OPERATING STANDARDS

for

The Commonwealth of Pennsylvania,

Department of Revenue

Pennsylvania Lottery

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I. GENERAL PROVISIONS

1.1 CONSTRUCTION AND APPLICATION OF OPERATING STANDARDS

1.1.1 Introduction, Reservation of Rights.

(a) The Commonwealth has found that it is in the public's interest for the Commonwealth acting through the Pennsylvania Department of Revenue to conduct the functions of the Lottery with the assistance of a private manager; provided, however, that such manager complies with Commonwealth Policies and Rules, the Commonwealth maintains actual control and oversight over the Lottery, and such manager conducts its operations with integrity, security, honesty, and fairness, paying particular attention to the sensitive nature of a government-conducted lottery, its public image and social implications. While the Lottery Bureau will continue to exercise actual control over all significant business decisions and will retain the authority to direct and countermand the operating decisions of Manager, the purpose of this document is to establish minimum operating standards for the Lottery and requirements by which Manager shall assist the Lottery Bureau in the operation of the Lottery.

(b) These Operating Standards are neither intended to be exhaustive of all obligations and controls Manager must exercise in its assistance with the management of the Lottery, nor alter any of the terms and conditions of the Agreement. The Lottery Bureau reserves the right to amend, supplement, or modify these Operating Standards at any time, at its sole discretion and with reasonable notice to Manager. Further, the Lottery Bureau anticipates working cooperatively with Manager to revise, alter, or otherwise improve these Operating Standards with the goal being to maximize the value of the Lottery by increasing and optimizing Revenue and Profit for the Lottery including through an Annual Profit Commitment, Manager's Security Draws, SLA Credits, Transition Credits and any other rights or remedies of the Commonwealth upon an Event of Default, where applicable – none of which would exist without this Agreement and all of which are for the ultimate benefit of Older Pennsylvanians. Nothing herein shall be construed to limit, alter, or otherwise impede the Lottery Bureau's right to control or conduct the Lottery or any of its statutory rights or obligations under any Commonwealth Policies and Rules.

(c) These Operating Standards are hereby incorporated by reference into and made part of that certain Private Management Agreement by and between the Commonwealth of Pennsylvania, acting through the Pennsylvania Department of Revenue ("**Commonwealth**") and [INSERT MANAGER NAME] ("**Manager**") dated [INSERT DATE] ("**Agreement**").

1.1.2 Contractor for the Pennsylvania Lottery. Manager shall be subject to the actual control and oversight by the Lottery Bureau at all times. Provided Manager complies with the Agreement and Commonwealth Policies and Rules, Manager shall be deemed to be an authorized contractor of the Lottery Bureau, subject to the Agreement, Commonwealth Policies and Rules, and these Operating Standards.

1.1.3 Authority, Conflicts.

(a) The minimum standards and requirements set forth in these Operating Standards are issued under and consistent with the authority of the Lottery Bureau, as established by the State Lottery Law Act 91 of 1971, 72 P.S. § 3761, as amended or revised from time to time, and any other applicable Regulatory Requirements.

(b) In the event of a conflict or inconsistency between the terms in these Operating Standards and terms in the Agreement, such a conflict or inconsistency shall be resolved in accordance with **Section 1.3.10 (Order of Precedence)** set forth in the Agreement.

1.1.4 Definitions. Capitalized terms used in these Operating Standards shall have those meanings ascribed to them in **Appendix A (Definitions)** or, if defined in a particular Section, ascribed to them in that respective Section or, if not otherwise defined in the Operating Standards, the Agreement.

1.1.5 Construction and Amendments.

(a) Subject to **Section 1.1.3(b) (Authority, Conflicts)**, these Operating Standards shall be construed liberally to permit the Lottery Bureau to conduct its respective statutory functions and to secure an efficient determination of the issues presented by Manager in its assistance with the operation and administration of the Lottery.

(b) The Lottery Bureau, at its sole discretion, may relax or permit deviations from these Operating Standards, provided such deviations are Approved by the Lottery Bureau. These Operating Standards may be amended, supplemented, or otherwise modified by the Lottery Bureau at its sole discretion, with reasonable notice provided to Manager in accordance with **Section 5.2 (Operating Standards)** of the Agreement and **Section 1.2.2 (Filings, Notices)** herein.

(c) Whenever any provision in these Operating Standards requires that an act or event occur on a specified day or date, and such day or date does not fall upon a Business Day, such provision shall be construed to refer to the next Business Day immediately following such day or date.

(d) These Operating Standards hereby specifically incorporate **Section 1.3 (Construction)** of the Agreement.

1.1.6 Severability and Preemption, Practice Where Standards Are Silent.

(a) If any provision of these Operating Standards is determined to be invalid or unenforceable, that provision shall be deemed stricken and the remainder of the Operating Standards shall continue in full force and effect insofar as it remains a workable instrument to accomplish the original intents and purposes of the Parties, and if possible, the Parties shall replace the severed provision with a provision that reflects the intention and purpose of the Parties with respect to the severed provision but that shall be valid and enforceable.

(b) The Lottery Bureau, acting with the authority of the Commonwealth, shall have exclusive jurisdiction over these Operating Standards and all matters delegated to it or within the scope of its powers under the provisions of the Existing Lottery Law or the Agreement. In any matter not governed by these Operating Standards, the Lottery Bureau shall exercise its discretion so as to carry out its obligations and purposes under the Existing Lottery Law.

1.2 INFORMATION AND FILINGS

1.2.1 Office Locations; Hours. The offices of the Lottery Bureau are open for the filing of papers and for other business during regular business hours, Monday through Friday, unless otherwise authorized by the Lottery Bureau. The offices of the Lottery Bureau are closed on legal holidays in the Commonwealth. The main offices of the Lottery Bureau are located at, and all filings and notices shall be sent to, the following address unless such address is otherwise updated in writing to the Manager:

Pennsylvania Lottery 1200 Fulling Mill Road, Suite 2 Middletown, PA 17057 Attn: Executive Director	With a copy to:	Department of Revenue 10 Floor, Strawberry Square Harrisburg, PA 17128 Attn: General Counsel

1.2.2 Filings; Notices.

(a) Except as otherwise required by the Lottery Bureau, all papers, process, or correspondence required to be delivered upon the Lottery Bureau hereunder shall be addressed to, and delivered upon, the Lottery Bureau at the Lottery Bureau's main office stated above unless such address is otherwise updated in writing to the Manager. All such papers, process, or correspondence shall be deemed to have been received when delivered to the main office of the Lottery Bureau. The Executive Director, at his or her discretion, may designate

certain individual members of the Lottery Bureau's staff to receive such papers or correspondence, or to accept service of process.

(b) Without limiting the obligations set forth in the Agreement or Commonwealth Policies and Rules, notices and other communications from the Lottery Bureau will be sent to Manager by either (i) ordinary mail or certified mail to the address of Manager set forth in **Section 22.3 (Notices)** of the Agreement, or to the address designated in writing to the Commonwealth by Manager, which such address shall be located within the Commonwealth; or (ii) by electronic mail to the electronic mailing address of Manager designated in writing to the Commonwealth. Notices shall be deemed to have been delivered upon their deposit, postage prepaid, in the United States mails or other common carrier, or upon actual receipt of the electronic communication, and the time specified in any such notice shall commence to run from that date.

1.3 CONFIDENTIAL INFORMATION, TREATMENT OF CONTRACT RECORDS

1.3.1 Confidential Information. Manager shall hold all Confidential Information in strict confidence in accordance with the terms and conditions of the Agreement.

1.3.2 Contract Records Storage, Retention Schedule, Storage, Destruction.

(a) Manager shall establish and maintain a records retention policy for all Confidential Information and Contract Records within its possession, which must be Approved by the Lottery Bureau in advance and at its sole discretion and be no less stringent than any such policy of the Lottery Bureau or as required under Commonwealth Policies and Rules. All Contract Records and Confidential Information considered to be inactive by the Lottery Bureau but required to be retained by the Lottery Bureau, may be transferred to the possession of the Secure Storage Facility, provided that:

(i) Access to any Confidential Information or Contract Records stored with the Secure Storage Facility shall be limited to authorized personnel of Manager and individuals designated by the Lottery Bureau;

(ii) A log is maintained of all authorized personnel who are granted access to, actually visit or who remove Confidential Information or Contract Records stored within the Secure Storage Facility, which log shall include at least the names, addresses, and other identifying information such as duration and timing of visits about the authorized personnel;

(iii) Any Confidential Information or Contract Records transferred to the Secure Storage Facility is contained in transfer cartons, sealed and marked in such a manner so as to preclude the undetected examination of the Confidential Information or Contract Records contained therein by any Entity other than authorized personnel; and

(iv) The Lottery Bureau may periodically inspect and review any such stored Contract Records or Confidential Information at any time to assure that it has not been disclosed or removed and is otherwise stored in compliance with the Record Retention Policy.

(b) Any Confidential Information or Contract Records in the possession of Manager or the Secure Storage Facility shall be promptly destroyed in accordance with the provisions of the applicable records retention policy required by **subsection (a)** above, five (5) years after the creation of such Record or Confidential Information, or such other period of time as required by Regulatory Requirements, whichever is longer. Prior to destroying any Confidential Information or Contract Records, Manager shall provide a minimum of thirty (30) days prior written notice to the Commonwealth and the Commonwealth shall have the right to request that Manager transfer such Confidential Information or Contract Records to the Commonwealth or a third party to the extent that the Commonwealth provides notice of such request prior to the expiration of the thirty (30) day period.

(c) Manager shall review and test the effectiveness of the record retention policy including all security procedures and precautions pertaining to Confidential Information stored at the Secure Storage Facility periodically a minimum of once annually. The Lottery shall have the right, but not the obligation, to review and test the effectiveness of the record retention policy. Security procedures and precautions that are determined by the Manager or Lottery Bureau to be ineffective shall be immediately corrected.

(d) Confidential Information may be stored in a Secure Storage Facility on micrographics, hard copy (paper), analog or digital media, or any other suitable medium that meets generally accepted industry standards and provided that adequate security measures are maintained to prevent unauthorized access to or use of such information and such Confidential Information is backed-up in accordance with the Continuity Plans. Such security measures shall include the following:

(i) A coded filing system shall be utilized whenever practicable to prevent unauthorized access to stored Confidential Information.

(ii) Access to Confidential Information stored on computer or digital or analog media shall be restricted to Manager Key Personnel. Operating keys, code manuals, and access codes shall be limited in number and shall be controlled by Manager Key Personnel, or as otherwise Approved by the Lottery Bureau.

1.4 COMPLIANCE PROGRAM, CODE OF ETHICS

1.4.1 Code of Ethics. Manager shall adopt the Ethics Code set forth in the attached **Appendix B (Ethics Code)**, the provisions of which are hereby incorporated by reference.

1.4.2 Compliance Program. Manager shall establish, adopt, and maintain a compliance program for purposes of maintaining the highest ethical standards in its management of the Lottery. Such compliance program shall include the foregoing Ethics Code as a part thereof. Manager shall have the right to establish a compliance committee, which may assist in protecting the Lottery and Manager against questionable associations and associations with unsuitable Entities.

(a) To have an effective compliance program for purposes of this **Section 1.4.2 (Compliance Program)**, Manager shall: (i) conduct due diligence to prevent and detect criminal conduct as well as acts and situations that are improper in that such acts or situations might give the appearance of impropriety, might impair the good judgment of Manager or otherwise violate the Ethics Code; and (ii) otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with Commonwealth Policies and Rules and these Operating Standards. Further, such compliance program shall be reasonably designed, implemented, and enforced so that such program is generally effective in preventing and detecting criminal conduct as well as acts and situations that are improper, might give the appearance of impropriety or might impair the good judgment of Manager. For clarity, the failure by Manager to prevent or detect the criminal conduct or improper acts or situations does not necessarily mean that such program is not generally effective in preventing and detecting criminal conduct or improper acts or situations as long as Manager complied with the provisions of such program.

(b) The compliance program shall include due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the Commonwealth Policies and Rules (including all Regulatory Requirements) within the meaning of **subsection (a)** and, at a minimum, requires the following:

(i) Manager shall establish Internal Controls to prevent and detect criminal conduct or improper acts or situations set forth in **subsection (a)**. Manager shall submit an initial draft of such Internal Controls prior to the Effective Date.

(ii) Manager, Manager's Affiliates, Manager Personnel, Subcontractors and Vendors shall be knowledgeable about the content and operation of the compliance program, and Manager Key Personnel shall exercise reasonable

oversight with respect to the implementation and effectiveness of the compliance program. Manager Key Personnel shall ensure that Manager has an effective compliance program, as described in this **Section 1.4.2 (Compliance Program)**. Specific Manager Key Personnel shall be assigned overall responsibility for the compliance program. Specific Manager Key Personnel shall be delegated day-to-day operational responsibility for the compliance program. Individual(s) with operational responsibility for the compliance program shall report periodically to such Manager Key Personnel and, as appropriate, to the highest ranking officer of Manager, or an appropriate governing authority of Manager, on the effectiveness of the compliance program. To carry out such operational responsibility, such individual(s) shall be given adequate resources, appropriate authority, and direct access to the governing authority or an appropriate subgroup of the governing authority.

(iii) Manager shall not grant any individual with the substantial authority for the compliance program whom Manager knew, or should have known through the exercise of due diligence, has engaged in illegal activities or other conduct inconsistent with the compliance program.

(iv) Manager shall take reasonable steps to communicate periodically and in a practical manner its Internal Controls, and other aspects of the compliance program, to the individuals referred to above by conducting effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities. The individuals referred to above are the members of Manager Key Personnel or such other governing authority of Manager, and, as appropriate, Manager's agents.

(v) Manager shall take reasonable steps to: (A) ensure that Manager's compliance program is followed, including monitoring and auditing to detect criminal conduct or improper acts or situations; (B) evaluate periodically the effectiveness of Manager's compliance program; and (C) establish and publicize a system, which may include mechanisms that allow anonymity or confidentiality, whereby Manager's employees and agents may report or seek guidance regarding suspected, potential, or actual criminal conduct or improper acts or situations without fear of retaliation.

(vi) Manager's compliance program shall be promoted and enforced consistently throughout the Term (and any Disentanglement Services Period) by Manager through (A) appropriate incentives to perform in accordance with the compliance program; and (B) appropriate disciplinary measures for engaging in criminal conduct or improper acts or situations for failing to take reasonable steps to prevent or detect criminal conduct or improper acts or situations.

(vii) After criminal conduct or improper acts or situations has been detected, Manager shall take reasonable steps to respond appropriately to the criminal conduct or improper acts or situations and to prevent further criminal conduct or improper acts or situations, including making any necessary modifications to Manager's compliance program.

(c) In implementing **subsection (b)**, Manager shall periodically assess the risk of criminal conduct or improper acts or situations and shall take appropriate steps to design, implement, or modify each requirement set forth in **subsection (b)** to reduce the risk of criminal conduct or improper acts or situations identified through this process.

II. THE MANAGER

2.1 ENTITIES REQUIRED TO BE QUALIFIED

2.1.1 Entities Required to be Qualified. Any Entity that will be employed, retained, or otherwise contracted by Manager, including its Subcontractors and Vendors, in a position or function that includes the responsibilities or authorities listed in this **Section 2.1.1 (Entities Required to be Qualified)**, regardless of job title, or whose duties predominantly involve the maintenance or operation of Lottery activity or Equipment or assets associated therewith, may be required to first be found qualified and suitable by the Lottery Bureau or its designee in accordance with the character and fitness and other background examinations prescribed by the Lottery Bureau. The Lottery Bureau, in its sole and reasonable discretion, shall have the right to prevent any Entity that fails to be found qualified and suitable by the Lottery Bureau from obtaining such employment, retention, contract, or otherwise enjoying a business relationship with Manager. Entities required to be qualified include:

(a) Supervisory Role of Lottery Operations. Entities that either perform the following or supervise the performance of the following: (i) repair and maintain Lottery terminals or cash dispensing or receiving devices; (ii) operate of the Lottery Games; (iii) participate in the Lottery payouts and cash or check distributions; (iv) analyze Lottery operations data and make recommendations regarding Lottery Games, payouts, or procedures; (v) enter data in Lottery computer systems; (vi) develop, maintain, repair, install, or operate Lottery computer systems or related software; (vii) function as designers or producers of Lottery Games; (viii) perform security investigations or operate the security department; and (ix) have access to Contract Records related to Lottery operations.

(b) Policy or Strategy Role for Lottery Operations. Entities having the authority to develop or administer policy or long-range plans, or to make discretionary decisions regulating the operations of Manager such as Entities who: (i) function as an officer or comparable employee of Manager; (ii) function as a Lottery operations manager; (iii) function as a controller, comptroller, or otherwise performing the duties and responsibilities of the accounting department; (iv) function as an information technology department manager or as an information technology security officer; (v) function as an audit manager or whose duties and responsibilities include monitoring compliance with Internal Controls or these Operating Standards; and (vi) function as the marketing operations manager.

