines is under-performing with regard to generating net proceeds, the Lottery reserves the right to alter the mix of Multi-Player Automated Gaming Tables. The following procedure will apply for determining
the need for, and carrying out of, replacement of under-performing IGT machines:

a. The Lottery shall maintain records that define the performance of Multi-Player Automated Gaming Tables. The reports will apply to the overall population of Video Lottery Terminals, to the overall population of Multi-Player Automated Gaming Tables and to Multi-Player Automated Gaming Tables provided by individual successful bidders.

b. For comparison purposes, the Lottery will use a rolling eight (8) week review of performance data for identifying under-performing Multi-Player Automated Gaming Tables. The Lottery will exercise several tests of the following nature based on the results of these reviews, including:

1. If a group of similar Multi-Player Automated Gaming Table Stations from IGT is under-performing average net proceeds of the total Video Lottery Terminal population by 10% or more

2. If a group of Multi-Player Automated Gaming Tables from IGT is under-performing the average net proceeds of the overall population of Multi-Player Automated Gaming Tables

3. If a group of Multi-Player Automated Gaming Tables from IGT is under-performing the average net proceeds of a comparably-located set of Multi-Player Automated Gaming Tables by 10% or more

c. As a result of such performance tests the Lottery will make a determination whether the group of Multi-Player Automated Gaming Tables is “under-performing” and correction or replacement is prudent.

d. For a group of Multi-Player Automated Gaming Tables determined to be “under-performing,” IGT shall have thirty (30) days in which to perform adjustments that are acceptable to the Lottery. At the end of the afforded adjustment period the machines will be monitored for forty-five (45) days. If the adjustments include the replacement of machines, then IGT shall have forty five (45) days in which to physically replace them after which they will be monitored for forty-five (45) days.

e. If the “under-performing” tests still indicate that the population is “under-performing,” then the Lottery reserves the right to order that those Multi-Player Automated Gaming Tables be removed within thirty (30) days. The Lottery may then opt to replace the removed machines with Multi-Player Automated Gaming Tables from IGT or a different successful bidder, based on favorable net proceeds experience as determined from the performance reviews described above, or other selection criteria

2.36.2 For removed Multi-Player Automated Gaming Tables, IGT shall receive no further
compensation from the Lottery, either related to net proceeds or to the effort and/or expense of removal. For removed machines, the Lottery will award those as necessary to other successful bidders pursuant to 29 Del. C. §4820(b).

2.37 Reduction of Multi-Player Automated Gaming Tables

It is the Lottery’s intent to maintain a sufficient number of Multi-Player Automated Gaming Tables at each Agent’s location to maximize revenues for the Lottery while maintaining the highest possible performance levels in the most efficient manner possible. In the event it becomes necessary to reduce the number of machines at any of the Agents’ locations, the Lottery reserves the right to remove machines based on performance levels of similar machines and to distinct groups within the population of similar machines, as determined by the rolling eight (8) week review of performance data as described in section 2.36.

2.38 Patent/Copyright Infringement Indemnification

2.38.1 IGT shall provide for the use of any patented design, material, or process to be used or furnished under this Agreement by suitable legal agreement with the patentee or owner, and shall file a copy of any necessary agreements with the Lottery upon request. IGT shall have the obligation to ensure that the use of materials does not infringe on copyright, trademark, or other intellectual property rights of third parties. This may require IGT to obtain permission for use, including payments made for such, to third parties. In particular, IGT is required to pay all franchise and/or licensing fees for use of games employing symbols or names involving intellectual property rights of third parties.

2.38.2 IGT shall indemnify, defend and hold harmless the Lottery, State of Delaware, its employees and agents from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including, but not limited to, reasonable attorneys’ fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and penalties), incurred in connection with any action or proceeding threatened or brought against the State to the extent that such action or proceeding is based on a claim that any piece of equipment, software, commodity or service supplied by IGT or its subcontractors, or the operation of such equipment, software, commodity or service, or the use or reproduction of any documentation provided with such equipment, software, commodity or service, infringes any United States or foreign patent, copyright, trade secret or other proprietary right of any person or entity, which right is enforceable under the laws of the United States.

2.38.3 In addition, should the equipment, software, commodity, or service, or the operation thereof, become or in IGT’s opinion be likely to become the subject of a claim of infringement, IGT shall, at IGT’s sole expense:

a. procure for the State the right to continue using the equipment, software, commodity or service or, if such option is not reasonably available to IGT,
b. replace or modify the same with equipment, software, commodity or service of equivalent function and performance so that it becomes non-infringing.

2.38.4 Should patentable or licensable designs, devices, materials, or processes arise from IGT's work under this Agreement, IGT shall retain the right to possess, develop, and commercialize such items. The Lottery shall be granted the right or license to employ said items indefinitely in the execution of Lottery business; however, the Lottery shall not license, distribute, or otherwise commercialize such items.

2.39 Licensing as a Gaming Vendor

The Lottery can make an award only to vendors that obtain a Gaming Vendor license, pursuant to 29 Del. C. §4805(a)(17). The denial of a license application will result in the elimination of IGT as a technology provider regardless of the recommendations or findings of the Lottery Evaluation Committee or the Lottery Director. The failure of IGT to maintain its status as a licensed Gaming Vendor during the term of the Agreement will result in the termination of the Agreement. IGT must reimburse the Lottery for the cost of periodic background checks related to licensing. IGT currently holds a Gaming Vendor license in good standing with the Lottery as a VLT provider and is not required to obtain an additional license.

2.40 Removal of Unapproved Equipment and Loss of License

Any Multi-Player Automated Gaming Table from IGT that does not conform to machines previously provided by IGT for testing and acceptance will be disconnected. If any modification to a Multi-Player Automated Gaming Table that has not been approved by the Lottery is supplied by IGT and operated by a Video Lottery Agent, the Lottery shall disconnect all of IGT's Multi-Player Automated Gaming Tables and may suspend its Gaming Vendor License.

2.41 Assignment

This Agreement may not be assigned, transferred, conveyed, sublet, or otherwise disposed of without previous written approval of the Lottery. Any purported assignment in violation of this section shall be null and void. Further, IGT may not assign the right to receive moneys due under the Agreement without the prior written consent of the Lottery.

2.42 Confidential Information

2.42.1 IGT, its officers, employees, agents, representatives, and subcontractors, shall not disclose to any other person or entity any information pertaining to the Lottery's methods, systems, programs, procedures, or operations at any time without prior written approval of the Lottery, except as may be necessary in its performance of the Agreement. The Lottery, its officers, employees, agents, representatives, and contractors, to the extent permitted by law shall not disclose to any other person or entity any confidential, secret, or proprietary information or know-how, concerning the equipment, programming, software, trademarks, trade or commercial
secrets, of IGT or its subcontractors, except as may be necessary in its performance of the Agreement.

2.42.2 In the event that any demand, claim, action, or proceeding of any nature whatsoever is made, asserted, or instituted that has as its purpose or object, or may have as its consequence, the disclosure to any person of any of the information referred to herein, each party shall immediately: notify the other party thereof; and, if legal action is successfully taken by a party to prevent disclosure, the other party shall not disclose such information unless, until, and only to the extent required to do so, by the final order of a judicial, legislative, executive or administrative authority having actual jurisdiction thereof.

2.43 Scope of Agreement

If the scope of any provision of this Agreement or the RFP are declared to be too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be enforced to the maximum extent permitted by law, and IGT hereto consents and agrees that such scope may be judicially modified accordingly and that the whole of such provisions of this Agreement or the RFP shall not thereby fail, but the scope of such provisions shall be curtailed only to the extent necessary to conform to law.

2.44 Statutory Provisions

2.44.1 The Lottery may require IGT to execute truth-in-negotiation certificates stating that the prices bid and other costs supporting the compensation are accurate, complete, and current at the time of contracting. Under 29 Del. C. §6982(b)(3), the original contract price and any additions thereto shall be adjusted to exclude significant sums where the Lottery determines the agreement price was increased due to inaccurate, incomplete, or noncurrent price information. All such agreement adjustments shall be made within one (1) year following the end of the agreement.

2.44.2 No Agreement shall be executed until IGT has provided the Lottery with its taxpayer identification number or its Delaware business license number.

2.45 Miscellaneous Provisions

2.45.1 In performance of this Agreement, IGT shall comply with all applicable federal, state and local laws, ordinances, codes and regulations. IGT shall solely bear the costs of permits and other relevant costs required in the performance of this Agreement.

2.45.2 Neither this Agreement nor any appendix may be modified or amended except by the mutual written agreement of the parties. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against which it is sought to be enforced.

2.45.3 The delay or failure by either party to exercise or enforce any of its rights under this Agreement shall not constitute or be deemed a waiver of that party's right thereafter to enforce
those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

2.45.4 IGT covenants that it presently has no interest and that it will not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement. IGT further covenants, to its knowledge and ability, that in the performance of said services no person having any such interest shall be employed.