(c) Significant Role in Lottery Operations. Entities who will be employed, retained, or otherwise contracted by Manager in a position that is significantly involved in the operations of the Lottery, as shall be determined by the Lottery Bureau at its reasonable discretion.

2.1.2 Employee Authorization to Work in the United States. No natural person shall be employed by Manager or its Subcontractors or Vendors in any capacity unless he or she is a citizen of the United States or can demonstrate that he or she holds a current and valid work authorization issued by the United States Department of Justice, Immigration and Naturalization Service, and is not restricted from working in the capacity for which employment is sought. "Authorization to work in the United States" may be demonstrated by any one of the following: (a) a permanent resident alien card; (b) a temporary employment authorization card; or (c) any other such documentation that the Lottery Bureau determines as sufficient evidence of such authorization.

2.2 STANDARDS FOR QUALIFICATION

2.2.1 Generally.

(a) To the extent required by Manager, pursuant to the Agreement or these Operating Standards, it shall be the affirmative responsibility of each Entity to establish by clear and convincing evidence his, her, or its qualifications and suitability to be employed, retained, or otherwise contracted by Manager. Manager shall ensure that any Entity that must be qualified pursuant to these Operating Standards shall provide all information required by the Lottery Bureau or its designee (including the Multi-Jurisdictional Personal History Disclosure Form) and satisfies all requests for information pertaining to qualification and in the form specified by the Lottery Bureau or its designee. Manager shall ensure that all such Entities waive liability as to the

Commonwealth and its instrumentalities and agents, for any damages resulting from any disclosure or publication in any manner, other than a willfully unlawful disclosure or publication of any material or information acquired during the character and fitness and other background inquiries, probity investigations, or hearings. Manager shall ensure that all such Entities consent to inspections, searches and seizures and shall supply handwriting exemplars as required by the Lottery Bureau. Failure by any Entity to be qualified under this **Section 2.2 (Standards for Qualification)** may be grounds for the Lottery Bureau to demand Manager immediately to terminate or suspend any and all such employment, retention, or contract with such Entity.

(b) Manager shall ensure that all Entities qualified pursuant to these Operating Standards shall have the continuing duty to provide any assistance or information required by the Lottery Bureau, and to cooperate in any character and fitness and other background inquiries conducted by the Lottery Bureau. If, upon issuance of a written request to answer or produce information, evidence, or testimony, any Entity refuses to comply with such written request, the qualification of such Entity may be denied or revoked.

(c) Manager shall ensure that each Entity that must be qualified may be photographed and fingerprinted for identification and investigation purposes in accordance with procedures established by the Lottery Bureau or its designee.

(d) Manager shall ensure that each Entity required to be qualified shall have a duty to inform the Lottery Bureau of any action which they believe would constitute a violation of Commonwealth Policies and Rules, the Agreement, or these Operating Standards. Manager shall ensure that no Entity who so informs the Lottery Bureau shall be discriminated against, nor otherwise be subject to adverse action taken by Manager because of the supplying of such information.

2.2.2 Natural Person Standards. To the fullest extent permitted by law, Manager shall ensure that each natural person must, in connection with his or her qualification, produce information, documentation, and assurances concerning the following qualification criteria:

(a) Each natural person shall produce such information, documentation, and assurances as may be required to establish by clear and convincing evidence the financial stability, integrity, and responsibility of the natural person, including bank references, business and personal income and disbursements schedules, tax returns and other reports filed with governmental agencies, and business and personal check records and registers. In addition, each such natural person shall, in writing, authorize the examination of all bank accounts and records as may be deemed necessary by the Lottery Bureau.

(b) Each natural person shall produce such information, documentation, and assurances as may be required to establish by clear and convincing evidence the applicant's good character, honesty, and integrity. Such information shall include data pertaining to his or her family, criminal and arrest records, business activities, financial affairs, and business, professional, and personal associates, covering at least the ten (10) year period immediately preceding the filing of the application. Each natural person shall notify the Lottery Bureau or its designee of any civil judgments obtained against such natural person pertaining to antitrust or security regulation laws of the federal government, of the Commonwealth or of any other state, jurisdiction, province, or country. In addition, each natural person shall, upon request of the Lottery Bureau, produce letters of reference from law enforcement agencies having jurisdiction in the natural person's place of residence and principal place of business, which letters of reference shall indicate that such law enforcement agencies do not have any pertinent information concerning the natural person, or if such law enforcement agency does have information pertaining to the natural person, shall specify such information. If the natural person has been associated with lottery, gaming, or casino operations in any capacity, position, or employment in any jurisdiction, the natural person shall, upon request of the Lottery Bureau, produce letters of reference from the lottery, gaming or casino enforcement or control agency, which shall specify the experience of such agency with the natural person, his associates and his participation in the lottery, gaming, or casino operations of that jurisdiction; provided, however, that if no such letters are received from the appropriate law enforcement agencies within sixty (60) days of the natural person's request therefor, the natural person may submit a statement under oath that he or she is, or was in good standing with such lottery, gaming, or casino enforcement or control agency during the period such activities were conducted.

(c) For the purposes of this **Section 2.2.2 (Natural Person Standards)**, each natural person shall submit to the Lottery Bureau the natural person's name, address, fingerprints, and written consent for a character and fitness and other background inquires to be performed. The Lottery Bureau is hereby authorized to exchange fingerprint data with, and receive criminal history record information from, the local, county, or state law enforcement authorities and the Federal Bureau of Investigation consistent with applicable Commonwealth and federal laws, rules, and regulations. The natural person shall bear all costs for the character and fitness and other background inquiries, including all costs of administering and processing the check.

2.2.3 Organizational Standards. Each Entity (excluding natural persons) must, in connection with its qualification, produce information, documentation, and assurances concerning the following qualification criteria:

(a) Each such Entity shall produce such information, documentation, and assurances as may be required to establish by clear and convincing evidence the financial stability, integrity, and responsibility of the Entity, including all financial sources, corporate officers and directors, bank references, business income and disbursements schedules, tax returns and other reports filed with governmental organizations or agencies, and business check records and ledgers. In addition, each such Entity shall, in writing, authorize the examination of all bank accounts and records as may be deemed necessary by the Lottery Bureau.

(b) No such Entity shall be qualified under these Operating Standards unless: (i) for Manager, the Entity shall maintain a principal office physically located within the Commonwealth; (ii) the Entity shall comply with all the requirements of the laws of the Commonwealth pertaining to like Entities; (iii) for Manager, the Entity shall maintain a ledger in its principal office in the Commonwealth which shall at all times reflect the current ownership of every class of security issued by the Entity and shall be available for inspection by the Lottery Bureau and authorized agents of the Lottery Bureau at all reasonable times without notice; (iv) for Manager, the Entity shall maintain all operating accounts required by the Lottery Bureau in a bank physically located within the Commonwealth, except that deposit-only accounts may be established in other jurisdictions with the permission of the Lottery Bureau; (v) for Manager, the Entity shall include among the purposes stated in its formation documents the conduct of Lottery operations; (vi) for Manager, the Entity, if it is not a publicly traded corporation, shall file with the Lottery Bureau such adopted corporate charter provisions as may be necessary to establish the right of prior approval by the Lottery Bureau with regard to transfers of securities, shares, and other interests in the applicable Entity; (vii) for Manager, if it is a publicly traded corporation, provide in its corporate charter that any securities of such corporation are held subject to the condition that if a holder thereof is found to be disqualified by the Lottery Bureau, such holder shall dispose of his interest in the corporation; provided, however, that nothing herein shall be deemed to require that any security of such corporation bear any legend to this effect; and (viii) for Manager, the corporation, if it is not a publicly traded corporation, shall establish to the satisfaction of the Lottery Bureau that appropriate charter provisions create the absolute right of such nonpublicly traded corporations and companies to repurchase at the market price or the purchase price, whichever is the lesser, any security, share, or other interest in the corporation in the event that the Lottery Bureau disapproves a transfer in accordance with the provisions herein.

(c) For the purposes of this Section, each applicable Entity shall submit to the Lottery Bureau the Entity's name, address, tax identification numbers, and written consent for a character and fitness and other history background examinations to be performed. The Lottery Bureau is hereby authorized to exchange data with, and receive criminal history record information from, the local, county, or state law enforcement authorities and the Federal Bureau of Investigation consistent with applicable Commonwealth and federal laws, rules, and regulations. The applicant shall bear all costs for the character and fitness and other history background examination, including all costs of administering and processing the check.

2.2.4 Disqualification Criteria. Manager shall and the Lottery Bureau shall have the right to deny qualification to any Entity on the basis of any of the following criteria:

(a) Failure of the Entity who is required to be qualified to provide information, documentation, and assurances required by the Lottery Bureau, or failure of the Entity to reveal any material fact pertaining to the qualification criteria, or the supplying of information which is untrue or misleading as to a material fact pertaining to the qualification criteria.

(b) The conviction of the Entity for any of the following offenses under Commonwealth Policies and Rules: (i) all crimes of the first degree; (ii) attempt to commit an offense which is listed in this subsection; (iii) conspiracy to commit an offense which is listed in this subsection; (iv) manslaughter; (v) aggravated assault which constitutes a crime of the second or third degree; (vi) kidnapping; (vii) sexual offenses which constitute crimes of the second or third degree; (viii) robbery; (ix) arson and related offenses; (x) causing or risking widespread injury or damage; (xi) burglary which constitutes a crime of the second degree; (xii) theft and related offenses which constitute crimes of the second or third degree; (xiii) forgery and fraudulent practices which constitute crimes of the second or third degree; (xiv) bribery and corrupt influence; (xv) perjury and other falsification in official matters which constitute crimes of the second, third or fourth degree; (xvi) misconduct in office and abuse in office which constitutes a crime of the second degree; (xvii) manufacturing, distributing, dispensing, or possessing a controlled dangerous substance or a controlled dangerous substance analog which constitutes a crime of the second or third degree; (xviii) employing a juvenile in a drug distribution scheme; (xix) distribution, possession, or manufacture of imitation controlled dangerous substances; (xx) acquisition of controlled dangerous substances by fraud; (xxi) gambling offenses which constitute crimes of the second, third or fourth degree; (xxii) unlawful possession of a gambling device; (xxiii) any crime of moral turpitude; or (xiv) any other offense under present Commonwealth or federal law which indicates that qualification of the Entity would be inimical to the policy of these Operating Standards and to Lottery operations.

(c) Current prosecution or pending charges in any jurisdiction for any Entity for any of the offenses enumerated in **subsection (b)** above; provided, however, that at the request of the applicable Entity charged, the Lottery Bureau shall defer decision upon such application during the pendency of such charge.

(d) The pursuit by the applicable Entity of economic gain in an occupational manner or context which is in violation of the criminal or civil public policies of the Commonwealth, if such pursuit creates a reasonable belief that the participation of such Entity in Lottery operations would be inimical to these Operating Standards or to Lottery operations in the Commonwealth. For purposes of this Section, occupational manner or context shall be defined as the systematic planning, administration, management, or execution of an activity for financial gain.

(e) The identification of the applicable Entity as a career offender or a member of a career offender cartel or an associate of a career offender or career offender cartel in such a manner which creates a reasonable belief that the association is of such a nature as to be inimical to these Operating Standards and to Lottery operations. For purposes of this Section, "career offender" means any Entity that utilizes methods in pursuit of economic gain in an occupational manner or context deemed to be criminal violations or public policy violations of the Commonwealth. A career offender cartel shall be defined as any group of persons who operate together as career offenders.

(f) The commission by the applicable Entity of any act or acts which would constitute any offense under **subsection (b)** of this Section, even if such conduct has not been or may not be prosecuted under the criminal laws of the Commonwealth or any other jurisdiction or has been prosecuted under the criminal laws of the Commonwealth or any other jurisdiction and such prosecution has been terminated in a manner other than with a conviction.

(g) Contumacious defiance by the applicable Entity of any legislative investigatory body or other official investigatory body of any state, the United States or any international government when such body is engaged in the investigation of crimes relating to lotteries or gaming, official corruption, or organized crime activity.

2.2.5 Financial and Operational Stability of Manager. Manager shall, from time to time as determined by the Lottery Bureau in its sole and reasonable discretion (but not less than once annually), establish its financial stability by clear and convincing evidence. The Lottery Bureau may consider any relevant evidence of financial and operational stability; provided, however, that Manager shall be considered to be financially and operationally stable if it establishes by clear and convincing evidence that it meets each and every one of the following standards:

(a) The ability to assure the financial integrity of its operations by the maintenance of a bankroll or equivalent provisions adequate to pay all expenses when due;

(b) The ability to meet ongoing expenses which are essential to the maintenance of continuous and stable operations. Manager shall be found to have established this standard if it demonstrates the ability to achieve positive gross operating profit, measured on an annual basis;

(c) The ability to pay, as and when due, all local, Commonwealth, and Federal taxes, including the tax on gross revenues and any fees imposed by the Lottery Bureau, if any;

(d) The ability to make necessary capital and maintenance expenditures in a timely manner which are adequate to ensure maintenance of a superior service of exceptional quality;

(e) The ability to pay, exchange, refinance, or extend debts, including long-term and short-term principal and interest and capital lease obligations, which will mature or otherwise come due and payable during the term, or to otherwise manage such debts and any default with respect to such debts; and

(f) The ability to perform each and every one of its obligations and responsibilities as set forth in the Agreement, these Operating Standards, and Commonwealth Policies and Rules.

2.2.6 Continuing Assessment of Financial Condition.

(a) Manager shall not consummate a material debt transaction which involves the following without the prior written Approval of the Lottery Bureau. Any transaction not specified in this subsection may not require prior Lottery Bureau Approval with regard to the financial stability standards set forth herein.

(i) An agreement which provides for any borrowing for a purpose other than capital and maintenance expenditures;

(ii) A guarantee of the debt of an Affiliate, whether by cosignatory or otherwise; an assumption of the debt of an Affiliate, or an agreement to place any encumbrance on its facilities or equipment to secure the debts of an Affiliate; or

(iii) Any other measure of financial condition that the Lottery Bureau may require, at its sole discretion.

(b) In reviewing any transaction pursuant to **subsection (a)** above, the Lottery Bureau shall consider whether the transaction would deprive Manager of financial stability, taking into account the financial condition of the Affiliate and the potential impact of any default on Manager.

(c) Any subsequent use of the proceeds of a transaction previously Approved by the Lottery Bureau pursuant to **subsection (a)** above, including subsequent drawings under previously Approved borrowings, shall not require further Lottery Bureau Approval.

(d) The Lottery Bureau may restrict or prohibit the transfer of cash to, or the assumption of liabilities on behalf of, an Affiliate if, in the judgment of the Lottery Bureau, such transfer or assumption would deprive Manager of financial stability as determined by the Lottery Bureau, at its sole and reasonable discretion.

(e) Manager shall file with the Lottery Bureau, at the end of each fiscal year, the following: (i) an annual forecast by fiscal quarters of the operating and financial performances of Manager for the upcoming fiscal year, including statement of income and balance sheets, which shall be submitted in the standard format prescribed by the Lottery Bureau or such other format Approved by the Lottery Bureau; (ii) a detailed analysis of compliance with the financial stability requirements stated herein; and (iii) such other information as the Lottery Bureau may deem material or necessary to a showing of financial stability. Manager may accomplish the foregoing by filing same in the Annual Business Plan.

2.2.7 Failure to Demonstrate Financial Stability. In the event that Manager fails to demonstrate financial stability, the Lottery Bureau may take such action as is necessary to fulfill the purposes of the Existing

Lottery Law and to protect the public's interest, including: issuing conditional approvals or determinations; establishing an appropriate cure period; imposing reporting requirements in excess of those otherwise mandated by these Operating Standards; placing such restrictions on the transfer of cash or the assumption of liabilities as is necessary to insure future compliance with the standards set forth herein; requiring the maintenance of reasonable reserves or the establishment of dedicated or trust accounts to insure future compliance with the standards set forth herein; denying qualification; or taking any and all such other action as permitted by law or at equity.

2.3 MANAGER'S DOCUMENTS, ORGANIZATION

2.3.1 Filing of Governing Documents. Manager or its holding or parent company shall file with the Lottery Bureau copies of any original filings, amendments to, restatements of, or superseding versions of the governing documents of the business entity, within seven (7) days after their formal adoption. The governing documents include: (a) if a corporation, articles of incorporation, charter, and by-laws; (b) if a partnership, partnership agreements and certificates of limited partnership, if applicable; or (c) if a limited liability company, then certificates of formation, amendments, cancellations, and operating agreements.

2.3.2 Annual Business Plan. Manager shall prepare and submit Annual Business Plans as required by **Section 5.3 (Annual Business Plan)** of the Agreement.

2.3.3 Tables of Organization. Manager shall prepare, keep, and maintain tables of organization. Manager shall be permitted to tailor its organizational structure to meet the needs or policies of its own particular management philosophy; provided, however, that the Lottery Bureau shall have absolute control and final decision making authority over the conduct of Lottery operations at all times. Manager's tables of organization shall provide for the following: (a) a system of personnel and chain of command which permits management and supervisory personnel to be held accountable for actions or omissions within their areas of responsibility; (b) the segregation of incompatible functions so that no employee is in a position both to commit an error or to perpetrate a fraud and to conceal the error or fraud in the normal course of his or her duties; (c) primary and secondary supervisory positions which permit the authorization or supervision of necessary transactions at all relevant times; and (d) areas of responsibility which are not so extensive as to be impractical for one Entity to monitor.

2.3.4 Jobs Compendium. Manager shall prepare and maintain a jobs compendium detailing job descriptions and lines of authority for all Manager Key Personnel and Manager Personnel. A jobs compendium shall be submitted to the Lottery Bureau for Approval not later than thirty (30) days prior to the Base Services Commencement Date. Manager shall maintain on its premises a complete, updated copy of its jobs compendium which shall be made available for review upon the request of the Lottery Bureau at any time.

2.4 EMPLOYMENT REQUIREMENTS

2.4.1 Organizational Internal Control Submissions. Manager shall submit to the Lottery Bureau a description of its Internal Controls concerning employee or organizational qualification requirements, and the ways and means in which Manager intends to comply with the qualification provisions of these Operating Standards. Unless otherwise directed by the Lottery Bureau, an initial submission shall be made on or prior to the Effective Date. Each such submission shall be prepared and maintained in a format acceptable to the Lottery Bureau; shall contain narrative and, where appropriate, diagrammatic representations of the Internal Control system to be utilized by Manager. Such submission shall address the following requirements: (a) procedures for assuring that only properly qualified Entities are employed, retained, or contracted in each position or function for which qualification is required; (b) procedures for assuring that no Entity whose qualification has been denied or revoked or whose qualification has been suspended is employed, retained, or contracted in any position which requires such qualification; and (c) procedures for assuring that no qualified employee or organization who has committed a disqualifying offense is employed, retained, or contracted. If the Lottery Bureau finds any insufficiencies, it shall specify same in writing to Manager, who shall make appropriate alterations. Manager shall maintain on its premises a complete, updated copy of its employee and organizational Internal Control submissions, which shall be made available for review upon request of the Lottery Bureau. Unless otherwise directed by the Lottery Bureau, an amendment to a previously Approved employee and organizational Internal Control submission may be implemented by Manager without the prior Approval of the Lottery Bureau, provided that such amendments are

immediately recorded in the copy of the employee and organizational Internal Control submission maintained by Manager on its premises and notice is provided to the Lottery Bureau without undue delay.

2.4.2 Termination, Suspension, or Refusal of Relationship. Except as otherwise Approved by the Lottery Bureau, Manager shall terminate or suspend the employment, retention, contract, or other relationship with any Entity whose qualification has been denied, revoked, or suspended; and Manager shall not employ any Entity whose qualification has been denied, revoked or suspended. Manager shall not employ any Entity if such Entity has been convicted of a disqualifying offense pursuant to **Section 2.2.4 (Disqualification Criteria)** above. Manager shall terminate or suspend the employment of any such Entity within twenty-four (24) hours of receipt of notice of disqualification from the Lottery Bureau.

2.4.3 Employee Reporting and Recordkeeping. Manager shall maintain a complete, accurate, and current record of each employee including the following information:

(a) For each current employee: (i) Social Security number, if such information has been voluntarily provided in accordance with section 7 of the Privacy Act, 5 U.S.C. 522a; (ii) last name, first name, and middle initial; (iii) date of birth; (iv) address, including zip code; (v) position; (vi) initial date of hire; (vii) the effective date of any change in the employee's position or job title; and (viii) the access code, if any, assigned to the employee, which code designates the restricted areas that the employee is permitted to enter and remain in for the purposes of performing his or her normal duties.

(b) For each individual whose employment has been terminated: (i) the information in **subsections (a)(i)** through **(a)(viii)** above; and (ii) the effective date of termination.

(c) A record of any and all designations used by Manager to describe categories of its employees, for example: "full time," "part time," or "seasonal;" the number of employees in each such category and the total number of all employees in all categories; and the date on which the information provided in the report was compiled.

III. DOING BUSINESS WITH THIRD PARTIES, PROCUREMENT

3.1 REQUIREMENTS FOR DOING BUSINESS WITH SUBCONTRACTORS OR VENDORS

3.1.1 Requirements for Doing Business, Vendors Record, Prohibited Vendors Record.

(a) Manager shall keep and maintain a record of all Vendor Contracts and Subcontracts, and Manager shall make such records available to the Lottery Bureau upon request at any time. Upon the Lottery Bureau's request, Manager shall provide copies of any Vendor Contract or Subcontract, which shall not be unreasonably delayed or denied.

(b) Notwithstanding any other provision herein and without limiting any obligations set forth in the Agreement, Manager shall not enter into any Vendor Contract or Subcontract where the Vendor or Subcontractor: (i) has been deemed disqualified by the Lottery Bureau; (ii) has been prohibited from doing business within the Commonwealth for any reason; or (iii) has been determined by the Lottery Bureau, at its sole discretion, to be inimical to the interests of the Commonwealth.

3.1.2 Maintaining Agreements, Filing of Agreements.

(a) Manager shall be required to maintain fully signed copies of all written agreements and records with respect to any unwritten agreements, which provide at a minimum: (i) the terms thereof; (ii) the parties thereto; and (iii) a description of the goods or services provided; whether or not Manager is a party to such agreement and whether or not the agreement provides for the exchange of direct compensation.

(b) Manager shall submit a copy of any written agreement or a precise written description of any unwritten agreement for which records are maintained pursuant to **subsection (a)** above upon oral or written request from the Lottery Bureau.

(c) Any written description submitted pursuant to this Section shall be submitted to the Lottery Bureau and shall provide, at a minimum, the following: (i) the nature of the goods or services to be provided to Manager; (ii) the full name and business address of the other party to the agreement; (iii) the duration of the agreement or, if provided in the agreement, the specific date or dates of performance; and (iv) the financial terms of the agreement.

(d) Manager shall establish procedures to track activation, validation, and destruction of Lottery Tickets. If the event any of these tasks are to be performed by a Vendor, Manager shall establish procedures to ensure that such Vendor is properly performing the tasks. Manager shall also ensure that the system controls related to activation, validation, and destruction of Lottery Tickets are reflected in the Vendor's Internal Controls as part of the examination of service organization's controls.

3.1.3 Review of Agreements, Records of Agreements, Termination Upon Disapproval.

(a) Each agreement maintained or filed pursuant to this **Section 3.1 (Requirements for Doing Business with Subcontractors or Vendors)** shall be deemed to include a provision for its termination without liability on the part of Manager or the Lottery Bureau in the event the Lottery Bureau disapproves of the agreement and demands its termination.

(b) The following Vendor Contracts and Subcontracts shall be deemed exempt pursuant to subsection (a) above, unless otherwise directed by the Lottery Bureau: (i) contributions to non-profit charitable corporations or organizations, provided that no consideration is received for the contribution; (ii) payments by Manager for travel expenses incurred by an employee in the conduct of the Manager's or Lottery's business, which shall include the employee's lodging, meals, transportation, and related expenses; (iii) payments to prospective employees for reimbursement of travel expenses incurred as a result of the employment interview; (iv) payments for tuition, training seminars, publication subscriptions, conference registrations, or membership dues for professional associations that will directly contribute to the work performance or professional development of the employee; (v)

payments to government organizations or agencies for goods or services provided under statutory or other legal mandate; (vi) for taxes, assessments, fines, garnishments, or licensing fees and payments to public utilities having legal service monopolies; (vii) payments to or from Entities pursuant to compliance with state or federal law; (viii) payments by a Third Party manufacturer for rebates to Manager for prior purchase of goods or services from approved Subcontractors, Vendors, or Third Parties; (ix) payments for freight charges to freight transporters selected by the Subcontractor or Vendor for delivering goods C.O.D. or freight collect; (x) payments to any Entity required to qualify, which are a result of agreements pertaining to such Entity's status as a financial source or qualifier; and (xi) payments to labor organizations, unions, and affiliates for employee dues and benefits programs.

3.1.4 Internal Controls Submission. Manager submit a description of its Internal Controls concerning compliance with the requirements of this **Section 3.1 (Requirements for Doing Business with Subcontractors or Vendors)**. An initial submission of such Internal Controls shall be made no later than sixty (60) days following the Effective Date.

3.2 SERVICE LEVELS

3.2.1 Additional Service Levels, SLA Credits. In addition to the Service Levels set forth in **Schedule 5.5 (Service Level Agreement)**, the following Service Levels shall be achieved by Manager, and should Manager fail to achieve such Service Levels, the Commonwealth shall be entitled to certain SLA Credits in addition to other rights and remedies available to the Commonwealth, except where such failure by Manager to meet the applicable Service Level is excused pursuant to **Section 5.7 (Excused Performance)** of the Agreement. Such Service Levels and SLA Credits shall include the following:

(a) Failure to Commence Operations. Manager must commence Services by the Base Services Commencement Date. To the extent that the failure of Manager to commence operations by the Base Services Commencement Date is the fault of Manager and the Lottery Bureau has not consented to an extension of such date, the Manager shall pay the Lottery the full value of any lost sales resulting from the failure to commence operations by the Base Services Commencement Date.

(b) Failure to Comply with Transition Plan. Manager must comply with the implementation schedule and conditions for performance set forth in the Transition Plan. All milestones set forth therein must be met to ensure timely completion of implementation, adequate accountability, and adequate internal controls. It is recognized that unexpected circumstances could vary the implementation schedules, provided this delay does not change the Base Services Commencement Date. Should a delay of the Base Services Commencement Date be required due to a failure of Manager to comply with the Transition Plan caused by Manager, the Lottery Bureau may, in its sole discretion, may assess as liquidated damages ten thousand dollars ($10,000) per day for every day of such delay.

(c) Late Delivery of Lottery Tickets. If Instant Lottery Tickets are not delivered in a timely manner to Lottery Retailers, damages will result and the Lottery Bureau may require the Manager to pay liquidated damages as follows: (i) *New Games* – If fewer than 80% of the ticket packs scheduled for delivery are delivered and are in a received, activated or settled status at Lottery Retailer locations within four (4) days after the corresponding Lottery Game launch day, and the Manager is unable to provide proof of delivery, liquidated damages of $18.75 per pack per day for each pack not in received, activated, or settled status may be assessed by the Lottery Bureau, until 80% of the packs scheduled for delivery are in received, activated, or settled status at Lottery Retailer locations; (ii) *Regular Shipments* – If tickets packs are not in received, activated, or settled status at a Lottery Retailer within four (4) days from the day the order is placed into in transit status, and the Manager is unable to provide proof of delivery, liquidated damages of $18.75 per pack per day may be assessed by the Lottery Bureau until the pack is in received, activated, or settled status. No liquidated damages shall be assessed against Manager in the event the Lottery Retailer refuses delivery and if the Manager provides proof of attempted delivery in accordance with the Schedules, Operating Standards, or Subcontract, as the case may be.

(d) Failure to Install On-Line Terminals. After the expiration or termination of the Managed Contract, Manager or Manager's Subcontractor shall have all On-Line Terminals installed and operational at all Lottery Retailers. In the event that due to the fault of Manager or Manager's Subcontractor, all Lottery Retailer On-Line Terminals are not installed and operational, the Lottery Bureau, in its sole discretion, may assess as liquidated

damages the sum of five hundred dollars ($500) per day, per On-Line Terminal not installed until each On-Line Terminal is installed and operational.

(e) After the expiration or termination of the Managed Contract, with respect to a new Lottery Retailer, Manager shall have seven (7) Business Days after completion of the Communications Network connection and Lottery Retailer training to install an On-Line Terminal, PAT, or Instant Ticket Vending Machine ("**ITVM**") at that location. Should any delay occur, and should such delay be the fault of Manager, the Lottery Bureau, in its sole discretion, may assess as liquidated damages one thousand dollars ($1,000) per day, per On-Line Terminal, PAT, or ITVM not installed.

(f) Failure to Install Additional Lottery Games or Lottery Game options or Other Software Enhancements. The Manager must install any additional Lottery Game(s) or Lottery Game option(s) ordered by the Lottery Bureau or any other software enhancements (except new or modified report software) within the Schedules or Operating Standards, as the case may be, as mutually agreed to by the Manager and the Lottery Bureau. Manager shall comply with any written software request from the Lottery Bureau for new System reports or changes to existing System reports by the agreed upon delivery date. Manager shall permit, within these time schedules, reasonable time for the Lottery Bureau to conduct appropriate acceptance testing. In the event Manager or Manager's Subcontractor fails to install any additional Lottery Game(s) or Lottery Game option(s) ordered by the Lottery Bureau or any other software enhancements (except new or modified report software) within the schedule mutually agreed to by the Parties, and such delay being the fault of Manager or Manager's Subcontractor, the Lottery Bureau may, in its sole discretion, assess as liquidated damages seventy-five thousand dollars ($75,000) per calendar day that the additional Lottery Game(s) or Lottery Game option(s) are not installed, operating free from error, and available for sale. In the event Manager fails to provide the Lottery Bureau with such reports by the agreed upon delivery date, and such delay is the fault of Manager or Manager's Subcontractor, the Lottery Bureau may, in its sole discretion, assess as liquidated damages one thousand dollars ($1,000) per day, per report.

(g) Instant Ticket Encryption. The software, readers, and System must be able to accommodate the Lottery's instant ticket manufacturer's encryption algorithm. In the event that the software, readers, or System fail to accommodate the Lottery's Instant Lottery Ticket manufacturer's encryption algorithm, and such failure to accommodate the algorithm is the fault of Manager or Manager's Subcontractor, the Lottery Bureau may, in its sole discretion, assess as liquidated damages one hundred thousand dollars ($100,000) per day that the Lottery Game cannot be sold. Manager shall not be liable for any damages, including liquidated damages, arising out of a failure of or defect in said algorithm or in the bar codes of said Instant Lottery Ticket manufacturer.

(h) Failure to Transmit Valid Data Files to the Lottery. Manager or Manager's Subcontractor must support mutually-agreed upon transfers of valid files on a timely basis to the Lottery Bureau. If Manager or Manager's Subcontractor receives notice of a problem with the transfers of files, Manager shall have twenty-four (24) hours, from the time of notification to correct the problem. In the event that Manager or Manager's Subcontractor fails to support mutually-agreed upon transfers of valid files on a timely basis to the Lottery Bureau, Manager shall have twenty-four (24) hours, from the time of notification to correct the problem, and should Manager fail to correct the problem within the twenty-four (24) hour period, the Lottery Bureau may, in its sole discretion, assess as liquidated damages five thousand dollars ($5,000) per day that file transfer to the Lottery Bureau is not functioning.

(i) Incorrect Software. (i) *Incorrect Pack Files and Validation Files Prohibiting Lottery Game Sales* – The pack files or validation files supplied by the Manager must conform to the specifications set forth in the Schedules, Operating Standards, or Subcontract, as the case may be, in order to enable the Manager to activate and distribute Lottery Tickets. If the Software supplied by the Manager or does not conform to the specifications set forth in the Schedules, Operating Standards, or Subcontract, as the case may be, and the Manager is unable to activate or distribute Lottery Tickets as a result thereof the Lottery Bureau may, in its sole discretion, require the Manager to pay the sum of sixty thousand dollars ($60,000) per Lottery Game per day, or part of a day that the software is operating improperly; (ii) *Incorrect Pack Files or Validation Files Prohibiting Prize Validation* – The software supplied by the Manager must conform to the specifications set forth in the Schedules, Operating Standards, or Subcontract, as the case may be, in order to enable the Lottery Bureau to correctly validate Lottery Tickets. If the software supplied by the Manager does not conform to the specifications set forth in the Schedules, Operating Standards, or Subcontract, as the case may be, and the Lottery Bureau is unable to validate Lottery

Tickets or correctly validate Lottery Tickets as a result thereof, the Lottery Bureau may require the Manager to pay thirty thousand dollars ($30,000) per Lottery Game per day, or part of a day, that the software is operating improperly.

(j) Availability of Archived Media for Lottery Game Audit. Manager or shall make available to the Lottery Bureau archived media containing On-Line Lottery Game information within ten (10) minutes after the close of sales for any On-Line Lottery Game, prior to the drawing for that On-Line Lottery Game. In the event appropriate archived media is not made available within this time frame, the Lottery Bureau may, in its sole discretion, assess as liquidated damages of one thousand dollars ($1,000) per event.