2.45.5 IGT acknowledges that the Lottery has an obligation to ensure that public funds are not used to subsidize private discrimination. IGT recognizes that if they refuse to hire or do business with an individual or company due to reasons of race, color, gender, ethnicity, disability, national origin, age, or any other protected status, the Lottery may declare IGT in breach of the Agreement, terminate the Agreement, and designate IGT as non-responsible.

2.45.6 This Agreement was drafted with the joint participation of both parties and shall be construed neither against nor in favor of either, but rather in accordance with the fair meaning thereof.

3.0 Services

3.1 Delivery

3.1.1 The machines to be delivered to the Lottery are described in IGT's proposal. The allocation as to locations of the machines shall be determined by the Lottery. IGT shall be responsible for the assembly and initial operation of the machines and all associated equipment in a manner to be approved by the Lottery. The machines are to be delivered and installed at the direction of the Lottery to the Premises of any one or more of the following Video Lottery Agents in Delaware: Delaware Park in Wilmington, Dover Downs in Dover, Harrington Raceway in Harrington, or any other locations authorized by the Lottery.

3.1.2 IGT also agrees to deliver up to two machines of each machine model to the offices of Scientific Games, located at 1575 McKee Road, Suite 101, Dover, DE for the purpose of acceptance testing as previously described in Section 2.28. IGT also agrees to provide sufficient machine parts and sufficient information as is required for performance of necessary testing by either Gaming Laboratories International ("GLI"), 600 Airport Road, Lakewood, New Jersey or BMM Testlabs, 815 Pilot Road, Suite G, Las Vegas, Nevada.

3.1.3 IGT agrees that the technical specifications detailed in the RFP and this Agreement must be met before the Multi-Player Automated Gaming Tables are approved for use in Delaware.

3.1.4 All game software must be approved and certified by an independent testing laboratory licensed with the Lottery (currently GLI or BMM). IGT will be responsible for the costs of independent testing.
3.2 Gaming System Training Program

IGT shall provide training for Agent, subcontractor and/or Lottery staff in the operation of their machines. IGT must provide the materials, equipment, and personnel for this training effort. Training must be conducted on-site at each of the three (3) Agent locations.

3.3 Gaming Systems Field Maintenance Program

It is recommended that IGT maintain a maintenance center and depot in the state to fully support the maintenance and repair program and provide spare parts and technical services to maintain the machines.

3.3.1 IGT will be required during any service call to routinely check mechanical security, safety, electronic reader, and any other attachments provided by IGT. IGT shall be responsible for maintaining the Multi-Player Automated Gaming Tables in the highest level of appearance including, but not limited to, cleaning of equipment and a refurbishing of covers.

3.3.2 IGT shall be responsible to determine that all gaming machines are operable and shall take positive action when hardware malfunction is indicated to ensure that the affected machine is returned to an operational state within the required time as defined in this Agreement. In all cases, the Lottery reserves the right to make the determination as to whether a Multi-Player Automated Gaming Table is operable and whether IGT responded within the time period specified.

3.3.3 Operating and service manuals for all gaming machines shall be kept updated and accessible to the Lottery.

3.3.4 IGT shall maintain an adequate supply of parts to sustain the service of machines that it has supplied and/or is required to maintain.

3.3.5 IGT shall maintain and manage a data base and reporting system that fulfills the following criteria:

   a. Tracking and various reporting of all Multi-Player Automated Gaming Tables and other problems whether or not actual problems were found. Records on any particular machine serial number must be maintained for up to three (3) years after their permanent removal from Delaware and must include machines in reserve or returned for maintenance.

   b. Information for various reports is to be available in real time. The real time retrieval will not be limited to inquiries for the current day only but must include up to twelve (12) months of activity by date.
c. Various reports shall include, but are not limited to:

1) By Licensed Agent for a given period
2) By part or component
3) Others as defined by the Lottery

d. Data shall include, but not be limited to:

1) Machine serial number.
2) Component, sub-component, part identifiers.
3) Time and date of reported problem.
4) Nature of problem reported.
5) Field service person identifier.
6) Problem resolution and date and time.
7) Elapsed time for notification to completed repair (down time).

3.4 Technical Support Services

3.4.1 IGT shall identify at least one staff member to have priority for Delaware service relative to all related aspects of Multi-Player Automated Gaming Table operations during the term of this Agreement. This responsibility includes the software and mechanical engineering of the products. When no Lottery project requests are outstanding, such an individual can then and only then conduct work for other clients and purposes of IGT.

3.4.2 IGT shall have at least one service technician present at each of the Video Lottery Agents' locations during all operational hours. Technicians must be authorized and capable of conducting all maintenance requirements for IGT's machines. The Lottery may require IGT to provide minimum levels of on-site staffing based on the number of machines an individual technician is responsible for, day of the week, time of day, etc. Any exceptions to this requirement must be approved in advance by the Lottery.

4.0 Compensation

The Lottery agrees to compensate IGT by weekly payments for the leased Multi-Player Automated Gaming Tables according to the following schedule:

For the period from the commencement of this Agreement and through the subsequent five (5) year initial term of the Agreement, the Lottery agrees to compensate IGT by weekly payments equal to the following:

a. Twenty percent (20.00%) of the net proceeds of each M-P Series Multi-Player Automated Gaming Table leased by IGT to the Lottery
b. Seven percent (7.00%) of the net proceeds of each Alfastreet Multi-Player Automated Gaming Table leased by IGT to the Lottery that already existed on the Agents’ floors prior to the signing of this Agreement.

Net proceeds are to be determined in accordance with the definition set forth in the RFP.

5.0 Amendments/Merger

This Agreement constitutes the entire Agreement between the Lottery and IGT with respect to the subject matter hereof. The Agreement may be amended only by the signed, written agreement of both parties thereto.

6.0 Release of Bond

Pursuant to section 2.17.2 of the Agreement, the Lottery agrees to release the litigation bond after this Agreement is signed by both parties should IGT complete a covenant not to sue.

7.0 Assignment of Antitrust Claims

As consideration for the award and execution of this agreement by the Lottery, IGT hereby grants, conveys, sells, assigns, and transfers to the Lottery all of its right, title and interest in and to all known or unknown causes of action it presently has or may now or hereafter acquire under the antitrust laws of the United States and the State of Delaware, relating to the particular goods or services purchased or acquired by the Lottery pursuant to this agreement.

8.0 Benefit

This Agreement is solely for the benefit of the Lottery and IGT.

9.0 Notice

The parties agree that all notices given pursuant to the terms of this Agreement shall be sufficient if in writing and sent by certified mail or overnight courier service with receipt acknowledged. All other communications shall be sufficient if in writing and mailed postage prepaid first class. Any such notice or communication shall be sent to the following address or such other address as may be designated from time to time by the parties in writing:

As to the Lottery:
Vernon A. Kirk, Director
Delaware State Lottery Office
McKee Business Park
Suite 102
1575 McKee Road
Dover, DE 19904-1903
As to IGT:
Tim Shortall
Vice President U.S. Eastern Region Sales
403 Westcoast Road
Egg Harbor Township, NJ 08234

IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the dates indicated below, and the Agreement shall commence upon the later of the two signature dates listed below.

IGT, a Nevada corporation
Signature on File
By: Tim Shortall
Vice President U.S. Eastern Region Sales
Signature on File
March 17, 2016
Date
3/17/16
Date

Delaware State Lottery
Signature on File
By: Vernon Kirk
Director
Signature on File
18 MAR 2016
Date
2/18/16
Date

Witness

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AGREEMENT

THIS AGREEMENT ("Agreement") is entered by and between KGM Gaming, LLC, with a principal place of business at 4250 Wissahickon Avenue, Philadelphia, PA, 19129 ("KGM"), and the Delaware State Lottery, an agency created pursuant to 29 Del. - chapter 48, with a principal place of business at 1575 McKee Road, Suite 102, Dover, DE 19904 ("Lottery").

WHEREAS, the Lottery issued a Request for Proposals on April 7, 2015 (the "RFP") to invite interested manufacturers of video lottery terminals to submit proposals for the implementation and operation of Multi-Player Automated Gaming Tables (machines) (hereinafter, as more fully defined in section 1.9 of the RFP);

WHEREAS, KGM submitted to the Lottery its responsive proposal to supply Multi-Player Automated Gaming Tables (the "Proposal") on or about September 10, 2015;

WHEREAS, the Lottery desires to obtain certain services from KGM; and

WHEREAS, KGM desires to provide such services to the Lottery on the terms set forth below;

WHEREAS, the Lottery and KGM represent and warrant that each party has full right, power and authority to enter into and perform under this Agreement;

FOR AND IN CONSIDERATION OF the premises and mutual agreements herein, the Lottery and KGM agree as follows:

1.0 Definitions

Capitalized terms used herein but not otherwise defined herein shall have the meanings set forth in section 1.9 of the RFP, incorporated by reference.