(k) Unauthorized Software Use. Manager must install authorized Software on the System. In the event Manager installs Unauthorized Software on the System, the Lottery Bureau may, in its sole discretion, assess as liquidated damages ten thousand dollars ($10,000) per violation, or one thousand ($1,000) per day per violation until such Unauthorized Software is either authorized by the Lottery Bureau or removed from use and replaced with software authorized by the Lottery Bureau, whichever is greater, for the use of Unauthorized Software. For purposes of this **subsection (k)** "**Unauthorized Software**" shall mean software that has not been approved for use on the System by the Lottery.

(l) Supply Shortage. Manager shall provide and maintain adequate quantities of supplies in its Commonwealth warehouse for distribution to Lottery Retailers including, where applicable, On-Line Ticket stock, Play Slips, paper stock, and other necessary supplies for the operation of the On-Line Terminals, PATs, and ITVMs for all Lottery Games. In the event that the Lottery Retailers become unable to sell or validate tickets due to Manager or Manager's Subcontractor's failure to maintain adequate supplies at its Commonwealth warehouse, the Lottery Bureau may, in its sole discretion, assess as liquidated damages on a daily basis, six hundred dollars ($600) per day per On-Line Terminal, PAT, or ITVM disadvantaged by the failure.

(m) Non-Represented Tickets. Winning On-Line Tickets issued by the System and presented for redemption must be correctly identified as valid, winning saleable tickets on the System files. Manager shall be liable for all winning On-line Tickets issued by the System and presented for redemption which are not correctly identified as valid, winning saleable tickets on the System files. Manager shall be liable for all winning Lottery Tickets presented for redemption which are identified as valid, winning saleable tickets on Lottery Ticket data files provided by Third Parties. Manager will pay all Prize costs for any such Lottery Ticket, and shall pay any additional cost incurred by the Lottery Bureau. Manager shall not be liable under this section for errors in data files provided by a Third Party.

(n) Unusable Lottery Games. Lottery Games must be usable taking into consideration concerns regarding security and/or integrity of the Lottery Game play data, quality of the product, and Intellectual Property issues, among others. If the Lottery Bureau in its sole discretion determines that a Lottery Game is unusable because of concerns about security and/or integrity of the Lottery Game play data, quality of the product or Intellectual Property issues, the Lottery Bureau shall require the Manager to retrieve the Lottery Game at no cost to the Lottery Bureau and may require the Manager to pay liquidated damages in the amount of five dollars ($5) per Lottery Retailer location from which tickets must be retrieved.

(o) Failure to Perform Required Preventative Maintenance. Manager or must provide the preventive maintenance for each type of On-Line Terminal, PAT or ITVM provided pursuant to this Agreement and maintain appropriate records. Should Manager fail to provide preventative maintenance for each type of On-Line Terminal, PAT or ITVM provided pursuant to this Agreement, or should Manager fail to keep appropriate records or to make them available to the Commonwealth upon request, the Lottery Bureau may, in its sole discretion, assess as liquidated damages one hundred dollars ($100) per day per late On-Line Terminal, PAT, or ITVM preventative maintenance.

(p) Failure to Report Incidents. Manager shall immediately notify the Executive Director in a manner mutually agreed to by the Parties of any situation which has caused or may cause the public or Lottery Retailers to become aware of a System irregularity which may damage the integrity of the Lottery. It will be the responsibility of Manager to report all incidents set forth in this **subparagraph (p)** and those substantially similar thereto related to the operation of the System that took place during the previous twenty-four (24) hours prior to the

start of the subsequent Sales Day. All reports and notifications shall be in written format and may be sent by courier, facsimile, or any other method that provides recorded time and date stamp as mutually agreed to by the Parties and shall be sent directly to the Executive Director or his designee. At a minimum, each of the following types of events shall require a written report: (i) System take-over situations; (ii) major Communications Network failures; (iii) major Equipment failure; (iv) operator errors; (v) out-of-balance conditions; (vi) emergency Software changes; (vii) security violations; and (viii) other conditions as defined by the Schedules, Operating Standards, or Subcontract, as the case may be, between the Lottery Bureau and Manager any time during the Term of the Agreement. In the event that Manager fails to report incidents set forth herein, the Lottery Bureau may, in its sole discretion, assess as liquidated damages five thousand dollars ($5,000) per day.

3.3 MAJOR PROCUREMENTS

3.3.1 Authority, Applicability. Manager shall comply with the standards prescribed by this **Section 3.3 (Major Procurements)** when conducting Major Procurements. The following standards are designed to enable Manager to administer its operations in a manner providing the greatest long-term benefit to the Commonwealth, the best Services and products for the Lottery, with the integrity and responsibility the Commonwealth expects of its Manager. These standards shall be construed consistently with the applicable provisions of the Agreement. Although these standards are intended to clarify certain terms and conditions within the Agreement, should any provision of this **Section 3.3 (Major Procurements)** contradict or otherwise limit the express provision of the Agreement, the applicable provision of the Agreement shall control. Further, the Procurement Standards of this **Section 3.3 (Major Procurements)** are not intended to address all requirements regarding the procurement or content of Major Procurements. While not subject to the specific provisions of the Commonwealth Procurement Code, the following standards shall serve as the minimum standards by which Manager shall conduct Major Procurements.

3.3.2 Contracts in Writing, Communications. Manager may purchase, lease, or lease-purchase such products or Services as are necessary for Manager's operations and the fulfillment of Manager's responsibilities. When conducting Major Procurements, Manager shall take into account the particularly sensitive nature of a State-conducted lottery and shall act to promote and ensure security, honesty, fairness, and integrity in the operation and administration of the Lottery and its objectives.

(a) Manager shall not enter into, or execute, a Major Procurement or Major Procurement Contract unless previously Approved by the Lottery Bureau in accordance with these Operating Standards.

(b) Major Procurement Contracts must be in writing and memorialize the complete and total agreement between the parties. No terms shall be left to an unwritten understanding. Additionally, Major Procurement Contracts shall include the following provisions:

(i) "The Subcontract or Vendor hereby covenants and agrees that no Entity shall be (i) excluded from participation in, or be denied benefits of, this contract where such participation or benefits are obligated by this contract or applicable laws, or (ii) excluded from employment, denied any of the benefits of employment, or otherwise be subjected to discrimination on the grounds of handicap or disability, age, race, color, religion, sex, national origin, or ancestry, or any other classification protected by applicable law. The Subcontractor or Vendor shall, upon request, show proof of such nondiscrimination policies and shall post in conspicuous places, as well as make such nondiscrimination policies available to all employees and applicants."

(ii) "The Subcontractor or Vendor shall maintain documentation for all fees or charges incurred by Manager under this contract or any modifications or amendments thereto. The books, documents, papers, accounting records, and other evidence pertaining to products and/or services to be provided or performed or money received under this contract shall be (i) maintained for a period of five (5) full years from the date of the final payment and (ii) subject to audit or inspection at any reasonable time and upon reasonable notice by the

Lottery or its duly appointed representatives. Subcontractor or Vendor shall make such materials available at its offices, and copies thereof shall be furnished to the Lottery or its duly appointed representative by the Subcontractor or Vendor, at no cost to the Lottery or its duly appointed representative, if so requested. Such records shall be maintained in accordance with GAAP and any other applicable procedures established by the Lottery in its sole discretion from time to time."

(c) Any amendments, supplements, or modifications to Major Procurement Contracts must be in writing and memorialize the complete and total agreement between the parties as amended, supplemented, or modified. No terms shall be left to an unwritten understanding. Manager may enter into a such an amendment, supplement, or modification provided that Manager determines any one or all of the following exist: (i) the contract amendment is within the original scope of work and within the intent and purpose of the applicable Major Procurement Contract, (ii) the contract amendment is a logical extension to the original scope of work of the applicable Major Procurement Contract, or (iii) if entered into as a stand-alone contract, such contract would not constitute a Major Procurement Contract.

(d) Manager may suspend, revoke, or refuse to renew any Major Procurement Contract for good cause shown and with advanced notice to the Lottery Bureau. In any such case, Manager shall notify the Lottery Bureau at least ten (10) days prior to taking any such action and in accordance with the applicable notification provisions set forth in **Schedule 5.1 (Governance Protocols)** to the Agreement.

(e) Manager Key Personnel shall conduct all negotiations and other communications attendant to Major Procurements; provided, however, that any communication or negotiation which may take place regarding any procurement or contract shall be conducted in a manner so as not to disclose any information that would give one or more Subcontractors or Vendors an unfair advantage or unfairly enable one or more vendors to improve their bids, offers, quotes, or proposals as a result. No communication outside the procurement process initiated by vendors, their attorneys, representatives or others promoting their position, other than normal business activities not associated with the procurement, will be allowed with Manager Key Personnel or other agent of Manager. Any attempt to influence Manager Key Personnel with respect to a procurement, whether such attempt is oral or written, formal or informal, is strictly prohibited and must result in disqualification. Manager shall only enter into a Major Procurement Contract with the Subcontractor or Vendor whose bid, offer, quote, or proposal provides the Lottery with the best overall value. In the event that negotiations with the highest rated Subcontractor or Vendor fail to result in a contract, or if for any other reason a contract with such Subcontractor or Vendor is not executed, Manager may conduct negotiations with the second highest rated Subcontractor or Vendor and so forth until a contract is successfully executed.

(f) Manager shall retain records of the following: Major Procurements; Major Procurement Contracts; negotiations upon which a Major Procurement Contract is based; documentation of required approvals; and documentation that each Major Procurement Contract is awarded to a responsible bidder that provides the Lottery with the best overall value.

3.3.3 Procurement Methods, Substantive Requirements. Provided Manager complies with the applicable provisions of **Section 3.3.2 (Contracts in Writing, Communications)** above, Manager may employ any lawful means of soliciting competitive responses for purposes of Major Procurements. In that event, all such Solicitations shall detail, at a minimum, the following:

(a) Terms and conditions clearly detailing the requirements for the response to the Solicitation (including the schedule for submitting and evaluating responses to Solicitations) as well as contract language in the event of award.

(b) Where more than one item is specified, whether Manager will have the right to accept proposals either on the basis of each individual item, a group of items or total of all items.

(c) Any requirement for a performance bond.

(d) Unless the Solicitation specifically permits offers of used or reconditioned items, all Solicitations shall be deemed to require that all material, supplies and Equipment offered and furnished must be new and not reconditioned.

(e) A right of rescission by the Commonwealth.

IV. ACCOUNTING AND INTERNAL CONTROLS

4.1 ACCOUNTING RECORDS, AUDIT

4.1.1 Maintenance of Accounting Records.

(a) Manager shall maintain complete, accurate, and legible records of all transactions pertaining to the revenues, expenses, and costs whatsoever for all operations of Manager. Financial reports should be in compliance with GAAP.

(b) Manager shall provide all central gaming system financial data and reports that have reconciled and/or interfaced with Subcontractor or Vendor data and/or the Lottery Bureau to enable the Lottery Bureau to carry out its obligations, including financial reporting, transfers, Lottery Retailer settlements, and adjustments.

4.1.2 Standard Financial and Statistical Reports, Financial and Operational Investigations. Manager shall file monthly, quarterly, and/or annual reports of financial and statistical data as set forth in the Agreement and Operating Standards. The Lottery Bureau may use such data to evaluate the financial position and operating performance of Manager, and may compile information regarding the performance and trends of the lottery industry in the Commonwealth. Further, Manager shall be subject to financial and operational audits by the Lottery Bureau or their designee.

4.1.3 Annual Audit and Other Reports. Manager shall cause its annual GAAP financial statements to be audited in accordance with the Agreement.

4.1.4 Investigations. Manager shall cooperate and strictly comply with any and all investigations conducted by the Lottery Bureau or any Entity acting on behalf of the Lottery Bureau.

4.2 INTERNAL CONTROLS

4.2.1 Manager's System of Internal Controls. Manager shall submit Internal Controls where required by these Operating Standards on or prior to the Effective Date, unless otherwise directed by the Lottery Bureau. Except for the initial set of Internal Controls, each and every set of Internal Control submissions thereafter shall be accompanied by a certification of its Chief Legal Officer or equivalent stating that the submitted Internal Controls conform to the requirements of the Lottery Bureau and these Operating Standards, inclusive of a certification by its Chief Financial Officer or equivalent that the submitted Internal Controls are adequate and effective and establish a consistent overall system of internal controls. The Lottery Bureau may review any Internal Control submissions required to be maintained by these Operating Standards at any time, and may require that Manager amend its previously submitted and/or Approved Internal Control submissions to include additional procedures in order to conform to the requirements of these Operating Standards and the rules of the Lottery Bureau.

4.2.2 Security Internal Control Submission. Manager must submit to the Lottery Bureau, in accordance with **Section 4.2.1 (Manager's System of Internal Controls)** above, and annually thereafter on or prior to each anniversary of the Effective Date, a well-defined security plan and Internal Control including administrative and accounting controls, procedures, and records that are concerned with the continuous security and integrity of the Lottery, all technology and communication solutions and systems, and any delivery or distribution processes or systems (collectively, the "**Security Plan**").

(a) At a minimum, the Security Plan must address the following: (i) Lottery Ticket standards and Specifications, including embedded security measures, graphic design, ink and paper stock standards, and policies relating to the production, testing, and sale of Lottery Tickets; (ii) Lottery Ticket quality standards; (iii) Lottery Ticket identification procedures; (iv) Lottery Ticket validation methods and processes for the payment of Prizes to holders of winning Lottery Tickets; (v) Lottery Ticket tracking procedures; (vi) guidelines regarding concentrations of winning Instant Lottery Tickets, and values of such Lottery Tickets, per shipment package; (vii) Lottery Ticket shipping procedures; (viii) methods for the central recording of production, activation, or validation

of Lottery Tickets such that no production, activation, or validation of Lottery Tickets may occur without being recorded; (ix) guidelines detailing screening and hiring processes for Manager Key Personnel; (x) guidelines detailing screening and hiring processes for Vendors and Subcontractors; (xi) security system and security personnel requirements for the supply, repair, testing, and maintenance of Lottery Equipment; (xii) security system and security personnel requirements for all plants or facilities in which Lottery Tickets are produced; (xiii) security system and security personnel requirements for all non-Lottery Retailer locations where Lottery Tickets are stored; (xiv) security system and security personnel requirements for all Lottery Ticket delivery and distribution systems; (xv) security system and security personnel requirements for all Lottery websites, databases, software programs, and computer systems including guidelines to ensure that no unauthorized Entity may have access to such websites, databases, software programs, and computer systems, and ensure that any data or other related Lottery information may not be accessed by Entities developing or performing maintenance on Lottery computer systems; (xvi) security system and security personnel requirements for all Lottery Drawings; (xvii) security systems and testing requirements for all Lottery Ticket machines, including ITVMs; (xviii) anti-counterfeiting procedures and measures; (xix) operational back-up and information recovery procedures in the event of an unplanned disturbance, occurrence, or disaster affecting the Lottery; (xx) testing, reporting, internal monitoring, and auditing procedures to ensure compliance with the Security Plan; (xxi) procedures and policies for addressing non-compliance with the Security Plan, including procedures to timely report any such non-compliance to the Lottery Bureau; (xxii) procedures and policies for the destruction of Lottery Tickets; and (xxiii) procedures and policies for compliance with the Multi-State Lottery Games.

(b) To the extent that Manager enters into a contract with any Vendor or Subcontractor for the provision of goods or services in relation to the Lottery, each and every such Vendor or Subcontractor must submit to Manager a signed certification of compliance with the Security Plan prior to providing any such services or goods. Within seven (7) days of receipt of such certification, Manager must provide a copy of the certification to the Lottery Bureau. In the event that a Vendor or Subcontractor wishes to seek exemption from any part of the Security Plan, Manager may request an exemption from the Lottery Bureau, which the Lottery Bureau may grant, at its sole and absolute discretion.

(c) A current version of the Security Plan shall be maintained in, or made available through secure computer access to, the Lottery Bureau at all times. Manager shall also maintain a copy of any superseded changes to its Internal Control submission and the two certifications required for each change for a minimum of five (5) years in a location to be Approved by the Lottery Bureau. Each page of the Internal Controls shall indicate, as applicable, the date on which it was submitted to the Lottery Bureau and the date on which it was either Approved by the Lottery Bureau or implemented by Manager.

4.2.3 Reviews of Security Plan. After the first anniversary of the Effective Date or sooner if the Lottery Bureau determines necessary, the Lottery Bureau may engage an independent Third Party organization to conduct a comprehensive study and evaluation of all aspects of security described in the Security Plan. Manager, and any Lottery Retailers, Subcontractors, or Vendors must grant access to such Third Party to their premises, records, and personnel to the same extent and co-extensive with that access to which the Lottery Bureau is entitled under the terms of the Agreement, these Operating Standards, and Commonwealth Policies and Rules. All Internal Control submissions, other than the initial set, shall also be accompanied by a report attesting to the accuracy of Manager's assertion that internal controls over security are in place, operational, and effective.

V. LOTTERY GAMES, RULES, DISTRIBUTION OF LOTTERY TICKETS

5.1 LOTTERY GAMES

5.1.1 Types of Lottery Games. Manager may offer for sale Lottery Tickets to any Lottery Game. The content of any Lottery Game shall not: (a) be obscene, indecent, political in nature, violent, or otherwise offensive; (b) target minors; or (c) target, with the intent to exploit, specific groups or economic classes of people. Should any Lottery Game fail to comply with the terms of these Operating Standards, the Agreement, or Commonwealth Policies and Rules, Manager shall immediately cease offering such Lottery Games upon notice by the Lottery Bureau, and the Lottery Bureau may take any and all such additional action as the Lottery Bureau deems necessary or desirable to safeguard and protect Lottery operations. Any material changes proposed to the Annual Business Plan concerning: (i) the Lottery Games to be offered by Manager; (ii) the prize pay-outs of Lottery Games; (iii) the sales price of Lottery Tickets; (iv) the type, number or amount of Prizes shall be subject to the prior review and Approval by the Commonwealth; or (v) the return on investment and profitability of Lottery Games. At the Commonwealth's request, Manager shall promptly provide documentation, including reports, demonstrating compliance with this **Section 5.1.1**.

5.1.2 Game Rules, Promotional Rules. Prior to Manager offering Lottery Tickets for sale or offering a promotion to Players, Manager must establish Game Rules or promotional rules for each such Lottery Game or promotion, respectively, in writing. Each Lottery Game must be conducted in accordance with written Game Rules for that particular Lottery Game and Commonwealth Policies and Rules; and each promotion made available to Players must be conducted in accordance with the written promotional rules for that particular promotion and Commonwealth Policies and Rules.

(a) Game Rules must include, at a minimum, the following: (i) definitions; (ii) identification of the Lottery Game and Lottery Game symbols; (iii) Lottery Ticket prices and purchase and Prize restrictions; (iv) responsibilities of Lottery Retailer; (v) redemption procedures and the manner of selecting and validating each winning Lottery Ticket; (vi) the manner in which Prizes are paid; (vii) the number and size of Prizes; (viii) approximate odds of winning each Prize, such odds of winning to be based on a mathematically defensible formula; (ix) manner of conducting and frequency of Drawings and Special Games, if applicable; (x) Prize structure; (xi) terms and conditions of holders' responsibility, cancellation, governing law, and dispute mechanisms; (xii) the mailing address of Manager or Manager's agent where individuals may send requests for information, comments, and complaints; (xiii) a toll-free telephone number for customer complaints; (xiv) a toll-free telephone number for customer requests for information; (xv) information regarding obtaining assistance with gambling problems, including a toll-free "800" telephone number providing crisis counseling and referral services to families experiencing difficulty as a result of problem or compulsive gambling; [information regarding the Voluntary Self-Exclusion Database;] (xvi) instructions on how Lottery Ticket-holders may ascertain whether they have a winning Lottery Ticket, including instructions on where such information can be found; (xvii) instructions on how holders of winning Lottery Tickets may complete a Prize Claim and the Claim Period for each Lottery Game; (xviii) language stating that persons under eighteen (18) years of age may not purchase Lottery Tickets or claim a Prize; (xix) and language substantially equivalent to the following: "If you believe you or someone you know has a gambling problem, crisis counseling and referral services can be accessed by calling 1-800-GAMBLER or 1-800-848-1880."

(b) Promotional rules must include, at a minimum, the following: (i) definitions; (ii) identification and dates of the promotion; (iii) method of entry; (iv) responsibilities of Lottery Retailer or Third Party; (v) description of Entities prohibited from participating in the promotion; (vi) specific promotional prizes to be awarded; (vii) method of awarding and announcing promotional prizes; (viii) approximate odds of winning each promotional prize, such odds of winning to be based on a mathematically defensible formula; (ix) manner of conducting and frequency of the promotion; (x) promotional prize structure; (xi) terms and conditions of the participants' responsibilities, cancellation, governing law, and dispute mechanisms; (x) the mailing address of Manager or Manager's agent where individuals may send requests for information, comments, and complaints; (xi) statement regarding the tax treatment of the promotional prize; (xii) a toll-free number for customer requests for information; (xiii) and language substantially equivalent to the following, "If you believe you or someone you know has a gambling problem, crisis counseling and referral services can be accessed by calling 1-800-GAMBLER or 1-800-848-1880."

5.1.3 Public Access. Manager shall publish and make publicly available an abbreviated version of the Game Rules for each Lottery Game and the approximate odds for each Lottery Game. This abbreviated version shall be written in plain English, easily understood, and generally provide "how-to-play" information. Manager shall publish and make publicly available the number of Prizes or pay-out ratios for each Lottery Game or Prize level. Manager will also maintain copies of all Game Rules in Manager's principal office. Manager will not charge any fee for providing copies of the Game Rules, in whole or in part, or for providing information necessary for Players to determine whether they have won a Prize.

5.1.4 Prize Payout Ratio. For each Lottery Game, the Prize payout ratio must be calculated in accordance with the Game Rules and requirements contained in these Operating Standards.

5.1.5 Restrictions on Lottery Game Play. The following persons are ineligible to purchase a Lottery Ticket, play a Lottery Game, or claim a Prize. Any Prize won by an individual described in this **Section 5.1.5** shall be treated as an unclaimed prize in accordance with the Existing Lottery Law (72 P.S. § 3761-309).

(a) Minors under eighteen (18) years of age;

(b) Any officer or employee of the Lottery Bureau;

(c) Any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of abode of any such Entities identified by **subsection (b)** above;

(d) Any Subcontractor or Vendor, or manager, director, officer, partner, employee, or agent of such Subcontractor or Vendor, that is directly or indirectly involved in the management or operations of the Lottery;

(e) Any Manager Key Personnel or any other manager, director, partner, employee, or agent of Manager who is directly or indirectly involved in the management or operations of the Lottery;

(f) Any Entity subject to the suitability and qualifications standards pursuant to **Article 2 (The Manager)** of these Operating Standards;

(g) Any auditor directly involved in the oversight of any Drawing;

(h) Any spouse, child, sibling, or parent residing as a member of the same household in the principal place of abode of any Entity identified by **subsections (d)** through **(g)** above;

(i) [Any Entity who is registered at the time of purchase with the Voluntary Self-Exclusion Database]; or

(j) Any other Entity prohibited by the Existing Lottery Law or Commonwealth Policies or Rules.

5.1.6 Publishing of Lottery Tickets and Play Slips. All Lottery Tickets and Play Slips must include the following information: (a) identification of the "Pennsylvania Lottery"; (b) price of the Lottery Game; (c) language stating that persons under eighteen (18) years of age may not purchase Lottery Tickets or claim any Prize; (d) cancellation arrangements, where applicable; (e) approximate odds of winning, such odds of winning to be based on a mathematically defensible formula; (f) instructions on how Players may ascertain whether they have a winning Lottery Ticket, including instructions on where such information can be found; (g) instructions on how holders of winning Lottery Tickets may complete a Prize Claim and the Claim Period for each Lottery Game; (h) instructions on how Game Rules may be obtained; (i) a statement no more than one sentence in length regarding how to obtain assistance with gambling problems and including a toll-free "800" number providing crisis counseling and referral services to families experiencing difficulty as a result of problem or compulsive gambling; (j) a toll-free informational telephone number to request additional information; and (k) language substantially equivalent to the

following: "If you believe you or someone you know has a gambling problem, crisis counseling and referral services can be accessed by calling 1-800-GAMBLER or 1-800-848-1880."

5.1.7 Multi-State Lottery Games. Manager may offer a Multi-State Lottery Game, subject to the prior Approval of the Lottery Bureau. Manager's ability to offer a Multi-State Lottery Game is contingent upon the Lottery Bureau, at its sole discretion, entering into an agreement with other participating states or with such appropriate authorities of the other states, and Manager conducting the Multi-State Lottery Game in strict accordance with the terms of the Game Rules of such Multi-State Lottery Game and Commonwealth Policies and Rules. Each and every Approved Multi-State Lottery Game is subject to the terms and restrictions of the Agreement, these Operating Standards, and Commonwealth Policies and Rules.

5.1.8 Systems Integration Testing and User Acceptance Testing of Software. Manager shall test and validate any software changes by means of systems integration testing and a structured UAT process in a non-production environment and correct any bugs, fixes, or other errors in such software identified through such testing prior to releasing such software changes into production. The Lottery Bureau shall have the right (but not the obligation) to conduct its own structured UAT of any software changes within thirty (30) days after any changes to software are made by Manager prior to Manager releasing any such software into production. If the Lottery Bureau believes that all or any portion of software fails to conform in any material respect to the requirements set under the UAT, the Lottery Bureau shall give Manager written notice setting forth in reasonable detail the reasons why the Lottery Bureau believes that software does not conform. Manager shall then have fifteen (15) days from the date of receipt of such notice in which to correct, at no charge to the Commonwealth, the non-conforming element(s). The Lottery Bureau shall then have fifteen (15) days to confirm that the resubmitted software conforms in all material respects to the requirements set under the UAT. If software does not comply with the requirements set under the UAT after resubmission, then the Lottery Bureau may, in its sole discretion, either: (a) refuse acceptance of software without any liability, in which event Manager shall promptly, but no later than five (5) days from the date of notification, refund any fees paid by the Commonwealth (other than fees paid for previously received and accepted software); (b) replace Manager's software with an equal performing product acceptable to the Commonwealth and seek a refund of any fees paid by the Commonwealth to Manager (other than fees paid for previously received and accepted software); or (c) extend the acceptance period for an additional fifteen (15) days in which case this **Section 5.1.8** shall continue to apply.

5.2 TECHNICAL STANDARDS

5.2.1 Central Gaming System. Manager shall install, operate, and maintain a central gaming system that provides the following functionality and capabilities:

(a) The installation, operation, and maintenance of the Lottery's central gaming system must at all times be under the direction and supervision of Manager's Key Personnel, or, if Approved by the Lottery Bureau, a Subcontractor or Vendor. The central gaming system shall have the capability to interface with Lottery and/or other Commonwealth systems where necessary. Particularly, sales and Lottery Ticket inventory systems shall be interfaced with and/or reconciled with any Subcontractor's or Vendor's and/or the Lottery's systems no less than weekly. Notwithstanding anything to the contrary in these Operating Standards or the Agreement, Manager's IT system standards shall comply with Commonwealth Policies and Rules, which shall include vulnerability scanning, penetration testing, and require compliance with all generally accepted industry standards for security compliance.

(b) Any such Subcontractor or Vendor installing, operating, or maintaining the central gaming system of the Lottery, if Approved, shall be subject to the direction, supervision, and control of Manager at all times, and in the event such Subcontractor or Vendor is not Manager, Manager shall be jointly and severally responsible for any and all actions or inactions of the Subcontractor or Vendor installing, operating, or maintaining the central gaming system of the Lottery. Manager shall not contract, or enter into any legal or business relationship, or terminate any such relationship, with a Subcontractor or Vendor installing, operating, or maintaining the central gaming system of the Lottery, unless and until such Subcontractor or Vendor has been found qualified and suitable in accordance with the provisions of **Section 2.2 (Standards for Qualification)** herein. Such Subcontractor or Vendor shall not undergo a Change in Control, unless such is expressly Approved by the Lottery Bureau in writing, at its sole and reasonable discretion.

(c) Manager must immediately provide notice to the Lottery Bureau: (i) upon notice of the threatened or anticipated termination or resignation, or the actual termination or resignation, whichever is sooner, of a Subcontractor or Vendor installing, operating, or maintaining the central gaming system of the Lottery; (ii) when Manager has selected a replacement Subcontractor or Vendor; or (iii) when there has been a Change in Control of such Subcontractor or Vendor.

(d) The Commonwealth has the right to audit, among other things, Manager with respect to the Subcontractor or Vendor installing, operating, or maintaining the central gaming system of the Lottery, including Manager's determination that such Subcontractor or Vendor has met and remains in compliance with the standards in **Section 2.2 (Standards for Qualification)** herein and possessed and continues to possess the technical capabilities reasonably required of a Subcontractor or Vendor installing, operating, or maintaining the central gaming system of the Lottery. Without limiting the generality of the foregoing, the Lottery Bureau may also, at any time, audit a Subcontractor or Vendor installing, operating, or maintaining the central gaming system of the Lottery to determine if such Subcontractor or Vendor possesses the expertise, qualifications, and experience to perform in that capacity, as they then exist or as they are reasonably anticipated to exist in the future.

(e) If the Lottery Bureau determines that the Subcontractor or Vendor installing, operating, or maintaining the central gaming system of the Lottery fails to meet any of the **Section 2.2 (Standards for Qualification)** requirements, and Manager fails to take such actions as the Lottery Bureau may reasonably request, then the Lottery Bureau may require Manager immediately to replace such Subcontractor or Vendor.

(f) Prior to commencing operations, Manager must, as an element of its Transition Plan, as Approved by the Lottery Bureau, include provisions regarding the selection, installation and maintenance of a central gaming system. In addition to any other requirements imposed by the Agreement or these Operating Standards, Manager's Transition Plan shall include the following:

(i) Management of Technology-Related Operational Risk. The central gaming system shall be designed, implemented, and operated so as to manage the wide range of technology-related operational risks involved. These encompass the risks associated with any incident that may have an adverse impact on any of the required outcomes of the Agreement or objectives of the Annual Business Plan. The Lottery recognizes that a degree of risk may be acceptable in order to exploit opportunities that have the potential to increase Profit to the Commonwealth; however, such degree of risk must be pre-approved by the Lottery Bureau, and such risk, at all times, must be carefully managed and minimized.

(ii) Sustainability. The central gaming system must be based upon modern, global best practice technologies, which are sustainable in a cost-effective manner over the Term. The Initial Annual Business Plan must specify an appropriate technology maintenance strategy and ensure that all elements of the central gaming system are fully supported and are maintainable throughout the Term.

(iii) Flexibility. The central gaming system must be designed, implemented, and operated so that it: (A) is responsive to changing requirements, including changes to the legislative, regulatory, political, cultural, technological, and market environment; and (B) allows for change in usage, functionality, accessibility, or technology to be implemented within appropriate timescales and at minimal operational risk, so to maximize Profit to the Commonwealth.

(iv) Openness. The central gaming system must be developed, operated, and maintained in accordance with accepted principals of open systems design and conform to relevant international consensus-based standards. A lack of openness in the central gaming system must not place unnecessary constraint upon Players, Lottery Retailers, Manager, its Subcontractors or Vendors or a future private manager, which may adversely impact the goals of the Lottery.

(v) Resilience and Availability. The central gaming system must be designed, implemented, and operated to ensure high levels of service availability as is required to (A) meet the expectations of users; (B) meet service levels agreed upon with Lottery Retailers and other partners; and (C) deliver the objectives of the Annual Business Plan and maximize overall net profit to the Commonwealth. The central gaming system must exhibit appropriate levels of reliability, resilience, and recoverability, meaning: (X) failures of systems or components should be extremely rare; (Y) when failures do occur, key services should continue to function correctly (possibly to a reduced level of function or performance); and, (Z) failures should be repaired and normal services resumed within a reasonable timeframe. The central gaming system must be capable of delivering high levels of reliability, resilience, recoverability, and availability throughout the Term, as might be expected of a modern lottery operation.

(vi) Capacity and Performance. The central gaming system must have sufficient capacity to ensure adequate system performance at all times, as required to (A) meet the expectations of users; (B) meet service levels agreed with Lottery Retailers and other Subcontractors or Vendors; and (C) deliver the objectives of the Annual Business Plan and maximize overall net profit to the Commonwealth. Manager must seamlessly process volumes of transactions and user activity well in excess of those anticipated by the Annual Business Plan. The Subcontractor or Vendor installing, operating, or maintaining the central gaming system of the Lottery must be sufficiently scalable to seamlessly process situations where: (X) the volume of transactions and/or user activity is much greater than anticipated, e.g. where a Lottery Game newly launched is significantly more popular than predicted; (Y) there is a surge in transactions and/or user activity, e.g. in the case of the afternoon immediately preceding a large rollover draw; and, (Z) there is a gradual but significant growth in transactions and/or user activity over a number of months or years. The central gaming system must be capable of delivering high levels of performance and scalability, throughout the Term, as might be expected of a modern lottery operation.

(vii) Integrity. The central gaming system must be designed, implemented, and operated to safeguard the integrity of Lottery operations. No Lottery Game may be played using software or other technology that is materially defective or unable to ensure the integrity of Lottery operations. Manager must take all reasonable steps to identify incidents where integrity has been compromised (integrity failures) as soon as possible after their occurrence and to minimize the impact of those incidents.

(viii) Security. Security of Lottery operations is paramount and must be as protective as commercially feasible and shall include levels of redundancy and procedures to notify the Lottery Bureau immediately in the event security is threatened or compromised. The security measures implemented by the Initial Annual Business Plan must be based on risk mitigation objectives, complete with a risk analysis.