2.0 Lease of Multi-Player Automated Gaming Tables

KGM agrees to lease to the Lottery for an operational term of five (5) years ("Lease Term") the number of Multi-Player Automated Gaming Tables that the Lottery deems appropriate based on the Lottery's goal of maximizing revenue while protecting the public welfare and security of the operations. The Lottery reserves the right to request KGM lease to the Lottery an additional number of Multi-Player Automated Gaming Tables and/or decrease the number of Multi-Player Automated Gaming Tables leased, subject to the terms of this Agreement, the RFP and the Proposal. Multi-Player Automated Gaming Tables will consist of the models as described in KGM's Proposal and any new models that KGM may develop during the term of the Agreement.
2.1 Governing Law

The proposal process, the award procedure, and this Agreement resulting from the RFP shall be governed by the laws of the State of Delaware. The RFP is subject to 29 Del. C. §§4820(b), 6981-82 of the Delaware Code. Any and all litigation arising under the RFP or the Agreement shall be instituted in the appropriate court of the State of Delaware; and, by submitting a proposal, KGM is deemed to waive access to any other court which may have concurrent jurisdiction within or without Delaware.

2.2 Agreement Elements

2.2.1 Any conflict or inconsistency between the provisions of the following documents shall be resolved by giving precedence to such documents in the following order: (a) this Agreement (including any amendments or modifications thereto); (b) the Lottery’s request for proposals, attached hereto as Appendix A; and (c) KGM’s response to the request for proposals, attached hereto as Exhibit B. The aforementioned documents are specifically incorporated into this Agreement and made a part hereof.

2.2.2 The Lottery may, at any time, submit to KGM by written order, a request to make changes in the scope of this Agreement and in the services or work to be performed. The parties agree to make good faith efforts to reach a mutual agreement on any such changes, however, the decision of the Lottery will be final. No services for which additional compensation may be charged by KGM shall be furnished without the written authorization of the Lottery. When the Lottery desires any addition or deletion to the deliverables or a change in the services to be provided under this Agreement, it shall notify KGM, who shall then submit to the Lottery a "Change Order" for approval authorizing said change. The Change Order shall state whether the change shall cause an alteration in the price or the time required by KGM for any aspect of its performance under this Agreement. Pricing of changes shall be consistent with those established within this Agreement. In the event any Change Order(s) are not approved by the Lottery, KGM shall have no obligation to perform under such Change Order(s) for the benefit of the Lottery. Any alterations, variations, changes, modification or waivers of or to provisions of the agreement shall only be valid when they have been reduced to writing and duly executed and approved by each of the parties.

2.2.3 The rights and remedies of the Parties provided for in this Agreement are in addition to any other rights and remedies provided by law.

2.3 Term of Agreement

2.3.1 This Agreement will be in effect for a five (5) year operational term, unless earlier terminated in accordance with the terms of this Agreement (the "Term"). The Agreement will be in effect from the date of execution until March 15, 2021 which the parties expect to be five years after the date of installation and operation of the first new Multi-Player Automated Gaming
Tables under this Agreement.

2.3.2 The Lottery and KGM may, by mutual written agreement, extend this Agreement for up to three, two-year periods, at a rate of compensation mutually agreeable to the parties. Any extension of the Agreement or any notice by the Lottery of intent to solicit new bids must be noticed ninety (90) days prior to the expiration of the Term or at any time mutually agreed upon by both parties.

2.3.3 The Lottery further reserves the right to extend the initial Term, or any renewal term thereof, for ninety (90) day periods, provided that it gives KGM at least sixty (60) day’s written notice prior to the end of such Term, if a different bidder’s machines are chosen for subsequent agreements and KGM’s machines do not meet the requirements of the Lottery.

2.3.4 Exercising this right shall not be construed as obligating the Lottery to repeat the procurement process for any subsequent agreements or conferring any right or expectation for KGM to continue operating their Multi-Player Automated Gaming Tables after the expiration of any such 90 day period.

2.4 KGM’s Responsibilities as Prime Contractor

2.4.1 KGM will assume sole responsibility for delivery, installation and maintenance of all equipment, software and support services offered in its proposal. The Lottery will consider KGM to be the sole point of contact with regard to contractual matters.

2.4.2 It shall be the duty of KGM to assure that all products provided by KGM pursuant to this Agreement are technically sound and in material conformance with all Federal, State and Local statutes, codes, ordinances, resolutions and other regulations applicable to such product. KGM will not knowingly produce a work product that violates or infringes on any copyright or patent rights. KGM shall, without additional compensation, use commercially reasonable efforts to correct or revise any errors or omissions in its work products.

2.4.3 Permitted or required approval by Delaware of any products provided by KGM pursuant to this Agreement or services furnished by KGM shall not in any way relieve KGM of responsibility for the professional and technical accuracy and adequacy of its work. The Lottery’s review, approval, acceptance, or payment for any of KGM’s services herein shall not be construed to operate as a waiver of any rights under this Agreement or of any cause of action arising out of the performance of this Agreement, and KGM shall be and remain liable in accordance with the terms of this Agreement and applicable law for all damages to the Lottery caused by KGM’s performance or failure to perform under this Agreement.

2.4.4 KGM shall appoint a project manager who will manage the performance of services by KGM for the Lottery. All of the services specified by this Agreement shall be performed by the project manager directly, or by KGM’s associates and employees under the personal supervision of the project manager.
2.4.5 KGM agrees that its officers and employees will reasonably cooperate with the Lottery in the performance of services under this Agreement and will be available for consultation with the Lottery at such reasonable times with advance notice as to not conflict with their other responsibilities.

2.4.6 KGM has or will retain such employees as it may need to perform the services required by this Agreement. Such employees shall not be employed by the Lottery or any other political subdivision of Delaware.

2.5 Lottery Responsibilities

2.5.1 The Lottery shall, without charge, furnish to or make available for examination or use by KGM as it may request, any data which the Lottery has available, including as examples only and not as a limitation:

   a. Copies of reports, surveys, records, and other pertinent documents;

   b. Copies of previously prepared reports, job specifications, surveys, records, ordinances, codes, regulations, other document, and information related to the services specified by this Agreement.

KGM shall return any original data provided by the Lottery upon request.

2.5.2 The Lottery shall assist KGM in obtaining data on documents from public officers or agencies and from private citizens and business firms whenever such material is necessary for the completion of the services specified by this Agreement.

2.5.3 KGM will not be responsible for accuracy of information or data supplied by the Lottery or other sources to the extent such information or data would be relied upon by a reasonably prudent contractor.

2.5.4 The Lottery agrees not to use KGM's name, either express or implied, in any of its advertising or sales materials. KGM reserves the right to reuse the nonproprietary data and the analysis of industry-related information in its continuing analysis of the industries covered.

2.6 Independent Contractor

2.6.1 It is understood that in the performance of the services herein provided for, KGM shall be, and is, an independent contractor, and is not an agent or employee of Delaware and shall furnish such services in its own manner and method except as required by this Agreement. KGM shall be solely responsible for, and shall indemnify, defend and save the Lottery and the State of Delaware harmless from all matters relating to the payment of its employees, including compliance with social security, withholding and all other wages, salaries, benefits, taxes,
exactions, and regulations of any nature whatsoever.

2.6.2 KGM acknowledges that KGM and any subcontractors, agents or employees employed by KGM shall not, under any circumstances, be considered employees of Delaware, and that they shall not be entitled to any of the benefits or rights afforded employees of Delaware, including, but not limited to, sick leave, vacation leave, holiday pay, Public Employees Retirement System benefits, or health, life, dental, long-term disability or workers' compensation insurance benefits. Delaware will not provide or pay for any liability or medical insurance, retirement contributions or any other benefits for or on behalf of KGM or any of its officers, employees or other agents.

2.6.3 As an independent contractor, KGM has no authority to bind or commit the Lottery or the State of Delaware. Nothing herein shall be deemed or construed to create a joint venture, partnership, fiduciary or agency relationship between the parties for any purpose.

2.7 Background Investigations

2.7.1 The Lottery may initiate investigations into the backgrounds of any officers, principals, investors, owners, subcontractors, employees, or any other associates of KGM as it reasonably deems appropriate. Such background investigations may include fingerprint identification by the Delaware State Police and the Federal Bureau of Investigation, or the appropriate non-U.S. equivalent, with all investigation expenses to be paid by KGM.

2.7.2 By submission of a proposal, KGM consents to such investigations, and to cooperate with such investigations. The Lottery may reject a proposal or terminate an agreement based upon the results of these background checks.

2.8 Minority/Women-Owned Business Participation

It has been and remains the policy of the State of Delaware to promote equality of economic opportunity for minority and women-owned business enterprises (MBE/WBEs) in contracting activities. Accordingly, KGM is strongly encouraged to utilize MBE/WBE subcontractors in the performance of this Agreement.

2.9 Termination

2.9.1 Termination by default: This Agreement may be terminated in whole or in part by either party in the event of substantial failure of the other party to fulfill its obligations under this Agreement through no fault of the terminating party; but only after the other party is given:

a. Not less than 30 calendar days written notice of intent to terminate; and

b. An opportunity to cure such breach and for consultation with the terminating party prior to termination.
2.9.2 Termination for convenience: This Agreement may be terminated in whole or in part by the Lottery for its convenience, but only after KGM is given:

a. Not less than 30 calendar days written notice of intent to terminate; and
b. An opportunity for consultation with the Lottery prior to termination.

2.9.3 The Lottery may not terminate this Agreement pursuant to this section for the primary purpose of obtaining a more favorable compensation rate from another technology provider or from KGM.

2.9.4 If termination for default is effected by the Lottery, the Lottery will pay KGM that portion of the compensation which has been earned by KGM or otherwise due and payable to KGM as of the effective date of termination but:

a. No amount shall be allowed for anticipated profit on performed or unperformed services or other work, and
b. Any payment due to KGM at the time of termination may be adjusted to the extent of any additional costs incurred by the Lottery by reason of KGM's default.

2.9.5 If after termination for failure of KGM to fulfill contractual obligations and it is determined that KGM has not so failed, the termination shall be deemed to have been effected for the convenience of the Lottery. In the instance of any termination or expiration of this Agreement for convenience by the Lottery, the Lottery will not be released from the obligation to make payment of all amounts then or thereafter due and payable under the terms of this Agreement.

2.9.6 Gratuities.

2.9.6.1 Delaware may, by written notice to KGM, terminate this Agreement if it is found after notice and hearing by the Lottery that gratuities (in the form of entertainment, gifts, or otherwise) were offered or given by KGM or any agent or representative of KGM to any officer or employee of the Lottery with a view toward securing an agreement or securing favorable treatment with respect to the awarding or amending or making of and determinations with respect to the performance of this Agreement.

2.9.6.2 In the event this Agreement is terminated as provided in 2.9.6.1 hereof, the Lottery shall be entitled to pursue the same remedies against KGM it could pursue in the event of a breach of this Agreement by KGM.

2.10 Covenant Against Contingent Fees
KGM warrants that no person or selling agency has been employed or retained to solicit or secure this Agreement upon an agreement or understanding for a commission, or a percentage, brokerage or contingent fee. For breach or violation of this warranty, the Lottery shall have the right to annul this agreement without liability or at its discretion deduct from the agreement price or otherwise recover the full amount of such commission, percentage, brokerage or contingent fee.

2.11 Accounting Records

KGM is required to maintain books, records and all other evidence pertaining to this Agreement in accordance with generally accepted accounting principles (GAAP) and such other procedures specified by the Lottery. These records shall be available to the Lottery, and it's internal or external auditors (and other designees) upon request, and at mutually convenient times during the Term, and for three (3) full years from the expiration date and/or final payment under this Agreement, whichever is later.

2.12 Audit Requirements

KGM must meet the following specific auditing obligations during the Term of this Agreement:

a. KGM will have a complete financial audit conducted annually. A copy of KGM's certified financial statements shall be provided to the Lottery annually.

b. In addition, a complete internal control audit of KGM's Delaware operations may be required by the Lottery, to be conducted annually by an independent certified public accounting firm. This audit shall be conducted pursuant to Statement on Auditing Standards No. 70, as issued by the American Institute of Certified Public Accountants. The Lottery reserves the right to specify the type of report and the control objectives to be examined. The Lottery also reserves the right to approve the accounting firm chosen to perform the internal control audit and reserves the right to designate the annual period to be covered by the report and the date by which the report is due. "Delaware operations" refers to local and corporate support of this Agreement, not including KGM's business in general.

c. The Lottery reserves the right to require the first internal control audit to be conducted within 90 days of installation of KGM's first machine.

d. Both the aforementioned types of audits shall be conducted at the expense of KGM.

e. The Lottery's certified public accounting firm or other designate will be given the right to review the work papers of these audits, if considered necessary by the Lottery.

f. The Lottery and its independent certified public accountants shall be given a copy of all
reports including any management letters issued as a result of the specified audits.

g. KGM is required to provide, upon request, copies of filings to the Securities and Exchange Commission.

2.13 Right to Additionally Audit KGM’s Delaware Operations

The Lottery reserves the right to audit KGM’s records and operations as they relate to Delaware. Such audits may be conducted by the Lottery’s own auditors or an independent firm specified by the Lottery, upon prior written notice to KGM and at mutually convenient times.

2.14 Authority of the Lottery

On all questions concerning the interpretation of specifications, the acceptability and quality of material furnished and/or work performed, the classification of material, the execution of the work, the assessment of liquidated damages, and the determination of payment due or to become due, the decision of the Lottery shall be final and binding.

2.15 Cooperation of the Parties

KGM and the Lottery agree that their officers and employees will cooperate fully in the performance of services under this Agreement and will be available for consultation at such reasonable times with advance notice as to not conflict with their other responsibilities. Neither party will unreasonably withhold its approval of any act or request of the other to which its approval is necessary or desirable.

2.16 Indemnification

2.16.1 KGM shall indemnify and hold harmless the Lottery, the State, its agents and employees, from any and all liability, suits, actions or claims, together with all reasonable costs and expenses (including attorneys’ fees) directly arising out of (A) the negligence or other wrongful conduct of KGM, its agents or employees, or (B) KGM’s or its subcontractor’s negligent performance of any work, duties, responsibilities, actions or omissions not cured after due notice and opportunity to cure, provided as to (A) or (B) that (i) KGM shall have been notified promptly in writing by the Lottery of any notice of such claim; and (ii) KGM shall have the sole control of the defense of any action on such claim and all negotiations for its settlement or compromise., and (iii) such claim shall not be due to the negligence or willful misconduct of the Lottery, the State or their respective agents or employees.

2.16.2 If the Lottery promptly notifies KGM in writing of a third party claim against the Lottery that any deliverable infringes a copyright or a trade secret of any third party, KGM will defend such claim at its expense and will pay any costs or damages that may be finally awarded against the Lottery. KGM will not indemnify the Lottery, however, if the claim of infringement is caused by (1) the Lottery’s misuse or modification of the deliverable; (2) the Lottery’s failure to
use corrections or enhancements made available by KGM; (3) the Lottery’s use of the deliverable in combination with any product or information not owned or developed by KGM; (4) the Lottery’s distribution, marketing or use for the benefit of third parties of the deliverable or (5) information, direction, specification or materials provided by a third party. If any deliverable is, or in KGM’s opinion is likely to be, held to be infringing, KGM shall at its expense and option either (a) procure the right for the Lottery to continue using it, (b) replace it with a noninfringing equivalent, (c) modify it to make it noninfringing. The foregoing remedies constitute the Lottery’s sole and exclusive remedies and KGM’s entire liability with respect to infringement.

2.16.3 The Lottery agrees that KGM’s total liability to the Lottery for any and all damages whatsoever arising out of or in any way related to this Agreement from any cause, including but not limited to agreement liability or KGM negligence, errors, omissions, strict liability, breach of agreement or breach of warranty shall not, in the aggregate, exceed fees paid to KGM.

2.16.4 In no event shall KGM be liable for special, indirect, incidental, economic consequential or punitive damages, including but not limited to lost revenue, lost profits, replacement goods, loss of technology rights or services, loss of data, or interruption or loss of use of software or any portion thereof regardless of the legal theory under which such damages are sought, and even if KGM has been advised of the likelihood of such damages.

2.17 Bonds and Insurance

All required bonds and insurance must be issued by companies which are at least ‘A’ rated by A.M. Best & Co., are duly licensed, admitted, and authorized to do business in the State of Delaware and are acceptable to the Lottery. Required coverage must be put into effect before any machines are provided pursuant to this agreement and must remain in effect as long as KGM has machines in place. KGM must submit copies of each required insurance contract or certificates attesting to such insurance coverage, and any renewals thereof, to the Lottery. The Lottery must receive thirty (30) days advance written notice of cancellation, termination, or failure to renew any policy.

KGM shall purchase adequate insurance for the performance of the agreement and, by submission of a bid, agrees to indemnify and save harmless and to defend all legal or equitable actions brought against the State, any agency, officer and/or employee of the State, for and from all claims of liability which is or may be the result of KGM’s actions during the performance of the agreement. The purchase or nonpurchase of such insurance or the involvement of KGM in any legal or equitable defense of any action brought against KGM based upon work performed pursuant to the agreement will not waive any defense which the State, its agencies and their respective officers, employees and agents might otherwise have against such claims, specifically including the defense of sovereign immunity where applicable, and the State and all agencies, officers and employees thereof shall not be financially responsible for the consequences of work performed, pursuant to said agreement.
2.17.1 Insurance

KGM shall purchase and maintain insurance for claims set forth below which may arise out of or result from KGM’s operations under the Agreement, whether such operations be by KGM or by any subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

a. Claims under workers’ compensation, disability benefit and other similar employee benefit acts per statute in each state in which KGM does business

b. Claims for damages because of bodily injury, occupational sickness or disease, or death of KGM’s employees

c. Claims for damages because of bodily injury, sickness or disease, or death of any person other than KGM’s employees

d. Claims for damages because of injury to or destruction of tangible property, including loss of use resulting there from

e. Comprehensive General Liability Insurance coverage with limits of not less than $1,000,000.

f. Property Insurance on all buildings, furniture, fixtures, computer and communications equipment used in operating and supporting the Multi-Player Automated Gaming Tables in an amount equal to or greater than the actual replacement cost thereof. Coverage shall include an All Risk Property Floater to insure personal property including contents, equipment, and mobile items against fire, theft, collision, and flood. The State of Delaware, the Lottery, and Lottery agents will not be responsible for insuring any equipment or facilities included in or associated with the agreement.

g. Automotive Liability Insurance covering drivers and vehicles employed in connection with the operation of the Agreement with limits of not less than $300,000 for personal injury to each person and $25,000 for property damage

h. Professional Liability/Errors and Omissions/Product Liability Insurance with limits of not less than $1,000,000 per claim, to be in force and effect at all times which will indemnify KGM and the Lottery for direct loss which may be incurred due to any error caused by KGM, its officers, employees, agents, subcontractors or assigns regardless of negligence

A STATEMENT OF SELF-INSURANCE TO COVER THE ABOVE REQUIREMENTS SHALL BE CONSIDERED NON-RESPONSIVE.
2.17.1.1 Errors and Omissions Insurance must continue until one year past the term of the Agreement if KGM has machines in place. All other insurance covered by this section must be effective when performance commences under the Agreement and continue as long as KGM has machines in place.