5.2.2 Retail Service Center, Customer Service Center. Manager shall, either itself of through a Subcontractor or Vendor, provide a retail call center and a customer call center that provides, at a minimum, the following functionality for Players, Lottery Retailers, and the public:

(a) Inbound calls. Inbound calls to be received with the purpose of providing services including: (i) answering questions regarding Lottery Games, Prizes, eligibility, locations of Lottery Retailers and other matters of Lottery operations, (ii) recording complaints, and (iii) handling other such Player or public inquiries as may occur.

(b) Issue resolution. Call center employees will provide information as necessary to help resolve all Player or public issues, and if they are unable to provide a resolution, Manager will provide a process for escalation of the issue, as appropriate.

(c) Systems. Computer and telephone systems will be utilized as necessary to ensure appropriate staffing levels, responsiveness, and customer satisfaction.

(d) Reporting. Manager will record weekly and monthly reports of telephone statistics, which shall be made immediately available to the Lottery Bureau upon request.

(e) Training. Call center employees will be trained with regard to policy changes and updates.

(f) Monitoring. Call center employees will be monitored on a monthly basis for quality and training needs.

(g) Electronic inquiries. Manager will provide a system for responding to electronic inquiries, such as through e-mail or the Internet.

(h) Operating hours. The call center will operate during normal and customary business hours.

(i) Service and Database. Manager shall maintain a service log and database containing, at minimum, entries with the following information: (i) a list of complaints by individuals or (ii) reports of lost or stolen Lottery Tickets received by telephone, in person, by mail, or by electronic mail. Each entry shall contain in each instance, if known, the name of the individual, the address of the individual, the telephone number of the individual, the date that the complaint was received or the date the Lottery Ticket was lost or stolen, the facts and circumstances of the complaint or of the lost or stolen Lottery Ticket, the date and location of the underlying incident giving rise to the complaint, the resolution of the complaint, any corrective action that was taken, and any follow-up that was done with the individual. Manager shall keep the service log and database up to date on a daily basis and review the data to produce a written report to the Lottery Bureau evaluating any patterns, recurring problems, or unresolved issues upon the Lottery Bureau's request, such request to be made no more than quarterly.

(j) Retail Fraud, Player Fraud. Manager shall adopt a procedure and plan to administer, escalate, and report any and all allegations of criminal, unethical, or other wrongful conduct allegedly committed by a Lottery Retailer or a Player. Such procedure and plan must prescribe for the immediate escalation and reporting of any alleged instances of criminal or other unethical or wrongful conduct to the Lottery Bureau.

5.2.3 Instant Lottery Tickets. Manager shall provide an instant ticket printing and distribution system that that provides, at a minimum, the following functionality:

(a) IVTMs. Manager will maintain a network of IVTMs, or similar, with report gathering capabilities. IVTMs will be established on an "as needed" basis as Lottery Retailer locations are established. Such machines must be in compliance with Commonwealth Policies and Rules and are required to be either within sight of a Lottery Retailer or equipped with age-verification technology.

(b) Warehousing and distribution. Manager will be responsible for the warehousing and distribution of all Instant Lottery Tickets and Lottery Games.

(c) Security. All Lottery Tickets, including Instant Lottery Tickets, must meet or exceed all lottery industry standard security tests. Manager shall establish and maintain a physical plant, Lottery Ticket, and distribution security program which ensure compliance with such tests. Manager shall maintain sufficient processes to ensure that Lottery Tickets are not defective or nonconforming. Manager shall maintain sufficient processes to prevent the creation, manufacture, distribution or publication of counterfeit Lottery Tickets.

(d) Instant Lottery Ticket Systems. Such Instant Lottery Ticket printing and distribution system must process all Instant Lottery Ticket transactions through Lottery Retailer terminals and provide at least the functionality described herein.

(e) Lottery Game Volumes. Such Instant Lottery Ticket printing and distribution system must accommodate Lottery Game volumes up to or exceeding industry standards.

(f) Prize Payouts. Such Instant Lottery Ticket printing and distribution system must support Prize structures up to or exceeding industry standards.

(g) Flexibility in Instant Products. Such Instant Lottery Ticket printing and distribution system must accommodate new Instant Lottery Ticket products that may be of different sizes and shapes, bar code qualities, pack quantities, Prize structures and price points, from those described as current products and those that are required to meet or exceed industry standards.

(h) Instant Lottery Ticket Accounting. Such Instant Lottery Ticket printing and distribution system must provide Lottery Game account record keeping for every Instant Lottery Ticket Lottery Game, including Instant Lottery Tickets acquired, stolen, missing, returned, damaged, misprinted, or canceled, as well as ending inventory value.

(i) Instant Lottery Ticket Inquiries. Such Instant Lottery Ticket printing and distribution system must provide a wide variety of Instant Lottery Ticket inquiries, including shipped and pending orders, Instant Lottery Ticket pack lookup, Lottery Retailer inventory, Lottery Game definition, terminal and Instant Lottery Ticket research, sales activity, returned inventory, settled inventory, ended Lottery Games, full and partial pack returns, issued packs and sales representatives' inventory.

(j) Instant Ticket Order Fulfillment, Telemarketing System. Such Instant Lottery Ticket printing and distribution system must provide an application that supports: (i) telemarketing and Lottery Retailer account service functions; (ii) predictive ordering models; and (iii) other services which meet or exceed industry standards.

(k) Instant Lottery Ticket Inventory, Order, Packing, and Distribution. Manager shall provide an application to support warehousing, physical inventory control, packaging, distribution, returns, and destruction of Instant Lottery Tickets. Such Instant Lottery Ticket printing and distribution system must provide a solution with a broad range of features which meet or exceed industry standards.

5.2.4 Continuity Plans. Prior to the Effective Date, Manager shall submit to the Lottery Bureau for Approval Continuity Plans, which, once Approved by the Lottery Bureau, shall be attached hereto as **Appendix C**. Such Continuity Plans must address, at a minimum, the strategic framework for the mitigation of risks that might cause any one of the following events: (i) business process failure; (ii) asset loss; (iii) liability under any Commonwealth Policies and Rules; (iv) customer service failure; or (v) damages to reputation or brand. Such Continuity Plans must also include provisions regarding planning for disaster recovery, business interruption and resumption, business recovery, and contingencies.

5.3 INTERNET PRODUCTS AND MONITOR-BASED GAMES

5.3.1 Subscription Service. Manager shall assist with the establishment, implementation, and administration of an Internet portal, subject to all Commonwealth Policies and Rules, that may allow an individual of eighteen (18) years of age or older, and having a Commonwealth mailing address, to apply for and purchase Lottery Tickets for existing Lottery Games only via a daily, weekly, monthly, or yearly subscription, or such other frequency as directed by the Lottery Bureau.

5.3.2 Internet-Based Games. Manager shall assist with the establishment, implementation, and administration of an Internet portal, subject to all Commonwealth Polices and Rules, that may allow an individual of eighteen (18) years of age or older to purchase Lottery Tickets or play Lottery Games on the Internet. All

Equipment, Software, or any other mechanical or electrical devices used in connection with the sale of said Lottery Tickets or the play of said Lottery Games via the Internet, shall comply with the requirements of the Existing Lottery Law and Commonwealth Policies and Rules. All Lottery Tickets sold, or Lottery Games played via the Internet shall be restricted to transactions initiated, received, or otherwise made exclusively within the Commonwealth. The intermediate routing of electronic data shall not determine the location or locations at which a Lottery Ticket purchase or a Lottery Game is initiated, received, or otherwise made or played. For the avoidance of doubt, under no circumstances shall Commonwealth Data under this Agreement be processed, transferred, maintained, or stored outside of the United States without the Approval of the Commonwealth. Manager shall provide and maintain age and location verification requirements reasonably designed to block access to minors and Entities located outside the Commonwealth, and Manager shall also provide and maintain appropriate data security standards to prevent the unauthorized access by any Entity whose age and current location has not been verified in accordance with the requirements of the Lottery Bureau. Manager may neither launch nor offer for sale or play any Lottery Ticket or Lottery Game via the Internet without the express approval of the Lottery Bureau, and not sooner than July 1, 2015. Manager shall, no later than sixty (60) days prior to any commercial launch of an Internet-Based Game, establish Internal Controls to ensure compliance with the provisions of this Section 5.3.2 and Commonwealth Policies and Rules.

5.3.3 Monitor-Based Games. Manager shall assist with the establishment, implementation, and administration of certain monitor-based Games, subject to all Commonwealth Policies and Rules, that may allow an individual of eighteen (18) years of age or older, to play certain monitor-based Games in no event any earlier than July 1, 2013 except as otherwise expressly approved by the Lottery Bureau. In no event shall Manager permit such monitor-based Games to be installed in more than approximately five hundred (500) eligible retail locations during the initial launch; one thousand (1,000) eligible retail locations by the end of first year; fifteen hundred (1,500) eligible retail locations by the end of second year; two thousand (2,000) eligible retail locations by the end of the third year; two thousand five hundred (2,500) eligible retail locations by the end of the fourth year; and three thousand (3,000) eligible retail locations by the end of the fifth year. Manager shall, not later than sixty (60) days prior to any commercial launch of a monitor-based Game, establish Internal Controls to ensure compliance with the provisions of this Section 5.3.3 and Commonwealth Policies and Rules.

5.4 LOYALTY PROGRAM

Manager shall, on or around July 1, 2015, prepare and maintain Internal Controls for the authorization and issuance of a Loyalty Program for Players, complete with complimentary services and items, including noncash gifts where Approved by the Lottery Bureau. Such Internal Controls shall include the procedures by which Manager intends to attract and retain new customers and the manner by which Manager may delegate to Manager Personnel, Subcontractors, or Vendors the authority to approve the issuance of complimentary services and items, including the procedures by which conditions or limits, if any, which may apply to such authority are established and modified. These Internal Controls shall also include data-security provisions, procedures by which Players may choose to decline any and all marketing or advertisement materials, and limits based on relationships between the authorizer and recipient, and shall further include provisions that allow for effective auditing.

VI. RESPONSIBLE GAMING, CONSUMER PROTECTION

6.1 RESPONSIBLE GAMING

6.1.1 Responsible Gaming Initiatives. Manager shall establish Internal Controls to ensure that advertising content and marketing practices do not target disadvantaged economic classes of people, are accurate, and do not, irrespective of falsity (directly or by ambiguity, omission, or inference, or by the addition of irrelevant, scientific, or technical matter), tend to create a misleading impression. Manager shall establish a process, which must be Approved by the Lottery Bureau, for the review and Approval of all advertising and proposed marketing concepts and campaigns to ensure that such concepts and campaigns do not: (a) target or exploit specific groups or economic classes of people; (b) provide inaccurate or misleading information; and (c) violate any of the requirements of these Operating Standards, the Agreement, or Commonwealth Policies and Rules. If the Lottery Bureau, in its sole and absolute discretion, finds that such advertising or marketing concepts or campaigns conflict with the best interests of the Commonwealth, or conflicts with such these Operating Standards, the Agreement, or Commonwealth Policies and Rules, Manager shall immediately cease any and all such advertising or marketing concepts or campaigns upon notice by the Lottery Bureau. Manager shall submit an initial version of such Internal Controls on or prior to the Effective Date.

6.1.2 Marketing Restrictions.

(a) Manager shall not publish or disseminate, or cause to be published or disseminated, by radio or television broadcast, or in any newspaper, periodical, mailing, Lottery Ticket, Lottery Game piece, point-of-sale signage, or any other publication, or through any Internet page or email, or by any sign or outdoor advertisement, or through any other medium any advertisement of the Lottery, unless such advertisement complies with the requirements set forth in this **Section 6.1**. Manager shall ensure that all agreements between Manager and any Subcontractor or Vendor require such Subcontractor or Vendor to comply with the marketing restrictions contained in this **Section 6.1**.

(b) All advertisements and marketing collateral shall contain information regarding access to the Commonwealth's Voluntary Self-Exclusion Program. All marketing collateral that advertise a specific Lottery Game or series of Lottery Games shall clearly describe the approximate odds of each specific Lottery Game. The mandatory information described in this paragraph shall be stated clearly as part of the marketing collateral and shall not be separated in any manner from the remainder of the marketing collateral. Such mandatory information shall be stated in such a manner that it will be readily apparent to the Entities reviewing the marketing collateral.

(c) Advertising or marketing that attempts to convey a message to an Entity by means of images or sounds of a very brief nature that cannot be perceived at a normal level of awareness is prohibited.

(d) The use of any advertising that is addressed to or intended to encourage minors to participate in the Lottery is prohibited.

(e) All advertising and marketing shall not be obscene or indecent, political in nature, violent or otherwise offensive and must not be against the image of the Lottery.

(f) Unsolicited telephone calls, text messages, emails, and facsimiles regarding the Lottery are prohibited.

(g) All advertising and marketing collateral shall clearly identify the Lottery as the Pennsylvania Lottery, in accordance with **Article 8 (Intellectual Property Rights)** of the Agreement. All advertising shall be designed so as to prevent confusion between the Lottery and any other lottery.

6.1.3 Marketing Code of Conduct. Manager shall adopt a code of marketing and advertising conduct, Approved by the Lottery Bureau in its sole and absolute discretion, which governs the marketing, advertising, public relations, and promotions of the Lottery. Manager shall submit such marketing code of conduct to the Lottery Bureau at least thirty (30) days prior to the Base Services Commencement Date, and thereafter annually on the

anniversary of the Effective Date. Such code shall prescribe the methods by which Manager shall not: (a) target or exploit disadvantaged economic groups of classes of people; (b) provide inaccurate or misleading information; or (c) violate any of the requirements of these Operating Standards, the Agreement, or Commonwealth Policies and Rules. In addition to the foregoing, such code of conduct shall specifically address, in addition to other matters, the following:

(a) The form and content of advertisements according to medium and location;

(b) The form and content of Lottery Tickets, publications, and other materials associated with the Lottery;

(c) Methods of avoiding targeting those under the age of eighteen (18) and other unsuitable target markets and audiences;

(d) The presentation of information which describes or appears to describe the chances of winning, the nature of Prizes or the cost of playing;

(e) Promotions, co-promotions, and sponsorships entered into between Manager and any Third Party;

(f) Activities ancillary to the Lottery, including merchandise;

(g) The form and content of advertisements on Lottery Tickets or at any other place associated with the Lottery;

(h) Public relations; and

(i) The form and conduct of all sales promotions.

6.2 CONSUMER PROTECTION

6.2.1 Prohibited Practices. To ensure the protection of the public, Manager and any Lottery Retailer, Subcontractor, Vendor, and any of their Affiliates, are prohibited from engaging in any activity that is contrary to the Existing Lottery Law, Commonwealth Policies and Rules, the Agreement or these Operating Standards.

6.2.2 Lottery Game and Contact Information. To serve the public and provide individuals with the information necessary to participate in the Lottery, Manager shall make the following information available in the following manner:

(a) Manager shall maintain copies of all Game Rules in accordance with **Section 5.1.2 (Game Rules, Promotional Rules)** herein.

(b) Manager shall ensure that all Lottery Tickets printed by it, or by any Subcontractor or Vendor, shall comply with the requirements of these Operating Standards, the Agreement, and Commonwealth Policies and Rules.

(c) Manager shall provide a website for the Lottery and make such website available to the public, in a reasonably accessible and user-friendly format that at a minimum, includes the following: (i) abbreviated copies of the Game Rules available or "how-to-play" instructions for download in PDF format; (ii) the price of a Lottery Ticket for each Lottery Game currently available for purchase; (iii) the mailing address of Manager or Manager's designated agent where individuals may send requests for information, comments, and complaints; (iv) a toll-free telephone number for public complaints; (v) a toll-free telephone number for public requests for information; (vi) instructions on how Lottery Ticket holders may ascertain whether they have a winning Lottery Ticket, including instructions on where such information can be found; (vii) instructions on how holders of winning Lottery Tickets may complete a Prize Claim and the Claim Period for each Lottery Game; (viii) the

approximate odds of winning for each Lottery Game, such odds of winning to be based on a mathematically defensible formula; (ix) language stating that persons under eighteen (18) years of age may neither purchase Lottery Tickets nor claim a Prize; (x) links to the text of the Existing Lottery Law; (xi) a toll-free "800" telephone number providing crisis counseling and referral services to families experiencing difficulty as a result of problem or compulsive gambling; [information regarding the Voluntary Self-Exclusion Database;] and (xii) a toll-free telephone number to report sales to persons under eighteen (18) years of age.

6.2.3 Unauthorized Publication. Manager, and its Subcontractors and Vendors, shall not publish or release any Personal Information of any Player for any purpose other than the administration of Prize Claims, unless express written consent is received from such Player or as otherwise permitted by Commonwealth Policies and Rules.