2.17.1.2 Certificates of insurance must be furnished to the Lottery Director prior to installation of the first machine.

2.17.1.3 The required insurance coverage shall be written for not less than any limits of liability as required by the Agreement, and shall include contractual liability as applicable to KGM's obligations under the Indemnification clause of the agreement.

2.17.1.4 In no event shall the State of Delaware be named as an additional insured on any policy required by this agreement.

2.17.2 Litigation Bond

KGM must maintain a litigation bond in the amount of $250,000. A claim upon the bond may be made by the Lottery if the following two conditions are met:

a. KGM sues the Lottery, the State of Delaware, or any of their officers, employees, or agents with regard to any matter relating to the award of agreements pursuant to the RFP.

b. The Lottery is the prevailing party in such suit.

2.17.2.1 The purpose of the bond is to discourage unwarranted litigation by permitting the Lottery to recover damages, including reasonable attorneys' fees, resulting from such litigation. The litigation bond shall remain in effect for a period of two (2) years from the date of proposal submission.

2.17.2.2 Upon execution of this Agreement, the litigation bond may be released with the approval of the Lottery if KGM completes a covenant not to sue.

2.18 Liquidated Damages

KGM acknowledges:

a. If KGM does not fulfill the obligations of the Agreement, damage to the Lottery will result. Establishing the precise value of such damage would be costly, difficult, and time consuming.

b. The liquidated damage amounts specified herein are good faith efforts to quantify
the damages that could be reasonably anticipated at the time of the making of the Agreement.

c. The Lottery may, therefore, in its discretion, deduct liquidated damages set forth in Sections 2.18.7 through 2.18.13 from the compensation otherwise due to KGM. All assessments of liquidated damages shall be within the discretion of the Lottery and shall be in addition to, and not in lieu of, the right of the Lottery to terminate the Agreement or to pursue other appropriate remedies.

d. The Lottery shall notify KGM in writing of the assessment of liquidated damages for any default specified herein and payment of such damages shall be initiated within thirty (30) days of receipt of the assessment notice by deducting such damages from the compensation otherwise due to KGM. If timely payment is not made, the Lottery may collect such damages by making a claim against the professional liability insurance or by any other lawful method.

e. Excessive liquidated damages, and events leading to such, in the sole discretion of the Lottery, may be grounds for termination of the agreement. Any chronic offender who continually incurs liquidated damages in the sole discretion of the Lottery would be subject to excessive liquidated damages. KGM will be given ample written notice by the Lottery if they reach the point where excessive liquidated damages would be considered.

2.18.1 Notification of Liquidated Damages

All assessments of liquidated damages shall be made by the Lottery Director. Upon determination that liquidated damages are to be or may be assessed, the Lottery shall notify KGM of the potential assessment in writing.

2.18.2 Conditions for Termination of Liquidated Damages

As determined appropriate by the Director, the following are the conditions under which KGM may obtain relief from the continued assessment of liquidated damages that have been imposed by the Lottery:

a. Except as waived in writing by the Director, no liquidated damages imposed shall be terminated or suspended until KGM issues a written notice verifying the correction of the condition(s) for which liquidated damages were imposed, and all the corrections have been subjected to system testing or other verification at the reasonable discretion of the Director.

b. If appropriate, KGM shall conduct systems testing of any correction as the Director deems necessary. Such testing shall be developed jointly by the Lottery and KGM, and approved by the Lottery, including the test script, test
environment, and test results.

c. The documentation necessary for verification and approval shall be determined by the Director. The Director shall be the sole judge of the accuracy of any documentation provided.

d. KGM's notice of correction will not be accepted until the correction is verified by the Lottery.

2.18.3 Severability of Individual Liquidated Damages

If any portion of the liquidated damages provisions is determined to be unenforceable in one or more applications, that portion remains in effect in all applications not determined to be invalid and is severable from the invalid applications. If any portion of the liquidated damages provisions is determined to be unenforceable, the other provision or provisions shall remain in full force and effect.

2.18.4 Waivers of Liquidated Damages

It is expressly agreed that the waiver of any liquidated damages due the Lottery shall constitute a waiver only as to such liquidated damages and not a waiver of any future liquidated damages. Failure to demand payment of liquidated damages within any period of time shall not constitute a waiver of such claim by the Lottery.

2.18.5 Payment of Liquidated Damages

All assessed liquidated damages will be deducted from any moneys owed KGM by the Lottery and in the event the amount due from KGM is not sufficient to satisfy the amount of the liquidated damages, KGM shall pay the balance to the Lottery within thirty (30) calendar days of written notification. If the amount due is not paid in full, the balance will be deducted from subsequent payments to KGM.

2.18.6 Applicability of Liquidated Damages

KGM shall not be required to pay liquidated damages for delays solely due to matters as enumerated in the section entitled "Force Majeure," for outages related solely to regulated communications carriers, due solely to the Lottery's central system provider, nor for time delays specifically due to, or approved by, the Lottery, any action of the State of Delaware or any person or entity acting on its behalf. Liquidated damages will not be assessed in the event the Lottery does not suffer actual damages and will not be assessed solely as a penalty.

2.18.7 Late Installation

If KGM does not have the ordered quantities of machines installed and accepted by the
Lottery by a date specified by the Lottery, the Lottery may assess liquidated damages in the amount of two hundred dollars ($200) per station for each day of delay. The machines will be considered operational when they have been installed, tested and accepted by the Lottery and are ready to be activated by the central computer system for customer play. Any additional shipments of Multi-Player Automated Gaming Tables may be subject to a reasonable penalty schedule to be established by the Lottery, not to exceed amounts set forth in this subsection. The date of installation specified by the Lottery shall be based on an implementation schedule agreed upon between KGM and the Lottery.

2.18.8 Untimely Repair

2.18.8.1 KGM shall ensure that all Multi-Player Automated Gaming Table Stations are repaired or replaced and operational within the "maximum repair time." "Maximum repair time" shall be measured from the time of receipt of a service call, and a repair shall be considered completed when the technician who completed the repair informs the central system provider that the machine is repaired and ready to be activated for play.

2.18.8.2 For the purposes of this provision, "maximum repair time" shall be defined as follows: Two Hours for Multi-Player Automated Gaming Table Station.

2.18.8.3 If machine station maintenance is not completed within the "maximum repair time," liquidated damages may be assessed at the rate of fifty dollars ($50) per hour or a fraction thereof that the station remains unrepai red beyond the "maximum repair time."

2.18.9 Lack of Preventive Maintenance

Each type of machine delivered shall have a preventive maintenance cycle established by KGM and accepted by the Lottery. For each event of neglected preventive maintenance, liquidated damages of one hundred dollars ($100) per station, per day, may be assessed.

2.18.10 Deficient Machine Field Service

2.18.10.1 KGM shall employ sufficient resources and inventory to meet the performance standards for field service specified in this RFP. Within thirty (30) calendar days after notification from the Lottery that a performance standard is not being met, KGM shall employ such additional resources as are necessary to meet the performance standard.

2.18.10.2 If KGM does not bring deficient performance up to the standards specified within thirty (30) calendar days of notification, the Lottery may impose liquidated damages in the amount of one thousand dollars ($1,000) per day until performance is in compliance with the Agreement.

2.18.11 Failure to Provide Enhancements
2.18.11.1 During the term of this Agreement, the Lottery and KGM may agree in writing to a schedule for developing, testing, and implementing or installing a modification or enhancement of an existing game or report or an addition of a new game or report.

2.18.11.2 If KGM fails to meet any date specified in such a schedule, the Lottery may assess liquidated damages of one thousand dollars ($1,000 U.S.) per day for each day of delay regarding the modification, enhancement, or addition of a game and five hundred dollars ($500 U.S.) per day for each day of delay regarding the modification, enhancement, or addition of a report, or other system change.

2.18.12 Unauthorized Modifications

2.18.12.1 KGM shall not modify any software, firmware, or hardware in the machines without the prior written consent of the Lottery; provided however that KGM may make immaterial modifications to the hardware in the Multi-Player Automated Gaming Tables in the ordinary course of business without obtaining the Lottery’s written consent.

2.18.12.2 If an unauthorized modification occurs, the Lottery may assess initial liquidated damages of twenty five thousand dollars ($25,000 U.S.) and additional liquidated damages of five thousand dollars ($5,000 U.S.) per day for each day between the issuance of a removal order and the actual removal of the unauthorized modification and restoration of the device to its previous operating state.

2.18.13 Unauthorized Access

2.18.13.1 KGM shall make all reasonable efforts within their ability to prevent persons not authorized by the Lottery from accessing the machines.

2.18.13.2 If KGM fails to prevent unauthorized access within reason, the Lottery may impose liquidated damages of ten thousand dollars ($10,000 U.S.) for each incident of unauthorized access by an unauthorized person.

2.19 Ownership of Materials and Right of Use

2.19.1 Ownership of all data, documentary material, and operating reports originated and prepared for the Lottery pursuant to this Agreement shall belong exclusively to the Lottery.

2.19.2 Ownership of the Multi-Player Automated Gaming Table equipment, software and/or software license shall be retained by KGM both during the course of the Agreement and at the close of the Agreement or any extension thereto.

2.19.3 If for any reason other than a breach of agreement by the Lottery, KGM loses the ability to comply with the terms of the Agreement, the Lottery shall retain the right to use the equipment, source program instructions and documentation for those items owned by KGM and
that are necessary to provide contractual services. Said right shall be limited to the right of the Lottery to possess and make use of such solely for the use and benefit of the Lottery in maintaining, altering and improving the operational characteristics of the programs and systems being used under the Agreement.

2.19.4 If the Lottery exercises its right to use the agreement items, all software programs, documentation, operating instructions, hardware, and the like, including modifications or alterations thereof, shall be kept in confidence and shall be returned together with all copies to KGM when their use has been completed.

2.20 Game Playing and Prize Payment Restrictions

No officer or employee of KGM or of any subcontractor or owner of a 10% or greater share of either who is involved in Delaware operations shall play the video lottery games of the Delaware State Lottery or be paid a prize in any video lottery game. KGM shall ensure that this requirement is made known to each officer and employee of KGM and of any subcontractor.

2.21 Force Majeure

2.21.1 A Force Majeure occurrence is an event or effect that cannot be reasonably anticipated or controlled. As herein used, Force Majeure means acts of war, terrorism, action of the elements, governmental interference, rationing, or any other cause which is beyond the control of the party affected and which by the exercise of reasonable diligence said party is unable to prevent.

2.21.2 Neither KGM nor the Lottery shall be liable to the other for any delay in or failure of performance under the Agreement due to a Force Majeure occurrence. Any such delay in or failure of performance shall not constitute default or give rise to any liability for damages. The existence of such causes of such delay or failure shall extend the period for performance to such extent as determined by the Lottery Director to be necessary to enable complete performance by KGM if reasonable diligence is exercised after the cause of delay or failure has been removed.

2.21.3 If Force Majeure conditions for KGM shall be expected to continue unabated for an indefinite period and KGM cannot service the Agreement, the Lottery retains the right to operate the machines (see RFP 2.19) and/or to terminate the Agreement so that business continuity can be restored.

2.22 Security Program

2.22.1 Prior to operations under the Agreement, KGM shall establish a physical and software security program for its equipment, subject to the prior written approval of the Lottery.

2.22.2 The Lottery reserves the right to require at any time such further and additional security measures as deemed reasonably necessary or appropriate to ensure the integrity of the
equipment or the games.

2.22.3 The Lottery reserves the right, at any time and without prior notice, to inspect and otherwise evaluate all phases of performance specified in the Agreement and the premises in which such work is performed.

2.23 Taxes, Fees and Assessments

2.23.1 KGM shall pay all taxes, fees and assessments upon the machines, however designated, levied or based.

2.23.2 Delaware is a sovereign entity and shall not be liable for the payment of federal, state and local sales, use and excise taxes, including any interest and penalties from any related deficiency, which may become due and payable as a consequence of the Agreement.

2.24 News Releases

KGM shall not issue any news releases pertaining to the award of or performance of the Agreement without prior approval by the Lottery, and then only in cooperation with the Lottery.

2.25 Advertising

KGM agrees not to use the Lottery's name, logos, images, nor any data or results arising from the RFP process or this Agreement as a part of any commercial advertising without prior written approval by the Lottery.

2.26 Hiring of Lottery Personnel

At all times during the proposal evaluation period and continuing for one year following either the award of agreements or the rejection of all proposals, KGM is prohibited from officially or unofficially making any employment offer or proposing any business arrangement whatsoever to any Evaluation Committee personnel, advisors and Lottery employees involved in the evaluation of proposals, the agreement awards, or agreement negotiations. Knowingly making such an offer or proposed business arrangement may result in the termination of this Agreement.

2.27 Code of Conduct

The Delaware State Lottery is an extremely sensitive enterprise because of the nature of the business and because it is government-affiliated. Therefore, it is essential that its operation, and the operation of other enterprises that would be linked to it in the public mind, avoid not only impropriety but also the appearance of impropriety. Because of this, KGM is expected to:

a. Offer goods and services only of the highest standards;
b. Use its best efforts to prevent the industry from becoming embroiled in unfavorable publicity;

c. Make sales presentations in a responsible manner. When pointing out the perceived superiority of their goods or services over those of competitors, KGM shall do so in such a manner as to avoid unfavorable publicity for the industry;

d. Avoid promotional activities which could be interpreted as improper and provide embarrassment to the industry;

c. Report security problems or potential security problems immediately and only to the Lottery or as otherwise required by law;

f. Comply with all Video Lottery Regulations.

2.28 Tests Following Award

a. Certification Tests. The Lottery requires that the game algorithms be certified by an independent laboratory (Gaming Laboratories International and BMM Testing labs are currently approved by the Lottery). KGM must cooperate in submitting chips and/or other appropriate materials for the testing. Certification is an expense that must be borne by KGM.

b. Functional Tests. The Lottery will conduct a series of acceptance tests to fully determine KGM's communication functionality with the Lottery's central system. Failure of KGM to pass these tests may result in KGM paying liquidated damages. Cooperation of KGM in these tests is required. KGM will not be responsible for expenses resulting from this form of testing.

The machines will be tested for each and every requirement in the RFP. KGM's assistance in arranging tests will be necessary. The Lottery, at its sole discretion, will determine whether performance against the acceptance tests is adequate, and installation can proceed.

2.29 End of Agreement Activity

At the end of this Agreement, the Lottery shall identify the milestones, dates of conversion and removal of all equipment and material from each Agent location for Multi-Player Automated Gaming Tables based on a schedule that is agreed upon between KGM and the Lottery that is fair and reasonable. KGM shall cooperate fully and in good faith in said conversion.

2.30 Funding Out Clause
If sufficient funds are not appropriated by the Delaware General Assembly or other appropriate Federal or State agency to sustain, in whole or in part, the Lottery's performance under this Agreement, or if such support is reduced such that it is insufficient to sustain said performance, then the Agreement shall be null and void at the insistence of the Lottery. The Lottery's termination of this Agreement under this section shall not relieve the Lottery of its obligations to pay KGM for services performed and amounts due through the date of termination, or limit KGM's legal rights to pursue appropriate legal recourse in a proper forum for money's claimed to be due and owed by the Lottery under this Agreement.

2.31 Equipment and Software Changes and Upgrades

2.31.1 KGM's services shall include software changes, including fixes to all software errors and design defects, improved versions of the software, software enhancements and new gaming features, software changes for promotions, new games from KGM's library, new games defined by the Lottery, and changes to reports. KGM is further required to maintain the machine software with supported releases for any third party products incorporated. All these changes and upgrades shall be included in KGM's base price.

2.31.2 Changes and enhancements that exceed agreement-specified requirements (and which are not otherwise accommodated by the above or by the pricing method in RFP Part 4) will have the terms and price negotiated.

2.31.3 Any equipment made available to any of KGM's other clients with respect to Multi-Player Automated Gaming Tables shall also be made available to the Lottery.

2.32 Authority of Lottery

On all questions concerning the interpretation of specifications, the acceptability and quality of material furnished and/or work performed, the classification of material, the execution of the work, the assessment of liquidated damages and the determination of payment due or to become due, the decision of the Lottery shall be final and binding.

2.33 Lottery Approval of Staffing

The Lottery reserves the right to review and if reasonably perceived necessary, reject an employee's assignment to this Agreement, either at Agreement inception or during the Term. In addition, the Lottery may require KGM to provide minimum levels of staffing or service to meet the requirements as set out in this Agreement.

2.34 Subcontract Approval

Any proposed subcontracts shall be subject to the prior approval of the Lottery and shall include such contracting and purchasing requirements as shall be binding on agencies of the State of Delaware. The proposal and agreement shall identify proposed subcontractors by name.
2.35 Compensation During Agreement

KGM will be compensated by the Lottery based on management and accounting reports generated by central system data. Method of payment will be via weekly electronic funds transfer, based on a percentage of net proceeds generated by KGM's Multi-Player Automated Gaming Tables.