6.2.4 Service Log and Database. Manager shall maintain a service log and database containing, at minimum, entries with the following information: a list of complaints received by individuals by phone, in person, by mail, or by electronic mail, containing in each instance, if known, the name of the individual, the address of the individual, the telephone number of the individual, the date the complaint was received, the subject matter of the complaint, the date and location of the underlying incident giving rise to the complaint, the resolution of the complaint, any corrective action that was taken, and any follow-up that was done with the individual. Manager shall keep the service log and database up to date on a daily basis and review the data to produce a written report to the Lottery Bureau evaluating any patterns, recurring problems, or unresolved issues upon the Lottery Bureau's request, such request to be made no more than quarterly.

6.2.5 Consumer Protection Internal Controls. Manager shall establish Internal Controls that facilitate the creation of a uniform and efficient system that documents public concerns and inquiries, ensures an adequate response when warranted, and provides a recoverable record of the steps taken toward achieving such goals. Such Internal Controls shall also include guidelines for preventing compulsive or problem gambling associated with the Lottery, for preventing the sale of Lottery Tickets or the awarding of Prizes to natural persons under eighteen (18) years of age, ensuring that winning Lottery Tickets are evenly distributed, and providing reasonable accommodations to individuals with disabilities in accordance with Commonwealth Policies and Rules. An initial submission of such Internal Controls shall be made at least thirty (30) days prior to the Base Services Commencement Date.

6.2.6 Toll Free Number. Manager shall maintain toll free numbers and record all telephone calls to the toll-free telephone number(s) for public complaints, public inquiries, and for reporting Lottery Ticket sales to natural persons under eighteen (18) years of age.

6.2.7 Privacy Policy. Manager shall establish and maintain a privacy policy that shall describe the manner and means by which Manager collects, uses, and protects the data and information it obtains regarding Players and natural persons. Such policy shall, at a minimum, describe the means by which information from Player and natural persons is collected, shared, tracked, and otherwise used in any manner whatsoever. Such policy shall also describe the means by which such information is protected from unlawful or otherwise wrongful disclosure.

6.3 [SELF-EXCLUSION][1]

6.3.1 [Self-Exclusion List. Manager shall establish Internal Controls that accomplish the following:

(a) Train and permit Manager Personnel and Lottery Retailers to identify Entities listed on the Voluntary Self Exclusion Database and, upon such identification, notify: (i) Manager Personnel, and (ii) designated representatives of the Lottery Bureau;

(b) Refuse and deny Drawings and Lottery Games from, and deny any playing privileges to, any Entity identified on the Voluntary Self Exclusion Database;

[1] NTD: Confirm current practices in Pennsylvania.

(c) Refuse and deny membership to any Loyalty Program or similar privileges and benefits to any Entity identified on the Voluntary Self Exclusion Database; and

(d) Ensure that any Entity identified on the Voluntary Self Exclusion Database does not receive, either from Manager or any Lottery Retailer, solicitations, targeted mailings, telemarketing promotions, or other promotional materials relating to the Lottery.]

6.3.2 Internal Control Submission. Manager shall submit to the Lottery Bureau a copy of its Internal Controls established pursuant to this **Section 6.3.2** by not later than thirty (30) days prior to the Base Services Commencement Date. Any amendments to such Internal Controls shall be submitted to the Lottery Bureau at least thirty (30) days prior to their implementation. If the Lottery Bureau does not object to such procedures or amendments thereto, such procedures or amendments shall be deemed to be Approved.]

6.4 LOTTERY RETAILER INTEGRITY

6.4.1 Lottery Retailer Standards. Manager shall be responsible for monitoring Lottery Retailers. In order to accomplish this, Manager shall:

(a) Establish procedures to ensure that: (i) Lottery Retailers meet the moral turpitude test; (ii) Owners of any Points of Sale receive background checks; and (iii) both Lottery Retailers and Owners adhere to the signed Lottery Retail Contract;

(b) Establish procedures to ensure that Lottery Retailers are receiving proper training;

(c) Conduct regular reconciliation to bank accounts on the basis of daily or weekly draft reports to ensure that Lottery Retailers properly deposited sales proceeds and that commissions and/or incentives were properly paid to Lottery Retailers;

(d) Submit for final Approval to the Lottery Bureau any Lottery Retailer commissions and./or incentives established by Manager and ensure that no Lottery Retailer is given unfair advantage;

(e) In the event that the Commonwealth executes a Lottery Retailer suspension or revocation order, provide to the Lottery Bureau validation showing that the Lottery Retailer was properly suspended or revoked;

(f) Whenever new Lottery Retailer information is added, review such new Lottery Retailer information uploaded by a Vendor in order to ensure that the information matches the change request, and that any changes are duly noted and authorized; and

(g) Report significant Lottery Retailer concerns to the Commonwealth.

6.4.2 Obligation to Report. Manager shall use best efforts to identify and report to the Lottery Bureau any Lottery Retailer whom Manager reasonably suspects not to be in compliance with any Commonwealth Policies and Rules in order to assist the Lottery Bureau in determining whether to suspend, revoke, or not to renew such Lottery Retailer's license. A Lottery Retailer will not be in compliance with Commonwealth Policies and Rules for any one, or a combination of, the following reasons:

(a) Lottery Retailer violates any of the provisions of the act or the rules, regulations and instructions of the Secretary;

(b) The average weekly sale of Lottery Tickets by the Lottery Retailer is below the minimum established by the Secretary;

(c) The business address of the Lottery Retailer is changed;

(d) Lottery Retailer commits an act which seriously impairs his reputation for honesty and integrity;

(e) Lottery Retailer does not display Lottery point-of-sale material in a manner which is readily seen by and available to the public;

(f) Lottery Retailer does not make purchase of Lottery Tickets convenient and readily accessible to the public;

(g) Lottery Retailer has been convicted of a crime involving moral turpitude;

(h) Lottery Retailer has engaged in bookmaking or other form of illegal gambling;

(i) Lottery Retailer has been found guilty of any fraud or misrepresentation in any manner;

(j) The Secretary of his designee would likely find that the experience, character, and general fitness of the Lottery Retailer are such that his participation as a Lottery sales agent is inconsistent with the public interest, convenience, and necessity, or for any other reason that might be within the discretion of the Secretary or his designee; or

(k) Lottery Retailer is indebted to the Commonwealth or local government.

6.4.3 Liability for Failure to Report. In the event Manager fails to report promptly any non-complying Lottery Retailer to the Lottery Bureau, the Commonwealth shall be entitled to receive [SLA Credits as set forth in **Schedule 5.5 (Service Level Agreement)** to the Agreement].

6.5 AMBER ALERT PROGRAM

6.5.1 Lottery Retailer Participation. [Manager shall facilitate Lottery Retailers' participation in Pennsylvania's Amber Alert Program.]

APPENDIX A

DEFINITIONS

To the extent any of the following definitions conflict with the definitions of the Agreement, the definitions set forth in the Agreement shall govern.

"**Affiliate**" means any Entity that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with the Entity specified.

"**Agreement**" means the Private Management Agreement, the Schedules, the Exhibits, these Operating Standards and all other documents attached to the Agreement or otherwise incorporated by reference into the Agreement, the Schedules, the Exhibits or these Operating Standards, all as amended from time-to-time.

"**Annual Business Plan**" means either the Initial Annual Business Plan or the then current Updated Annual Business Plan, as the case may be.

"**Annual Profit Commitment**" has the meaning set forth in **Section 10.1** (**Compensation and Payment Terms**).

"**Approval**," "**Approved**," "**Approves**" means the prior written approval by the Commonwealth, in its sole discretion.

"Back-Up Data Center" means the secondary computer facility located within the forty-eight (48) contiguous United States at which a Back-Up Central System that processes in real time the mirror image of the System is installed and that will become the Primary Data Center in the event that the Primary System installed at the Data Center is not operating.

"**Base Services Commencement Date**" means April 1, 2013.

"**Business Day**" means any day which is not a Saturday, Sunday, or legal holiday on which banking institutions in the Commonwealth are authorized to close.

"**Change in Control**" means: (a) any transaction or combination of transactions as a result of which an Entity that presently is in control of a Party ceases to be in control of such Party; (b) the sale, transfer, exchange or other disposition (including disposition in full or partial dissolution) to an Entity other than an Excluded Person of fifty percent (50%) or more of the beneficial ownership (as defined in Rule 13(d) of the Securities Exchange Act of 1934) of the voting power of a Party, or of the assets of such Party that constitute a substantial or material business segment of such Party; or (c) with respect to Manager, the unit, division, or operating group of Manager that is responsible in providing the Services to the Commonwealth is sold or transferred to an Entity other than an Excluded Person or otherwise experiences a change in ownership or control.

"**Claim Period**" means the time period during which a Player may redeem a Prize in the manner prescribed by the Game Rules.

"**Commonwealth**" means the Commonwealth of Pennsylvania, acting through the Pennsylvania Department of Revenue and includes any related governmental organizations or agencies of the Commonwealth of Pennsylvania.

"**Commonwealth Data**" means in or on any media or other form of any kind: (a) all data that is in the possession of the Commonwealth, as of the Effective Date, all data updating or manipulating such data and all data concerning or indexing such data (regardless of whether or not owned by the Commonwealth or generated or compiled by or for the Commonwealth); (b) all other records, data, files, input materials, reports, forms, and other such items that may be received, computed, developed, used, or stored by Manager from, for, or on behalf of the Commonwealth, or in connection with the Services; and (c) Commonwealth Personal Data.

"**Commonwealth Intellectual Property**" has the meaning set forth in **Schedule 1.2 (Definitions)**.

"**Commonwealth Personal Data**" means, collectively, all data or information, in any form, that is provided to Manager by or from a Third Party on behalf of the Commonwealth or any data or information that is collected, generated or processed by Manager for the benefit of the Commonwealth, that alone, or in combination with other information: (a) is considered "sensitive personal data" defined under any applicable Regulatory Requirements; and/or (b) uniquely identifies (i) a current, former or prospective customer, agent, vendor, or contractor of the Commonwealth, or (ii) any employee of any of the foregoing or an employee of the Commonwealth, or their respective spouses or families, and includes customer names, addresses, telephone numbers and/or any other personally identifiable information, including copies of such information, and materials derived from such information.

"**Commonwealth Policies and Rules**" means (a) the standards, policies, practices, processes, procedures, controls, and rules of the Commonwealth regarding confidentiality, security, record retention, safety, and health and personal, professional and ethical conduct (including those contained in the Ethics Code, the Operating Standards and other written policies and procedures) and (b) all Regulatory Requirements, policies, and rules applicable to the provision of the Services, including those set forth in the Operating Standards, and all additions and modifications to each of **subsections (a) and (b)**.

"**Communications Network**" means a Communications Network that may utilize various communications methodologies approved by the Lottery which provides interfaces and compatibility between terminals, modems, data sets, lines, satellites, other communications equipment or devices and Manager's Subcontractor's Primary and Back-Up Computer Systems.

"**Confidential Information**" means: (a) all information marked confidential, restricted, or proprietary by either Party; and (b) any other information that is treated as confidential by the Disclosing Party and would reasonably be understood to be confidential, whether or not so marked. In the case of the Commonwealth, Confidential Information also shall include Commonwealth Intellectual Property, Commonwealth Data, attorney-client privileged materials, attorney work product, customer lists, customer contracts, customer information and transaction data, rates and pricing, information with respect to competitors, strategic plans, account information, research information, financial/accounting information (including assets, expenditures, mergers, acquisitions, divestitures, billings collections, revenues and finances), IT and personnel information, marketing/sales information, information regarding businesses, plans, operations, Third Party Contracts, licenses, internal or external audits, law suits, regulatory compliance or other information or data obtained, received, transmitted, processed, stored, archived or maintained by Manager under the Agreement.

"**Continuity Plans**" has the meaning set forth in **Section 4.4 (Continuity of Services)** of the Agreement.

"**Contract Records**" has the meaning set forth in **Section 11.1 (Contract Records)** of the Agreement.

"**Control**" means, with respect to any Entity, the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of such Entity, whether through the ownership of voting securities (or other ownership interests), by contract or otherwise. For this purpose, and without limiting the foregoing, any Entity that owns more than fifty percent (50%) of the outstanding voting securities of any other Entity shall be deemed to Control such other Entity.

"Data Center" means the Primary Computer Facility at which the System is installed, which shall be located at the same premises as the Lottery at [1200 Fulling Mill Road, Middletown, Pennsylvania, 17057].

"**Disclosing Party**" means the Party that has disclosed Confidential Information to the other Party.

"**Drawing**" means to receive or take at random a number or numbers that may result in making a Player or Players eligible to redeem a Prize in a Lottery Game.

"**Effective Date**" means the date referenced in the preamble to the Agreement.

"**Entity**" means any natural person, corporation, limited liability company, limited liability partnership, general partnership, limited partnership, joint venture, trust, association, governmental organization or agency, political subdivision, body politic or other legal person or entity of any kind, legally constituted.

"**Equipment**" means all telecommunications, electronic, computing, network, office and facilities equipment and machinery, vehicles and tools owned or leased by a Party and used to provide or in connection with the Services, including the following (to the extent owned or leased by a Party and used to provide or in connection with the Services): (a) mainframe, midrange, server and distributed computing equipment and associated attachments, features, accessories, peripheral devices and cabling; (b) personal computers, laptop computers, workstations and personal data devices and associated attachments, features, accessories, printers, multi-functional printers, peripheral or network devices and cabling; and (c) voice, data, video and wireless telecommunications and network and monitoring equipment and associated attachments, features, accessories, cell phones, peripheral devices and cabling.

"**Ethics Code**" means the Commonwealth's code of ethics as set forth in **Appendix B** to the Operating Standards.

"**Excluded Person**" means: (a) a Party; (b) any one hundred percent (100%)-owned Affiliate of a Party; or (c) a new corporation owned directly by the shareholders of a Party in the same proportions as their ownership in such Party.

"**Executive Director**" means the Executive Director of the Lottery Bureau.

"**Existing Lottery Law**" has the meaning set forth in the recitals to the Agreement.

"**GAAP**" means generally accepted accounting principles as accepted in the United States.

"**Game Rules**" means a set of written rules that govern the manner of playing a Lottery Game and, at a minimum, include the following: identification of the Lottery Game; Lottery Ticket price; manner of winning each Prize; approximate odds of winning each Prize, such odds of winning to be based on a mathematically defensible formula; Prize structure, and, if applicable, Special Games.

"**Governmental Authority**" means any federal, Commonwealth, regional or local legislative, executive, judicial or other governmental board, department, agency, authority, commission, administration, court, taxing authority, or other body, or political subdivision thereof (including the Commonwealth, acting its governmental capacity other than as a party to the Agreement), or any official thereof, having jurisdiction in any way over or in respect of any aspect of the performance of the Agreement.

"**Initial Annual Business Plan**" has the meaning set forth in **Section 5.3.1 (Initial Annual Business Plan)** of the Agreement.

"**Instant Lottery Ticket**" means Lottery Tickets for Lottery Games, the outcome of which is immediately available to the Player upon playing the Lottery Game, and is not contingent upon a Drawing.

"**Intellectual Property**" means any: (a) formulae, algorithms, methodologies, processes, process improvements, procedures, designs, ideas, concepts, research, discoveries, Work Product, materials, inventions and invention disclosures (whether or not patentable or reduced to practice), know-how, and technology; (b) Software, databases, tools, and machine-readable texts and files; and (c) literary work or other work of authorship, including documentation, reports, drawings, charts, graphics and other written documentation, together with all patents, copyrights, trademarks, service marks, trade secrets and other intellectual property rights in or appurtenant to any of the foregoing.

"**Internal Control**" means a narrative description of Manager's initial or revised system of internal procedures and administrative and accounting controls, which are designed to provide reasonable assurances regarding the achievement of objectives in certain categories including the following: effectiveness and efficiency of operations; reliability of financial reporting; governance and vendor management; and compliance with Commonwealth Policies and Rules.

"**Internet**" means the international computer network on interoperable packet switched data networks.

"**ITVMs**" means Instant Ticket Vending Machines.

"**Lottery**" means the Pennsylvania lottery gaming system as authorized by the Existing Lottery Law and its accompanying rules and regulations, as each of the foregoing may be amended from time to time.

"**Lottery Bureau**" means the Pennsylvania State Lottery created to administer and operate the lottery by order of the Executive Board (61 PA. CODE § 801.1).

"**Lottery Game**" means all games presently offered by the Lottery, including second-chance games, and together with new games introduced during the Term of the Agreement.

"**Lottery Retail Contract**" means an agreement between the Lottery Bureau or, where appropriate, Manager and a Lottery Retailer pursuant to which the Lottery Retailer is authorized to sell Lottery Tickets to the public.

"**Lottery Retailer**" means an Entity who complies with the requirements of the Existing Lottery Law and has entered into an agreement with Manager to be an authorized agent for the retail sale of Lottery Tickets to the public.

"**Lottery Ticket**" means an official Lottery Game ticket, receipt, voucher, token or other acknowledgment capable of being validated on sale through the Lottery.

["**Loyalty Program**" means any program in which Players register with Manager, a Lottery Retailer, Vendor, or Subcontractor for purposes of accumulating and receiving awards, complimentaries, or any other things of value for such Player's participation in a Lottery Game.]