2.36 Replacement of Under-Performing Multi-Player Automated Gaming Tables

2.36.1 The purpose of installing Multi-Player Automated Gaming Tables is to maximize revenues for the Lottery. If it becomes clear that a population of KGM machines is under-performing with regard to generating net proceeds, the Lottery reserves the right to alter the mix of Multi-Player Automated Gaming Tables. The following procedure will apply for determining the need for, and carrying out of, replacement of under-performing KGM machines:

a. The Lottery shall maintain records that define the performance of Multi-Player Automated Gaming Tables. The reports will apply to the overall population of Video Lottery Terminals, to the overall population of Multi-Player Automated Gaming Tables and to Multi-Player Automated Gaming Tables provided by individual successful bidders.

b. For comparison purposes, the Lottery will use a rolling eight (8) week review of performance data for identifying under-performing Multi-Player Automated Gaming Tables. The Lottery will exercise several tests of the following nature based on the results of these reviews, including:

1. If a group of similar Multi-Player Automated Gaming Table Stations from KGM is under-performing average net proceeds of the total Video Lottery Terminal population by 10% or more

2. If a group of Multi-Player Automated Gaming Tables from KGM is under-performing the average net proceeds of the overall population of Multi-Player Automated Gaming Tables

3. If a group of Multi-Player Automated Gaming Tables from KGM is under-performing the average net proceeds of a comparably-located set of Multi-Player Automated Gaming Tables by 10% or more

c. As a result of such performance tests the Lottery will make a determination whether the group of Multi-Player Automated Gaming Tables is "under-performing" and correction or replacement is prudent.

d. For a group of Multi-Player Automated Gaming Tables determined to be "under-
performing," KGM shall have thirty (30) days in which to perform adjustments that are acceptable to the Lottery. At the end of the afforded adjustment period the machines will be monitored for forty-five (45) days. If the adjustments include the replacement of machines, then KGM shall have forty-five (45) days in which to physically replace them after which they will be monitored for forty-five (45) days.

e. If the “under-performing” tests still indicate that the population is “under-performing,” then the Lottery reserves the right to order that those Multi-Player Automated Gaming Tables be removed within thirty (30) days. The Lottery may then opt to replace the removed machines with Multi-Player Automated Gaming Tables from KGM or a different successful bidder, based on favorable net proceeds experience as determined from the performance reviews described above, or other selection criteria.

2.36.2 For removed Multi-Player Automated Gaming Tables, KGM shall receive no further compensation from the Lottery, either related to net proceeds or to the effort and/or expense of removal. For removed machines, the Lottery will award those as necessary to other successful bidders pursuant to 29 Del. C. §4820(b).

2.37 Reduction of Multi-Player Automated Gaming Tables

It is the Lottery’s intent to maintain a sufficient number of Multi-Player Automated Gaming Tables at each Agent’s location to maximize revenues for the Lottery while maintaining the highest possible performance levels in the most efficient manner possible. In the event it becomes necessary to reduce the number of machines at any of the Agents’ locations, the Lottery reserves the right to remove machines based on performance levels of similar machines and to distinct groups within the population of similar machines, as determined by the rolling eight (8) week review of performance data as described in section 2.36.

2.38 Patent/Copyright Infringement Indemnification

2.38.1 KGM shall provide for the use of any patented design, material, or process to be used or furnished under this Agreement by suitable legal agreement with the patentee or owner, and shall file a copy of any necessary agreements with the Lottery upon request. KGM shall have the obligation to ensure that the use of materials does not infringe on copyright, trademark, or other intellectual property rights of third parties. This may require KGM to obtain permission for use, including payments made for such, to third parties. In particular, KGM is required to pay all franchise and/or licensing fees for use of games employing symbols or names involving intellectual property rights of third parties.

2.38.2 KGM shall indemnify, defend and hold harmless the Lottery, State of Delaware, its employees and agents from and against all losses, liabilities, damages (including taxes), and all related costs and expenses (including, but not limited to, reasonable attorneys’ fees and disbursements and costs of investigation, litigation, settlement, judgments, interest and
penalties), incurred in connection with any action or proceeding threatened or brought against
the State to the extent that such action or proceeding is based on a claim that any piece of
equipment, software, commodity or service supplied by KGM or its subcontractors, or the
operation of such equipment, software, commodity or service, or the use or reproduction of any
documentation provided with such equipment, software, commodity or service, infringes any
United States or foreign patent, copyright, trade secret or other proprietary right of any person or
entity, which right is enforceable under the laws of the United States; provided that (i) Lottery
shall give KGM written notice of any allegation of infringement as soon as it is received, (ii)
KGM shall have sole control of the defense of any such action, claim or demand and of all
negotiations for its settlement or compromise, and (iii) Lottery shall cooperate with KGM’s
efforts to defend against such claim and facilitate the settlement or defense of such claim or
demand. The foregoing indemnification obligation will not apply to the extent the infringement
arises as a result of (a) any use of the equipment, software, commodity or service in combination
with other products, equipment, devices, software, systems or data not supplied by or on behalf
of KGM or referenced in the documentation provided by KGM as being permissible; (b) any
alteration, modification or customization of the equipment, software, commodity or service made
by any party other than KGM or KGM’s authorized representative or; (c) the unlicensed use of
the equipment, software, commodity or service by Lottery. If the equipment, software,
commodity or service or any portion thereof is held, or is in KGM’s reasonable opinion likely to
be held, to constitute an infringement of a third party’s rights, KGM shall, at its election and
expense, either (i) procure the right to use the infringing element of the equipment, software,
commodity or service, or (ii) replace or modify the element of the equipment, software,
commodity or service so that the infringing portion is no longer infringing and still performs the
same function, without any material loss of functionality, performance and value thereof to
Lottery and shall make every reasonable effort to correct the situation with minimal effect upon
the operations of Lottery. If neither of the foregoing remedies is reasonably and promptly
available, Lottery may, at its option, terminate the Agreement. This Section states Lottery's sole
and exclusive remedy, and KGM's exclusive liability for any claim of infringement or
misappropriation or any other duty or claim related to such equipment, software, commodity or
service.

2.38.3 Should patentable or licensable designs, devices, materials, or processes arise from
KGM’s work under this Agreement, KGM shall retain the right to possess, develop, and
commercialize such items. The Lottery shall be granted the right or license to employ said items
indefinitely in the execution of Lottery business; however, the Lottery shall not license,
distribute, or otherwise commercialize such items.

2.39 Licensing as a Gaming Vendor

The Lottery can make an award only to vendors that obtain a Gaming Vendor license,
pursuant to 29 Del. C. §4805(a)(17). The denial of a license application will result in the
elimination of KGM as a technology provider regardless of the recommendations or findings of
the Lottery Evaluation Committee or the Lottery Director. The failure of KGM to maintain its
status as a licensed Gaming Vendor during the term of the Agreement will result in the
termination of the Agreement. KGM must reimburse the Lottery for the cost of periodic background checks related to licensing. KGM currently holds a Gaming Vendor license in good standing with the Lottery and is not required to obtain an additional license.

2.40 Removal of Unapproved Equipment and Loss of License

Any Multi-Player Automated Gaming Table from KGM that does not conform to machines previously provided by KGM for testing and acceptance will be disconnected. If any modification to a Multi-Player Automated Gaming Table that has not been approved by the Lottery is supplied by KGM and operated by a Video Lottery Agent, the Lottery shall disconnect all of KGM's Multi-Player Automated Gaming Tables and may suspend its Gaming Vendor License.

2.41 Assignment

This Agreement may not be assigned, transferred, conveyed, sublet, or otherwise disposed of without previous written approval of the Lottery. Any purported assignment in violation of this section shall be null and void. Further, KGM may not assign the right to receive moneys due under the Agreement without the prior written consent of the Lottery.

2.42 Confidential Information

2.42.1 KGM, its officers, employees, agents, representatives, and subcontractors, shall not disclose to any other person or entity any non-public information pertaining to the Lottery's methods, systems, programs, procedures, or operations at any time without prior written approval of the Lottery, except as may be necessary in its performance of the Agreement. The Lottery, its officers, employees, agents, representatives, and contractors, to the extent permitted by law shall not disclose to any other person or entity any confidential, secret, or proprietary information or know-how, concerning the equipment, programming, software, trademarks, trade or commercial secrets, of KGM or its subcontractors, except as may be necessary in its performance of the Agreement.

2.42.2 In the event that any demand, claim, action, or proceeding of any nature whatsoever is made, asserted, or instituted that has as its purpose or object, or may have as its consequence, the disclosure to any person of any of the information referred to herein, each party shall immediately: notify the other party thereof; and, if legal action is successfully taken by a party to prevent disclosure, the other party shall not disclose such information unless, until, and only to the extent required to do so, by the final order of a judicial, legislative, executive or administrative authority having actual jurisdiction thereof.

2.43 Scope of Agreement

If the scope of any provision of this Agreement or the RFP are declared to be too broad in any respect whatsoever to permit enforcement to its full extent, then such provision shall be
enforced to the maximum extent permitted by law, and the Lottery and KGM each hereto consents and agrees that such scope may be judicially modified accordingly and that the whole of such provisions of this Agreement or the RFP shall not thereby fail, but the scope of such provisions shall be curtailed only to the extent necessary to conform to law.

2.44 Statutory Provisions

2.44.1 The Lottery may require KGM to execute truth-in-negotiation certificates stating that the prices bid and other costs supporting the compensation are accurate, complete, and current at the time of contracting. Under 29 Del. C. §6982(b)(3), the original contract price and any additions thereto shall be adjusted to exclude significant sums where the Lottery determines the agreement price was increased due to inaccurate, incomplete, or noncurrent price information. All such agreement adjustments shall be made within one (1) year following the end of the agreement.

2.44.2 No Agreement shall be executed until KGM has provided the Lottery with its taxpayer identification number or its Delaware business license number.

2.45 Miscellaneous Provisions

2.45.1 In performance of this Agreement, KGM shall comply in all material respects with all applicable federal, state and local laws, ordinances, codes and regulations. KGM shall solely bear the costs of permits and other relevant costs required in the performance of this Agreement.

2.45.2 Neither this Agreement nor any appendix may be modified or amended except by the mutual written agreement of the parties. No waiver of any provision of this Agreement shall be effective unless it is in writing and signed by the party against which it is sought to be enforced.

2.45.3 The delay or failure by either party to exercise or enforce any of its rights under this Agreement shall not constitute or be deemed a waiver of that party's right thereafter to enforce those rights, nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right.

2.45.4 KGM covenants that it presently has no interest and that it will not acquire any interest, direct or indirect, which would conflict in any manner or degree with the performance of services required to be performed under this Agreement. KGM further covenants, to its knowledge and ability, that in the performance of said services no person having any such interest shall be employed.

2.45.5 KGM acknowledges that the Lottery has an obligation to ensure that public funds are not used to subsidize private discrimination. KGM recognizes that if they refuse to hire or do business with an individual or company due to reasons of race, color, gender, ethnicity, disability, national origin, age, or any other protected status, the Lottery may declare KGM in breach of the Agreement, terminate the Agreement, and designate KGM as non-responsible.
2.45.6 This Agreement was drafted with the joint participation of both parties and shall be construed neither against nor in favor of either, but rather in accordance with the fair meaning thereof.

3.0 Services

3.1 Delivery

3.1.1 The machines to be delivered to the Lottery are described in KGM's proposal. The allocation as to locations of the machines shall be determined by the Lottery. KGM shall be responsible for the assembly and initial operation of the machines and all associated equipment in a manner to be approved by the Lottery. The machines are to be delivered and installed at the direction of the Lottery to the Premises of any one or more of the following Video Lottery Agents in Delaware: Delaware Park in Wilmington, Dover Downs in Dover, Harrington Raceway in Harrington, or any other locations authorized by the Lottery.

3.1.2 KGM also agrees to deliver up to two machines of each machine model to the offices of Scientific Games, located at 1575 McKee Road, Suite 101, Dover, DE for the purpose of acceptance testing as previously described in Section 2.28. KGM also agrees to provide sufficient machine parts and sufficient information as is required for performance of necessary testing by either Gaming Laboratories International ("GLI"), 600 Airport Road, Lakewood, New Jersey or BMM Testlabs, 815 Pilot Road, Suite G, Las Vegas, Nevada.

3.1.3 KGM agrees that the technical specifications detailed in the RFP and this Agreement must be met before the Multi-Player Automated Gaming Tables are approved for use in Delaware.

3.1.4 All game software must be approved and certified by an independent testing laboratory licensed with the Lottery (currently GLI or BMM). KGM will be responsible for the costs of independent testing.

3.2 Gaming System Training Program

KGM shall provide training for Agent, subcontractor and/or Lottery staff in the operation of their machines. KGM must provide the materials, equipment, and personnel for this training effort. Training must be conducted on-site at each of the three (3) Agent locations.

3.3 Gaming Systems Field Maintenance Program

It is recommended that KGM maintain a maintenance center and depot in the state to fully support the maintenance and repair program and provide spare parts and technical services to maintain the machines.

3.3.1 KGM will be required during any service call to routinely check mechanical security,
safety, electronic reader, and any other attachments provided by KGM. KGM shall be responsible for maintaining the Multi-Player Automated Gaming Tables in the highest level of appearance including, but not limited to, cleaning of equipment and a refurbishing of covers.

3.3.2 KGM shall be responsible to determine that all gaming machines are operable and shall take positive action when hardware malfunction is indicated to ensure that the affected machine is returned to an operational state within the required time as defined in this Agreement. In all cases, the Lottery reserves the right to make the determination as to whether a Multi-Player Automated Gaming Table is operable and whether KGM responded within the time period specified.

3.3.3 Operating and service manuals for all gaming machines shall be kept updated and accessible to the Lottery.

3.3.4 KGM shall maintain an adequate supply of parts to sustain the service of machines that it has supplied and/or is required to maintain.

3.3.5 KGM shall maintain and manage a data base and reporting system that fulfills the following criteria:

   a. Tracking and various reporting of all Multi-Player Automated Gaming Tables and other problems whether or not actual problems were found. Records on any particular machine serial number must be maintained for up to three (3) years after their permanent removal from Delaware and must include machines in reserve or returned for maintenance.

   b. Information for various reports is to be available in real time. The real time retrieval will not be limited to inquiries for the current day only but must include up to twelve (12) months of activity by date.

   c. Various reports shall include, but are not limited to:

      1) By Licensed Agent for a given period
      2) By part or component
      3) Others as defined by the Lottery

   d. Data shall include, but not be limited to:

      1) Machine serial number.
      2) Component, sub-component, part identifiers.
      3) Time and date of reported problem.
      4) Nature of problem reported.
      5) Field service person identifier.
      6) Problem resolution and date and time.
7) Elapsed time for notification to completed repair (down time).

3.4 Technical Support Services

3.4.1 KGM shall identify at least one staff member to have priority for Delaware service relative to all related aspects of Multi-Player Automated Gaming Table operations during the Term of this Agreement. This responsibility includes the software and mechanical engineering of the products.

3.4.2 KGM shall have at least one service technician present at each of the Video Lottery Agents' locations during all operational hours. Technicians must be authorized and capable of conducting all maintenance requirements for KGM's machines. The Lottery may require KGM to provide minimum levels of on-site staffing based on the number of machines an individual technician is responsible for, day of the week, time of day, etc. Any exceptions to this requirement must be approved in advance by the Lottery.

4.0 Compensation

The Lottery agrees to compensate KGM by weekly payments for the leased Multi-Player Automated Gaming Tables according to the following schedule:

For the period from the commencement of this Agreement and through the subsequent five (5) year initial term of the Agreement, the Lottery agrees to compensate KGM by weekly payments equal to the following;

a. Sixteen percent (16.00%) of the net proceeds of each Royal Derby Multi-Player Automated Gaming Table leased by KGM to the Lottery

b. Eleven percent (11.00%) of the net proceeds of all other Multi-Player Automated Gaming Tables leased by KGM to the Lottery (Roulette, Blackjack, Craps, SicBo, Baccarat and any other future game offering)

Net proceeds are to be determined in accordance with the definition set forth in the RFP.

5.0 Amendments/Merger

This Agreement constitutes the entire Agreement between the Lottery and KGM with respect to the subject matter hereof. The Agreement may be amended only by the signed, written agreement of both parties thereto.

6.0 Release of Bond

Pursuant to section 2.17.2 of the Agreement, the Lottery agrees to release the litigation
bond after this Agreement is signed by both parties should KGM complete a covenant not to sue.

7.0 Assignment of Antitrust Claims

As consideration for the award and execution of this agreement by the Lottery, KGM hereby grants, conveys, sells, assigns, and transfers to the Lottery all of its right, title and interest in and to all known or unknown causes of action it presently has or may now or hereafter acquire under the antitrust laws of the United States and the State of Delaware, relating to the particular goods or services purchased or acquired by the Lottery pursuant to this agreement.

8.0 Benefit

This Agreement is solely for the benefit of the Lottery and KGM.

9.0 Notice

The parties agree that all notices given pursuant to the terms of this Agreement shall be sufficient if in writing and sent by certified mail or overnight courier service with receipt acknowledged. All other communications shall be sufficient if in writing and mailed postage prepaid first class. Any such notice or communication shall be sent to the following address or such other address as may be designated from time to time by the parties in writing:

As to the Lottery:
   Vernon A. Kirk, Director
   Delaware State Lottery Office
   McKee Business Park
   Suite 102
   1575 McKee Road
   Dover, DE 19904-1903

As to KGM:
   Jason Peters
   President & CFO
   KGM Gaming, LLC
   4250 Wissahickon Avenue
   Philadelphia, PA 19129
IN WITNESS WHEREOF, the parties hereto have signed this Agreement on the dates indicated below, and the Agreement shall commence upon the later of the two signature dates listed below.

KGM GAMING, LLC,
a Pennsylvania limited liability company

By: 
Jason Peters
President & CFO
Signature on File

2/8/16* Date

Witness
Delaware State Lottery
Signature on File

By: 
Vernon Kirk
Director
Signature on File

9 FEB 2016 Date

Witness

2/8/16 Date