"**Major Procurement**" means the act or process of securing a major procurement contract or the obtaining of the products or services that are subject of a major procurement contract.

"**Major Procurement Contract**" means any contract for gaming products or services in excess of five hundred thousand dollars ($500,000) annually, including major advertising contracts, consulting services, Equipment, tickets and other products and services unique to the Pennsylvania lottery, but not including materials, supplies, equipment, and services common to the ordinary operations of a corporation.

"**Managed Contracts**" means the following agreements that Manager will assume and manage on and after the Effective Date of the Agreement including the following: (a) that certain Contract for Instant Lottery Games Services or "CSP Contract" by and between the Commonwealth and Scientific Games International dated August 21, 2007; and (b) that certain Contract for Lottery Games System and Related Services or "Systems Contract" by and between the Commonwealth and Scientific Games International dated December 19, 2008.

"**Manager**" has the meaning set forth in the preamble to the Agreement.

"**Manager Key Personnel**" means, initially, those employees of Manager and its Subcontractors who are so designated in the Schedules, and any other Manager Personnel at the director level or vice-president level and above.

"**Manager Personnel**" means those employees, representatives, contractors, subcontractors and agents of Manager, Subcontractors and Manager Affiliates who perform any Services under the Agreement.

"**Multi-State Lottery Games**" means any Lottery Game operated by two or more state entities, or their designees, in which revenue, expenses and responsibility for Prize payments is shared amongst the participating entities on a proportional basis as determined in a written agreement amongst the entities.

"On-Line Games" means Games, also known as terminal-based games, which are sold, recorded, validated, and redeemed through the System to be provided by the Manager or Manager's Subcontractor.

"On-Line Terminals" means the terminal installed at Lottery Retailer locations for the for the purpose of selling and redeeming tickets sold and performing accounting functions for On-Line Games, activating Instant Tickets, validating Instant Tickets and performing pack management and accounting functions.

"On-Line Ticket" means a paper bearer instrument that is a Player's record of a Wager or Transaction for an On-Line Lottery Game.

"**Operating Standards**" means this manual describing the policies and procedures that shall govern certain operational provisions for the performance of the Services, as may be amended from time to time.

"**Owner**" means any Entity who owns a Point of Sale if separate from a Lottery Retailer operating at such Point of Sale.

"**Party**" or "**Parties**" means, individually or collectively, the Commonwealth or Manager.

"**PAT**" **(Player Activated Terminal)** means a self-service device that allows Lottery players to place Wagers on any Lottery On-Line or Instant Game. The PAT is connected to the System and records Transactions in the same manner as On-line Terminals.

"**Personal Information**" means, with respect to any Player: the name, financial account information (including the names of financial institutions), social security number, driver's license number, telephone number, mailing address, home address, work address, employer, email address, and any other contact information, Player's birth date, and the names or Personal Information of any member of any Player's immediate family or household.

"**Player**" means any Entity who legally seeks to purchase or purchases a Lottery Ticket.

"**Play Slip**" means a pre-printed slip having a set of defined fields from which a Player can select a set of numbers as specified for each Drawing.

"**Point of Sale**" means the physical location where a Lottery Retailer is authorized to conduct the sale of Lottery Tickets to the public.

"**Prize**" means any award, financial or otherwise, awarded to a Lottery Ticket holder pursuant to the Game Rules. In determining whether a winning Lottery Ticket may be redeemed for cash by a Lottery Retailer or must be presented to an office of the Lottery Bureau or Private Manager for payment, and whether a prize may be claimed in a group name or must be claimed by an individual group member, "prize" means the verified prize amount, less the dollar amount of the wager, in accordance with federal tax regulations.

"**Prize Claim**" means to present a purported winning Lottery Ticket to a Lottery Retailer, the Lottery Bureau, or its agent for the purpose of receiving a Prize. "Prize Claim" shall additionally mean the process of completing a Lottery claim form or other documentation required for receipt of a Prize for a winning Lottery Ticket.

"**Procurement Standards**" means these Procurement Standards, policies and procedures, as amended from time to time.

"**Profit**" has the meaning set forth in **Schedule 10.1 (Compensation and Payment Terms)** of the Agreement.

"**Proposal**," "**bid**," "**quote**," and "**offer**" shall all denote that which a Subcontractor or Vendor provides for competitive consideration or comparison under any competitive procurement process.

"**Regulatory Requirements**" means all federal, country, state, provincial, regional, territorial, local and other laws, rules and regulations, ordinances, interpretive letters and other official releases of or by any Governmental Authority, decrees, orders and codes (including any requirements for permits, certificates, approvals and inspections), as the same are promulgated, supplemented and/or amended from time to time, including laws that apply directly or indirectly to the delivery or receipt of Services under the Agreement.

"**Related Documentation**" means, with respect to software, all materials, documentation, Specifications, technical manuals, user manuals, flow diagrams, file descriptions and other written information that describe the function and use of such Software.

"**Reports**" has the meaning set forth in **Section 5.8 (Reporting on Performance)** of the Agreement.

"Sales Day" shall begin following the close of sales of a given day and ends at the close of sales at the end of the next day between the times set forth in the Schedules, Operating Standards, or Subcontract, as the case may be.

"**Secretary**" means the Secretary of Revenue, or his or her designee.

"**Secure Storage Facility**" means any area, room, furniture, Equipment, machinery or other device used by the Lottery Bureau or Private Manager for the storage of Confidential Information, access to which is limited to authorized personnel at all times by locks, alarms, codes, encryption, or other appropriate security precautions.

"**Security Plan**" means the security plan that Manager must submit, in writing, to the Lottery Bureau or its designee in accordance with **Section 4.2.2 (Security Internal Control Submission)** to prevent theft, fraud, or misuse relating to the Lottery.

"**Service Organization Control Reports**" means reports to be provided by Manager pursuant to **Section 4.1.4 (Service Organization Control Reports)**.

"**Services**" has the meaning set forth in **Section 4.1 (Scope of Services)** of the Agreement.

"**Services Exhibit**" means the Services Exhibit attached to the Agreement as **Exhibit A** that further describes the Services to be performed and provided by Manager.

"**SLA**" or "**Service Level**" means a service level requirement and is a standard for performance for particular Services, each as set forth in the Service Level Agreement.

"**SLA Credits**" has the meaning set forth in **Section 5.6 (SLA Credits)** of the Agreement.

"**Software**" means any and all applications programs, operating system software, computer software languages, utilities and other computer programs (and all modifications, replacements, upgrades, enhancements, documentation, materials and media related thereto) owned, leased or licensed by a Party and used to provide or in connection with the Services, including the following (to the extent owned, leased or licensed by a Party and used to provide or in connection with the Services): (a) all development, testing, deployment, management and maintenance tools used with or for such software programs used to support day-to-day business operations and accomplish specific business objectives; and (b) software programs that perform tasks basic to the functioning of the Equipment and are required to operate the tools and items described in preceding **subsection (a)**, including operating systems, systems utilities, data security software, compilers, performance monitoring and testing tools and database managers used in connection with such programs.

"**Solicitation**" means all documents, whether attached or incorporated by reference, utilized for soliciting bids, offers, quotes, or proposals with respect to a particular procurement.

["**Special Games**" means certain Lottery Games established by the Commonwealth of which some or all of the proceeds are dedicated for specific philanthropic purposes, including military veterans' services, cancer research support, and other philanthropic programs.]

"**Specifications**" means the descriptions, specifications, functionality, schedule for performance, performance standards, acceptance criteria and related requirements with respect to any Services, Equipment, Software, Work Product and/or deliverables.

"**Subcontract**" means any contract between Manager and a Subcontractor for the provision of Services in support of Lottery operations.

"**Subcontractor**" means, subject to the terms of **Article 7 (Subcontractors and Vendor Contracts)** of the Agreement, any Third Party Entity that provides Services to the Commonwealth pursuant to an agreement or other arrangement with Manager. An Affiliate of Manager that provides Services to or for the benefit of the Commonwealth shall be considered a Subcontractor.

"**System**" means the System to be furnished by Manager's Subcontractor pursuant to the Managed Contract which sells and redeems On-Line Tickets, validates Instant Tickets, and performs accounting and pack management functions for On-Line and Instant Tickets at the Primary Data Center and Back-up Data Center pursuant to the Managed Contract.

"**Term**" has the meaning set forth in **Section 13.1 (Term of Agreement)** of the Agreement.

"**Third Party**" means an Entity other than the Parties and an Affiliate of Manager.

"**Transition Plan**" has the meaning set forth in **Section 3.1.1 (Transition Services)** of the Agreement.

"**Transition Services**" has the meaning set forth in **Section 3.1.1 (Transition Services)** of the Agreement.

"**UAT**" means user acceptance testing.

"**Updated Annual Business Plan**" has the meaning set forth in **Section 5.3.2 (Updated Annual Business Plan)**.

"**Vendor**" means any Third Party or Affiliate of Manager who is party to a Vendor Contract.

"**Vendor Contract**" means any agreement (whether written or oral) entered into by Manager (except the Agreement) or a Subcontractor with any Third Party or any Affiliate of Manager to supply materials or goods to Manager, Retailers or Players.

["**Voluntary Self-Exclusion Database**" means the database of names and other identifying information prepared in accordance with the Voluntary Self-Exclusion Program.]

["**Voluntary Self-Exclusion Program**" means the policy and program that allows an individual to ban himself or herself from playing any Lottery Game, receiving a Prize, receiving promotional material or marketing collateral regarding the Lottery, or otherwise participating in Lottery activities, all as approved and implemented by the Lottery Bureau.]

"**Work Product**" means any Intellectual Property, modifications or enhancements to Intellectual Property and Related Documentation developed pursuant to Agreement by or on behalf of Manager or any combination of Manager and the Commonwealth.

APPENDIX B

PENNSYLVANIA LOTTERY CODE OF CONDUCT FOR OFFICERS AND EMPLOYEES OF MANAGER

This Code of Ethics ("**Code**") governs the conduct of the Officers and Employees of Manager in discharging their duties and responsibilities in connection with the Private Management Agreement executed by Manager. Reference throughout the Code to "**Employee**" means the Officers and/or Employees of Manager, or the subsidiary or associated company in which it acts.

1. **Purpose**. As with any entity working with the Commonwealth, Manager must conduct itself at all times according to the highest ethical standards. The Employee must conduct himself/herself according to the same high ethical standards, and is expected to discharge his/her duties with loyalty and in such a manner as to promote and preserve public trust and confidence in Manager and the Commonwealth. Among the other requirements set forth herein, it is essential that the Employee avoid situations where private interest in outside business activities and opportunity for financial or personal gain could influence his/her decision in giving favored treatment to any organization or person. The Employee must also avoid circumstances and conduct in outside activities that are, or appear to be, questionable to the general public.

2. **Relationship to Other Ethics Requirements**. The Code is not a full statement of the obligations of the Employee arising from his/her relationship with Manager and the Commonwealth. Rather, it is intended to augment other applicable statutory provisions, including the Public Official and Employees Ethics Act, 65 Pa.C.S. §§1101 *et seq*.; the State Adverse Interest Act, 71 P.S. §776.1 *et seq*.; and the Governor's Code of Conduct, Executive Order 1980-18, 4 Pa. Code §7.151 *et seq*..

3. **Application**. This Code applies to the Employee. It also applies to officers and employees of subsidiary and associated companies, if any, of Manager. Certain prohibitions contained herein affect or extend to family members of the Employee ("**Family Member**"). For the purposes of this Code, a Family Member is defined as an individual who resides in the same household as an Employee.

4. **General Responsibilities**. At all times it is the duty of the Employee to ensure that he/she acts within the law in fulfilling his/her duties as an officer and/or employee of Manager. It is also the responsibility of the Employee to ensure that all of his/her activities, whether covered specifically or otherwise in this document, are governed by the ethical considerations implicit in these procedures. If the Employee has a question or concern as to the applicability of the Code or applicable law to a current or prospective situation, relationship or association, that question or concern should be presented for clarification or guidance to the ethics officer for the Commonwealth (the "**Ethics Officer**"), or any other person designated for this purpose by the Executive Director. Should an Employee find himself/herself unable or unwilling to comply with the Code as adopted herein or as may be amended, the Employee shall immediately inform the Commonwealth, through the Ethics Officer or the Executive Director.

5. **Confidentiality**. In the course of his/her duties, the Employee will have access to Confidential Information and is required to preserve the confidentiality of such information. It follows that the Employee may not disclose Confidential Information to any outside person unless authorized and, moreover, may never disclose or use Confidential Information of the Commonwealth for his/her own personal gain, or the personal gain of a Family Member or any other acquaintance, regardless of whether that acquaintance is related to the Employee.

6. **Conflict of Interest**. It is the duty of the Employee to act at all times solely in the interests of Manager and the Commonwealth, to the exclusion of all other considerations. As such, the Employee and Family Member have a duty to avoid relationships that may cause or have the appearance of causing a conflict of interest. A conflict of interest means a situation in which the Employee or Family Member's interest, whether personal, financial or otherwise, influences or creates the appearance that it may influence the Employee's judgment in the performance of his/her duties in a fair and impartial manner.

If, in addition to the requirements above, the Commonwealth Procurement Code mandates that a more specific requirement regarding disclosure and/or certification of interests and procedures be followed, the Employee must comply with all such requirements.

7. **Gambling and Other Restrictions**. Except as may be required in the conduct of official duties, no lottery ticket, share thereof, or other gaming offering by the Lottery, shall be purchased by, and no prize shall be paid to an Employee and/or Family Member.

8. **Gifts Benefits and Inducements**. No Employee or Family Member may obtain personal advantage from any person dealing with the Lottery, the Commonwealth, and/or Manager, including any person who is, or seeks to be, a Subcontractor. Gifts, benefits and/or inducements include any gratuity, service, compensation, travel, lodging or anything of value. In particular, neither the Employee nor a Family Member may accept any gifts, benefits or inducements, from any person or entity relating to the Lottery, where: (a) the worth of the gift, benefit or inducement is more than nominal in value; or (b) the value of such gift, benefit or inducement creates an appearance that the person giving the gift is attempting to influence the Employee to gain advantage. This Code is not a full statement of prohibitions on receipt of gifts, benefits or inducements but rather is intended to augment any statutory or regulatory requirements and prohibitions which are incorporated by reference herein and are fully binding on the Employee including the Public Official and Employees Ethics Act, 65 Pa.C.S. §§1101 *et seq*.; the State Adverse Interest Act, 71 P.S. §776.1 *et seq*.; and the Governor's Code of Conduct, Executive Order 1980-18, 4 Pa. Code §7.151 *et seq*.

9. **Other Employment**. An Employee must not hold or pursue employment, office, position, business or occupation that may conflict with his/her official duties or creates a time commitment conflict. An Employee, excepting Manager Key Personnel, may engage in other employment so long as it does not interfere or conflict with his/her duties. Manager Key Personnel may not hold or pursue any office, position, business or occupation or engage in any other employment unless first disclosed to, and approved by, the Executive Director.

10. **Compliance with Federal and State Laws**. The Employee is required to comply with all applicable federal and state laws and regulations, including the State Lottery Law, Pennsylvania Administrative Code and the applicable portions of the Commonwealth Procurement Code.

11. **Statutory and Regulatory Obligations**. The Employee is required to fulfill all statutory and regulatory obligations imposed on Manager, the Lottery, and/or the Commonwealth.

12. **Prohibited Behavior**. The Employee shall not engage in unethical, illegal or criminal activities.

13. **Integrity and Fairness**. The Employee is required to adhere to the highest standards of personal and professional integrity. In particular the Employee must:

- Make decisions solely in terms of public interest. They will not act for personal gain or for the benefit of family and friends;
- Decide issues objectively on their merits;
- Ensure he/she conducts his/her business fairly;
- Conduct himself/herself in a professional manner at all times; and
- Comply with all anti-discrimination laws and regulations.

14. **Cooperation**. The Employee is required to cooperate with all relevant regulatory and supervisory bodies.

15. **Reporting of Violations**. The Employee shall immediately report any known violation of this Code and/or any applicable federal or state law or regulation to the Ethics Officer, or any other person designated for this purpose by the Executive Director.

16. **Circulation of Code**. Each Employee is directed to read and comply with this Code. Upon accepting employment with Manager, each Employee shall sign a statement acknowledging that they have read the Code, understand its terms and agree to abide by its terms as currently adopted or as may be amended from time to time.

17. **Failure to Comply with the Code**. In addition to any other penalty prescribed in the Agreement or applicable law, the intentional, willful or material failure to comply with this Code shall, at the sole discretion of the Commonwealth, render the Agreement, or any other procurement relationship, voidable if the Commonwealth deems it in the best interests of the Commonwealth.

APPENDIX C

BUSINESS CONTINUITY PLAN AND DISASTER RECOVERY

[TO BE INCLUDED AS PART OF ANNUAL BUSINESS PLAN]